

BNK FINANCIAL GROUP INC.

Separate Interim Financial Statements

June 30, 2018 and 2017

BNK FINANCIAL GROUP INC.

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June 30, 2018 and 2017

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Report on Review of Interim Financial Statements

(English Translation of a Report Originally Issued in Korean)

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

Reviewed Financial Statements

We have reviewed the accompanying separate interim financial statements of BNK Financial Group Inc. (the "Company"). These financial statements consist of the separate interim statement of financial position of the Company as at June 30, 2018 and 2017, and the related separate interim statements of comprehensive income for the three-month and six-month periods ended June 30, 2018 and 2017, and separate interim statements of changes in equity and cash flows for the six-month periods ended June 30, 2018 and 2017, and a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) 1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of separate interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to issue a report on these separate interim financial statements based on our review.

We conducted our review in accordance with quarterly or semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe the accompanying separate interim financial statements are not presented fairly, in all material respects, in accordance with Korean IFRS 1034 *Interim Financial Reporting*.

Other Matters

We have audited the separate statement of financial position of the Company as at December 31, 2017, and the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 15, 2018. The separate statement of financial position as at December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited statement of financial position as at December 31, 2017.

Review standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries.

August 14, 2018
Seoul, Korea

<p>This report is effective as of August 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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BNK FINANCIAL GROUP INC.
Separate Interim Statements of Financial Position
June 30, 2018 and December 31, 2017

<i>(in thousands of Korean won)</i>	Notes	June 30, 2018		December 31, 2017	
		(Unaudited)			
Assets					
Cash and due from banks	4,5,6,7	₩	182,127,916	₩	161,666,426
Investments in subsidiaries	8		5,849,457,231		5,649,457,231
Loans and receivables	4,5,6,7		78,036,725		44,800,204
Property and equipment	9		9,856,168		9,086,233
Intangible assets	10		2,453,655		1,717,655
Other assets	11		1,702,981		1,601,077
Total assets		₩	<u>6,123,634,676</u>	₩	<u>5,868,328,826</u>
Liabilities					
Debentures	4,5,6,12		1,138,531,311		1,138,614,038
Net defined benefit liabilities	13		3,716,108		2,928,452
Current tax liabilities			57,689,483		33,860,437
Other liabilities	5,6,14		71,756,886		70,694,549
Total liabilities			<u>1,271,693,788</u>		<u>1,246,097,476</u>
Equity					
Share capital	15		1,629,676,230		1,629,676,230
Hybrid equity securities	15		508,521,371		259,277,011
Other paid-in capital	15		2,276,821,837		2,276,821,837
Other components of equity	15		(3,074,682)		(3,123,295)
Retained earnings	16		439,996,132		459,579,567
Total equity			<u>4,851,940,888</u>		<u>4,622,231,350</u>
Total liabilities and equity		₩	<u>6,123,634,676</u>	₩	<u>5,868,328,826</u>

The separate interim statement of financial position as at June 30, 2018, has been prepared in accordance with Korean IFRS 1109 and comparative figures as at December 31, 2017, have not been restated.

BNK FINANCIAL GROUP INC.
Separate Interim Statements of Comprehensive income
Three-Month and Six-Month Periods Ended June 30, 2018 and 2017

		Period Ended June 30			
		2018 (Unaudited)		2017 (Unaudited)	
(in thousands of Korean won, except per share amounts)	Notes	Three months	Six months	Three months	Six months
Net interest income	16				
Interest income		W 149,938	W 156,557	W 3,074	W 6,644
Interest expenses		<u>(7,604,686)</u>	<u>(15,014,314)</u>	<u>(8,041,930)</u>	<u>(15,964,453)</u>
		<u>(7,454,748)</u>	<u>(14,857,757)</u>	<u>(8,038,856)</u>	<u>(15,957,809)</u>
Net fee and commission income	17				
Commission revenues		2,536,100	5,071,850	2,488,950	4,978,250
Commission expenses		<u>(281,073)</u>	<u>(746,506)</u>	<u>(983,316)</u>	<u>(1,277,004)</u>
		<u>2,255,027</u>	<u>4,325,344</u>	<u>1,505,634</u>	<u>3,701,246</u>
Dividend income		-	91,081,919	-	55,789,420
General and administrative expenses	18	<u>(8,196,832)</u>	<u>(15,360,668)</u>	<u>(3,589,303)</u>	<u>(7,012,501)</u>
Operating profit (loss)		<u>(13,396,553)</u>	<u>65,188,838</u>	<u>(10,122,525)</u>	<u>36,520,356</u>
Non-operating revenue (expense)	19				
Non-operating revenue		33,134	115,775	13,964	57,504
Non-operating expense		<u>(72,739)</u>	<u>(83,039)</u>	<u>(3,000,000)</u>	<u>(3,000,300)</u>
		<u>(39,605)</u>	<u>32,736</u>	<u>(2,986,036)</u>	<u>(2,942,796)</u>
Profit (loss) before income tax		(13,436,158)	65,221,574	(13,108,561)	33,577,560
Income tax expense		-	-	-	-
Profit (loss) for the period		<u>(13,436,158)</u>	<u>65,221,574</u>	<u>(13,108,561)</u>	<u>33,577,560</u>
Other comprehensive income, net of tax		<u>48,613</u>	<u>48,613</u>	<u>(110,579)</u>	<u>(110,579)</u>
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurements of net defined benefit liabilities		<u>48,613</u>	<u>48,613</u>	<u>(110,579)</u>	<u>(110,579)</u>
Total comprehensive income (loss) for the period		<u>W (13,387,545)</u>	<u>W 65,270,187</u>	<u>W (13,219,140)</u>	<u>W 33,466,981</u>
Earnings (loss) per share (in Korean won)	20				
Basic earnings (loss) per share		W (59)	W 170	W (49)	W 85
Diluted earnings (loss) per share		(59)	170	(49)	85

The separate interim statement of comprehensive income for the three-month and six-month period ended June 30, 2018, has been prepared in accordance with Korean IFRS 1109 and comparative figures for the three-month and six-month period ended June 30, 2017, have not been restated.

BNK FINANCIAL GROUP INC.

