

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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

BNK FINANCIAL GROUP INC.

Table of contents

Report on review of interim condensed consolidated financial statements

	Page(s)
Interim Condensed Consolidated Financial Statements	
Interim Condensed Consolidated Statements of Financial Position	5
Interim Condensed Consolidated Statements of Comprehensive Income.....	6
Interim Condensed Consolidated Statements of Changes in Equity	8
Interim Condensed Consolidated Statements of Cash Flows	9
Notes to the Interim Condensed Consolidated Financial Statements	11

Report on review of interim condensed consolidated 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 consolidated financial statements of BNK Financial Group Inc. and its subsidiaries (the “Group”). The interim condensed consolidated financial statements consist of the interim condensed consolidated statement of financial position as of June 30, 2023, the interim condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2023, and the interim condensed consolidated statements of changes in equity and the interim condensed consolidated 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 consolidated financial statements

The Group’s management is responsible for the preparation and fair presentation of the accompanying interim condensed consolidated 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 consolidated 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 consolidated 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 consolidated financial statements of the Group are not presented fairly, in all material respects, in accordance with KIFRS 1034 *Interim Financial Reporting*.

Emphasis of matters

Without qualifying our conclusion, we draw attention to Notes 23, 34, and 39 to the interim condensed consolidated financial statements.

(1) As described in Notes 34 and 39 to the interim condensed consolidated financial statements, the Group restated the consolidated statement of financial position as of December 31, 2022, the interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2022, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period ended June 30, 2022, in order to correct the prior-period errors caused by the embezzlement of an employee. As a result of this error correction, the Group's net assets decreased by KRW 36 billion as of December 31, 2022, and its half-year net profit for the six-month period ended June 30, 2022 decreased by KRW 22.5 billion.

(2) As described in Notes 23, 34 and 39 to the interim condensed consolidated financial statements, investigations by the Bank, the Financial Supervisory Service, and the prosecution are underway regarding this embezzlement incident. Any adjustments to the amounts of assets and liabilities and related profit and loss items that may arise due to uncertainty in future findings are not reflected in the attached financial statements.

Other matters

The interim condensed consolidated financial statements of comprehensive income for the three-month and six-month periods ended June 30, 2022, interim condensed consolidated financial statement of changes in equity and interim condensed consolidated 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*.

Meanwhile, the interim condensed consolidated financial statements reviewed by Deloitte Anjin LLC are those before the adjustments to restricted deposits, such as reserve deposits, described in Note 2, and adjustments described in notes 34 and 39. The interim condensed consolidated financial statements for the three-month and six-month periods ended June 30, 2022 presented for comparative purpose are the interim condensed consolidated financial statements reflecting the adjustments.

Moreover, the consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated statement of financial position audited by Deloitte Anjin LLC is the statement of financial position before reflecting the adjustments described in Note 39. The accompanying consolidated statement of financial position as of December 31, 2022 presented for comparative purpose is the statement of financial position reflecting the adjustments.

Ernst & Young Han Young

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 consolidated financial statements and may result in modification to this review report.

BNK Financial Group Inc. and its Subsidiaries
Interim Condensed Consolidated Statements of Financial Position
As of June 30, 2023 and December 31, 2022

<i>(In millions of Korean won)</i>	Notes	June 30, 2023 (Unaudited)		December 31, 2022	
Assets					
Cash and due from banks	4,6,7	₩	4,992,367	₩	6,212,882
Financial assets at FVTPL	4,6,8,11		6,808,648		4,954,903
Financial assets at fair value through other comprehensive income	4,6,9,11,13		6,137,716		5,093,086
Financial assets at amortized cost	4,6,10,11,13		9,261,618		9,234,752
Loans and receivables	4,6,12,13		110,557,440		106,279,112
Derivative assets	4,6,14		118,595		168,679
Investments in associates and joint venture	15		1,407,751		1,106,662
Property and equipment	16		1,234,645		1,210,905
Intangible assets	17		265,876		281,573
Investment properties	18		628,388		647,642
Net defined benefit assets	22		172,035		194,064
Deferred tax assets	35		-		22,406
Current tax assets	35		-		2,703
Other assets			1,641,113		1,521,057
Total assets		₩	143,226,192	₩	136,930,426
Liabilities					
Deposit liabilities	6	₩	104,120,980	₩	101,470,361
Financial liabilities designated at FVTPL	6,19		691,920		584,160
Borrowings	6,20		8,726,899		7,982,591
Debentures	6,21		12,504,822		12,145,457
Derivative liabilities	6,14		127,550		194,189
Net defined benefit liabilities	22		4,296		421
Provisions	23		113,289		113,756
Current tax liabilities	35		75,771		180,601
Deferred tax liabilities	35		28,219		-
Other liabilities	6,24		6,332,300		3,462,534
Total liabilities			132,726,046		126,134,070
Equity					
Equity attributable to owners of the Parent Company					
Share capital	25		1,629,676		1,629,676
Hybrid equity securities	25		578,148		827,392
Other paid-in capital	25		762,429		778,904
Other components of equity	25		(127,033)		(160,373)
Retained earnings	25		7,008,524		6,773,170
			9,851,744		9,848,769
Non-controlling interest			648,402		947,587
Total equity			10,500,146		10,796,356
Total liabilities and equity		₩	143,226,192	₩	136,930,426

See notes to condensed interim consolidated financial statements.

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

BNK Financial Group Inc. and its Subsidiaries
Interim Condensed Consolidated Statements of Comprehensive Income
For The Three-Month and Six-Month Periods Ended June 30, 2023 and 2022

		Period ended June 30			
		2023 (Unaudited)		2022 (Unaudited)	
(In millions of Korean won, except per share amounts)	Notes	Three months	Six months	Three months	Six months
Net interest income	25				
Interest income					
Financial assets at FVTPL		W 29,703	W 57,655	W 21,424	W 39,870
Financial assets at fair value through other comprehensive income and amortized cost		<u>1,602,536</u>	<u>3,172,451</u>	<u>1,081,281</u>	<u>2,062,264</u>
		1,632,239	3,230,106	1,102,705	2,102,134
Interest expenses		<u>(914,543)</u>	<u>(1,780,992)</u>	<u>(377,001)</u>	<u>(697,787)</u>
		<u>717,696</u>	<u>1,449,114</u>	<u>725,704</u>	<u>1,404,347</u>
Net fee and commission income	26				
Commission income		102,481	214,668	161,922	349,034
Commission expenses		<u>(35,296)</u>	<u>(79,910)</u>	<u>(41,524)</u>	<u>(82,931)</u>
		<u>67,185</u>	<u>134,758</u>	<u>120,398</u>	<u>266,103</u>
Gain (loss) on financial assets at FVTPL	27	7,713	93,774	(37,696)	(53,568)
Gain on financial assets at fair value through other comprehensive income	28	1,001	5,263	299	3,403
Gain (loss) on financial assets at amortized cost	29	(129)	(139)	162	163
Contribution to provision for credit loss and others	30				
Contribution to provision for credit loss		(165,299)	(287,886)	(115,934)	(197,171)
Gain on disposal of loans		45,634	53,549	25,272	49,185
General and administrative expenses	31	(357,105)	(750,008)	(356,399)	(727,409)
Other operating income (expenses)					
Gain (loss) on foreign currency transaction		8,946	7,872	(11,400)	(13,859)
Gain from derivatives		18,009	61,550	4,030	23,561
Other operating income		153,095	294,987	166,142	318,799
Other operating expenses		<u>(217,186)</u>	<u>(461,483)</u>	<u>(193,220)</u>	<u>(370,951)</u>
Operating profit		<u>279,560</u>	<u>601,351</u>	<u>327,358</u>	<u>702,603</u>
Non-operating income (expenses)	32				
Share of profit (loss) of associates		623	20,970	(8,009)	(5,268)
Other income		12,543	25,531	15,823	29,197
Other expenses		<u>(23,008)</u>	<u>(29,634)</u>	<u>(45,761)</u>	<u>(50,589)</u>
		<u>(9,842)</u>	<u>16,867</u>	<u>(37,947)</u>	<u>(26,660)</u>
Profit before income tax expense		269,718	618,218	289,411	675,943
Income tax expense	33	<u>(62,268)</u>	<u>(142,505)</u>	<u>(72,318)</u>	<u>(171,723)</u>
Profit for the period		<u>W 207,450</u>	<u>W 475,713</u>	<u>W 217,093</u>	<u>W 504,220</u>
Profit for the period is attributable to:					
Owners of the Parent Company		W 195,916	W 452,670	W 206,283	W 482,600
Non-controlling interest		11,534	23,043	10,810	21,620

BNK Financial Group Inc. and its Subsidiaries
Interim Condensed Consolidated Statements of Comprehensive Income
For The Three-Month and Six-Month Periods Ended June 30, 2023 and 2022

		Period ended June 30			
		2023 (Unaudited)		2022 (Unaudited)	
(In millions of Korean won, except per share amounts)	Notes	Three months	Six months	Three months	Six months
Other comprehensive income (loss), net of tax					
<i>Items that will not be reclassified to profit or loss</i>					
	Remeasurements of net defined benefit liabilities	W 19,839	W (12,240)	W 26,066	W 47,441
	Gain (loss) on valuation of equity instruments at fair value through other comprehensive income	515	863	1,164	(7,346)
	Changes in the own credit risk of financial liabilities designated at FVTPL	91	(413)	91	2
<i>Items that may be subsequently reclassified to profit or loss</i>					
	Gain (loss) on valuation of debt instruments at fair value through other comprehensive income	(18,655)	41,785	(62,802)	(119,055)
	Exchange differences on translation of foreign operations	(211)	11,052	18,825	24,641
	Gain (loss) on valuation of hedges of net investments in foreign operations	148	(7,421)	(16,948)	(20,083)
	Share of other comprehensive income of associates	(1,674)	(564)	1,720	2,767
	(Reversal of) impairment loss of debt instruments at fair value through other comprehensive income	71	280	(98)	(150)
	Other comprehensive income (loss) for the period, net of tax	124	33,342	(31,982)	(71,783)
	Total comprehensive income for the period	W 207,574	W 509,055	W 185,111	W 432,437
Total comprehensive income for the period is attributable to:					
	Owners of the Parent Company	W 196,040	W 486,012	W 174,301	W 410,817
	Non-controlling interests	11,534	23,043	10,810	21,620
Earnings per share (in Korean won)					
	Basic and diluted earnings per share	34 W 593	W 1,361	W 611	W 1,439

See notes to condensed interim consolidated financial statements.

