

# **BNK FINANCIAL GROUP INC.**

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023  
WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT

**BNK FINANCIAL GROUP INC.**

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**Report on review of interim condensed separate financial statements**

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## **Report on review of interim condensed separate financial statements**

(English Translation of a Report Originally Issued in Korean)

### **The Stockholders and Board of Directors**

BNK Financial Group Inc.

We have reviewed the accompanying interim condensed separate financial statements of BNK Financial Group Inc. (the “Company”). The interim condensed separate financial statements consist of the interim condensed separate statement of financial position as of June 30, 2023, the interim condensed separate statements of comprehensive income for the three-month and six-month periods ended June 30, 2023, and the interim condensed separate statements of changes in equity and the interim condensed separate statements of cash flows for the six-month period ended June 30, 2023, all expressed in Korean won, and a summary of material accounting policy information and other explanatory information.

### **Management’s responsibility for the interim condensed separate financial statements**

The Company’s management is responsible for the preparation and fair presentation of the accompanying interim condensed separate financial statements in accordance with International Financial Reporting Standard as adopted by the Republic of Korea (“KIFRS”) 1034, *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of interim condensed separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s responsibility**

Our responsibility is to express a conclusion on the accompanying interim condensed separate financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements 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 (“KSA”) 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 reviews, nothing has come to our attention that causes us to believe that the accompanying interim condensed separate financial statements of the Company are not presented fairly, in all material respects, in accordance with KIFRS 1034, *Interim Financial Reporting*.

## Other matters

The interim condensed separate financial statements of comprehensive income for the three-month and six-month periods ended June 30, 2022, interim condensed separate financial statement of changes in equity and interim condensed separate financial statements of cash flows for the six-month period then ended, presented for comparative purposes, have been reviewed by Deloitte Anjin LLC whose review report dated August 16, 2022 expressed that nothing had come to its attention that caused it to believe that the interim condensed consolidated financial statements were not presented, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Moreover, the separate statement of financial position as of December 31, 2022, and the related separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended were audited by Deloitte Anjin LLC, in accordance with Korean Standards on Auditing (not presented herein), whose report dated March 8, 2023 expressed an unqualified opinion. The accompanying separate statement of financial position as of December 31, 2022 presented for comparative purpose is not different, in all material respects, from the above audited separate statement of financial position.



August 14, 2023

This review report is effective as of August 14, 2023, the independent auditor's review report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the independent auditor's review report date to the time this review report is used. Such events and circumstances could significantly affect the accompanying interim condensed separate financial statements and may result in modification to this review report.

# **BNK FINANCIAL GROUP INC.**

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIODS ENDED  
JUNE 30, 2023 AND 2022

The accompanying interim condensed separate financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, the management of BNK Financial Group Inc.

**Dae In Bin**  
**President and Chief Executive Officer**

Headquarters Address:  
(Road Name and Address) 30, Munhyeongeumyung-ro, Nam-gu, Busan  
(Phone Number) 051-620-3000

**BNK Financial Group Inc.**  
**Interim Condensed Separate Statements of Financial Position**  
**As of June 30, 2023 and December 31, 2022**

<i>(In thousands of Korean won)</i>	Notes	June 30, 2023 (Unaudited)		December 31, 2022	
<b>Assets</b>					
Cash and due from banks	5,6	₩	190,731,001	₩	67,988,719
Investments in subsidiaries	7		6,623,937,231		6,623,937,231
Loans and receivables	4,5,6		96,251,775		199,167,331
Property and equipment	8		11,437,434		7,913,464
Intangible assets	9		13,932,402		14,666,994
Other assets	10		1,985,905		2,113,079
<b>Total assets</b>		₩	<u>6,938,275,748</u>	₩	<u>6,915,786,818</u>
<b>Liabilities</b>					
Debentures	5,11	₩	1,618,361,531	₩	1,368,661,051
Net defined benefit liabilities	12		2,896,490		421,412
Current tax liabilities	14		75,770,803		177,993,164
Provisions	13		162,218		190,414
Other liabilities	14		20,071,959		20,976,839
<b>Total liabilities</b>			<u>1,717,263,001</u>		<u>1,568,242,880</u>
<b>Equity</b>					
Share capital	15		1,629,676,230		1,629,676,230
Hybrid equity securities	15		578,148,117		827,392,477
Other paid-in capital	15		2,253,282,795		2,270,038,314
Other components of equity	15		(5,850,228)		(3,933,475)
Retained earnings	16		765,755,833		624,370,392
<b>Total equity</b>			<u>5,221,012,747</u>		<u>5,347,543,938</u>
<b>Total liabilities and equity</b>		₩	<u>6,938,275,748</u>	₩	<u>6,915,786,818</u>

See notes to condensed interim separate financial statements.

**BNK Financial Group Inc.**  
**Interim Condensed Separate Statements of Comprehensive Income**  
**For the Three-Month and Six-Month Periods Ended June 30, 2023 and 2022**

(In thousands of Korean won, except per share amounts)	Notes	Period ended June 30			
		2023 (Unaudited)		2022 (Unaudited)	
		Three months	Six months	Three months	Six months
<b>Net interest expenses</b>	17				
Interest income		W 221,227	W 393,735	W 174,903	W 325,613
Interest expenses		(11,431,944)	(20,781,478)	(7,448,065)	(14,154,581)
		<u>(11,210,717)</u>	<u>(20,387,743)</u>	<u>(7,273,162)</u>	<u>(13,828,968)</u>
<b>Net fee and commission income</b>	18				
Commission income		3,388,750	6,777,550	2,498,350	4,996,050
Commission expenses		(873,044)	(1,684,063)	(920,118)	(1,240,766)
		<u>2,515,706</u>	<u>5,093,487</u>	<u>1,578,232</u>	<u>3,755,284</u>
<b>Dividend income</b>		180,000,000	393,000,000	152,000,000	372,000,000
<b>Reversal of provision for credit loss</b>		-	30,215	-	-
<b>General and administrative expense</b>	19	(11,291,183)	(20,857,594)	(9,067,431)	(19,748,350)
<b>Operating profit</b>		<u>160,013,806</u>	<u>356,878,365</u>	<u>137,237,639</u>	<u>342,177,966</u>
<b>Non-operating income (expenses)</b>	20				
Non-operating income		737,518	777,013	37,614	121,088
Non-operating expense		(13,074)	(47,280)	(28,687)	(586,573)
		<u>724,444</u>	<u>729,733</u>	<u>8,927</u>	<u>(465,485)</u>
<b>Profit before income tax expense</b>		160,738,250	357,608,098	137,246,566	341,712,481
Income tax expense		-	-	-	-
<b>Profit for the period</b>		<u>W 160,738,250</u>	<u>W 357,608,098</u>	<u>W 137,246,566</u>	<u>W 341,712,481</u>
<b>Other comprehensive income (loss), net of tax</b>					
<i>Items that will not be reclassified to profit or loss:</i>					
Remeasurements of net defined benefit liabilities		769,325	(1,916,754)	2,134,155	1,813,264
		<u>769,325</u>	<u>(1,916,754)</u>	<u>2,134,155</u>	<u>1,813,264</u>
<b>Total comprehensive income for the period</b>		<u>W 161,507,575</u>	<u>W 355,691,344</u>	<u>W 139,380,721</u>	<u>W 343,525,745</u>
<b>Earnings per share (in Korean won)</b>	21				
Basic and diluted earnings per share		W 483	W 1,066	W 399	W 1,005

See notes to condensed interim separate financial statements.