Separate Interim Statements of Changes in Equity Six-Month Periods Ended June 30, 2018 and 2017

	<i>(in thousands of Korean won)</i>									
	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Total equity				
Balance at January 1, 2017	₩ 1,629,676,230	₩ 259,277,011	₩ 2,276,821,837	₩ (1,680,077)	₩ 415,268,501	₩ 4,579,363,502				
Dividends on hybrid equity securities	-	-	-	-	₩ (5,917,079)	₩ (5,917,079)				
Dividends	-	-	-	-	₩ (74,961,690)	₩ (74,961,690)				
Total comprehensive income					₩ 33,577,560	₩ 33,577,560				
Profit for the period	-	-	-	-	-	-				
Other comprehensive income	-	-	-	-	-	-				
Remeasurements of net defined benefit liabilities	-	-	-	₩ (110,579)	-	₩ (110,579)				
Balance at June 30, 2017 (Unaudited)	₩ 1,629,676,230	₩ 259,277,011	₩ 2,276,821,837	₩ (1,790,656)	₩ 367,967,292	₩ 4,531,951,714				
Balance at January 1, 2018	₩ 1,629,676,230	₩ 259,277,011	₩ 2,276,821,837	₩ (3,123,295)	₩ 459,579,567	₩ 4,622,231,350				
Issuance of hybrid equity securities	-	₩ 249,244,360	-	-	-	₩ 249,244,360				
Dividends on hybrid equity securities	-	-	-	-	₩ (74,961,690)	₩ (74,961,690)				
Dividends	-	-	-	-	-	-				
Total comprehensive income					₩ 65,221,574	₩ 65,221,574				
Profit for the period	-	-	-	-	-	-				
Other comprehensive income	-	-	-	₩ 48,613	-	₩ 48,613				
Remeasurements of net defined benefit liabilities	-	-	-	₩ (3,074,682)	-	₩ (3,074,682)				
Balance at June 30, 2018 (Unaudited)	₩ 1,629,676,230	₩ 508,521,371	₩ 2,276,821,837	₩ (3,074,682)	₩ 449,839,451	₩ 4,861,784,207				

The separate interim statement of changes in equity for the six-month period ended June 30, 2018, has been prepared in accordance with Korean IFRS 1109 and comparative figures for the six-month period ended June 30, 2017, have not been restated.

The above separate interim statements of changes in equity should be read in conjunction with the accompanying notes.

BNK FINANCIAL GROUP INC.

Separate Interim Statements of Cash Flows

Six-Month Periods Ended June 30, 2018 and 2017

	Six-Month Period Ended June 30			
	2018 (Unaudited)		2017 (Unaudited)	
<i>(in thousands of Korean won)</i>				
Cash flows from operating activities				
Profit for the period	₩	65,221,574	₩	33,577,560
Adjustments to profit for the period:				
Interest income		(156,557)		(6,644)
Interest expense		15,014,314		15,964,453
Depreciation		453,975		330,690
Amortization		47,361		47,386
Gain on disposal of property and equipment		(12,726)		-
Post-employment benefit		1,174,272		506,395
Dividend income		(91,081,919)		(55,789,420)
		<u>(74,561,280)</u>		<u>(38,947,140)</u>
Changes in operating assets and liabilities:				
Decrease (increase) in receivables		(9,407,780)		139,339
Decrease in net defined benefit liabilities		(338,003)		(399,440)
Decrease (increase) in other assets		(101,904)		(362)
Decrease in other liabilities		(710,635)		(1,236,961)
		<u>(10,558,322)</u>		<u>(1,497,424)</u>
Interest received		156,862		6,560
Interest paid		(14,491,678)		(15,493,450)
Dividend received		91,081,919		55,789,420
Net cash inflow from operating activities	₩	<u>56,849,075</u>	₩	<u>33,435,526</u>
Cash flows from investing activities				
Payments for investments in subsidiaries	₩	(200,000,000)	₩	-
Payments for property and equipment		(1,223,911)		(2,679,927)
Payments for intangible assets		(783,361)		-
Disposal of property and equipment		12,727		-
Net cash outflow from investing activities		<u>(201,994,545)</u>		<u>(2,679,927)</u>
Cash flows from financing activities				
Issuance of debentures		179,495,501		149,590,939
Repayment of debentures		(180,000,000)		(150,000,000)
Dividends paid		(74,961,690)		(74,961,690)
Issuance of hybrid equity securities		249,244,360		-
Dividends on hybrid equity securities		(8,171,212)		(5,965,000)
Net cash inflow (outflow) from financing activities		<u>165,606,959</u>		<u>(81,335,751)</u>
Net increase (decrease) in cash and cash equivalents		20,461,489		(50,580,152)
Cash and cash equivalents at the beginning of the period		<u>161,666,426</u>		<u>101,083,615</u>
Cash and cash equivalents at the end of the period	₩	<u>182,127,915</u>	₩	<u>50,503,463</u>

The consolidated interim statement of cash flows for the six-month period ended June 30, 2018, has been prepared in accordance with Korean IFRS 1109 and comparative figures for the six-month period ended June 30, 2017, have not been restated.

The above separate interim statements of cash flows should be read in conjunction with the accompanying notes.

BNK FINANCIAL GROUP INC.
Notes to the Separate Interim Financial Statements
June 30, 2018 and 2017 (Unaudited), and December 31, 2017

1. General Information

BNK Financial Group Inc. (the "Company") was established on March 15, 2011, pursuant to a "comprehensive shares transfer" under Financial Holding Companies Act, whereby holders of ordinary shares of Busan Bank; BNK Securities Co., Ltd.; BNK Capital Co., Ltd.; and BNK Credit Information Co., Ltd. transferred shares to the Company and in return received shares of the Company's ordinary shares in order to control, manage and provide financial support to subsidiaries or financial industry-related subsidiaries.

Meanwhile, the Company established BNK System Co., Ltd. and BNK Savings Bank Co., Ltd. as its subsidiaries with 100% share in 2011 and obtained 56.97% share in Kyongnam Bank in October 2014, after which the Company proceeded to take over the rest of Kyongnam Bank's shares through general exchange of shares on June 4, 2015. In July 2015, the Company obtained 51.01% shares of BNK Asset Management Co., Ltd. through acquisition and issue of shares and incorporated it as its subsidiary. In addition, BNK Asset Management Co., Ltd. became a wholly owned subsidiary of the Company as the Company acquired additional shares of BNK Asset Management Co., Ltd. in December 2017.

The Company is headquartered in Busan Nam-gu Munhyeongeumyung-ro, 30.

The Company's share capital as at June 30, 2018, amounts to \1,629,676 million with 325,935,246 shares outstanding.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate interim financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The Company's condensed separate interim financial statements for the six-month period ended June 30, 2018, have been prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These condensed separate interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at June 30, 2018.