BNK Financial Group Inc. and its Subsidiaries
Interim Condensed Consolidated Statements of Changes in Equity
For The Six-Month Periods Ended June 30, 2023 and 2022

	Attributable to owners of the Parent Company								Non-controlling interests	Total equity
	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Total				
<i>(In millions of Korean won)</i>										
Balance as of January 1, 2022	₩ 1,629,676	₩ 827,392	₩ 779,999	₩ (122,162)	₩ 6,210,820	₩ 9,325,725	₩ 897,457	₩ 10,223,182		
Dividends	-	-	-	-	(181,682)	(181,682)	-	(181,682)		
Issuance of hybrid equity securities	-	-	-	-	-	-	349,034	349,034		
Dividends on hybrid equity securities	-	-	-	-	(15,698)	(15,698)	(21,621)	(37,319)		
Changes in capital adjustments										
Total comprehensive income										
Profit for the period	-	-	-	-	482,600	482,600	21,620	504,220		
Other comprehensive income										
Remeasurements of net defined benefit liabilities	-	-	-	47,441	-	47,441	-	47,441		
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(126,401)	-	(126,401)	-	(126,401)		
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income	-	-	-	(1)	1	-	-	-		
Gain on overseas operations translation	-	-	-	24,641	-	24,641	-	24,641		
Loss on valuation of hedges of net investments in foreign operations	-	-	-	(20,083)	-	(20,083)	-	(20,083)		
Share of other comprehensive income of associates value through other comprehensive income	-	-	-	2,767	-	2,767	-	2,767		
Changes in the own credit risk of financial liabilities designated at FVTPL	-	-	-	(150)	-	(150)	-	(150)		
	-	-	-	2	-	2	-	2		
Balance as of June 30, 2022 (Unaudited)	<u>₩ 1,629,676</u>	<u>₩ 827,392</u>	<u>₩ 779,999</u>	<u>₩ (193,946)</u>	<u>₩ 6,496,041</u>	<u>₩ 9,539,162</u>	<u>₩ 1,246,490</u>	<u>₩ 10,785,652</u>		
Balance as of January 1, 2023	₩ 1,629,676	₩ 827,392	₩ 778,904	₩ (160,373)	₩ 6,773,170	₩ 9,848,769	₩ 947,587	₩ 10,796,356		
Dividends	-	-	-	-	(202,770)	(202,770)	-	(202,770)		
Repayment of hybrid equity securities	-	(249,244)	(756)	-	-	(250,000)	-	(250,000)		
Dividends on hybrid equity securities	-	-	-	-	(13,452)	(13,452)	(23,043)	(36,495)		
Acquisition of treasury shares	-	-	(16,000)	-	-	(16,000)	-	(16,000)		
Changes in non-controlling interests	-	-	(814)	-	-	(814)	(299,185)	(299,999)		
Changes in capital adjustments	-	-	1,095	-	(1,095)	-	-	-		
Total comprehensive income										
Profit for the period	-	-	-	-	452,670	452,670	23,043	475,713		
Other comprehensive income										
Remeasurements of net defined benefit liabilities	-	-	-	(12,240)	-	(12,240)	-	(12,240)		
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	42,647	-	42,647	-	42,647		
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income	-	-	-	(1)	1	-	-	-		
Gain on overseas operations translation	-	-	-	11,052	-	11,052	-	11,052		
Loss on valuation of hedges of net investments in foreign operations	-	-	-	(7,421)	-	(7,421)	-	(7,421)		
Share of other comprehensive income of associates	-	-	-	(564)	-	(564)	-	(564)		
Reversal of impairment loss of debt instruments at fair value through other comprehensive income	-	-	-	280	-	280	-	280		
Changes in the own credit risk of financial liabilities designated at FVTPL	-	-	-	(413)	-	(413)	-	(413)		
Balance as of June 30, 2023 (Unaudited)	<u>₩ 1,629,676</u>	<u>₩ 578,148</u>	<u>₩ 762,429</u>	<u>₩ (127,033)</u>	<u>₩ 7,008,524</u>	<u>₩ 9,851,744</u>	<u>₩ 648,402</u>	<u>₩ 10,500,146</u>		

See notes to condensed interim consolidated financial statements.

BNK Financial Group Inc. and its Subsidiaries
Interim Condensed Consolidated Statements of Cash Flows
For The Six-Month Periods Ended June 30, 2023 and 2022

<i>(In millions of Korean won)</i>	2023 (Unaudited)		2022 (Unaudited)	
Cash flows from operating activities				
Profit for the period	W	475,713	W	504,221
Adjustments to profit for the period:				
Interest income		(3,230,106)		(2,102,134)
Interest expense		1,780,992		697,787
Loss (gain) on financial assets at FVTPL, net		(99,683)		102,297
Gain on financial assets at fair value through other comprehensive income, net		(5,263)		(3,403)
Loss (gain) on financial assets at amortized cost, net		139		(163)
Loss on financial liabilities designated at FVTPL		7,867		1,832
Contribution to provision for credit loss		287,886		197,171
Loss on foreign currency translation		6,669		18,121
Loss (gain) on valuation of derivatives, net		(2,313)		26,227
Depreciation		56,662		52,282
Amortization		43,898		38,926
Postemployment benefits		20,103		30,224
Other operating expenses, net		174,400		80,327
Share of loss (profit) of associates		(20,970)		5,268
Loss (gain) on property and equipment, and intangible assets		94		(352)
Other non-operating expenses, net		10,113		36,108
Income tax expense		142,505		171,723
		<u>(827,007)</u>		<u>(647,759)</u>
Changes in operating assets and liabilities:				
Decrease (increase) in due from banks		27,646		(157,886)
Increase in financial assets at FVTPL		(1,649,205)		(605,123)
Increase in loans and receivables		(4,479,930)		(6,814,895)
Increase in derivative assets and liabilities		(15,319)		(32,467)
Increase in other assets		(268,859)		(389,731)
Increase in financial liabilities designated at FVTPL		2,607,459		2,653,052
Increase in securities sold		99,339		48,242
Increase in deposit liabilities		459,200		273,983
Increase (decrease) in provisions		(10,625)		1,916
Increase in other liabilities		2,222,674		1,086,175
Decrease in defined benefit obligation		(25,136)		(95,858)
Decrease in plan assets		15,254		73,520
		<u>(1,017,502)</u>		<u>(3,959,072)</u>
Interest received		3,193,815		2,093,487
Dividend received		20,658		11,829
Interest paid		(1,251,360)		(575,309)
Income tax paid		(206,493)		(176,308)
Net cash inflow from (outflow for) operating activities		<u>387,824</u>		<u>(2,748,911)</u>

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

BNK Financial Group Inc. and its Subsidiaries
Interim Condensed Consolidated Statements of Cash Flows
For The Six-Month Periods Ended June 30, 2023 and 2022

<i>(In millions of Korean won)</i>	2023 (Unaudited)		2022 (Unaudited)	
Cash flows from investing activities				
Proceeds from disposal of financial assets at FVTPL	₩	3,380,706	₩	1,759,794
Payments for financial assets at FVTPL		(3,504,041)		(1,638,091)
Proceeds from disposal of financial assets at fair value through other comprehensive income		1,050,352		317,614
Payments for financial assets at fair value through other comprehensive income		(2,029,527)		(284,047)
Proceeds from disposal of financial assets at amortized cost		808,241		1,181,033
Payments for financial assets at amortized cost		(811,940)		(1,279,246)
Proceeds from disposal of investments in associates		304,287		502,457
Payments for investments in associates		(577,262)		(568,632)
Proceeds from disposal of property and equipment		3,795		7,116
Payments for property and equipment		(38,253)		(27,709)
Proceeds from disposal of intangible assets		29		138
Payments for intangible assets		(29,608)		(26,170)
Payments for investment properties		(1,576)		(822)
Decrease (increase) in leasehold deposits provided		(2,351)		6,766
Net cash outflow for investing activities		<u>(1,447,148)</u>		<u>(49,799)</u>
Cash flows from financing activities				
Increase in borrowings		17,645,710		13,220,416
Decrease in borrowings		(17,411,923)		(11,621,498)
Issuance of debentures		4,118,252		3,418,428
Repayment of debentures		(3,778,369)		(3,070,012)
Payments of lease liabilities		(14,913)		(14,276)
Dividends paid to shareholders		(202,770)		(181,682)
Repayment of hybrid equity securities		(250,000)		-
Dividends paid on hybrid equity securities		(13,453)		(15,698)
Payments for treasury shares		(16,000)		-
Increase in non-controlling interests		(300,000)		349,034
Dividends paid to non-controlling interests		(23,043)		(21,620)
Increase in other liabilities		118,981		36,466
Net cash inflow from (outflow for) financing activities		<u>(127,528)</u>		<u>2,099,558</u>
Net decrease in cash and cash equivalents		(1,186,852)		(699,152)
Cash and cash equivalents at the beginning of the period		5,894,732		4,947,248
Effects of exchange rate changes on cash and cash equivalents		(6,216)		37,026
Cash and cash equivalents at the end of the period	₩	<u>4,701,664</u>	₩	<u>4,285,122</u>

See notes to condensed interim consolidated financial statements.

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023 and 2022 (Unaudited)

1. GENERAL INFORMATION:

General information of BNK Financial Group Inc. (“BNK Financial Group” or the “Parent Company”), which is a controlling entity in accordance with Korean International Financial Reporting Standard as adopted by the Republic of Korea (“KIFRS”) 1110, *Consolidated Financial Statements*, and its subsidiaries (collectively, the “Group”) is as follows:

1.1 BNK Financial Group

BNK Financial Group was incorporated on March 15, 2011, in accordance with the provisions of the Financial Holding Company Act, whereby holders of the ordinary shares of Busan Bank Co., Ltd.; BNK Securities Co., Ltd.; BNK Capital Co., Ltd.; and BNK Credit Information Co., Ltd. transferred all of their shares to the Parent Company and in return received shares of the Parent Company’s ordinary share in order to control, manage and provide financial support to subsidiaries engaged in financial business or financial industry-related subsidiaries. The Parent Company established BNK Information System Co., Ltd. and BNK Savings Bank Co., Ltd. as its subsidiaries with 100% investment in 2011. The Parent Company obtained control of Kyongnam Bank Co., Ltd. by acquiring 56.97% of its shares in October 2014 and ultimately acquired 100% of shares of Kyongnam Bank Co., Ltd. through comprehensive exchange of shares on June 4, 2015. In July 2015, the Parent Company also obtained 51.01% of shares in BNK Asset Management Co., Ltd. and established it as its subsidiary through paid-in capital increase and acquisition of ownership. In December 2017, the Parent Company took over the rest of BNK Asset Management Co., Ltd.’s shares; accordingly, it became a wholly owned subsidiary. In November 2019, the Parent Company also obtained 100% of shares in BNK Venture Capital Co., Ltd. and established it as a wholly owned subsidiary. The headquarters of BNK Financial Group is located at Busan Nam-gu Munhyeongeumyu-ro, 30. Meanwhile, the Parent Company’s share capital as of June 30, 2023 amounts to ₩1,629,676 million with 325,935,246 outstanding shares.