## BNK Financial Group Inc.

### Interim Condensed Separate Statements of Changes in Equity For the Six-Month Periods Ended June 30, 2023 and 2022

<i>(In thousands of Korean won)</i>	Share capital		Hybrid equity securities		Other paid-in capital		Other components of equity		Retained earnings		Total	
<b>Balance as of January 1, 2022</b>	₩	1,629,676,230	₩	827,392,477	₩	2,270,038,314	₩	(6,376,677)	₩	530,983,324	₩	5,251,713,668
Dividends on hybrid equity securities		-		-		-		-		(15,697,500)		(15,697,500)
Dividends		-		-		-		-		(181,681,735)		(181,681,735)
<b>Total comprehensive income</b>												
Profit for the period		-		-		-		-		341,712,481		341,712,481
Other comprehensive income												
Remeasurements of net defined benefit liabilities		-		-		-		1,813,264		-		1,813,264
<b>Balance as of June 30, 2022 (Unaudited)</b>	₩	<u>1,629,676,230</u>	₩	<u>827,392,477</u>	₩	<u>2,270,038,314</u>	₩	<u>(4,563,413)</u>	₩	<u>675,316,570</u>	₩	<u>5,397,860,178</u>
<b>Balance as of January 1, 2023</b>	₩	1,629,676,230	₩	827,392,477	₩	2,270,038,314	₩	(3,933,475)	₩	624,370,392	₩	5,347,543,938
Acquisition of treasury stocks		-		-		(15,999,879)		-		-		(15,999,879)
Repayment of hybrid equity securities		-		(249,244,360)		(755,640)		-		-		(250,000,000)
Dividends on hybrid equity securities		-		-		-		-		(13,452,863)		(13,452,863)
Dividends		-		-		-		-		(202,769,793)		(202,769,793)
<b>Total comprehensive income</b>												
Profit for the period		-		-		-		-		357,608,098		357,608,098
Other comprehensive income												
Remeasurements of net defined benefit liabilities		-		-		-		(1,916,754)		-		(1,916,754)
<b>Balance as of June 30, 2023 (Unaudited)</b>	₩	<u>1,629,676,230</u>	₩	<u>578,148,117</u>	₩	<u>2,253,282,795</u>	₩	<u>(5,850,229)</u>	₩	<u>765,755,834</u>	₩	<u>5,221,012,747</u>

See notes to condensed interim separate financial statements.

**BNK Financial Group Inc.**  
**Interim Condensed Separate Statements of Cash Flows**  
**For the Six-Month Periods Ended June 30, 2023 and 2022**

<i>(In thousands of Korean won)</i>	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
<b>Cash flows from operating activities</b>		
Profit for the period	₩ <u>357,608,098</u>	₩ <u>341,712,481</u>
Adjustments to profit for the period:		
Interest income	(393,735)	(325,613)
Interest expense	20,781,478	14,154,581
Reversal of provision for credit loss	(30,215)	-
Depreciation	1,067,772	1,029,567
Amortization	1,630,028	1,458,213
Loss (gain) on disposal of property and equipment	(119)	264,746
Postemployment benefits	558,324	659,187
Dividend income	(393,000,000)	(372,000,000)
Other non-operating expenses (income)	<u>102</u>	<u>(55,348)</u>
	<u>(369,386,365)</u>	<u>(354,814,667)</u>
Changes in operating assets and liabilities:		
Decrease in receivables	37,575	40,775
Decrease in net defined benefit liabilities	-	(34,291)
Increase (decrease) in other assets	127,173	(166,949)
Decrease in other liabilities	<u>(3,097,685)</u>	<u>(2,519,038)</u>
	<u>(2,932,937)</u>	<u>(2,679,503)</u>
Interest received	127,315	132,212
Interest paid	(17,914,425)	(14,000,550)
Dividend received	<u>393,000,000</u>	<u>372,000,000</u>
<b>Net cash inflow from operating activities</b>	<u>360,501,686</u>	<u>342,349,973</u>
<b>Cash flows from investing activities</b>		
Increase in investments in subsidiaries	-	(50,000,000)
Payments for property and equipment	(444,458)	(1,273,466)
Payments for intangible assets	(895,437)	(914,492)
Decrease (increase) in lease deposits provided	<u>(3,031,000)</u>	<u>212,490</u>
<b>Net cash outflow for investing activities</b>	<u>(4,370,895)</u>	<u>(51,975,468)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debentures	449,230,404	279,415,897
Repayment of debentures	(200,000,000)	(130,000,000)
Repayment of lease liabilities	(396,378)	(377,968)
Payment of dividends	(202,769,793)	(181,681,726)
Repayment of hybrid equity securities	(250,000,000)	-
Dividends paid on hybrid equity securities	(13,452,863)	(15,697,500)
Acquisition of treasury stocks	<u>(15,999,879)</u>	<u>-</u>
<b>Net cash outflow for financing activities</b>	<u>(233,388,509)</u>	<u>(48,341,297)</u>
<b>Net increase in cash and cash equivalents</b>	122,742,282	242,033,208
<b>Cash and cash equivalents at the beginning of the period</b>	<u>67,988,719</u>	<u>51,799,137</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>₩ 190,731,001</u>	<u>₩ 293,832,345</u>

See notes to condensed interim separate financial statements.

# **BNK FINANCIAL GROUP INC.**

## **Notes to the Interim Condensed Separate Financial Statements**

### **June 30, 2023 and 2022 (Unaudited)**

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#### **1. GENERAL INFORMATION:**

BNK Financial Group Inc. (the "Company") was established on March 15, 2011, pursuant to a "comprehensive shares transfer" under the Financial Holding Companies Act, whereby holders of ordinary shares of Busan Bank Co., Ltd.; 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 comprehensive 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 December 2017, the Company took over the rest of BNK Asset Management Co., Ltd.'s shares, and accordingly, it became a wholly owned subsidiary of the Company. In November 2019, the Company also obtained 100% of shares of BNK Venture Capital Co., Ltd. and established it as a wholly owned subsidiary.

The Company's headquarters is located at Busan Nam-gu Munhyeongeumyung-ro, 30.

Meanwhile, the Company's share capital as of June 30, 2023 amounts to ₩1,629,676 million, with 325,935,246 outstanding shares.

#### **2. MATERIAL ACCOUNTING POLICIES:**

##### **2.1 Basis of Preparation**

The Company prepares statutory interim condensed separate financial statements in the Korean language in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") 1034 *Interim Financial Reporting*, enacted by the Act on External Audit of Stock Companies. The accompanying interim condensed separate financial statements have been translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's review report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

The interim condensed separate financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as of December 31, 2022.

##### **2.2 New standards, interpretations and amendments adopted by the Company**

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended December 31, 2022 except for the adoption of new standards and interpretations effective as of January 1, 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# **BNK FINANCIAL GROUP INC.**

## **Notes to the Interim Condensed Separate Financial Statements**

### **June 30, 2023 and 2022 (Unaudited)**

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Several other amendments and interpretations apply for the first time in 2023 but do not have an impact on the interim condensed separate financial statements of the Company.

#### - KIFRS 1117 *Insurance Contracts*

KIFRS 1117 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, replaces KIFRS 1104 *Insurance Contracts* that was issued in 2005. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of KIFRS 1117 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in KIFRS 1104, which are largely based on grandfathering previous local accounting policies, KIFRS 1117 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Company's interim condensed separate financial statements.

#### - Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's interim condensed separate financial statements.

#### - Disclosure of Accounting Policies - Amendments to KIFRS 1001

The amendments to KIFRS 1001 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Company's interim condensed separate financial statements, but are expected to affect the accounting policy disclosures in the Company's annual separate financial statements.