(a) New and Amended Standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2018.

- Amendments to Korean IFRS 1028 *Investments in Associates and Joint Ventures*

When an investment in an associate or a joint venture is held by, or is held indirectly through, an entity

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that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with Korean IFRS 1109. The amendment has not been applied because the Company is not a venture capital organization.

- Amendment to Korean IFRS 1040 *Transfers of Investment Property*

Paragraph 57 of Korean IFRS 1040 clarifies that a transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence, and provides a list of circumstances as examples. The Company does not expect the amendment to have a significant impact on the financial statements.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award.

- Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

- Enactment of Korean IFRS 1109 *Financial Instruments*

The Company has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative figures have not been restated, and there are no differences between previous book amounts and book amounts at the date of initial application.

(b) New standards and interpretations not yet adopted by the Company

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing January 1, 2018 and have not been early adopted by the Company are set out below.

- Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*. The Company will apply the standards for annual periods beginning on or after January 1, 2019.

Under the new standard, with implementation of a single lease model, lessee is required to recognize assets and liabilities for all lease which lease term is over 12 months and underlying assets are not low value assets. A lessee is required to recognize a right-of-use asset and a lease liability representing its obligation to make lease payments.

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The Company performed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. The Company is analyzing the effects on the financial statements based on available information as at June 30, 2018 to identify effects on 2018 interim financial statements; however, it is difficult to provide reasonable estimates of financial effects until the analysis is complete.

2.2 Significant Accounting Policies

Significant accounting policies and method of computation used in the preparation of the condensed separate interim financial statements are consistent with those of the separate financial statements for the year ended December 31, 2017, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.(a) and the ones described below.

2.2.1 Income Tax Expense

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

2.2.2 Financial Assets

(a) Classification

From January 1, 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

(b) Measurement

At initial recognition, the Company measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or the issuance of the financial liabilities. Transaction costs of financial

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assets carried at fair value through profit or loss are expensed in profit or loss.

Hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired.
- Fair value through other comprehensive income("FVTOCI") : Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (and reversal of impairment loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- Fair value through profit or loss("FVTPL") : Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Company's right to receive payments is established.

(c) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.2.3 Subsidiaries

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The financial statements of the Company are the separate financial statements prepared in accordance with Korean IFRS 1027, *Separate Financial Statements*. Investments in subsidiaries are recognized at cost under the direct equity method. Management applied the carrying amounts under the previous K-GAAP at the time of transition to Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries in profit or loss when its right to receive the dividend is established.

3. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Company to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant accounting estimates and assumptions applied in the preparation of these condensed separate interim financial statements are the same as those applied to the separate financial statements for the year ended December 31, 2017, except for the accounting estimates and assumptions for implementation of Korean IFRS 1109 explained as below.

(a) Impairment of financial assets

The provision for impairment for financial assets disclosed in Note 4 are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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4. Financial Risk Management

The financial risks that the Company is exposed to are credit risk, liquidity risk, operation risk and others.

There has not been a significant change in the Company's purpose of financial risk management and risk management policy since December 31, 2017.

4.1 Credit Risk

Loans and receivables by credit risk category as at June 30, 2018 are as follows:

<i>(in thousands of Korean won)</i>	2018	2017
Loans and receivables	₩ 78,036,725	₩ 44,800,204

Credit risk by credit risk of loans receivable and receivables as at June 30, 2018, are as follows:

<i>(in thousands of Korean won)</i>	2018	
12 - months expected credit losses	₩	78,036,725
Lifetime expected credit losses		-
Loans and receivables not credit impaired		-
Loans and receivables credit impaired		-
		<hr/> 78,036,725
Allowance for credit loss		-
Book amount	₩	<hr/> 78,036,725 <hr/>

Credit risk by impairment of loans and receivables as at December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	2017	
Assets neither past due nor impaired	₩	44,800,204
Assets past due but not impaired		-
Impaired assets		-
		<hr/> 44,800,204
Allowance for credit loss		-
Book amount	₩	<hr/> 44,800,204 <hr/>

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4.2 Liquidity Risk

Liabilities by term structures as at June 30, 2018 and December 31, 2017, are as follows:

*(in thousands of
Korean won)*

	2018				
	Less than 1 month	1 month– 3 months	3–12 months	More than 1 year	Total
Debentures	₩ 1,900,575	₩ 35,877,400	₩ 172,202,925	₩1,002,895,750	₩ 1,212,876,650

*(in thousands of
Korean won)*

	2017				
	Less than 1 month	1 month– 3 months	3–12 months	More than 1 year	Total
Debentures	₩ 1,900,575	₩ 5,336,050	₩ 310,152,975	₩ 889,793,650	₩ 1,207,183,250

The cash flows disclosed in the maturity analysis are undiscounted contractual amount, including principal and future interest payments, which results in disagreement with the discounted cash flows included in the separate statements of financial position.

4.3 Capital Management

In accordance with regulation on Supervision of Financial Holding Companies, for capital risk management, the Company monitors its capital by measuring debt to equity ratio (total liabilities divided by total equity) and double leverage ratio (total capital investment in subsidiaries divided by total equity).

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5. Fair Value

There are no significant changes in the business and economic environments that affect the fair value of the Company's financial assets and liabilities for the six-month period ended June 30, 2018.

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	June 30, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from banks	₩ 182,127,916	182,127,916	161,666,426	161,666,426
Loans and receivables	78,036,725	78,036,725	44,800,204	44,800,204
	<u>₩ 260,164,641</u>	<u>260,164,641</u>	<u>206,466,630</u>	<u>206,466,630</u>
Financial liabilities				
Debentures	₩ 1,138,531,311	₩ 1,147,940,470	₩ 1,138,614,038	₩ 1,148,419,330
Other financial liabilities ¹	8,501,616	8,501,616	7,713,843	7,713,843
	<u>₩ 1,147,032,927</u>	<u>₩ 1,156,442,086</u>	<u>₩ 1,146,327,881</u>	<u>₩ 1,156,133,173</u>

¹Other financial liabilities consist of non-trade receivables and accrued expenses.