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of June 30, 2023 and December 31, 2022 are as follows:

Name of subsidiary	Industry	Location	Closing month	Ownership interest (%)	
				June 30, 2023	December 31, 2022
BNK Financial Group:					
Busan Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
Kyongnam Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.	Specialized credit financial business	Korea	December 31	100.00	100.00
BNK Securities Co., Ltd.	Investment brokerage and trading	Korea	December 31	100.00	100.00
BNK Savings Bank Co., Ltd.	Saving bank services	Korea	December 31	100.00	100.00
BNK Asset Management Co., Ltd.	Financial advisory and collective investment	Korea	December 31	100.00	100.00

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Name of subsidiary	Industry	Location	Closing month	Ownership interest (%)	
				June 30, 2023	December 31, 2022
BNK Credit Information Co., Ltd.	Credit investigation and collection agency	Korea	December 31	100.00	100.00
BNK System Co., Ltd.	System software development and supply	Korea	December 31	100.00	100.00
BNK Venture Capital Co., Ltd.	Start-up venture capital advisory	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd					
BNKC (Cambodia) MFI PLC	Specialized credit financial business	Cambodia	December 31	100.00	100.00
BNK Capital Myanmar Co., Ltd. ¹	Specialized credit financial business	Myanmar	March 31	99.99	99.99
BNK Capital Lao Leasing Co., Ltd. ¹	Leases	Laos	December 31	96.71	96.71
MFO BNK Finance Kazakhstan LLP	Specialized credit financial business	Kazakhstan	December 31	100.00	100.00
BNK Capital Lao NDTMFI Co., Ltd.	Specialized credit financial business	Laos	December 31	99.99	99.99
MCC BNK Finance LLC	Specialized credit financial business	Kyrgyzstan	December 31	100.00	100.00

¹ The remaining shares of the subsidiaries are also held by the Group.

1.3 Consolidated structured entities

Consolidated structured entities are as follows:

Category	Consolidated structured entities	Description
Trust	Busan Bank Co., Ltd. (unspecified money trust) and 18 others	In these money trusts established in accordance with the Financial Investment Services and Capital Markets Act, the Group owns less than 50% ownership. However, the Group is considered to have control over the trust because the Group is exposed to variable returns from its involvement with the trust and has the ability to affect those returns through its power to direct the activities of the trust.
Investment Fund	BNK Luxembourg private equity and 31 others	Over these structured companies with purpose of marketable securities investment, the Group is considered to have control because the Group has a substantive power and is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.
Asset-Backed Securitization	BNK Jeju Global Co., Ltd. and 61 others	In these structured companies with the purpose of asset securitization, the Group does not have ownership interest. However, the Group is considered to have control over the entity because the Group has a substantive power and is exposed to variable returns from involvement and has the ability to affect those returns through its power.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

1.4 Summarized Financial Information

Summarized financial information of the consolidated subsidiaries as of June 30, 2023 and December 31, 2022 and for the six-month periods ended June 30, 2023 and 2022 is as follows:

(In millions of Korean won)

Name of subsidiary	June 30, 2023			Six-month period ended June 30, 2023			
	Assets	Liabilities	Equity	Operating income	Operating profit (loss)	Profit (loss) for the period	Total comprehensive income (loss)
Busan Bank Co., Ltd. and its subsidiaries	₩77,408,649	₩71,811,533	₩5,597,116	₩2,431,606	₩324,828	₩266,168	₩283,905
Kyongnam Bank Co., Ltd. and its subsidiaries	49,567,799	46,125,738	3,442,061	1,264,560	195,923	153,808	169,536
BNK Capital Co., Ltd. and its subsidiaries	8,629,409	7,358,845	1,270,564	598,995	100,763	71,176	71,319
BNK Securities Co., Ltd. and its subsidiaries	4,809,595	3,725,917	1,083,678	502,675	25,059	18,750	19,335
BNK Savings Bank Co., Ltd.	1,751,717	1,516,741	234,976	67,445	(912)	(760)	(760)
BNK Asset Management Co., Ltd. and its subsidiaries	208,689	44,090	164,599	24,566	6,038	5,752	5,752
BNK Credit Information Co., Ltd.	26,836	2,098	24,738	6,485	2,092	1,643	1,643
BNK System Co., Ltd.	43,459	17,763	25,696	47,708	2,929	2,293	2,293
BNK Venture Capital Co., Ltd.	56,455	1,489	54,966	4,553	2,333	1,720	1,720

(In millions of Korean won)

Name of subsidiary	December 31, 2022			Six-month period ended June 30, 2022			
	Assets	Liabilities	Equity	Operating income	Operating profit (loss)	Profit (loss) for the period	Total comprehensive income (loss)
Busan Bank Co., Ltd. And its subsidiaries	₩73,236,530	₩67,566,260	₩5,670,270	₩ 1,614,766	₩ 318,743	₩ 245,564	₩ 199,568
Kyongnam Bank Co., Ltd. And its subsidiaries	48,855,788	45,224,280	3,631,508	909,687	212,659	136,491	101,306
BNK Capital Co., Ltd. And its subsidiaries	8,605,180	7,405,935	1,199,245	566,736	159,355	118,729	119,227
BNK Securities Co., Ltd. And its subsidiaries	3,914,295	2,849,953	1,064,342	476,625	65,354	47,613	51,256
BNK Savings Bank Co., Ltd.	1,704,240	1,468,504	235,736	47,410	9,597	6,603	6,603
BNK Asset Management Co., Ltd. And its subsidiaries	208,133	49,287	158,846	14,474	(14,327)	(12,408)	(12,409)
BNK Credit Information Co., Ltd.	25,477	2,382	23,095	5,550	1,617	1,210	1,210
BNK System Co., Ltd.	32,386	8,982	23,404	43,960	2,653	2,052	2,052
BNK Venture Capital Co., Ltd.	54,614	1,367	53,247	3,729	734	987	987

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023 and 2022 (Unaudited)

1.5 Changes in Scope of Consolidation

None of the major subsidiaries are newly included in the interim condensed consolidated financial statements for the six-month period ended June 30, 2023. However, subsidiaries that do not perform substantial business activities, such as trusts, beneficiary certificates, securitization companies, unions and private equity investment companies, are excluded from the consolidation.

Subsidiary newly included in the consolidation for the year ended December 31, 2022:

Subsidiary	Purpose
MCC BNK Finance LLC	New investment

However, subsidiaries that do not perform substantial business activities, such as trusts, beneficiary certificates, securitization companies, unions and private equity investment companies, were excluded from the consolidation.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

2. MATERIAL ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these interim condensed consolidated 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 Group prepares statutory interim condensed consolidated 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 consolidated 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 consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2022.

(a) New standards, interpretations and amendments adopted by the Group:

- KIFRS 1007 *Statement of Cash Flows – Demand Deposits with Restrictions on Use arising from a Contract with a Third Party*

According to the interpretations of the IFRS Interpretations Committee, demand deposits with restrictions on their use are still classified as cash and cash equivalents if the deposits do not change the nature of the deposit as cash under IAS 7, as a result of a contract with a third part.

In accordance with the decision of IFRS Interpretation Committee, the Group applied the change in its accounting policy to classify reserve deposits and others as cash and cash equivalents for the year ended December 31, 2022.

The interim condensed consolidated statement of financial position as of June 30, 2022 and the interim condensed statement of cash flows for the six-month period ended June 30, 2022 have been restated in accordance with this change in accounting policy. The significant impact of the amendment is as follows:

i) Impact on the consolidated statement of cash flows

<i>(In millions of Korean won)</i>	2022
Decrease in cash flows from operating activities	₩ (647,458)
Decrease in net increase in cash and cash equivalents	(647,458)
Increase in cash and cash equivalents at the beginning of the period	3,593,196
Increase in cash and cash equivalents at the end of the period	2,946,678
Increase in effects of exchange rate changes on cash and cash equivalents	940

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

- KIFRS 1117 *Insurance Contracts*

KIFRS 1117 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes KIFRS 1104 *Insurance Contracts*.

KIFRS 1117 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

KIFRS 1117 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

- KIFRS 1001 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* - Disclosure of Accounting Policies (Amendment)

The amendments change the requirements in KIFRS 1001 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in KIFRS 1001 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

- KIFRS 1001 *Presentation of Financial Statements* – Disclosure of financial liabilities with condition to adjust exercise price (Amendment)

The amendments require disclosure of valuation gains or losses (limited to those recognized in the profit or loss) of the conversion options or warrants (or financial liabilities including them), if all or part of the financial instrument with exercise price that is adjusted depending on the issuer's share price change is classified as financial liability as defined in paragraph 11 (2) of KIFRS 1032.

-KIFRS 1008 *Accounting Polices, Changes in Accounting Estimates and Errors* - Definition of

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023 and 2022 (Unaudited)

Accounting Estimates (Amendment)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the concept of changes in accounting estimates was retained in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

-KIFRS 1012 *Income Taxes* - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying KIFRS 1116 at the commencement date of a lease.

Following the amendments to KIFRS 1012, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in KIFRS 1012.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

Right-of-use assets and lease liabilities

Decommissioning, restoration and related liabilities and the corresponding amounts recognized as part of the cost of the related asset

The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The amendments had no material impact on the consolidated financial statements.

(b) The KIFRSs that have been published, but not applied by the Group because the effective date has not yet arrived are as follows:

- KIFRS 1001 *Presentation of Financial Statements* - Classification of Liabilities as Current or Non-current (Amendment)

The amendments to KIFRS 1001 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted.

The Group does not anticipate that the application of the enactment and amendments will have material impact on the Group's consolidated financial statements.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Interim Condensed Consolidated Financial Statements

June 30, 2023 and 2022 (Unaudited)

2.2 Accounting Policies

Significant accounting policies and method of computation used in the preparation of the interim condensed consolidated financial statements are consistent with those of the consolidated financial statements as of and for the year ended December 31, 2022, 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 Reform of Interest Rate Benchmark

In relation to the reform of interest rate benchmark, the amendments provide exceptions, including adjusting effective interest rate instead of book amounts when interest rate benchmark of financial instruments at amortized costs is replaced, and applying hedge accounting without discontinuance, although the interest rate benchmark is replaced in hedging relationship.