**BNK FINANCIAL GROUP INC.**  
**Notes to the Interim Condensed Separate Financial Statements**  
**June 30, 2023 and 2022 (Unaudited)**

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- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to KIFRS 1012

The amendments to KIFRS 1012 *Income Tax* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's interim condensed separate financial statements.

**3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:**

The preparation of interim condensed separate 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 interim condensed separate financial statements are the same as those applied to the annual separate financial statements as of and for the year ended December 31, 2022.

**BNK FINANCIAL GROUP INC.**  
**Notes to the Interim Condensed Separate Financial Statements**  
**June 30, 2023 and 2022 (Unaudited)**

**4. FINANCIAL RISK MANAGEMENT:**

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

**4.1 Credit Risk**

The Company's maximum exposure to the credit risk as of June 30, 2023 and December 31, 2022 as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
On-balance items:				
Loans and receivables	₩	96,251,775	₩	199,167,332
Off-balance items:				
General loan agreement		-		150,000,000
	₩	<u>96,251,775</u>	₩	<u>349,167,332</u>

Credit risk by impairment of loans and receivables and general loan agreements as of June 30, 2023 and December 31, 2022 is as follows:

*(In thousands of Korean won)*

	<b>June 30, 2023</b>					
	<b>Twelve months' expected credit losses</b>	<b>Expected lifetime credit losses</b>		<b>Total</b>	<b>Allowance for credit loss</b>	<b>Book amount</b>
	<b>Unrecognized impairment</b>	<b>Recognized impairment</b>				
<b>Loans and receivables</b>						
Non-trade receivables	₩ 75,781,602	₩ -	₩ -	₩ 75,781,602	₩ -	₩ 75,781,602
Guarantee deposits provided	20,436,050	-	-	20,436,050	-	20,436,050
Accrued income	34,123	-	-	34,123	-	34,123
	<u>₩ 96,251,775</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 96,251,775</u>	<u>₩ -</u>	<u>₩ 96,251,775</u>

**BNK FINANCIAL GROUP INC.**  
**Notes to the Interim Condensed Separate Financial Statements**  
**June 30, 2023 and 2022 (Unaudited)**

(In thousands of  
Korean won)

	December 31, 2022					
	Twelve months' expected credit losses	Expected lifetime credit losses		Total	Allowance for credit loss	Book amount
		Unrecognized impairment	Recognized impairment			
<b>Loans and receivables</b>						
Non-trade receivables	₩178,041,539	₩ -	₩ -	₩178,041,539	₩ -	₩178,041,539
Guarantee deposits provided	21,115,768	-	-	21,115,768	-	21,115,768
Accrued income	10,025	-	-	10,025	-	10,025
<b>General loan agreements<sup>1</sup></b>	<u>150,000,000</u>	<u>-</u>	<u>-</u>	<u>150,000,000</u>	<u>(30,215)</u>	<u>150,000,000</u>
	<u>₩349,167,332</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩349,167,332</u>	<u>₩ (30,215)</u>	<u>₩349,167,332</u>

<sup>1</sup> As provisions for general loan agreements are an on-balance item, the book amount indicates the contract amount.

#### 4.2 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 doubles leverage ratio (total capital investment in subsidiaries divided by total equity).

**BNK FINANCIAL GROUP INC.**  
**Notes to the Interim Condensed Separate Financial Statements**  
**June 30, 2023 and 2022 (Unaudited)**

**5. FAIR VALUE:**

**5.1 Fair Value of Financial Instruments by Category**

Carrying amount and fair value of financial instruments by category as of June 30, 2023 and December 31, 2022 are as follows:

(In thousands of Korean won)

	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at amortized cost				
Cash and due from banks	₩ 190,731,001	₩ 190,731,001	₩ 67,988,719	₩ 67,988,719
Loans and receivables	96,251,775	96,251,775	199,167,332	199,167,332
	<u>₩ 286,982,776</u>	<u>₩ 286,982,776</u>	<u>₩ 267,156,051</u>	<u>₩ 267,156,051</u>
Financial liabilities at amortized cost				
Debentures	₩ 1,618,361,531	₩ 1,586,117,590	₩ 1,368,661,051	₩ 1,305,858,490
Other financial liabilities <sup>1</sup>	17,354,178	17,354,178	17,057,621	17,057,621
	<u>₩ 1,635,715,709</u>	<u>₩ 1,603,471,768</u>	<u>₩ 1,385,718,672</u>	<u>₩ 1,322,916,111</u>

<sup>1</sup> Other financial liabilities consist of non-trade payables 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 amounts of cash are assumed to be, and demand due from banks and payment due from banks are reasonable approximation of fair values. These financial instruments do not have a fixed maturity and are receivable on demand. Fair value of ordinary due from banks is measured using Discounted Cash Flow ("DCF") Model. However, if the contractual maturity and the interest resetting period from the settlement date are within three months, the carrying amounts are assumed to be the fair value.
Loans and receivables	For loans and receivables with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, the carrying amount is regarded as the fair value. Among receivables, deposits provided are mostly considered as intragroup transactions. So, any new or renewed lease transactions are subject to the approval of the board of directors in pursuant to the Article No. 398 of the Commercial Law and the policy of the board of directors. The carrying amounts of deposits provided are regarded as fair value, since the contracts have been kept considering fluctuation rate of officially assessed individual land price comparisons with local lease cases and others for fair trade.
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	Other financial liabilities mainly consist of financial liabilities with the residual maturities of less than three months as of the closing date, and the carrying amount of those is regarded as fair value.

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**5.3 Fair Value Hierarchy of Financial Instruments Subsequently not Measured at Fair Value**

The fair value hierarchy of financial assets and liabilities subsequently not measured at fair value as of June 30, 2023 and December 31, 2022 is as follows:

(In thousands of Korean won)

	<b>June 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and due from banks	₩ -	₩ 190,731,001	₩ -	₩ 190,731,001
Loans and receivables <sup>1</sup>	-	-	96,251,775	96,251,775
	<u>₩ -</u>	<u>₩ 190,731,001</u>	<u>₩ 96,251,775</u>	<u>₩ 286,982,776</u>
<b>Financial liabilities</b>				
Debentures	₩ -	₩ 1,586,117,590	₩ -	₩ 1,586,117,590
Other financial liabilities <sup>1</sup>	-	-	17,354,178	17,354,178
	<u>₩ -</u>	<u>₩ 1,586,117,590</u>	<u>₩ 17,354,178</u>	<u>₩ 1,603,471,768</u>

(In thousands of Korean won)

	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and due from banks	₩ -	₩ 67,988,719	₩ -	₩ 67,988,719
Loans and receivables <sup>1</sup>	-	-	199,167,332	199,167,332
	<u>₩ -</u>	<u>₩ 67,988,719</u>	<u>₩ 199,167,332</u>	<u>₩ 267,156,051</u>
<b>Financial liabilities</b>				
Debentures	₩ -	₩ 1,305,858,490	₩ -	₩ 1,305,858,490
Other financial liabilities <sup>1</sup>	-	-	17,057,621	17,057,621
	<u>₩ -</u>	<u>₩ 1,305,858,490</u>	<u>₩ 17,057,621</u>	<u>₩ 1,322,916,111</u>

<sup>1</sup> The carrying amount of loans and receivables and other financial liabilities at amortized cost, which are classified to Level 3, are disclosed in approximation of fair value.

Valuation techniques and inputs of financial assets and liabilities subsequently not measured at fair value whose fair values are classified as Level 2 as of June 30, 2023 and December 31, 2022 are as follows. However, fair value hierarchy, valuation technique and inputs of items whose carrying amount is a reasonable approximation of fair value are not disclosed.