5.2 Fair Value Assessment Method and Assumptions

Fair value assessment method and assumptions are as follows:

Classification	Fair value measurement technique
Cash and due from banks	The carrying amount of cash is regarded as fair value. Carrying amount of demand deposit is regarded as fair value as it does not have maturity and the amount approximates the fair value. DCF Model is used to determine the fair value of general deposits. For those general deposits with the residual maturities of less than three months as at the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Loans and receivables	DCF is used to determine the fair value of loans and receivables. Fair value is determined by using appropriate discount rate to calculate the expected cash flows by contractual cash flows with prepayment rate taken into account. For those loans and receivables with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.
Debentures	Fair value is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets.
Other financial liabilities	For financial liabilities with the residual maturities of less than three months as of the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as fair value.

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6. Financial Instruments by Category

6.1 Carrying Amounts of Financial Instruments by Category

<i>(in thousands of Korean won)</i>	June 30, 2018	December 31, 2017¹
Financial assets at amortized cost		
Cash and due from bank	₩ 182,127,916	₩ 161,666,426
Loans and receivables	78,036,725	44,800,204
	<u>₩ 260,164,641</u>	<u>206,466,630</u>

¹The above financial instruments were classified as loans and receivables as at December 31, 2017.

<i>(in thousands of Korean won)</i>	June 30, 2018	December 31, 2017
Financial liabilities at amortized cost		
Debentures	₩ 1,138,531,311	₩ 1,138,614,038
Other financial liabilities ¹	8,501,616	7,713,843
	<u>₩ 1,147,032,927</u>	<u>₩ 1,146,327,881</u>

¹ Other financial liabilities consist of securities related payables and accrued expenses.

6.2 Net Gains or Losses by Category of Financial Instruments

Net gains or losses on each category of financial instruments for the six-month periods ended June 30, 2018 and 2017, are as follows

<i>(in thousands of Korean won)</i>	June 30, 2018	December 31, 2017
Financial instruments at amortized cost		
Interest income	₩ 156,557	₩ 6,644
Interest expenses	(15,014,314)	(15,964,453)
	<u>₩ (14,857,757)</u>	<u>₩ (15,957,809)</u>

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7. Financial Assets

7.1 Cash and Due from Banks

Restricted cash and due from banks as at June 30, 2018 and December 31, 2017, consist of the following:

(in thousands of Korean won)

Classification	Financial institution	Interest rate (%)	June 30, 2018		December 31, 2017	
Checking deposits	Busan Bank	-	₩	178,964,880	₩	159,287,936
Corporate savings deposits	Busan Bank	-		3,163,036		2,378,490
			₩	<u>182,127,916</u>	₩	<u>161,666,426</u>

7.2 Loans and Receivables

Loans and receivables as at June 30, 2018 and December 31, 2017, consist of the following:

(in thousands of Korean won)

	June 30, 2018		December 31, 2017	
Accounts receivable	₩	57,693,314	₩	33,880,246
Guarantee deposits provided		20,341,758		10,918,000
Accrued income		1,653		1,958
	₩	<u>78,036,725</u>	₩	<u>44,800,204</u>

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8. Investments in Subsidiaries

The details of investments in subsidiaries as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

June 30, 2018				
Name of subsidiaries	Location	Financial statements as at	Percentage of ownership	Book amount
Busan Bank	Korea	December 31	100%	₩ 2,968,140,154
Kyongnam Bank	Korea	December 31	100%	1,949,160,438
BNK Capital Co., Ltd.	Korea	December 31	100%	378,488,236
BNK Securities Co., Ltd.	Korea	December 31	100%	384,166,758
BNK Savings Bank Co., Ltd.	Korea	December 31	100%	115,000,600
BNK Asset Management Co., Ltd.	Korea	December 31	100%	47,050,000
BNK Credit Information Co., Ltd.	Korea	December 31	100%	4,451,045
BNK System Co., Ltd.	Korea	December 31	100%	3,000,000
				<u>₩ 5,849,457,231</u>

(in thousands of Korean won)

December 31, 2017				
Name of subsidiaries	Location	Financial statements as at	Percentage of ownership	Book amount
Busan Bank	Korea	December 31	100%	₩ 2,968,140,154
Kyongnam Bank	Korea	December 31	100%	1,949,160,438
BNK Capital Co., Ltd.	Korea	December 31	100%	378,488,236
BNK Securities Co., Ltd.	Korea	December 31	100%	184,166,758
BNK Savings Bank Co., Ltd.	Korea	December 31	100%	115,000,600
BNK Asset Management Co., Ltd.	Korea	December 31	100%	47,050,000
BNK Credit Information Co., Ltd.	Korea	December 31	100%	4,451,045
BNK System Co., Ltd.	Korea	December 31	100%	3,000,000
				<u>₩ 5,849,457,231</u>

Changes in investments in subsidiaries for the six month period ended June 30, 2018 and year ended December 31, 2017, are as follows:

<i>in thousands of Korean won)</i>	June 30, 2018	December 31, 2017
Beginning balance	₩ 5,649,457,231	5,611,104,716
Acquisition	200,000,000	38,352,515
Ending balance	<u>₩ 5,849,457,231</u>	<u>5,649,457,231</u>

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9. Property and Equipment

Changes in property and equipment for the six-month period ended June 30, 2018 and the year ended December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018					
	Beginning balance	Acquisitions	Disposal	Depreciation	Transfer	Ending balance
Leasehold estates	₩ 286,939	₩ 408,800	₩ -	₩ (75,878)	₩ -	₩ 619,861
Business movable assets	1,764,583	397,372	(1)	(378,097)	-	1,783,857
Construction in progress	7,034,711	417,739	-	-	-	7,452,450
	<u>₩ 9,086,233</u>	<u>₩ 1,223,911</u>	<u>₩ (1)</u>	<u>₩ (453,975)</u>	<u>₩ -</u>	<u>₩ 9,856,168</u>

<i>(in thousands of Korean won)</i>	2017					
	Beginning balance	Acquisitions	Disposal	Depreciation	Transfer	Ending balance
Leasehold estates	₩ 91,606	₩ 238,640	₩ -	₩ (43,307)	₩ -	₩ 286,939
Business movable assets	1,849,572	555,364	(436)	(639,917)	-	1,764,583
Construction in progress	2,327,014	4,811,337	-	-	(103,640)	7,034,711
	<u>₩ 4,268,192</u>	<u>₩ 5,605,341</u>	<u>₩ (436)</u>	<u>₩ (683,224)</u>	<u>₩ (103,640)</u>	<u>₩ 9,086,233</u>