As of June 30, 2023, the conversion to an alternative interest rate benchmark has been completed for currencies other than USD, and the ISDA protocol was adopted for derivatives.

The financial instruments that have not been converted to alternative interest rate benchmark as of June 30, 2023 are as follows:

Non-derivative financial instruments are in book value, while the derivatives and commitments and guarantee contracts are in nominal amount.

<i>(In millions of Korean won)</i>	USD⁽¹⁾
Non-derivative financial assets	
Financial instruments at amortized costs	367,193
Non-derivative financial liabilities	
Financial liabilities at amortized costs	147,690
Derivatives	
Interest rate related (Hedge)	328,200
Guarantees and loan commitments	0

¹ USD LIBOR (overnight, 1M · 3M · 6M · 12M) instruments that mature before the end of September 2023 are excluded.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of interim condensed consolidated financial statements requires the management to make judgments that have significant impacts on the amount recognized in the interim condensed consolidated financial statements (except for estimates) and make estimates and assumptions about book amount of assets and liabilities that are not identified easily from other sources. Estimates and assumptions are based on historical experience and other factors. In addition, actual results can differ from those estimates based on such definitions.

Significant accounting estimates and assumptions applied in the preparation of these interim condensed consolidated financial statements are the same as those applied to the annual consolidated financial statements as of and for the year ended December 31, 2022, except for the following:

(a) Fair value of financial instruments

As described in Note 6, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 6 provides detailed information about key assumptions used in the determination of the fair value of financial instruments as well as the detailed sensitivity analysis for these assumptions. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

(b) Expected credit losses for financial instruments

The Group measures expected credit losses for debt securities at fair value through other comprehensive income, financial assets at amortized cost, acceptances and guarantees and loan commitments. Expected credit losses are recognized as accumulated other comprehensive income for debt securities at fair value, as allowance for losses for financial assets at amortized cost, and as provisions for acceptances and guarantees and loan commitments. The accuracy of allowance for Losses on credit is determined by assumptions and variables, used in the model to estimate expected cash flows by individual borrowers for individual assessment, allowance for losses on credit for collective assessment, and provisions for guarantees/unused credit limit liabilities.

The Group measures the expected credit losses using forward-looking information. The Group assumes that the risk component is correlated with changes in market conditions and uses statistical methods to estimate the relationship between modeling macroeconomic variables, expected credit loss and risk components.

The Group derived correlations between the long-term data over the past 10 years and major macroeconomic variables and then reflected forward-looking information through regression estimation. The major macroeconomic variables identified by the Group are GDP growth rate, interest rate spread (National Treasury Bond-CD, Distribution Yield), producer price index, default rate of bills in Busan and Gyongnam area, composite stock price index, unemployment rate, consumer price index, apartment sales index in Busan, etc.

Forward-looking information used to measure expected credit losses is calculated by

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

comprehensively reviewing the possibility of occurrence of each scenario of the economic outlook based on forecasts from the government and public institutions such as the Bank of Korea and the Korea Development Institute.

Meanwhile, the increase in uncertainties, due to rise in interest rates, inflation, and Coronavirus Infectious Disease 19 (“COVID-19”), etc. could potentially affect the Group's expected credit losses for certain portfolios. Due to these uncertainties, material accounting estimates and assumptions used in the preparation of financial statements may change. The Group is continuously monitoring the key market indicators, delinquency rates and liquidity ratios.

In order to reflect the potential default risk arising from this increase in uncertainty, some of the borrowers from industries that are highly influenced by COVID-19 and others, the borrowers who applied for deferred payment of interest or installments, and the borrowers with real estate project financing loans were classified as borrowers with a significant increase in credit risk, and additional credit loss allowance was recognized. The exposure and credit loss allowance of those borrowers as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023	December 31, 2022
Exposure	₩ 6,044,552	₩ 5,493,823
Credit loss allowance	300,087	279,322

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

4. FINANCIAL RISK MANAGEMENT:

4.1 General

(a) General risk management policy

The Group is exposed to various financial risks, such as credit, liquidity, market and operational, associated with financial instruments. There has not been a material change in the Group's purpose of financial risk management and risk management policy since December 31, 2022.

(b) Credit risk

i) Maximum exposure to credit risk

The maximum exposure of the Group's financial instruments, except for equity securities, to credit risk that does not consider value of collateral as of June 30, 2023 and December 31, 2022 is as follows:

<i>(In millions of Korean won)</i>	June 30, 2023	December 31, 2022
On balance		
Cash and due from banks	₩ 290,337	₩ 318,151
Financial assets at fair value through profit or loss ("FVTPL")	6,460,574	4,709,581
Financial assets at fair value through other comprehensive income ("FVOCI")	5,970,405	4,927,027
Financial assets at amortized cost	9,261,618	9,234,752
Loans	107,554,090	104,761,437
Receivables	3,003,350	1,517,675
Derivative assets	118,595	168,679
	<u>132,658,969</u>	<u>125,637,302</u>
Off balance		
Guarantees and acceptances	1,183,584	1,161,773
Loan commitments	24,137,530	23,817,428
	<u>25,321,114</u>	<u>24,979,201</u>
	<u>₩ 157,980,083</u>	<u>₩ 150,616,503</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

ii) Analysis of credit quality of financial assets

Credit quality is classified based on internal credit grades as follows:

	Household	Corporates, public sector and other
Grade 1	1–5	AAA, AA, AA-, A
Grade 2	6	A-, BBB+, BBB
Grade 3	7–8	BBB-, BB, BB-
Grade 4	9–10	B, B-, C, D

The gross carrying amount of loans, receivables and debt securities by credit risk grade as of June 30, 2023 is as follows:

(In millions of Korean won)

		June 30, 2023																		
		Loans and receivables						Debt securities												
		Loans			Receivables			Fair value through other comprehensive income		Amortized cost										
		Lifetime expected credit losses		Lifetime expected credit losses		Lifetime expected credit losses		Twelve months' expected credit losses		Twelve months' expected credit losses										
		Twelve months' expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months' expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months' expected credit losses	Twelve months' expected credit losses	Subtotal	Subtotal									
Grade 1	₩	49,449,452	₩	1,314,536	₩	-	₩	450,090	₩	3,924	₩	-	₩	51,218,002	₩	5,970,405	₩	9,262,798	₩	15,233,203
Grade 2		30,547,994		5,475,469		-		131,423		29,007		-		36,183,893		-		2,001		2,001
Grade 3		7,199,108		7,410,950		-		35,363		26,465		-		14,671,886		-		-		-
Grade 4		506,823		2,888,452		565,230		2,420		15,054		1,836		3,979,815		-		-		-
Non-graded		2,908,768		296,639		61,469		2,308,210		5,317		49,949		5,630,352		-		-		-
	₩	90,612,145	₩	17,386,046	₩	626,699	₩	2,927,506	₩	79,767	₩	51,785	₩	111,683,948	₩	5,970,405	₩	9,264,799	₩	15,235,204

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of June 30, 2023 is as follows:

(In millions of Korean won)

		June 30, 2023														
		Loan commitments				Guarantees and acceptances										
		Lifetime expected credit losses		Lifetime expected credit losses		Lifetime expected credit losses										
		Twelve months' expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal	Twelve months' expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal							
Grade 1	₩	16,863,986	₩	122,930	₩	-	₩	16,986,916	₩	324,146	₩	2,130	₩	-	₩	326,276
Grade 2		4,117,189		603,499		-		4,720,688		503,319		69,044		-		572,363
Grade 3		766,019		564,803		-		1,330,822		72,602		93,897		-		166,499
Grade 4		20,522		123,141		111		143,774		86		114,607		3,753		118,446
Non-graded		231,799		6,073		-		237,872		-		-		-		-
	₩	21,999,515	₩	1,420,446	₩	111	₩	23,420,072	₩	900,153	₩	279,678	₩	3,753	₩	1,183,584

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The gross carrying amount of loans, receivables and debt securities by credit risk grade as of December 31, 2022 is as follows:

(In millions of Korean won)

	December 31, 2022									
	Loans and receivables							Debt securities		
	Loans			Receivables				Fair value through other comprehensive income	Amortized cost	
	Twelve months' expected credit losses	Lifetime expected credit losses	Recognized impairment	Twelve months' expected credit losses	Lifetime expected credit losses	Recognized impairment	Subtotal	Twelve months' expected credit losses	Twelve months' expected credit losses	Subtotal
Grade 1	₩ 49,613,309	₩ 1,174,918	₩ -	₩ 224,942	₩ 7,219	₩ -	₩ 51,020,388	₩ 4,927,027	₩ 9,235,792	₩ 14,162,819
Grade 2	29,210,204	5,206,632	-	120,987	14,005	-	34,551,828	-	2,002	2,002
Grade 3	7,242,252	6,405,297	-	26,861	22,131	-	13,696,541	-	-	-
Grade 4	313,083	2,813,197	504,669	2,038	10,543	1,681	3,645,211	-	-	-
Non-graded	3,086,261	150,399	21,669	1,094,062	-	49,691	4,402,082	-	-	-
	₩ 89,465,109	₩ 15,750,443	₩ 526,338	₩ 1,468,890	₩ 53,898	₩ 51,372	₩ 107,316,050	₩ 4,927,027	₩ 9,237,794	₩ 14,164,821

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of December 31, 2022 is as follows:

(In millions of Korean won)

	December 31, 2022							
	Loan commitments				Guarantees and acceptances			
	Twelve months' expected credit losses	Lifetime expected credit losses	Recognized impairment	Subtotal	Twelve months' expected credit losses	Lifetime expected credit losses	Recognized impairment	Subtotal
Grade 1	₩ 16,350,815	₩ 138,696	₩ -	₩ 16,489,511	₩ 302,759	₩ 2,233	₩ -	₩ 304,992
Grade 2	4,187,459	644,902	-	4,832,361	471,234	142,621	-	613,855
Grade 3	772,882	461,596	-	1,234,478	93,804	68,774	-	162,578
Grade 4	30,461	138,217	-	168,678	-	77,427	2,922	80,349
Non-graded	350,477	9,513	-	359,990	-	-	-	-
	₩ 21,692,094	₩ 1,392,924	₩ -	₩ 23,085,018	₩ 867,797	₩ 291,055	₩ 2,922	₩ 1,161,774

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

5. OPERATING SEGMENT INFORMATION:

(a) Segment report and division information

Segment information indicates details of the Group's divisions. Main divisions of business are based on the Group's internal report. The Group consists of six business divisions: two divisions of bank, securities, capital, savings bank and other. Such business divisions are divided by products, characteristics of services, customers and organization of the Group. Based on these categories, the main information by divisions is disclosed as follows:

Operations by divisions for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023							Total	Adjustment	Interim condensed consolidated financial statements
	Busan Bank Co., Ltd.	Kyongnam Bank Co., Ltd.	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank Co., Ltd.	Others				
Net interest income (expenses)	₩ 747,743	₩ 491,502	₩ 166,936	₩ 37,073	₩ 24,988	₩ (14,701)	₩ 1,453,541	₩ (4,427)	₩ 1,449,114	
Net commission income	34,856	20,115	11,743	48,190	5,796	15,279	135,979	(1,221)	134,758	
Net gain (loss) on financial assets at FVTPL	35,619	35,725	3,653	16,814	(559)	11,213	102,465	(8,691)	93,774	
Net gain on financial assets at FVOCI	3,041	1,819	-	403	-	-	5,263	-	5,263	
Net gain (loss) on financial assets at amortized cost	17	(156)	-	-	-	-	(139)	-	(139)	
Contribution (reversal) to provision for credit loss and others	(88,890)	(49,646)	(53,881)	(28,059)	(16,074)	2,173	(234,377)	40	(234,337)	
General and administrative expenses	(342,554)	(248,350)	(49,971)	(56,720)	(11,274)	(51,901)	(760,770)	10,763	(750,007)	
Other operating income (expenses), net	(65,004)	(55,086)	22,283	7,358	(3,789)	405,542	311,304	(408,379)	(97,075)	
Operating profit (loss)	324,828	195,923	100,763	25,059	(912)	367,605	1,013,266	(411,915)	601,351	
Non-operating income (expenses), net	15,379	494	(8,071)	(168)	344	17,199	25,177	(8,310)	16,867	
Profit (loss) before income tax	340,207	196,417	92,692	24,891	(568)	384,804	1,038,443	(420,225)	618,218	
Income tax expense	(74,039)	(42,609)	(21,516)	(6,141)	(192)	(2,541)	(147,038)	4,533	(142,505)	
Profit (loss) for the period	₩ 266,168	₩ 153,808	₩ 71,176	₩ 18,750	₩ (760)	₩ 382,263	₩ 891,405	₩ (415,692)	₩ 475,713	
Total assets	₩ 77,408,649	₩ 49,567,799	₩ 8,629,409	₩ 4,809,595	₩ 1,751,717	₩ 8,954,434	₩ 151,121,603	₩ (7,895,411)	₩ 143,226,192	
Total liabilities	₩ 71,811,533	₩ 46,125,738	₩ 7,358,845	₩ 3,725,917	₩ 1,516,741	₩ 2,474,672	₩ 133,013,446	₩ (287,400)	₩ 132,726,046	

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

	2022								
<i>(In millions of Korean won)</i>	Busan Bank Co., Ltd.	Kyongnam Bank Co., Ltd.	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank Co., Ltd.	Others	Total	Adjustment	Interim condensed consolidated financial statements
Net interest income (expenses)	₩ 711,656	₩ 474,970	₩ 176,636	₩ 32,711	₩ 29,202	₩ (13,300)	₩ 1,411,875	₩ (7,528)	₩ 1,404,347
Net commission income	54,854	37,457	43,592	114,753	2,610	19,046	272,312	(6,209)	266,103
Net gain (loss) on financial assets at FVTPL	(9,460)	22,442	8,542	(55,968)	120	(17,088)	(51,412)	(2,156)	(53,568)
Net gain (loss) on financial assets at FVOCI	3,290	(486)	-	599	-	-	3,403	-	3,403
Net gain (loss) on financial assets at amortized cost	(5)	168	-	-	-	-	163	-	163
Contribution to provision for credit loss and others	(48,708)	(43,079)	(43,348)	(3,025)	(10,176)	-	(148,336)	350	(147,986)
General and administrative expenses	(327,110)	(222,703)	(44,789)	(84,023)	(10,292)	(42,233)	(731,150)	3,741	(727,409)
Other operating income (expenses), net	(65,774)	(56,110)	18,722	60,307	(1,867)	386,430	341,708	(384,158)	(42,450)
Operating profit	318,743	212,659	159,355	65,354	9,597	332,855	1,098,563	(395,960)	702,603
Non-operating income (expenses), net	2,812	(34,569)	(1,195)	(323)	280	(565)	(33,560)	6,900	(26,660)
Profit before income tax	321,555	178,090	158,160	65,031	9,877	332,290	1,065,003	(389,060)	675,943
Income tax expense	(75,991)	(41,599)	(39,431)	(17,418)	(3,275)	1,264	(176,450)	4,727	(171,723)
Profit for the period	₩ 245,564	₩ 136,491	₩ 118,729	₩ 47,613	₩ 6,602	₩ 333,554	₩ 888,553	₩ (384,333)	₩ 504,220
Total assets	₩ 70,796,308	₩ 47,349,818	₩ 9,489,581	₩ 5,398,739	₩ 1,644,831	₩ 7,389,940	₩ 142,069,217	₩ (6,796,309)	₩ 135,272,908
Total liabilities	₩ 65,198,233	₩ 43,676,260	₩ 8,339,492	₩ 4,341,994	₩ 1,398,721	₩ 1,734,461	₩ 124,689,161	₩ (201,908)	₩ 124,487,253

(b) Information on financial services and geographical areas

As the financial products of the Group are categorized as interest bearing, non-interest bearing and others and the categorization is already reflected in the composition of the reportable segments above, revenue from external customers is not separately disclosed. Revenue by geographical areas is not separately disclosed as the Group operates its business domestically.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

6. FAIR VALUE:

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) *The fair value of financial instruments by category*

The carrying amounts and fair value of financial assets and financial liabilities by each category as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)	June 30, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from bank	₩ 4,992,367	₩ 4,992,367	₩ 6,212,882	₩ 6,212,882
Financial assets at FVTPL	6,808,648	6,808,648	4,954,903	4,954,903
Financial assets at FVOCI	6,137,716	6,137,716	5,093,086	5,093,086
Financial assets at amortized cost	9,261,618	8,935,739	9,234,752	8,783,170
Loans and receivables	110,557,440	111,069,225	106,279,112	107,014,684
Derivative assets	118,595	118,595	168,679	168,679
	<u>₩ 137,876,384</u>	<u>₩ 138,062,290</u>	<u>₩ 131,943,414</u>	<u>₩ 132,227,404</u>
Financial liabilities:				
Deposit liabilities	₩ 104,120,980	₩ 104,122,722	₩ 101,470,361	₩ 101,419,465
Financial liabilities designated as at FVTPL	691,920	691,920	584,160	584,160
Borrowings	8,726,899	8,625,256	7,982,591	7,892,598
Debentures	12,504,822	11,905,667	12,145,457	12,032,936
Derivative liabilities	127,550	127,550	194,189	194,189
Other financial liabilities ¹	6,115,787	6,115,761	3,264,680	3,262,217
	<u>₩ 132,287,958</u>	<u>₩ 131,588,876</u>	<u>₩ 125,641,438</u>	<u>₩ 125,385,565</u>

¹ Other financial liabilities consist of accounts payable and accrued expenses.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(b) Fair value measurement method and assumptions by financial instruments

Fair value assessment method and assumptions for each type of financial instruments are as follows:

Classification	Fair value measurement technique
Cash and due from banks	The carrying amounts of cash are assumed, 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.
Securities	The fair value of financial instruments that are quoted in active markets is determined using the quoted prices. Fair value is determined by independent third-party pricing services when quoted prices are not available. Pricing services use one or more of the valuation techniques, including DCF Model, Imputed Market Value Model, Free Cash Flow to Equity Model, Dividend Discount Model, Risk-Adjusted Discount Rate Method and Net Asset Value Method.
Derivatives	For exchange-traded derivative, a quoted price in active market is used to determine fair value, and for over-the-counter (“OTC”) derivative, fair value is determined using valuation techniques. The consolidated entity uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives, including options, interest rate swap and currency swap, based on observable market parameters. However, some complex financial instruments are valued using advanced internal valuation model or the results of independent pricing services, where part or all of the inputs are not observable in the market. OTC derivatives with closed-form solution in their valuation are valued using appropriate model. Complex derivative instruments where their valuation method cannot be defined by closed-form solution are valued using techniques, including Finite Difference Method and Monte Carlo Simulation.
Loans and receivables	DCF is used to determine the fair value of loans and receivables. When DCF Model is applied, the expected cash flow is calculated by applying the early redemption risk rate to the contractual cash flow calculated according to the contract terms and discounted at appropriate discount rate to calculate fair value. For those loans and receivables with 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 fair value.
Deposit liabilities	The carrying amount of demand deposit is regarded as fair value as it does not have maturity and the amount approximates the fair value. Fair value of time deposit is determined using DCF. Fair value is determined using appropriate discount rate and the expected cash flows by contractual cash flows with prepayment rate taken into account. For those deposits 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.
Borrowings	Fair value is determined using DCF, discounting contractual future cash flows by appropriate discount rate. However, for those borrowings 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	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.