(In thousands of Korean won)

	<b>Fair value</b>		<b>Valuation techniques</b>	<b>Input</b>
	<b>June 30, 2023</b>	<b>December 31, 2022</b>		
<b>Financial liabilities</b>				
Debentures	₩ 1,586,117,590	₩ 1,305,858,490	DCF Model	Discount rate

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**6. FINANCIAL ASSETS:**

**6.1 Cash and Due from Banks**

Restricted cash and due from banks as of June 30, 2023 and December 31, 2022 consist of the following:

*(In thousands of Korean won)*

<b>Classification</b>	<b>Financial institution</b>	<b>Interest rate (%)</b>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
Cash and cash equivalents:						
Checking deposits	Busan Bank Co., Ltd. and Kyongnam Bank Co., Ltd.	0.01	₩	173,408,262	₩	51,750,807
Corporate saving deposits	Busan Bank Co., Ltd.	0.01–0.50		2,001,303		1,030,552
Corporate savings	BNK Savings Bank Co., Ltd.	1.5		15,321,316		15,207,360
Other deposits	Korea Investment & Securities Co., Ltd.	3.05		120		-
			₩	<u>190,731,001</u>	₩	<u>67,988,719</u>

The cash and cash equivalents above are the same as the cash and cash equivalents in the interim condensed separate statement of cash flow.

There is no restricted due from banks as of June 30, 2023 and December 31, 2022.

**6.2 Loans and Receivables**

Loans and receivables as of June 30, 2023 and December 31, 2022 consist of the following:

*(In thousands of Korean won)*

	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
Non-trade receivable	₩	75,781,602	₩	178,041,539
Accrued income		34,123		10,025
Guarantee deposits provided		24,317,261		21,286,261
Present value discount (deposit)		(3,881,211)		(170,493)
	₩	<u>96,251,775</u>	₩	<u>199,167,332</u>

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**7. INVESTMENTS IN SUBSIDIARIES:**

The details of investments in subsidiaries as of June 30, 2023 and December 31, 2022 are as follows:

*(In thousands of Korean won)*

Name of subsidiaries	Location	June 30, 2023	
		Percentage of ownership	Book amount
Busan Bank Co., Ltd.	Korea	100%	₩ 2,968,140,154
Kyongnam Bank Co., Ltd.	Korea	100%	1,949,160,438
BNK Capital Co., Ltd.	Korea	100%	528,488,236
BNK Securities Co., Ltd.	Korea	100%	784,166,758
BNK Savings Bank Co., Ltd.	Korea	100%	165,000,600
BNK Asset Management Co., Ltd.	Korea	100%	156,930,000
BNK Venture Capital Co., Ltd.	Korea	100%	50,600,000
BNK Credit Information Co., Ltd.	Korea	100%	11,451,045
BNK System Co., Ltd.	Korea	100%	10,000,000
			<u>₩ 6,623,937,231</u>

*(In thousands of Korean won)*

Name of subsidiaries	Location	December 31, 2022	
		Percentage of ownership	Book amount
Busan Bank Co., Ltd.	Korea	100%	₩ 2,968,140,154
Kyongnam Bank Co., Ltd.	Korea	100%	1,949,160,438
BNK Capital Co., Ltd.	Korea	100%	528,488,236
BNK Securities Co., Ltd.	Korea	100%	784,166,758
BNK Savings Bank Co., Ltd.	Korea	100%	165,000,600
BNK Asset Management Co., Ltd.	Korea	100%	156,930,000
BNK Venture Capital Co., Ltd.	Korea	100%	50,600,000
BNK Credit Information Co., Ltd.	Korea	100%	11,451,045
BNK System Co., Ltd.	Korea	100%	10,000,000
			<u>₩ 6,623,937,231</u>

Changes in investments in subsidiaries for the six-month periods ended June 30, 2023 and 2022 are as follows:

*(In thousands of Korean won)*

	June 30, 2023	June 30, 2022
Beginning balance	₩ 6,623,937,231	₩ 6,573,937,231
Acquisition	-	50,000,000
Ending balance	<u>₩ 6,623,937,231</u>	<u>₩ 6,623,937,231</u>

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**8. PROPERTY AND EQUIPMENT:**

Changes in property and equipment for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>					
	<b>Beginning balance</b>	<b>Acquisitions</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Ending balance</b>	
Land	₩ 1,220,861	₩ -	₩ -	₩ -	₩ 1,220,861	
Buildings	2,140,552	-	-	(22,572)	2,117,980	
Leasehold improvement	973,577	262,821	-	(149,926)	1,086,472	
Business movable assets	1,101,050	174,421	-	(207,143)	1,068,328	
Right-of-use asset	2,477,424	4,174,646	(20,146)	(688,131)	5,943,793	
	<u>₩ 7,913,464</u>	<u>₩ 4,611,888</u>	<u>₩ (20,146)</u>	<u>₩ (1,067,772)</u>	<u>₩ 11,437,434</u>	

<i>(In thousands of Korean won)</i>	<b>2022</b>					
	<b>Beginning balance</b>	<b>Acquisitions</b>	<b>Disposal</b>	<b>Depreciation</b>	<b>Transfer</b>	<b>Ending balance</b>
Land	₩ 1,220,861	₩ -	₩ -	₩ -	₩ -	₩ 1,220,861
Buildings	2,185,696	-	-	(22,572)	-	2,163,124
Leasehold improvement	460,008	149,860	(214,202)	(149,575)	895,290	1,141,381
Business movable assets	1,118,702	226,379	-	(228,906)	-	1,116,175
Right-of-use asset	2,038,367	2,555,643	(961,220)	(628,514)	-	3,004,276
Construction in progress	-	895,290	-	-	(895,290)	-
	<u>₩ 7,023,634</u>	<u>₩ 3,827,172</u>	<u>₩ (1,175,422)</u>	<u>₩ (1,029,567)</u>	<u>₩ -</u>	<u>₩ 8,645,817</u>

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**9. INTANGIBLE ASSETS:**

Changes in intangible assets for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>				
	<b>Beginning balance</b>	<b>Acquisitions</b>	<b>Amortization</b>	<b>Transfer</b>	<b>Ending balance</b>
Software	₩ 1,474,378	₩ -	₩ (228,651)	₩ -	₩ 1,245,727
Development cost	9,522,340	-	(1,401,378)	907,449	9,028,411
Construction in progress (intangible)	417,539	895,437	-	(907,449)	405,527
Right of membership	2,976,201	-	-	-	2,976,201
Trademark	276,536	-	-	-	276,536
	<u>₩ 14,666,994</u>	<u>₩ 895,437</u>	<u>₩ (1,630,029)</u>	<u>₩ -</u>	<u>₩ 13,932,402</u>

<i>(In thousands of Korean won)</i>	<b>2022</b>				
	<b>Beginning balance</b>	<b>Acquisitions</b>	<b>Amortization</b>	<b>Transfer</b>	<b>Ending balance</b>
Software	₩ 729,724	₩ 213,386	₩ (133,929)	₩ 44,990	₩ 854,171
Development cost	11,619,019	16,820	(1,324,284)	554,680	10,866,235
Construction in progress (intangible)	386,873	684,286	-	(599,670)	471,489
Right of membership	2,976,200	-	-	-	2,976,200
Trademark	106,256	-	-	-	106,256
	<u>₩ 15,818,072</u>	<u>₩ 914,492</u>	<u>₩ (1,458,213)</u>	<u>₩ -</u>	<u>₩ 15,274,351</u>

**10. OTHER ASSETS:**

The details of other assets as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Advance payments and others	₩ 1,985,905	₩ 2,113,079