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10. Intangible Assets

Changes in intangible assets for the six-month period ended June 30, 2018 and the year ended December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	2018				
	Beginning balance	Acquisitions	Amortization	Transfer	Ending balance
Software	₩ 179,888	₩ -	₩ (47,361)	₩ -	₩ 132,527
Right of membership	1,434,127	783,361	-	-	2,217,488
Trademark	103,640	-	-	-	103,640
	<u>₩ 1,717,655</u>	<u>₩ 783,361</u>	<u>₩ (47,361)</u>	<u>₩ -</u>	<u>₩ 2,453,655</u>

<i>(in thousands of Korean won)</i>	2017				
	Beginning balance	Acquisitions	Amortization	Transfer	Ending balance
Software	₩ 274,635	₩ -	₩ (94,747)	₩ -	₩ 179,888
Right of membership	1,404,127	30,000	-	-	1,434,127
Trademark	-	-	-	103,640	103,640
	<u>₩ 1,678,762</u>	<u>₩ 30,000</u>	<u>₩ (94,747)</u>	<u>₩ 103,640</u>	<u>₩ 1,717,655</u>

11. Other Assets

The details of other assets as at June 30, 2018 and December 31, 2017, consist of the following:

<i>(In thousands of Korean won)</i>	June 30, 2018	December 31, 2017
Advance payments and others	₩ 1,702,981	₩ 1,601,077
	<u>₩ 1,702,981</u>	<u>₩ 1,601,077</u>

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12. Debentures

The details of debentures as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	Issuance date	Maturity date	Interest rate (%) as at June 30, 2018	June 30, 2018	December 31, 2017
5th non-guaranteed subordinated bonds	2013-08-29	2020-08-29	4.05	₩ 150,000,000	₩ 150,000,000
6th non-guaranteed subordinated bonds	2013-11-07	2020-11-07	4.09	30,000,000	30,000,000
7th non-guaranteed subordinated bonds	2013-11-19	2020-11-19	4.18	20,000,000	20,000,000
9th non-guaranteed subordinated bonds	2014-07-16	2019-07-16	3.02	100,000,000	100,000,000
10th non-guaranteed coupon bonds	2014-09-24	2019-09-24	2.80	150,000,000	150,000,000
13th non-guaranteed coupon bonds	2015-03-25	2020-03-25	2.02	50,000,000	50,000,000
14th non-guaranteed coupon bonds	2015-07-15	2020-07-15	2.40	50,000,000	50,000,000
15th non-guaranteed coupon bonds	2015-09-24	2018-09-24	1.90	30,000,000	30,000,000
16th non-guaranteed coupon bonds	2016-01-15	2021-01-15	2.07	50,000,000	50,000,000
17th non-guaranteed coupon bonds	2016-05-25	2018-05-25	1.67	-	80,000,000
18th non-guaranteed coupon bonds	2016-06-28	2018-06-28	1.50	-	100,000,000
19th non-guaranteed coupon bonds	2016-10-26	2018-10-26	1.76	80,000,000	80,000,000
20th non-guaranteed coupon bonds	2017-04-21	2019-04-21	1.88	50,000,000	50,000,000
21-1st non-guaranteed coupon bonds	2017-05-30	2019-05-30	1.90	20,000,000	20,000,000
21-2nd non-guaranteed coupon bonds	2017-05-30	2020-05-30	2.11	50,000,000	50,000,000
21-3rd non-guaranteed coupon bonds	2017-05-30	2022-05-30	2.37	30,000,000	30,000,000
22th non-guaranteed coupon bonds	2017-09-26	2022-09-26	2.46	100,000,000	100,000,000
23th non-guaranteed coupon bonds	2018-05-25	2023-05-25	2.89	100,000,000	-
24th non-guaranteed coupon bonds	2018-06-26	2021-06-26	2.62	80,000,000	-
				<u>1,140,000,000</u>	<u>1,140,000,000</u>
				<u>(1,468,689)</u>	<u>(1,385,962)</u>
Less: present value discounts				<u>₩ 1,138,531,311</u>	<u>₩ 1,138,614,038</u>

The above non-guaranteed coupon bonds are fully repaid at maturity.

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Details of issuance and repayment of debentures for the six-month period ended June 30, 2018 and for year ended December 31, 2017, are as follows:

(in thousands of Korean won)

	June 30, 2018			
	Beginning balance	Issuance	Repayment	Ending balance
Debentures in Korean won	₩ 1,140,000,000	₩ 180,000,000	₩ (180,000,000)	₩ 1,140,000,000
	<u>₩ 1,140,000,000</u>	<u>₩ 180,000,000</u>	<u>₩ (180,000,000)</u>	<u>₩ 1,140,000,000</u>

(in thousands of Korean won)

	December 31, 2017			
	Beginning balance	Issuance	Repayment	Ending balance
Debentures in Korean won	₩ 1,140,000,000	₩ 250,000,000	₩ (250,000,000)	₩ 1,140,000,000
	<u>₩ 1,140,000,000</u>	<u>₩ 250,000,000</u>	<u>₩ (250,000,000)</u>	<u>₩ 1,140,000,000</u>

13. Post-employment Benefits

Details of net defined benefit liabilities recognized in the statements of financial position as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

	June 30, 2018	December 31, 2017
Present value of funded defined benefit obligations	₩ 10,897,104	₩ 10,076,768
Fair value of plan assets	<u>(7,180,996)</u>	<u>(7,148,316)</u>
Net defined benefit liabilities	<u>₩ 3,716,108</u>	<u>₩ 2,928,452</u>

Income and expenses related to net defined benefit liabilities (assets) for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Current service cost	₩ 1,119,190	-	1,119,190
Interest expenses (interest income)	<u>165,216</u>	<u>(110,134)</u>	<u>55,082</u>
	<u>₩ 1,284,406</u>	<u>(110,134)</u>	<u>1,174,272</u>

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(in thousands of Korean won)

	2017		
	Present value of defined benefit obligation	Fair value of plan assets	Total
Current service cost	₩ 483,807	-	483,807
Interest expenses (interest income)	99,903	(77,315)	22,588
	<u>₩ 583,710</u>	<u>(77,315)</u>	<u>506,395</u>

14. Other Liabilities

Other liabilities as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

	June 30, 2018		December 31, 2017	
Non-trade payables	₩	2,520,618	₩	957,627
Accrued expenses		5,980,998		6,756,216
Others ¹		63,255,270		62,980,706
	<u>₩</u>	<u>71,756,886</u>	<u>₩</u>	<u>70,694,549</u>

¹Others consist of value added tax withheld and miscellaneous liabilities.