(c) Fair Value Hierarchy Classifications of the Financial Instruments that are Subsequently

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Measured at Fair Value

Fair value hierarchy classifications of the financial instruments that are subsequently measured at fair value as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 654,656	₩ 4,552,997	₩ 1,600,995	₩ 6,808,648
Financial assets at FVOCI	2,841,025	3,141,425	155,266	6,137,716
Loans receivable at FVTPL	-	-	62,548	62,548
Derivative assets	132	116,886	1,577	118,595
	<u>₩ 3,495,813</u>	<u>₩ 7,811,308</u>	<u>₩ 1,820,386</u>	<u>₩ 13,127,507</u>
Financial liabilities:				
Financial liabilities designated as at FVTPL	₩ -	₩ -	₩ 691,920	₩ 691,920
Borrowings	757,013	-	-	757,013
Derivative liabilities	112	79,881	47,557	127,550
	<u>₩ 757,125</u>	<u>₩ 79,881</u>	<u>₩ 739,477</u>	<u>₩ 1,576,483</u>

(In millions of Korean won)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 176,978	₩ 3,263,697	₩ 1,514,228	₩ 4,954,903
Financial assets at fair value through other comprehensive income	2,262,647	2,673,126	157,313	5,093,086
Loans receivable at FVTPL	-	-	62,105	62,105
Derivative assets	300	167,424	955	168,679
	<u>₩ 2,439,925</u>	<u>₩ 6,104,247</u>	<u>₩ 1,734,601</u>	<u>₩ 10,278,773</u>
Financial liabilities:				
Financial liabilities designated as at FVTPL	₩ -	₩ -	₩ 584,160	₩ 584,160
Borrowings	266,502	-	-	266,502
Derivative liabilities	307	148,027	45,855	194,189
	<u>₩ 266,809</u>	<u>₩ 148,027</u>	<u>₩ 630,015</u>	<u>₩ 1,044,851</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The valuation techniques and input variables of Level 2 financial instruments subsequently measured at fair value as of June 30, 2023 and December 31, 2022 are as follows:

				June 30, 2023		
<i>(In millions of Korean won)</i>	Fair value	Valuation techniques		Input variables		
Financial assets:						
Financial assets at FVTPL						
Debt securities	₩ 3,377,066	DCF Model		Discount rate		
Other securities	1,175,931	DCF Model, Net Asset Value Method		Discount rate, value of underlying assets,		
Financial assets at FVOCI						
Debt securities	3,141,425	DCF Model		Discount rate		
Derivative assets	116,886	DCF Model		Discount rate, exchange rate		
Financial liabilities:						
Derivative liabilities	₩ 79,881	DCF Model		Discount rate, exchange rate		
				December 31, 2022		
<i>(In millions of Korean won)</i>	Fair value	Valuation techniques		Input variables		
Financial assets:						
Financial assets at FVTPL						
Debt securities	₩ 2,412,629	DCF Model		Discount rate		
Other securities	851,068	DCF Model, Net Asset Value Method		Discount rate, value of underlying assets		
Financial assets at FVOCI						
Debt securities	2,673,126	DCF Model		Discount rate		
Derivative assets	167,424	DCF Model		Discount rate, exchange rate		
Financial liabilities:						
Derivative liabilities	₩ 148,207	DCF Model		Discount rate, exchange rate		

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The valuation techniques, input variables and range of significant unobservable input variables of Level 3 financial instruments which are subsequently measured at fair value as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	<u>Fair value</u>	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	<u>June 30, 2023</u>			
Financial assets				
Financial assets at FVTPL	₩ 1,600,995			
Equity securities	200,606	Net Asset Value Method, DCF Model and Binomial Trees	Value of underlying assets Discount rate: 13.28% Volatility: 28.72%-49.75% Growth rate: 0%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases) or volatility increases (decreases).
Debt securities	167,709	Net Asset Value Method, Binomial Trees, Monte Carlo Simulation, DCF Model and Dividend Discount Model	Volatility: 12.44%-57.31%	Fair value increases (decreases) when volatility increases (decreases).
Other securities	1,232,680	Net Asset Value Method, Binomial Trees, Monte Carlo Simulation, DCF Model and Dividend Discount Model	Value of underlying assets Discount rate: 3.12%-105.14% Volatility: 0.54%-26.76% Growth rate: 0.00%-1.00% Liquidation value: -1.00%~1.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or liquidation value increases (decreases).
Financial assets at FVOCI	155,266			
Equity securities	155,266	Net Asset Value Method, Free Cash Flow Equity Model, Comparable Company Analysis and DCF Model	Value of underlying assets Discount rate: 11.35%-16.11% Growth rate: 0.00%-1.00% Liquidation value: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases) or liquidation value increases (decreases).
Loans receivable at FVTPL	62,548			
Hybrid (combined) instruments	62,548	Binomial Trees and Monte Carlo Simulation	Volatility: 3.97%-24.12% Discount rate: 2.44%-63.08%	Fair value increases (decreases) when volatility increases (decreases) or

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

<i>(In millions of Korean won)</i>	<u>Fair value</u>	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	<u>June 30, 2023</u>			
Derivative assets	1,577	Binomial Trees and Monte Carlo Simulation	Volatility: 0.00%-99.00% Discount rate: 3.30%-3.40% Correlation coefficient: -0.99-0.99	discount rate decreases (increases). Fair value increases (decreases) when volatility increases (decreases), discount rate decreases (increases) or correlation coefficient increases (decreases).
Financial liabilities				
Financial liabilities designated as at FVTPL	₩ 691,920	Hull & White Model and Monte Carlo Simulation	Volatility: 0.00%-99.00% Correlation coefficient: -0.99-0.99	Fair value increases (decreases) when volatility increases (decreases) or correlation coefficient increases (decreases).
Derivative liabilities	47,557	DCF Model, Monte Carlo Simulation, Hull & White Model / G2++ and LSMC	Volatility: 0.00%-99.00% Discount rate: 3.30%-3.40% Correlation coefficient: -0.99-0.99	Fair value increases (decreases) when volatility increases (decreases), discount rate decreases (increases) or correlation coefficient increases (decreases).
<i>(In millions of Korean won)</i>	<u>Fair value</u>	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	<u>December 31, 2022</u>			
Financial assets				
Financial assets at FVTPL	₩ 1,514,228			
Equity securities	192,384	Net Asset Value Method, DCF Model and Binomial Trees	Value of underlying assets Discount rate: 9.33% Volatility: 23.07%-38.37% Price multiple: 0.69	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or price multiple increases (decreases).
Debt securities	171,307	LSMC and Monte Carlo Simulation	Volatility: 18.32%-36.39%	Fair value increases (decreases) when volatility increases (decreases).
Other securities	1,150,537	Net Asset Value Method, Dividend Discount Model, Comparable Company Analysis, DCF Model, Binomial	Value of underlying assets Discount rate: 2.35%-77.60% Volatility: 13.61%-59.30% Growth rate: 0.00% Liquidation value: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

<i>(In millions of Korean won)</i>	<u>Fair value</u>	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	December 31, 2022			
Financial assets at FVOCI	157,313	Trees and others		liquidation value increases (decreases).
Equity securities	157,313	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discour Model, Comparable Company Analysis and DCF Model	Value of underlying assets Discount rate: 3.48%-76.75% Volatility: 15.87%-59.30% Growth rate: 0.00%-1.00% Liquidation value: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or liquidation value increases (decreases).
Loans receivable at FVTPL	62,105			
Hybrid (combined) instruments	62,105	Binomial Trees, LSMC, DCF Model, Monte Carlo Simulation and DCF Model	Discount rate: 4.72%-20.12% Volatility: 3.46%-45.09%	Fair value increases (decreases) when discount rate decreases (increases) or volatility increases (decreases).
Derivative assets	955	Binomial Trees and Monte Carlo Simulation	Volatility: 0.00%-99.00% Correlation coefficient: -0.99-0.99	Fair value increases (decreases) when volatility increases (decreases) or correlation coefficient increases (decreases).
Financial liabilities				
Financial liabilities designated as at FVTPL	₩ 584,160	Hull & White Model and Monte Carlo Simulation	Volatility: 0.00%-99.00% Correlation coefficient: -0.99-0.99	Fair value increases (decreases) when volatility increases (decreases) or correlation coefficient increases (decreases).
Derivative liabilities	45,855	Binomial Trees and LSMC	Volatility: 0.00%-99.00% Discount rate: 2.90%-3.20% Correlation coefficient: -0.99-0.99	Fair value increases (decreases) when discount rate decreases (increases) volatility increases (decreases) or correlation coefficient increases (decreases).

The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments as of June 30, 2023, and December 31, 2022:

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023			
	Profit (loss) for the period		Other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets:				
Financial assets at FVTPL ^{1,5}	₩ 6,573	₩ (4,800)	₩ -	₩ -
Financial assets at FVOCI ¹	-	-	6,284	(3,423)
Loans receivable at FVTPL ²	809	(659)	-	-
Derivative assets ³	24	(156)	-	-
Financial liabilities:				
Financial liabilities designated as at FVTPL ⁴	(90)	272	-	-
Derivative liabilities ³	6,831	(6,876)	-	-
	<u>₩ 14,147</u>	<u>₩ (12,219)</u>	<u>₩ 6,284</u>	<u>₩ (3,423)</u>

¹ Fair value changes of securities are calculated by increasing or decreasing growth rate (0% - 1%) and discount rate (-1% - 1%) or liquidation value (-1% - 1%) and discount rate (-1% - 1%). The growth rate, discount rate and liquidation value are major unobservable inputs.

² For convertible private bonds, changes in their fair value are calculated by decreasing the stock price (-20% - 20%), product price and others (-20% - 20%), and increasing or decreasing the interest rate (-2%p - 2%p), value of Korean won (-10% - 10%) and credit premium (additional interest rate) (-5%p - 5%p).

³ Changes in the fair value are calculated by increasing or decreasing 10% of KRW Swaption volatility that is a significant unobservable input variable related to Callable IRS.

⁴ Fair value changes of financial liabilities designated as at FVTPL are calculated by increasing or decreasing volatility (-10% - 10%) and discount rate (-1% - 1%), which are unobservable input variables.

⁵ Beneficiary certificates and some contributions were excluded because it was practically impossible to calculate sensitivity to changes in input variables.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	December 31, 2022			
	Profit (loss) for the period		Other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets:				
Financial assets at FVTPL ^{1,5}	₩ 7,074	₩ (5,859)	₩ -	₩ -
Financial assets at FVOCI ¹	-	-	6,558	(3,240)
Loans receivable at FVTPL	849	(709)	-	-
Derivative assets ³	3	(4)	-	-
Financial liabilities:				
Financial liabilities designated as at FVTPL ⁴	25	(18)	-	-
Derivative liabilities ³	6,277	(6,282)	-	-
	<u>₩ 14,228</u>	<u>₩ (12,872)</u>	<u>₩ 6,558</u>	<u>₩ (3,240)</u>

¹ Fair value changes of securities are calculated by increasing or decreasing growth rate (0% - 1%) and discount rate (-1% - 1%) or liquidation value (-1% - 1%) and discount rate (-1% - 1%). The growth rate, discount rate and liquidation value are major unobservable inputs.

² For convertible private bonds, changes in their fair value are calculated by decreasing the stock price (-20% - 20%), product price and others (-20% - 20%), and increasing or decreasing the interest rate (-2%p - 2%p), value of Korean won (-10% - 10%) and credit premium (additional interest rate) (-5%p - 5%p).

³ Changes in the fair value are calculated by increasing or decreasing 10% of KRW Swaption volatility that is a significant unobservable input variable related to Callable IRS.

⁴ Fair value changes of financial liabilities designated as at FVTPL are calculated by increasing or decreasing volatility (-10% - 10%) and discount rate (-1% - 1%), which are unobservable input variables.