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**11. DEBENTURES:**

The details of debentures as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>Issuance date</b>	<b>Maturity date</b>	<b>Interest rate (%)</b>		<b>June 30, 2023</b>	<b>December 31, 2022</b>
23rd non-guaranteed coupon bonds	2018-05-25	2023-05-25	2.9	₩	-	₩ 100,000,000
25-1st non-guaranteed coupon bonds	2018-08-23	2023-08-23	2.54		100,000,000	100,000,000
25-2nd non-guaranteed coupon bonds	2018-08-23	2028-08-23	2.75		30,000,000	30,000,000
26th non-guaranteed coupon bonds	2019-06-14	2024-06-14	1.78		100,000,000	100,000,000
27th non-guaranteed coupon bonds	2019-07-26	2024-07-26	1.6		90,000,000	90,000,000
29th non-guaranteed coupon bonds	2020-05-22	2023-05-22	1.42		-	100,000,000
31st non-guaranteed coupon bonds	2020-10-29	2023-10-29	1.23		100,000,000	100,000,000
32nd non-guaranteed coupon bonds	2021-01-12	2026-01-12	1.58		100,000,000	100,000,000
33rd non-guaranteed coupon bonds	2021-01-26	2024-01-26	1.23		100,000,000	100,000,000
34th non-guaranteed coupon bonds	2021-05-31	2026-05-31	1.92		100,000,000	100,000,000
35-1st non-guaranteed coupon bonds	2021-07-14	2026-07-14	2		110,000,000	110,000,000
35-2nd non-guaranteed coupon bonds	2021-07-14	2028-07-14	2.09		40,000,000	40,000,000
36-1st non-guaranteed coupon bonds	2022-03-24	2024-03-24	2.77		60,000,000	60,000,000
36-2nd non-guaranteed coupon bonds	2022-03-24	2025-03-24	3.03		90,000,000	90,000,000
37-1st non-guaranteed coupon bonds	2022-06-29	2024-06-28	4.33		60,000,000	60,000,000
37-2nd non-guaranteed coupon bonds	2022-06-29	2024-11-29	4.35		40,000,000	40,000,000
37-3rd non-guaranteed coupon bonds	2022-06-29	2025-06-27	4.36		30,000,000	30,000,000
38th non-guaranteed coupon bonds	2022-09-06	2024-12-06	4.57		20,000,000	20,000,000
39th non-guaranteed coupon bonds	2023-01-17	2025-01-17	3.87		100,000,000	-
40th non-guaranteed coupon bonds	2023-02-23	2026-02-23	4.07		150,000,000	-
41-1st non-guaranteed coupon bonds	2023-04-28	2026-04-28	3.88		60,000,000	-
41-2nd non-guaranteed coupon bonds	2023-04-28	2028-04-28	4.07		140,000,000	-
					<u>1,620,000,000</u>	<u>1,370,000,000</u>
					<u>(1,638,469)</u>	<u>(1,338,949)</u>
Less: present value discounts					<u>₩ 1,618,361,531</u>	<u>₩ 1,368,661,051</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 periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>			
	<b>Beginning balance</b>	<b>Issuance</b>	<b>Repayment</b>	<b>Ending balance</b>
Debentures in Korean won	₩ 1,370,000,000	₩ 450,000,000	₩ (200,000,000)	₩ 1,620,000,000

<i>(In thousands of Korean won)</i>	<b>2022</b>			
	<b>Beginning balance</b>	<b>Issuance</b>	<b>Repayment</b>	<b>Ending balance</b>
Debentures in Korean won	₩ 1,400,000,000	₩ 280,000,000	₩ (130,000,000)	₩ 1,550,000,000

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**12. POSTEMPLOYMENT BENEFITS:**

Details of net defined benefit liabilities recognized in the interim condensed separate statements of financial position as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
Present value of funded defined benefit obligations	₩	15,876,682	₩	13,037,338
Fair value of plan assets		(12,980,192)		(12,615,926)
Net defined benefit liabilities	₩	2,896,490	₩	421,412

Income and expenses related to net defined benefit liabilities for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>					
	<b>Present value of defined benefit obligation</b>		<b>Plan assets</b>		<b>Total</b>	
Current service cost	₩	546,061	₩	-	₩	546,061
Interest expenses (income)		370,624		(358,361)		12,263
	₩	916,685	₩	(358,361)	₩	558,324

<i>(In thousands of Korean won)</i>	<b>2022</b>					
	<b>Present value of defined benefit obligation</b>		<b>Plan assets</b>		<b>Total</b>	
Current service cost	₩	631,413	₩	-	₩	631,413
Interest expenses (income)		235,561		(207,787)		27,774
	₩	866,974	₩	(207,787)	₩	659,187

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**13. PROVISIONS:**

Details of provisions for other liabilities and charges as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
Provision for restoration costs	₩	162,218	₩	160,199
Provision for unused loan commitments		-		30,215
	₩	<u>162,218</u>	₩	<u>190,414</u>

Changes in provision for other liabilities and charges for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>									
	<b>Beginning balance</b>		<b>Increase</b>		<b>Decrease</b>		<b>Others</b>		<b>Ending balance</b>	
Provision for restoration costs	₩	160,199	₩	2,019	₩	-	₩	-	₩	162,218
Provision for unused loan commitments		30,215		-		(30,215)		-		-
	₩	<u>190,414</u>	₩	<u>2,019</u>	₩	<u>(30,215)</u>	₩	<u>-</u>	₩	<u>162,218</u>

<i>(In thousands of Korean won)</i>	<b>2022</b>									
	<b>Beginning balance</b>		<b>Increase</b>		<b>Decrease</b>		<b>Others</b>		<b>Ending balance</b>	
Provision for restoration costs	₩	80,362	₩	158,447	₩	(80,580)	₩	-	₩	158,229

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**14. OTHER LIABILITIES:**

Other liabilities as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
Non-trade payables	₩	15,066	₩	344,284
Accrued expenses		17,339,112		16,713,337
Lease liabilities		2,060,047		2,239,894
Others <sup>1</sup>		657,734		1,679,324
	₩	<u>20,071,959</u>	₩	<u>20,976,839</u>

<sup>1</sup> Others consist of suspense payables in Korean won, value-added tax withheld and miscellaneous liabilities.

Undiscounted lease liabilities by term structures as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>					
	<b>Less than 1 month</b>	<b>1 month - 3 months</b>	<b>3 - 12 months</b>	<b>1 year - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Lease liabilities	₩ 80,128	₩ 154,653	₩ 538,989	₩ 1,112,277	₩ 288,417	₩ 2,174,464

<i>(In thousands of Korean won)</i>	<b>December 31, 2022</b>					
	<b>Less than 1 month</b>	<b>1 month - 3 months</b>	<b>3 - 12 months</b>	<b>1 year - 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Lease liabilities	₩ 74,702	₩ 141,368	₩ 488,533	₩ 1,181,339	₩ 485,851	₩ 2,371,793

The total cash outflow for leases for the six-month period ended June 30, 2023 was ₩420,124 thousand (2022: ₩396,589 thousand for the six-month period ended June 30, 2022).

Expense relating to leases of low-value assets that are not short-term leases for the six-month period ended June 30, 2023 is ₩16,528 thousand (2022: ₩16,685 thousand for the six-month period ended June 30, 2022).