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15. Share Capital and Other Paid-in Capital

(a) Share Capital

As at June 30, 2018, the Company has 700 million ordinary shares authorized with a par value per share of ₩5,000 and 325,935,246 shares have been issued. Share capital is ₩1,629,676 million.

(b) Hybrid Equity Securities

Hybrid equity securities classified as equity as at June 30, 2018, are as follows:

<i>(in thousands of Korean won)</i>	June 30, 2018			
	Issue date	Maturity	Interest rates (%)	June 30, 2018
Hybrid equity securities in Korean won	2015-06-24	2045-06-24	4.60	₩ 80,000,000
	2015-06-24	2045-06-24	5.10	30,000,000
	2015-08-31	2045-08-31	4.48	150,000,000
	2018-02-13	-	4.83	100,000,000
	2018-03-02	-	4.26	150,000,000
Issuance cost				<u>(1,478,629)</u>
				<u>₩ 508,521,371</u>

The Company can exercise its right to early repayment after 5 or 10 years from issuance of hybrid equity securities and the Company, on the maturity date, at its discretion may extend the maturity with the same term. In addition, if the Company decides not to pay dividends on the ordinary shares, the Company may not pay interest on the hybrid equity securities.

(c) Other paid-in capital

Other paid-in capital is the amount of difference in the acquisition cost of subsidiaries and par value of the Company's transfer shares, net of treasury shares acquired to eliminate fractional shares arising from the share exchange.

(d) Other components of equity

Other components of equity for the six-month period ended June 30, 2018 and for year ended December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	June 30, 2018		
	Beginning balance	Decrease	Ending balance
Remeasurements of net defined benefit liabilities	₩ (3,123,295)	₩ 48,613	₩ (3,074,682)

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<i>(in thousands of Korean won)</i>	December 31, 2017		
	Beginning balance	Decrease	Ending balance
Remeasurements of net defined benefit liabilities	₩ (1,680,077)	₩ (1,443,218)	₩ (3,123,295)

16. Retained Earnings

Retained earnings as at June 30, 2018 and December 31, 2017, consist of:

<i>(in thousands of Korean won)</i>	June 30, 2018		December 31, 2017	
Reserves:				
Earned profit reserves	₩	83,417,407	₩	70,296,407
Reserve for credit losses		169,000		409,000
Reserve for claims liability		2,000,000		2,000,000
Discretionary reserves		299,031,000		267,601,000
		<u>384,617,407</u>		<u>340,306,407</u>
Retained earnings before appropriation		<u>55,378,725</u>		<u>119,273,160</u>
	₩	<u>439,996,132</u>	₩	<u>459,579,567</u>

Regulatory reserve for credit losses

In accordance with the Regulations for Supervision of Financial Holding Company, if provision for impairment under Korean IFRS is less than provisions that were calculated for the regulatory purpose, the Company is required to appropriate such shortfall amount as regulatory reserve for credit losses. The reserve for credit losses is included in retained earnings and is allowed to reduce the reserve amount required by the related financial regulation if the reserve for credit losses is over the required reserve. If there is an accumulated deficit, the reserve for credit losses is not appropriated until the undisposed accumulated deficit is disposed of.

Balances of regulatory reserve for credit losses as at June 30, 2018 and December 31, 2017, are as follows:

<i>(in thousands of Korean won)</i>	June 30, 2018		December 31, 2017	
Provided regulatory reserve	₩	169,000	₩	409,000
Expected provision (reversal) of reserve for credit losses		119,000		(240,000)
	₩	<u>288,000</u>	₩	<u>169,000</u>

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Expected reversal (provision) of reserve for credit losses, adjusted profit (loss) after the expected reversal (provision) of regulatory reserve and adjusted earnings (loss) per share after the expected reversal (provision) of regulatory reserve for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won, except for earnings per share)

	2018		2017	
	Three months	Six months	Three months	Six months
Profit (loss) for the period	₩ (13,436,158)	₩ 65,221,574	₩ (13,108,560)	₩ 33,577,560
Reversal (provision) of reserve for credit losses	<u>(14,000)</u>	<u>(119,000)</u>	<u>185,000</u>	<u>13,000</u>
Adjusted profit (loss) after the reversal (provision) of regulatory reserve ¹	<u>₩ (13,450,158)</u>	<u>₩ 65,102,574</u>	<u>₩ (12,923,560)</u>	<u>₩ 33,590,560</u>
Adjusted earnings (loss) per share after the reversal (provision) of regulatory reserve ¹ <i>(in Korean won)</i>	₩ (59)	₩ 170	₩ (49)	₩ 85

¹ Profit (loss) and earnings (loss) per share after the expected reversal (provision) of reserve for credit losses are not in accordance with Korean IFRS, but are calculated on the assumption that provision or reversal of reserve for credit losses is adjusted to the profit (loss) for the period. Earnings (loss) per share after the expected reversal (provision) of reserve for credit losses are presented net of dividends on hybrid equity securities.

17. Net Interest Loss

Net interest loss and interest revenues and expenses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Three months	Six months	Three months	Six months
Interest revenues:				
Cash and due from banks	₩ 149,938	₩ 156,557	₩ 3,074	₩ 6,644
Interest expenses:				
Debentures	<u>(7,604,686)</u>	<u>(15,014,314)</u>	<u>(8,041,930)</u>	<u>(15,964,453)</u>
Net interest loss	<u>₩ (7,454,748)</u>	<u>₩ (14,857,757)</u>	<u>₩ (8,038,856)</u>	<u>₩ (15,957,809)</u>

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18. Net Commission Income

Net commission income and commission revenues and expenses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Three months	Six months	Three months	Six months
Commission revenues:				
Brand revenues	₩ 2,535,750	₩ 5,071,500	₩ 2,488,750	₩ 4,977,500
Other commission revenues	350	350	200	750
	<u>2,536,100</u>	<u>5,071,850</u>	<u>2,488,950</u>	<u>4,978,250</u>
Commission expenses:				
Other commission expenses	<u>(281,073)</u>	<u>(746,506)</u>	<u>(983,316)</u>	<u>(1,277,004)</u>
Net commission income	<u>₩ 2,255,027</u>	<u>₩ 4,325,344</u>	<u>₩ 1,505,634</u>	<u>₩ 3,701,246</u>