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**15. SHARE CAPITAL AND OTHER PAID-IN CAPITAL:**

*(a) Share Capital*

As of June 30, 2023 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 of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>Issue date</b>	<b>Maturity</b>	<b>Interest rates (%)</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	2015-06-24	2045-06-24	5.10	₩ 30,000,000	₩ 30,000,000
	2018-02-13	-	4.83	-	100,000,000
	2018-03-02	-	4.26	-	150,000,000
Hybrid equity securities	2019-02-20	-	3.74	100,000,000	100,000,000
	2019-08-29	-	3.20	100,000,000	100,000,000
	2020-02-19	-	3.35	150,000,000	150,000,000
	2020-06-23	-	3.30	100,000,000	100,000,000
	2020-08-04	-	3.38	100,000,000	100,000,000
Issuance cost				(1,851,883)	(2,607,523)
				<u>₩ 578,148,117</u>	<u>₩ 827,392,477</u>

The Company can exercise its right to early repayment after 5 or 10 years after issuing hybrid equity securities, and at the date of maturity, the contractual agreements allow the Company to indefinitely extend the maturity date with the same contractual terms. In addition, the Company decides not to pay the dividends of ordinary share at general shareholders' meeting; 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 and those acquired to stabilize share price and increase corporate value.

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(d) *Other components of equity*

Other components of equity for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>			
	<b>Beginning balance</b>	<b>Decrease</b>	<b>Effect of deferred tax</b>	<b>Ending balance</b>
Remeasurements of net defined benefit liabilities	₩ (3,933,475)	₩ (1,916,753)	₩ -	₩ (5,850,228)
	<b>2022</b>			
<i>(In thousands of Korean won)</i>	<b>Beginning balance</b>	<b>Decrease</b>	<b>Effect of deferred tax</b>	<b>Ending balance</b>
Remeasurements of net defined benefit liabilities	₩ (6,376,677)	₩ 1,813,264	₩ -	₩ (4,563,413)

**BNK FINANCIAL GROUP INC.**  
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**16. RETAINED EARNINGS:**

Retained earnings as of June 30, 2023 and December 31, 2022 consist of:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Reserves:		
Earned profit reserves	₩ 171,671,407	₩ 141,145,407
Reserve for credit losses	1,611,000	768,000
Reserve for claims liability	2,000,000	2,000,000
Discretionary reserves	246,318,192	205,388,183
	<u>421,600,599</u>	<u>349,301,590</u>
Retained earnings before appropriation	<u>344,155,234</u>	<u>275,068,802</u>
	<u>₩ 765,755,833</u>	<u>₩ 624,370,392</u>

Article 53 of the Financial Holding Company Act requires a Parent Company to appropriate at least 10% of profit for the period to legal reserve, until such reserve equals 100% of its paid-up capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

*Regulatory reserve for credit losses*

In accordance with the Regulations for Supervision of Financial Holding Company, if provision for impairment under K-IFRSs 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 of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Provided regulatory reserve	₩ 1,611,000	₩ 768,000
Expected provision of reserve for credit losses (reversal)	(1,232,000)	843,000
	<u>₩ 379,000</u>	<u>₩ 1,611,000</u>

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Expected provision of reserve for credit losses, adjusted profit after the expected provision of regulatory reserve and adjusted earnings per share after the expected provision of regulatory reserve for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Profit for the period	₩ 160,738,250	₩ 357,608,098	₩ 137,246,566	₩ 341,712,481
Reversal of reserve for credit losses	590,000	1,232,000	362,000	124,000
Adjusted profit after the reversal of regulatory reserve <sup>1</sup>	₩ 161,328,250	₩ 358,840,098	₩ 137,608,566	₩ 341,836,481
Adjusted earnings per share after the reversal of regulatory reserve <sup>1</sup> <i>(in Korean won)</i>	₩ 485	₩ 1,070	₩ 400	₩ 1,005

<sup>1</sup> Profit and earnings per share after the expected provision of reserve for credit losses are not in accordance with K-IFRSs, but are calculated on the assumption that provision or reversal of reserve for credit losses is adjusted to the profit for the period. Earnings per share after the expected provision of reserve for credit losses are presented net of dividends on hybrid equity securities.

Details for acquisition and disposal of treasury shares six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won and in shares)</i>	<b>2023</b>		<b>2022</b>	
	<b>Number of shares</b>	<b>Book value</b>	<b>Number of shares</b>	<b>Book value</b>
Beginning balance	₩ 1,503,577	₩ 6,997,496	₩ 1,503,577	₩ 6,997,496
Acquisition <sup>1</sup>	2,343,231	15,999,880	-	-
Disposal	-	-	-	-
Ending balance	₩ 3,846,808	₩ 22,997,376	₩ 1,503,577	₩ 6,997,496

<sup>1</sup> The Company acquired treasury shares through a treasury share trust agreement with Korea Investment & Securities Co., Ltd. to enhance shareholder value.

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**17. NET INTEREST LOSS:**

Net interest loss and interest revenues and expenses for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Interest revenues:				
Cash and due from banks	₩ 65,886	₩ 151,413	₩ 88,107	₩ 151,285
Other interest revenues:				
Present value discounts	155,341	242,322	86,796	174,328
	<u>221,227</u>	<u>393,735</u>	<u>174,903</u>	<u>325,613</u>
Interest expenses:				
Debentures	(11,419,795)	(20,757,051)	(7,436,806)	(14,130,994)
Lease liabilities	(11,139)	(22,408)	(10,274)	(21,400)
Miscellaneous interest:				
Provision for restoration costs	(1,010)	(2,019)	(985)	(2,187)
	<u>(11,431,944)</u>	<u>(20,781,478)</u>	<u>(7,448,065)</u>	<u>(14,154,581)</u>
Net interest loss	<u>₩ (11,210,717)</u>	<u>₩ (20,387,743)</u>	<u>₩ (7,273,162)</u>	<u>₩ (13,828,968)</u>

**18. NET COMMISSION INCOME:**

Net commission income and commission revenues and expenses for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Commission revenues:				
Brand revenues	₩ 3,388,750	₩ 6,777,500	₩ 2,497,500	₩ 4,995,000
Other commission revenues	-	50	850	1,050
	<u>3,388,750</u>	<u>6,777,550</u>	<u>2,498,350</u>	<u>4,996,050</u>
Commission expenses:				
Other commission expenses	(873,044)	(1,684,063)	(920,118)	(1,240,766)
Net commission income	<u>₩ 2,515,706</u>	<u>₩ 5,093,487</u>	<u>₩ 1,578,232</u>	<u>₩ 3,755,284</u>

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**19. GENERAL AND ADMINISTRATIVE EXPENSES:**

General and administrative expenses for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Employee benefits:				
Salaries	₩ 6,025,940	₩ 10,544,850	₩ 3,500,175	₩ 9,088,337
Employee benefits	759,795	1,565,094	667,469	1,456,617
Postemployment benefits	308,967	1,021,397	384,073	1,270,815
	<u>7,094,702</u>	<u>13,131,341</u>	<u>4,551,717</u>	<u>11,815,769</u>
Rent expense	144,163	236,656	118,222	235,225
Business promotion expenses	274,835	697,808	508,305	1,039,766
Depreciation	576,629	1,067,772	528,864	1,029,567
Amortization	822,577	1,630,029	742,874	1,458,213
Taxes and dues	87,372	212,134	80,844	207,464
Service expenses	945,420	1,582,898	1,310,921	1,923,567
Advertising expenses	716,179	1,232,759	749,019	1,199,990
Other administrative expenses	629,306	1,066,197	476,665	838,789
	<u>₩ 11,291,183</u>	<u>₩ 20,857,594</u>	<u>₩ 9,067,431</u>	<u>₩ 19,748,350</u>

(a) *Share-Based Payments*

The Company has granted share-based payments to its executives and employees, and measured the cost of the share options by a fair value approach. The share-based payment is an incentive plan that sets, on grant date, the maximum number of shares that can be awarded. Actual shares to be granted are determined and paid in cash in accordance with achievement of performance targets over the vesting period.