19. General and Administrative Expenses

General and administrative expenses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Three months	Six months	Three months	Six months
Employee benefits:				
Salaries	₩ 3,734,043	₩ 7,329,916	₩ 1,844,142	₩ 3,501,457
Employee benefits	1,056,717	1,854,464	528,183	870,286
Post-employment benefits	587,136	1,174,272	252,688	506,395
	<u>5,377,896</u>	<u>10,358,652</u>	<u>2,625,013</u>	<u>4,878,138</u>
Rent expense	295,976	632,909	45,998	94,531
Business promotion expenses	217,756	579,626	62,252	184,177
Depreciation	230,564	453,975	164,029	330,690
Amortization	23,681	47,361	23,680	47,386
Taxes and dues	40,207	125,562	26,339	102,843
Other administrative expenses	2,010,752	3,162,583	641,992	1,374,736
	<u>₩ 8,196,832</u>	<u>₩ 15,360,668</u>	<u>₩ 3,589,303</u>	<u>₩ 7,012,501</u>

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20. Net Non-operating Income (Loss)

Net non-operating income (loss) and non-operating revenues and expenses for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

	2018		2017	
	Three months	Six months	Three months	Six months
Non-operating revenues:				
Miscellaneous income	₩ 20,408	₩ 103,049	₩ 13,965	₩ 57,504
Gain on disposal of property and equipment	12,726	12,726	-	-
	<u>33,134</u>	<u>115,775</u>	<u>13,965</u>	<u>57,504</u>
Non-operating expenses:				
Donations	(72,739)	(83,039)	(3,000,000)	(3,000,300)
	<u>(72,739)</u>	<u>(83,039)</u>	<u>(3,000,000)</u>	<u>(3,000,300)</u>
Net non-operating income (loss)	₩ (39,605)	₩ 32,736	₩ (2,986,035)	₩ (2,942,796)

21. Earnings (Loss) per Share

Basic earnings (loss) per share for the three-month and six-month periods ended June 30, 2018 and 2017, are as follows:

(in Korean won and shares)

	2018		2017	
	Three months	Six months	Three months	Six months
Net profit (loss) for the period	₩ (13,436,158,715)	₩ 65,221,574,363	₩ (13,108,560,448)	₩ 33,577,559,564
Dividends from hybrid equity securities	(5,717,729,371)	(9,843,319,408)	(2,950,081,522)	(5,917,079,107)
Profit (loss) attributable to ordinary equity holders	(19,153,888,086)	55,378,254,955	(16,058,641,970)	27,660,480,457
Weighted average number of ordinary shares outstanding	<u>325,920,391</u>	<u>325,920,391</u>	<u>325,920,391</u>	<u>325,920,391</u>
Basic earnings (loss) per share	₩ (59)	₩ 170	₩ (49)	₩ 85

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Weighted average number of ordinary shares outstanding for the three-month and six-month periods ended June 30, 2018 and 2017, is as follows:

(in shares)

2018					
Three months					
	Beginning	Ending	Days	Number of shares	Accumulation of days
Beginning	2018-04-01	2018-06-30	91	325,920,391	29,658,755,581
	Total		91		29,658,755,581
Weighted average number of ordinary shares outstanding					<u>325,920,391</u>

(in shares)

2018					
Six months					
	Beginning	Ending	Days	Number of shares	Accumulation of days
Beginning	2018-01-01	2018-06-30	181	325,920,391	58,991,590,771
	Total		181		58,991,590,771
Weighted average number of ordinary shares outstanding					<u>325,920,391</u>

(in shares)

2017					
Three months					
	Beginning	Ending	Days	Number of shares	Accumulation of days
Beginning	2017-04-01	2017-06-30	91	325,920,391	29,658,755,581
	Total		91		29,658,755,581
Weighted average number of ordinary shares outstanding					<u>325,920,391</u>

(in shares)

2017					
Six months					
	Beginning	Ending	Days	Number of shares	Accumulation of days
Beginning	2017-01-01	2017-06-30	181	325,920,391	58,991,590,771
	Total		181		58,991,590,771
Weighted average number of ordinary shares outstanding					<u>325,920,391</u>

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Diluted earnings per share from continuing operations and diluted net earnings per share are computed by dividing the earnings from continuing operations and net earnings by the number of ordinary shares outstanding, plus dilutive securities outstanding during the period. Diluted earnings per share from continuing operations and diluted net earnings per share are not calculated because the Company had no dilutive potential ordinary shares during the period.

22. Dividends

A dividend in respect of the year ended December 31, 2017, amounting to ₩74,961,690 thousand, was paid in April 2018 (Previous payment amounts to ₩74,961,690 thousand).

23. Related Party Transactions

Related parties as at June 30, 2018, are as follows:

Relationship	Name of the related party
Subsidiaries	Busan Bank Co., Ltd., Kyongnam Bank Co., Ltd., BNK Securities Co., Ltd., BNK Capital Co., Ltd., BNK Savings Bank Co., Ltd., BNK Asset Management Co., Ltd., BNK Credit Information Co., Ltd., BNK System Co., Ltd., BNK 'Strong' Short-term Government Bond 1 st , BNK Brave New KOREA 1 st , Busan Bank trust accounts guaranteeing a fixed rate of return and the repayment of principal, Busan Bank trust accounts guaranteeing the repayment of principal, Kyongnam Bank trust accounts guaranteeing a fixed rate of return and the repayment of principal, Kyongnam Bank trust accounts guaranteeing the repayment of principal, HDC Dual Private Securities Investment Trust 1 st , HDC Dual Private Securities Investment Trust 3 rd , Consus 6th LLC, BNKC (Cambodia) MFI PLC, BNK Capital Myanmar Co., Ltd., BNK Capital Lao Leasing Co., Ltd., MFO BNK Finance Kazakhstan LLP
Associates	Dongwha capital. ltd., Consus Clean Water Private Speical Asset Fund 1 st , Hanhwa Private Securities Investment Trust 102 nd , BNK 'Strong' Dividend Securities Investment Trust 1 st , BNK 'Strong' Korea Securities Investment Trust 1 st , Shinhan BNPP Private Securities Investment Trust 6 th , HDC Presto Private Securities Investment Trust 8 th , Mirae Asset Smart Q Income Plus Professional Investment Private Security Investment Trust 1 st , IBK Private Securities Investment Turst RP 2 nd , BNK REPO PLUS Professional Investment Private 1 st , SHBNPP Corporate Professional Investment Private Security Investment Trust 8 th , Yoori REPO Alpha Professional Investment Private Security Investment Turst 1 st , Kiwoom Frontier Professional Investment Private Security Investment Trust 11 th , BNK KOSDAQ Private Venture Investment Trust 1 st , BNK 'Winning' Securities Investment Trust 1 st

Transactions with related parties for the six-month periods ended June 30, 2018 and 2017, are as follows:

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(in thousands of Korean won)

Type	Name of entity	2018					
		Revenues		Expenses		Acquisition of property and equipment	
		Interest revenues	Other revenues	Interest expenses	Other expenses		
Subsidiaries	Busan Bank Co., Ltd.	₩ 156,557	₩ 37,800,244	₩ -	₩ 187,603	₩ -	
	Kyongnam Bank Co., Ltd.	-	47,670,348	-	-	-	
	BNK Capital Co., Ltd.	-	10,531,000	-	123,244	-	
	BNK Securities Co., Ltd.	-	145,282	-	-	-	
	BNK Saving Bank Co., Ltd.	-	54,350	-	3,396	-	
	BNK Asset Management Co., Ltd.	-	5,500	-	5,050	-	
	BNK Credit Information Co., Ltd.	-	5,000	-	-	-	
	BNK System Co., Ltd.	-	15,500	-	211,165	129,284	
		₩ 156,557	₩ 96,227,224	₩ -	₩ 530,458	₩ 129,284	

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Type	Name of entity	2017				
		Revenues		Expenses		Acquisition of property and equipment
		Interest revenues	Other revenues	Interest expenses	Other expenses	
Subsidiaries	Busan Bank Co., Ltd.	₩ 6,644	₩ 2,751,500	₩ -	₩ 34,287	₩ -
	Kyongnam Bank Co., Ltd.	-	41,246,120	-	200,390	-
	BNK Capital Co., Ltd.	-	10,486,350	-	18,346	-
	BNK Securities Co., Ltd.	-	6,165,700	-	-	-
	BNK Saving Bank Co., Ltd.	-	49,500	-	-	-
	BNK Asset Management Co., Ltd.	-	5,000	-	-	-
	BNK Credit Information Co., Ltd.	-	4,000	-	-	-
	BNK System Co., Ltd.	-	59,500	-	73,298	2,132,115
		₩ 6,644	₩ 60,767,670	₩ -	₩ 326,321	₩ 2,132,115

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Fund transactions with related parties for the six-month periods ended June 30, 2018 and 2017, are as follows:

(in thousands of Korean won)

		2018			
		Loan transactions		Investment	
Type	Name of entity	Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 285,330,934	₩ 264,869,444	₩ -	₩ -
	BNK Securities Co., Ltd.	-	-	200,000,000	-
		<u>₩ 285,330,934</u>	<u>₩ 264,869,444</u>	<u>₩ 200,000,000</u>	<u>₩ -</u>

(in thousands of Korean won)

		2018			
		Loan transactions		Investment	
Type	Name of entity	Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 88,140,418	₩ 138,720,572	₩ -	₩ -
		<u>₩ 88,140,418</u>	<u>₩ 138,720,572</u>	<u>₩ -</u>	<u>₩ -</u>

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Outstanding receivables and payables from related parties as at June 30, 2018 and December 31, 2017, are as follows:

(in thousands of Korean won)

		June 30, 2018			
Type	Name of entity	Receivables		Payables	
		Loans / due from banks	Other assets	Deposit liabilities	Other liabilities
Subsidiaries	Busan Bank Co., Ltd.	₩ 182,127,916	₩ 68,379,900	₩ -	₩ 122,229
	Kyongnam Bank Co., Ltd.	-	2,458,501	-	-
	BNK Capital Co., Ltd.	-	3,289,669	-	-
	BNK Securities Co., Ltd.	-	2,413,830	-	-
	BNK Saving Bank Co., Ltd	-	159,201	-	-
	BNK Asset Management Co., Ltd.	-	11,934	-	-
	BNK Credit Information Co., Ltd.	-	126,798	-	-
	BNK System Co., Ltd.	-	274,305	-	130,193
		₩ 182,127,916	₩ 77,114,138	₩ -	₩ 252,422

(in thousands of Korean won)

		December 31, 2017			
Type	Name of entity	Receivables		Payables	
		Loans / due from banks	Other assets	Deposit liabilities	Other liabilities
Subsidiaries	Busan Bank Co., Ltd.	₩ 161,666,426	₩ 14,413,134	₩ -	₩ 108,689
	Kyongnam Bank Co., Ltd.	-	22,288,246	-	-
	BNK Capital Co., Ltd	-	6,553,079	-	-
	BNK Securities Co., Ltd.	-	-	-	1,896,415
	BNK Saving Bank Co., Ltd	-	2,775,284	-	-
	BNK Asset Management Co., Ltd.	-	149,053	-	-
	BNK Credit Information Co., Ltd.	-	118,014	-	-
		₩ 161,666,426	₩ 46,296,810	₩ -	₩ 2,005,104

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Compensation for key executives for the six-month periods ended June 30, 2018 and 2017, are as follows:

<i>(in thousands of Korean won)</i>		2018		2017
Short-term employee benefits	₩	757,476	₩	323,755
Performance compensation		368,738		191,410

24. Litigations

The Company filed a lawsuit against Korea Deposit Insurance Corporation to seek compensation for damages (amount spent on litigation: ₩53.2 billion) as at the end of the reporting period. On December 15, 2017, the court ordered Korea Deposit Insurance Corporation to pay ₩53.2 billion to the Company in the first trial. In respect of the first court decision, Korea Deposit Insurance Corporation paid ₩53.2 billion in advance and the Company recognized the corresponding amount as other liabilities. In addition, Korea Deposit Insurance Corporation appealed against the first decision on December 28, 2017, and the lawsuit is pending at the Seoul High Court. As at June 30, 2018, the Company cannot reasonably estimate the outcome of the case and its financial effect. Accordingly, any possible effect in relation to the lawsuit is not reflected in the separate interim financial statement.

BNK Financial Group Inc., Busan Bank, BNK Securities Co., Ltd. and their former and current employees, were filed in a lawsuit with violation of the Financial Investment Services and Capital Markets Act such as anti-competitive transactions related to second capital increase of BNK Financial Group Inc. by Busan District Public Prosecutor's Office on May 1, 2017. First court decision was made in Busan District Court for the violation of certain former employees on January 9, 2018. The ultimate outcome of this case and its financial effect cannot be predicted at the end of the reporting period.