For the short-term performance compensation, the chairman shall be paid 40% of his/her compensation in cash while other executives and the business executive shall be paid 60% of his/her compensation in cash, and the remaining compensations shall be deferred in connection with the share price for three years. However, the compensation from 2020 shall be paid in cash at once in the following year according to the evaluation result.

40% of the long-term performance compensation shall be paid in cash depending on the three-year evaluation result and the remaining compensation shall be deferred in connection with the share price for three years according to the evaluation result per three years. However, all of the compensation from 2020 shall be deferred in connection with the share price for three years according to the evaluation result.

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Changes in granted number of share options for the six-month period ended June 30, 2023 and year ended December 31, 2022 are as follows:

i) Linked to short-term performance

- Initially granted

<i>(In shares)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Beginning balance	326,857	130,938
Granted	-	279,884
Exercise	(140,264)	(83,965)
Others	-	-
Ending balance	<u>186,593</u>	<u>326,857</u>

ii) Linked to long-term performance

- Initially granted

<i>(In shares)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Beginning balance	1,306,459	926,774
Granted	682,477	486,607
Exercise	(100,885)	(13,972)
Others	109,569	(92,950)
Ending balance	<u>1,997,620</u>	<u>1,306,459</u>

- Deferred grants

<i>(In shares)</i>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
Beginning balance	21,199	35,171
Granted	265,700	-
Exercise	(100,885)	(13,972)
Others	-	-
Ending balance	<u>186,014</u>	<u>21,199</u>

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Expenses recognized related to the share option granted for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Linked to short-term performance	₩ 396,234	₩ 596,750	₩ 43,326	₩ 1,017,571
Linked to long-term performance	1,028,678	1,153,579	(544,982)	408,693

Liabilities recognized related to the share option granted for the six-month period ended June 30, 2023 and year ended December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>June 30, 2023</b>		<b>December 31, 2022</b>	
Accrued expenses (short-term performance)	₩	1,843,322	₩	3,846,435
Accrued expenses (long-term performance)		7,908,622		7,463,256

**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, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	<b>2023</b>		<b>2022</b>	
	<b>Three months</b>	<b>Six months</b>	<b>Three months</b>	<b>Six months</b>
Non-operating revenues:				
Miscellaneous income	₩ 737,399	₩ 776,894	₩ 37,230	₩ 64,797
Gain on disposal of property and equipment	119	119	384	461
Restoration gain	-	-	-	55,830
	<u>737,518</u>	<u>777,013</u>	<u>37,614</u>	<u>121,088</u>
Non-operating expenses:				
Donations	(13,000)	(46,612)	(15,000)	(93,800)
Loss on disposal of property and equipment	-	-	-	(51,005)
Loss on retirement of property and equipment	-	-	(13,258)	(214,202)
Miscellaneous expense	(75)	(669)	(429)	(227,566)
	<u>(13,075)</u>	<u>(47,281)</u>	<u>(28,687)</u>	<u>(586,573)</u>
Net non-operating income (loss)	<u>₩ 724,443</u>	<u>₩ 729,732</u>	<u>₩ 8,927</u>	<u>₩ (465,485)</u>

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**21. EARNINGS PER SHARE:**

The weighted-average number of common shares outstanding for the three-month and six-month periods ended June 30, 2023 and 2022 is as follows:

<i>(In shares)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Beginning number of common shares outstanding	322,088,438	324,431,669	324,431,669	324,431,669
Acquisition of treasury stocks	-	(1,728,039)	-	-
Weighted-average number of common shares outstanding	<u>322,088,438</u>	<u>322,703,630</u>	<u>324,431,669</u>	<u>324,431,669</u>

Basic earnings per share for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In thousands of Korean won and in shares)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Net profit for the period	₩ 160,738,250	₩ 357,608,098	₩ 137,246,566	₩ 341,712,481
Dividends from hybrid equity securities	<u>(5,043,750)</u>	<u>(13,452,863)</u>	<u>(7,848,750)</u>	<u>(15,697,500)</u>
Profit attributable to ordinary equity holders	155,694,500	344,155,235	129,397,816	326,014,981
Weighted-average number of ordinary shares outstanding	<u>322,088,438</u>	<u>322,703,630</u>	<u>324,431,669</u>	<u>324,431,669</u>
Basic earnings per share (in Korean won)	<u>₩ 483</u>	<u>₩ 1,066</u>	<u>₩ 399</u>	<u>₩ 1,005</u>

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 that 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:**

The dividend of common shares for the year ended December 31, 2022, amounting to ₩202,769,793 thousand, was paid on March 29, 2023 (The amount of dividend paid during the year ended December 31, 2022 amounts to ₩181,681,735 thousand).

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**23. RELATED-PARTY TRANSACTIONS:**

Related parties as of June 30, 2023 are as follows:

<b>Relationship</b>	<b>Name of the related party</b>
Subsidiaries	Busan Bank Co., Ltd.; Kyongnam Bank Co. Ltd.; BNK Capital Co., Ltd.; BNK Securities Co., Ltd.; BNK Savings Bank Co., Ltd.; BNK Asset Management Co., Ltd.; BNK Credit Information Co., Ltd.; BNK System Co., Ltd.; BNK Venture Capital Co., Ltd.; BNKC (Cambodia) MFI PLC; BNK Capital Myanmar Co., Ltd.; BNK Capital Lao Leasing Co., Ltd.; MFO BNK Finance Kazakhstan LLP; BNK Capital Lao NDTMFI Co., Ltd.; MCC BNK Finance LLC.; Busan Bank Co., Ltd. (unspecified money trust) and 18 others; BNK Luxembourg Private and 31 others; and BNK Jeju Global Co., Ltd. and 61 others
Associates	ANDA H Mezzanine Private Investment Trust 11th; Orion The bank 1 Private Investment Trust; BNK-T 2021 Korea Support Investment Association No. 1; BNK-KN Yeonghonam Special Zone Development Venture Investment Association No. 1; BNK Cape ESG New Renewable Energy No. 1 New Technology Association; BNK-KN New Marine Industry No.1 Fund; BNK Interscience Technology Finance Investment Association No. 1; BNK-Kiwoom New Technology Investment Fund 1st; ANDA H Mezzanine General Private Equity Investment Trust No. 12; Teun Teun Korea Securities Investment Trust No. 1 (stock); KB Leaders General Private Equity Investment No. 12 (stock); Kyobo-Axa ESG Alpha Plus General Private Securities Investment Trust-J 6th (bond); Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 8th; Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 21; VI IPO High Yield Plus General Private Securities Investment Trust No. 1; Shinhan BNPP SGrail Professional Private Special Asset Fund No. 1-2; ANDA H The banks 2 General Private Investment Trust (Specialty); Hana UBS Private Securities Investment Trust 7th (bond); HI General Private Equity Investment Trust No. 28 (bond); Shinhan Corporation General Private Securities Investment Trust 14th (bonds); Multi-Asset LNG General Private Equity Investment Trust No. 5; NH-Amundi Private Security Investment Trust No. 18 (Bond); Igis Ulsan New Port Infrastructure Private Investment Trust; Hana UBS Balance General Private Security Investment Trust No. 1 (With Bonds); NH-Amundi Private Security Investment Trust No. 22 (Bond); Samsung Rafael General Investment Private Security Investment Trust No. 8; Hanwha A Private Security Investment Trust No. 1 (Bond); Samsung Dollar S&B General Private Security Investment Trust No. 5 (USD) (Bond); KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.41(USD) (Bond); Multiasset ESG Marine Transportation Infra General Private Investment Trust No. 1; Samsung Dollar S&B General Private Security Investment Trust No. 6 (USD) (Bond) and 49 others

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Transactions with related parties for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In thousands of Korean won)

Type	Name of entity	2023				
		Revenues		Expenses		Acquisition of property and equipment
		Interest revenues	Other revenues	Interest expenses	Other expenses	
Subsidiaries	Busan Bank Co., Ltd.	₩ 249,345	₩ 250,154,500	₩ -	₩ 242,363	₩ 15,083
	Kyongnam Bank Co., Ltd.	1,234	147,725,000	-	156,816	-
	BNK Capital Co., Ltd.	-	973,000	4,856	37,649	7,742
	BNK Securities Co., Ltd.	-	771,000	-	23,355	-
	BNK Saving Bank Co., Ltd.	113,391	90,000	-	-	-
	BNK Asset Management Co., Ltd.	-	13,000	406	-	86,292
	BNK Venture Capital Co., Ltd.	-	6,000	-	-	-
	BNK Credit Information Co., Ltd.	-	9,500	-	-	-
	BNK System Co., Ltd.	-	35,500	-	555,331	570,554
	BNK Gangnam Core Office Real Estate	4,912	-	14,228	-	2,119,328
		<u>₩ 368,882</u>	<u>₩ 399,777,500</u>	<u>₩ 19,490</u>	<u>₩ 1,015,514</u>	<u>₩ 2,798,999</u>

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(In thousands of Korean won)

Type	Name of entity	2022				
		Revenues		Expenses		Acquisition of property and equipment
		Interest revenues	Other revenues	Interest expenses	Other expenses	
Subsidiaries	Busan Bank Co., Ltd.	₩ 191,645	₩ 230,158,000	₩ -	₩ 167,763	₩ -
	Kyongnam Bank Co., Ltd.	236	135,315,000	-	62,457	-
	BNK Capital Co., Ltd.	-	857,500	4,809	-	127,947
	BNK Securities Co., Ltd.	-	10,516,500	-	-	-
	BNK Saving Bank Co., Ltd.	101,697	76,000	-	-	-
	BNK Asset Management Co., Ltd.	-	32,000	406	-	-
	BNK Venture Capital Co., Ltd.	-	7,000	-	-	-
	BNK Credit Information Co., Ltd.	-	7,000	-	-	-
	BNK System Co., Ltd.	-	26,450	-	474,384	1,283,598
	BNK Gangnam Core Office Real Estate	5,080	17,028	15,008	-	2,119,328
		<u>₩ 298,658</u>	<u>₩ 377,012,478</u>	<u>₩ 20,223</u>	<u>₩ 704,604</u>	<u>₩ 3,530,873</u>

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Fund transactions with related parties for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In thousands of Korean won)

		<b>2023</b>			
Type	Name of entity	Loan transactions		Investment	
		Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 443,367,107	₩ 385,591,003	₩ -	₩ -
	Kyongnam Bank Co., Ltd.	64,200,490	-	-	-
	BNK Saving Bank Co., Ltd.	113,955	-	-	-
		<u>₩ 507,681,552</u>	<u>₩ 385,591,003</u>	<u>₩ -</u>	<u>₩ -</u>

(In thousands of Korean won)

		<b>2022</b>			
Type	Name of entity	Loan transactions		Investment	
		Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 553,405,609	₩ 355,275,672	₩ -	₩ -
	Kyongnam Bank Co., Ltd.	54,000,030	45,191,010	-	-
	BNK Capital Co., Ltd.	-	-	50,000,000	-
	BNK Saving Bank Co., Ltd.	20,094,252	5,000,000	-	-
		<u>₩ 627,499,891</u>	<u>₩ 405,466,682</u>	<u>₩ 50,000,000</u>	<u>₩ -</u>

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Outstanding receivables and payables from related parties as of June 30, 2023 and December 31, 2022 are as follows:

(In thousands of Korean won)

		June 30, 2023			
Type	Name of entity	Receivables		Payables	
		Loans/Due from banks	Other assets	Deposit liabilities	Other liabilities
Subsidiaries	Busan Bank Co., Ltd.	₩ 111,208,732	₩ 54,899,068	₩ -	₩ 228,967
	Kyongnam Bank Co., Ltd.	64,200,832	14,975,053	-	-
	BNK Capital Co., Ltd.	-	17,818,594	-	353,219
	BNK Securities Co., Ltd.	-	5,389,413	-	-
	BNK Saving Bank Co., Ltd.	15,321,316	8,185	-	139,718
	BNK Asset Management Co., Ltd.	-	537,668	-	43,178
	BNK Venture Capital Co., Ltd.	-	511,229	-	-
	BNK Credit Information Co., Ltd.	-	404,037	-	-
	BNK System Co., Ltd.	-	497,624	-	85,229
	BNK Gangnam Core Office Real Estate	-	397,019	-	1,544,723
		<u>₩ 190,730,880</u>	<u>₩ 95,437,890</u>	<u>₩ -</u>	<u>₩ 2,395,034</u>

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(In thousands of Korean won)

		December 31, 2022			
Type	Name of entity	Receivables		Payables	
		Loans/Due from banks	Other assets	Deposit liabilities	Other liabilities
Subsidiaries	Busan Bank Co., Ltd.	₩ 52,781,017	₩ 97,923,948	₩ -	₩ 231,822
	Kyongnam Bank Co., Ltd.	342	50,817,311	-	-
	BNK Capital Co., Ltd.	-	49,115,913	-	441,259
	BNK Securities Co., Ltd.	-	-	-	733,972
	BNK Saving Bank Co., Ltd.	15,207,360	158,451	-	-
	BNK Asset Management Co., Ltd.	-	28,093	-	785,537
	BNK Venture Capital Co., Ltd.	-	182,824	-	-
	BNK Credit Information Co., Ltd.	-	491,354	-	-
	BNK System Co., Ltd.	-	1,014,079	-	-
	BNK Gangnam Core Office Co., Ltd.	-	392,107	-	1,707,228
		<u>₩ 67,988,719</u>	<u>₩ 200,124,080</u>	<u>₩ -</u>	<u>₩ 3,899,818</u>

The Company paid ₩303,151 thousand for the lease payments in relation to related parties for the six-month period ended June 30, 2023 (₩284,688 thousand for the six-month period ended June 30, 2022).

Compensation for key executives for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023	2022
Short-term employee benefits	₩ 465,533	₩ 641,005
Performance compensation costs	326,547	706,515
Postemployment benefits	11,613	20,000

**BNK FINANCIAL GROUP INC.**  
**Notes to the Interim Condensed Separate Financial Statements**  
**June 30, 2023 and 2022 (Unaudited)**

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**24. COMMITMENTS:**

Details of commitments with financial institutions as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In thousands of Korean won)</i>		<b>June 30, 2023</b>		<b>December 31, 2022</b>	
<b>Commitment</b>	<b>Financial institution</b>	<b>Limit</b>	<b>Balance</b>	<b>Limit</b>	<b>Balance</b>
Borrowing	Korea Development Bank <sup>1</sup>	₩ 150,000,000	₩ -	₩ 150,000,000	₩ -
Loans	BNK Securities <sup>2</sup>	-	-	150,000,000	-

<sup>1</sup> The Company has entered into a general loan agreement with Korea Development Bank for securing liquidity to cope with potential financial distress in the domestic credit market and diversifying the financing channel.

<sup>2</sup> Regarding the purchase of corporate bonds of BNK Securities Co., Ltd. by the Korea Development Bank, the Company signed an agreement to provide BNK Securities Co., Ltd. with a credit line of ₩150 billion in December 2022 and it expired in March 2023.