⁵ Beneficiary certificates and some contributions were excluded because it was practically impossible to calculate sensitivity to changes in input variables

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Changes in Level 3 financial instruments subsequently measured at fair value for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In millions of Korean won) **2023**

	Financial assets at FVTPL	Financial assets at FVOCI	Loans receivable at FVTPL	Derivative assets	Derivative liabilities	Financial liabilities designated as at FVTPL
Beginning balance	₩ 1,514,228	₩ 157,313	₩ 62,105	₩ 955	₩ 45,855	₩ 584,160
Total profit or loss:						
Amount recognized in profit or loss ¹	31,252	-	2,472	(120)	1,338	16,921
Amount recognized in other comprehensive income	-	(2,046)	-	-	-	538
Purchases	209,639	-	-	773	1,048	752,349
Sales	(128,474)	(1)	(2,029)	(31)	(684)	(662,048)
Other changes:						
Transfer into Level 3 ²	-	-	-	-	-	-
Transfer into other levels ²	(8,535)	-	-	-	-	-
Reclassification	(17,115)	-	-	-	-	-
Ending balance	<u>₩ 1,600,995</u>	<u>₩ 155,266</u>	<u>₩ 62,548</u>	<u>₩ 1,577</u>	<u>₩ 47,557</u>	<u>₩ 691,920</u>

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period and changes in unrealized gains or losses for financial instruments held at the end of the reporting period are presented as the following separate line items in the interim condensed consolidated statement of comprehensive income for the six-month period ended June 30, 2023:

(In millions of Korean won)	Financial assets at FVTPL	Loans receivable at FVTPL	Derivatives	Financial liabilities designated as at FVTPL	Total
Loss for the period	₩ 31,252	₩ 2,472	₩ (1,458)	₩ (16,921)	₩ 15,345
Change in unrealized loss	27,206	1,219	(281)	(10,886)	17,258

² There was a transfer between hierarchy levels because the availability of observable market data about the equity securities was changed.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

2022

	Financial assets at FVTPL	Financial assets at FVOCI	Loans receivable at FVTPL	Derivative assets	Derivative liabilities	Financial liabilities designated as at FVTPL
Beginning balance	₩ 1,393,898	₩ 169,597	₩ 66,565	₩ 1,346	₩ 3,862	₩ 92,201
Total profit or loss:						
Amount recognized in profit or loss ¹	(13,854)	-	(9,918)	(497)	32,230	782
Amount recognized in other comprehensive income	-	(5,194)	-	-	-	7
Purchases	361,266	-	5,495	-	-	161,680
Sales	(237,265)	(1)	-	-	-	(205,084)
Other changes:						
Transfer into Level 3 ²	-	-	-	-	-	-
Transfer into other levels ²	(7,665)	-	-	-	-	-
Reclassification	(22,630)	-	-	-	-	-
Ending balance	<u>₩ 1,473,750</u>	<u>₩ 164,402</u>	<u>₩ 62,142</u>	<u>₩ 849</u>	<u>₩ 36,092</u>	<u>₩ 49,586</u>

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period and changes in unrealized gains or losses for financial instruments held at the end of the reporting period are presented as the following separate line items in the interim condensed consolidated statement of comprehensive income for the six-month period ended June 30, 2022:

(In millions of Korean won)	Financial assets at FVTPL	Loans receivable at FVTPL	Derivatives	Financial liabilities designated as at FVTPL	Total
Loss for the period	₩ (13,854)	₩ (9,918)	₩ (32,727)	₩ (782)	₩ (57,281)
Change in unrealized loss	(8,997)	(4,908)	(32,727)	(128)	(46,760)

² There was a transfer between hierarchy levels because the availability of observable market data about the equity securities was changed.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(d) Fair Value Hierarchy Classifications of the Financial Instruments that are not Subsequently Measured at Fair Value

Fair value hierarchy classifications of the financial instruments that are not subsequently measured at fair value as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 629,889	₩ 4,362,478	₩ -	₩ 4,992,367
Loans and receivables	-	131,841	110,874,836	111,006,677
Financial assets at amortized cost	401,954	8,519,786	13,999	8,935,739
	<u>₩ 1,031,843</u>	<u>₩ 13,014,105</u>	<u>₩ 110,888,835</u>	<u>₩ 124,934,783</u>
Financial liabilities:				
Deposit liabilities	₩ -	₩ 18,117,115	₩ 86,005,607	₩ 104,122,722
Borrowings	-	1,938,254	5,929,989	7,868,243
Debentures	-	11,905,667	-	11,905,667
Other financial liabilities	-	-	6,115,761	6,115,761
	<u>₩ -</u>	<u>₩ 31,961,036</u>	<u>₩ 98,051,357</u>	<u>₩ 130,012,393</u>

(In millions of Korean won)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 644,249	₩ 5,568,633	₩ -	₩ 6,212,882
Loans and receivables	-	3,260	106,949,319	106,952,579
Financial assets at amortized cost	381,246	8,401,924	-	8,783,170
	<u>₩ 1,025,495</u>	<u>₩ 13,973,817</u>	<u>₩ 106,949,319</u>	<u>₩ 121,948,631</u>
Financial liabilities:				
Deposit liabilities	₩ -	₩ 18,167,248	₩ 83,252,217	₩ 101,419,465
Borrowings	358,924	1,134,360	6,132,812	7,626,096
Debentures	-	12,032,936	-	12,032,936
Other financial liabilities	-	448	3,261,769	3,262,217
	<u>₩ 358,924</u>	<u>₩ 31,334,992</u>	<u>₩ 92,646,798</u>	<u>₩ 124,340,714</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The valuation techniques and input variables of Level 2 financial instruments, not subsequently measured at fair value as of June 30, 2023 and December 31, 2022, are as follows. The valuation techniques and input variables are not disclosed for the items whose carrying amounts are disclosed at fair value as the carrying amounts are considered to be the reasonable approximation of the fair value.

(In millions of Korean won)

	Fair value		Valuation techniques	Input variables
	June 30, 2023	December 31, 2022		
Financial assets:				
Financial assets at amortized cost				
Debt securities	₩ 8,519,786	₩ 8,401,924	DCF Model	Discount rate
Financial liabilities:				
Deposit liabilities	₩ 18,117,115	₩ 18,167,248	DCF Model	Discount rate
Borrowings	1,938,254	1,134,360	DCF Model	Discount rate
Debentures	11,905,667	12,032,936	DCF Model	Discount rate

The valuation techniques and input variables of Level 3 financial instruments, not subsequently measured at fair value as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	Fair value		Valuation techniques	Input variables
	June 30, 2023	December 31, 2022		
Financial assets:				
Loans and receivables	₩ 110,874,836	₩ 106,949,319	DCF Model	Discount rate and early repayment rate
Financial liabilities:				
Deposit liabilities	₩ 86,005,607	₩ 83,252,217	DCF Model	Discount rate
Borrowings	5,929,989	6,132,812	DCF Model	Discount rate
Other financial liabilities	6,115,761	3,261,769	DCF Model	Discount rate

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(e) *Transfer of Financial Assets*

The Group holds securities sold under repurchase agreement, loaned securities, and liquidated financial assets, and such transactions have resulted in transfer of financial assets. However, they have been recorded in the financial statements since the assets did not meet the derecognition criteria. In case of securities sold under repurchase agreements, the Group sells the assets to another party with a commitment to buy the assets back at a specified price. Loaned securities will be returned at the end of security lending agreement. Hence, the Group retains substantially all the risks and rewards of ownership of the financial assets. In relation to liquidated financial assets, consolidated structured entities issued asset-backed securities with the loans held by the Group as underlying assets while the Group bears the related risk through purchase agreement or credit granting.

Details of book amounts of transferred assets and relevant liabilities as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023		December 31, 2022	
	Book amount of transferred assets	Book amount of related liabilities	Book amount of transferred assets	Book amount of related liabilities
Securities sold under repurchase agreement	₩ 1,586,712	₩ 1,319,317	₩ 878,290	₩ 726,761
Loaned securities	1,266,411	-	1,638,116	-
Liquidated financial assets	855,369	910,304	633,047	683,932
	<u>₩ 3,708,492</u>	<u>₩ 2,229,621</u>	<u>₩ 3,149,453</u>	<u>₩ 1,410,693</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

7. CASH AND DUE FROM BANKS:

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

<i>(In millions of Korean won)</i>	Financial institution	June 30, 2023	December 31, 2022	Reason for restriction
Cash and cash equivalents				
Reserve deposits in Korean won	The BOK	₩ 3,162,850	₩ 4,399,794	Article 55 of the Bank of Korea Act
Reserve deposits in foreign currencies	The BOK	78,804	84,317	Article 55 of the Bank of Korea Act
Demand deposits in foreign currencies	The State Bank of Vietnam	25,509	3,463	Payment reserves
Other deposits in Foreign Currencies	The State Bank of Vietnam	11,418	442	Payment reserves
		<u>3,278,581</u>	<u>4,488,016</u>	
Due from banks				
Due from banks in Korean won	The Korea Securities Finance Corporation	10,205	67,110	Deposits from investors and others
	Korea Federation of Savings Banks and others	49,986	10,095	Reserve deposits and others
	Korea Securities Depository and others	34,975	44,453	Deposits to performance guarantees and others
	KRX and others	61,920	44,002	Collective fund for default losses and others
	Seoul Guarantee Insurance Company	66	-	Collateral for Provisional Seizure
		<u>157,152</u>	<u>165,660</u>	
Due from banks in foreign currencies	KRX	13,340	5,092	Reserve deposits and others
	The People's Bank of China and others	34,702	13,112	Reserve deposits for overseas affiliates and others
		<u>48,042</u>	<u>18,204</u>	
		<u>₩ 3,483,775</u>	<u>₩ 4,671,880</u>	

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

8. FINANCIAL ASSETS AT FVTPL:

Financial assets at FVTPL as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Equity securities	₩	348,074	₩	245,322
Government and public bonds		454,167		181,384
Finance bonds		906,417		210,501
Corporate bonds		1,880,798		1,655,601
Other debt securities		521,230		636,812
Beneficiary certificates		1,885,145		1,304,083
Others		812,817		721,200
	₩	<u>6,808,648</u>	₩	<u>4,954,903</u>

9. FINANCIAL ASSETS AT FVOCI:

Financial assets at FVOCI as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Equity securities				
Stock	₩	166,331	₩	165,079
Investment and others		980		980
		<u>167,311</u>		<u>166,059</u>
Debt securities				
Government and public bonds		1,921,713		1,063,015
Finance bonds		848,800		650,308
Corporate bonds		2,116,667		1,837,042
Loans in securities		1,083,225		1,376,662
		<u>5,970,405</u>		<u>4,927,027</u>
	₩	<u>6,137,716</u>	₩	<u>5,093,086</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

10. FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets at amortized cost as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Debt securities				
Government and public bonds	₩	3,948,679	₩	3,784,460
Finance bonds		1,014,856		1,014,863
Corporate bonds		4,118,078		4,177,017
Loans in securities		183,186		261,454
Provision for impairment		(3,181)		(3,042)
	₩	<u>9,261,618</u>	₩	<u>9,234,752</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

11. ASSETS PROVIDED AS COLLATERAL:

The investments in financial assets provided as collateral as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In millions of Korean won)</i>		Carrying amount	
Provided to		June 30, 2023	Reason
Financial assets at FVTPL	Korea Securities Depository and others	1,001,873	Sold under repurchase agreements
	Korea Securities Finance Corp and others	479,927	Lending transaction
	Korea Securities Finance Corp	171	Margin loans
	Korea Investment & Securities and others	50,145	OTC derivatives transaction
		W	
Financial assets at FVOCI	Korea Securities Depository	181,699	Sold under repurchase agreements
	KRX	14,201	Substitute securities
	Nomura Finance Investment and others	26,854	Sold under repurchase agreements
	Bank of Korea	227,229	Borrowing collateral and overdraft and settlement
	Sumitomo Mitsui Banking Corporation	9,834	Foreign borrowings
	Standard Chartered Bank and others	52,501	Collateral for OTC derivatives
	Societe Generale Bank	19,456	Collateral for Credit Support Annex
Financial assets at amortized cost	Korea Securities Depository	376,286	Sold under repurchase agreements
	Bank of Korea	1,999,275	Borrowing collateral and overdraft and settlement
	Korea Securities Depository	80	Collective fund for default losses
	Standard Chartered Bank and others	98,188	Foreign borrowings, Collateral for Credit Support Annex and others
	Eugene Investment & Futures Co., Ltd. and others	4,977	Margin for futures and others
		W	4,542,696

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

<i>(In millions of Korean won)</i>		Carrying amount		
	Provided to	December 31, 2022		Reason
Financial assets at FVTPL	Korea Securities Depository	₩	381,233	Sold under repurchase agreements
	Korea Securities Finance Corp and others		334,452	Lending transaction
	Korea Securities Finance Corp		167	Margin loans
	Korea Investment & Securities and others		70,459	OTC derivatives transaction
Financial assets at FVOCI	Korea Securities Depository		140,035	Sold under repurchase agreements
	KRX		4,467	Substitute securities
	Nomura Finance Investment and others		28,587	Sold under repurchase agreements
	Bank of Korea		253,300	Borrowing collateral and overdraft and settlement
	Sumitomo Mitsui Banking Corporation		9,713	Foreign borrowings
	Standard Chartered Bank and others		69,448	Collateral for OTC derivatives
	Societe Generale Bank		10,312	Collateral for Credit Support Annex
Financial assets at amortized cost	Korea Securities Depository		328,435	Sold under repurchase agreements
	Bank of Korea		2,019,201	Borrowing collateral and overdraft and settlement
	Korea Securities Depository		81	Collective fund for default losses
	Standard Chartered Bank and others		115,961	Foreign borrowings, Collateral for Credit Support Annex and others
	Eugene Investment & Futures Co., Ltd. and others		4,965	Margin for futures and others
		₩	<u>3,770,816</u>	

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Details of the land and building provided by the Group as collateral for the leasehold deposits as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

		June 30, 2023			
	Secured assets		Carrying amount		Maximum amount
Property and equipment	Land	₩	11,365		
	Building		10,499		
		₩	<u>21,864</u>		
Investment properties	Land	₩	28,997	₩	1,460
	Building		4,323		
		₩	<u>33,320</u>		

(In millions of Korean won)

		December 31, 2022			
	Secured assets		Carrying amount		Maximum amount
Property and equipment	Land	₩	11,365		
	Building		10,650		
		₩	<u>22,015</u>		
Investment properties	Land	₩	28,997	₩	1,460
	Building		4,389		
		₩	<u>33,386</u>		

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Details of the land and building provided by the Group as collateral for the loans as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

		June 30, 2023			
	Secured assets		Carrying amount		Maximum amount
Property and equipment	Land	₩	104,608		
	Building		40,231		
			<u>₩ 144,839</u>		
Investment properties	Land	₩	365,844	₩	482,760
	Building		131,614		
			<u>₩ 497,458</u>		

(In millions of Korean won)

		December 31, 2022			
	Secured assets		Carrying amount		Maximum amount
Property and equipment	Land	₩	97,672		
	Building		41,218		
			<u>₩ 138,890</u>		
Investment properties	Land	₩	372,780	₩	482,760
	Building		134,347		
			<u>₩ 507,127</u>		

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

12. LOANS AND RECEIVABLES:

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

(In millions of Korean won)

	June 30, 2023			December 31, 2022		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Loans receivable:						
Loans in Korean won						
Corporates	₩ 67,533,993	₩ -	₩ 67,533,993	₩ 65,649,093	₩ -	₩ 65,649,093
Household	33,283,357	-	33,283,357	32,075,684	-	32,075,684
Public sector and others	2,199,385	-	2,199,385	1,954,155	-	1,954,155
Interbank loans	96,632	-	96,632	96,573	-	96,573
	<u>103,113,367</u>	<u>-</u>	<u>103,113,367</u>	<u>99,775,505</u>	<u>-</u>	<u>99,775,505</u>
Loans in foreign currencies	1,682,162	-	1,682,162	1,824,291	-	1,824,291
Call loans	532,356	-	532,356	824,373	-	824,373
Bills bought in local currency	627	-	627	31,639	-	31,639
Bills bought in foreign currencies	206,038	-	206,038	195,690	-	195,690
Advances for customers	2,989	-	2,989	1,020	-	1,020
Credit card receivables	844,605	-	844,605	842,558	-	842,558
Bonds purchased under repurchase agreement	571,900	-	571,900	360,000	-	360,000
Privately placed bonds	628,562	62,548	691,110	806,468	62,105	868,573
Finance lease receivables	452,883	-	452,883	489,573	-	489,573
Installment financing receivables	419,457	-	419,457	417,414	-	417,414
	<u>108,454,946</u>	<u>62,548</u>	<u>108,517,494</u>	<u>105,568,531</u>	<u>62,105</u>	<u>105,630,636</u>
Provision for impairment of loans receivable ¹	(1,133,348)	-	(1,133,348)	(1,042,558)	-	(1,042,558)
Deferred loan origination fees	(12,461)	-	(12,461)	(11,211)	-	(11,211)
Deferred loan origination costs	182,405	-	182,405	184,570	-	184,570
	<u>107,491,542</u>	<u>62,548</u>	<u>107,554,090</u>	<u>104,699,332</u>	<u>62,105</u>	<u>104,761,437</u>
Receivables:	-	-	-	-	-	-
Suspense payments	1,828	-	1,828	1,331	-	1,331
Non-trade receivable	2,033,582	-	2,033,582	517,332	-	517,332
Domestic exchange settlement debits	293,054	-	293,054	325,867	-	325,867
Guarantee deposits provided	253,134	-	253,134	255,056	-	255,056
Accrued income	485,025	-	485,025	485,441	-	485,441
Deposits under regulation	543	-	543	616	-	616
Bills unsettled	801	-	801	104	-	104
Other	1,088	-	1,088	110	-	110
	<u>3,069,055</u>	<u>-</u>	<u>3,069,055</u>	<u>1,585,857</u>	<u>-</u>	<u>1,585,857</u>
Provision for impairment of receivables	(55,708)	-	(55,708)	(56,485)	-	(56,485)
Discounted present value (leasehold deposits provided)	(9,997)	-	(9,997)	(11,697)	-	(11,697)
	<u>3,003,350</u>	<u>-</u>	<u>3,003,350</u>	<u>1,517,675</u>	<u>-</u>	<u>1,517,675</u>
Loans and receivables	<u>₩ 110,494,892</u>	<u>₩ 62,548</u>	<u>₩ 110,557,440</u>	<u>₩ 106,217,007</u>	<u>₩ 62,105</u>	<u>₩ 106,279,112</u>

¹ Discounted (premium) present value of ₩241 million and ₩247 million are included as of June 30, 2023, and discounted (premium) present value of ₩6 million and ₩518 million are included as of December 31, 2022.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

13. PROVISION FOR IMPAIRMENT:

Changes in provision for impairment of loans and receivables for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 337,822	₩ 456,511	₩ 304,710	₩ 1,099,043
Transfer to 12 months expected credit losses of financial assets	39,690	(38,200)	(1,490)	-
Transfer to lifetime expected credit losses	(43,707)	49,687	(5,980)	-
Transfer to credit-impaired financial assets	(8,389)	(38,409)	46,798	-
Written off during the year as uncollectible	-	-	(174,319)	(174,319)
Decrease in provision due to sales of loans	-	-	(59,556)	(59,556)
Increase in provision due to collections of written-off receivables	-	-	39,898	39,898
Changes from adjustments to receivables and payables	-	-	(80)	(80)
Exchange differences	106	44	325	475
Other	21	-	(5,556)	(5,535)
	<u>325,543</u>	<u>429,633</u>	<u>144,750</u>	<u>899,926</u>
Additional provision for impaired receivables during the period	47,914	52,889	188,327	289,130
Ending balance	<u>₩ 373,457</u>	<u>₩ 482,522</u>	<u>₩ 333,077</u>	<u>₩ 1,189,056</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 305,766	₩ 303,769	₩ 190,521	₩ 800,056
Transfer to 12 months expected credit losses of financial assets	36,699	(36,054)	(645)	-
Transfer to lifetime expected credit losses	(18,432)	20,049	(1,617)	-
Transfer to credit-impaired financial assets	(5,786)	(23,159)	28,945	-
Written off during the year as uncollectible	-	-	(67,671)	(67,671)
Decrease in provision due to sales of loans	-	-	(57,860)	(57,860)
Increase in provision due to collections of written-off receivables	-	-	41,873	41,873
Changes from adjustments to receivables and payables	-	-	(90)	(90)
Exchange differences	582	238	402	1,222
Other	-	-	(6,637)	(6,637)
	<u>318,829</u>	<u>264,843</u>	<u>127,221</u>	<u>710,893</u>
Additional provision for impaired receivables during the period	25,015	74,202	124,799	224,016
Ending balance	₩ <u>343,844</u>	₩ <u>339,045</u>	₩ <u>252,020</u>	₩ <u>934,909</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Changes in provision for impairment for financial assets at FVOCI for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,476	₩ -	₩ -	₩ 1,476
Decrease in provision from sales	-	-	-	-
Contribution to provision for impairment	377	-	-	377
Ending balance	<u>₩ 1,853</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,853</u>

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,484	₩ -	₩ -	₩ 1,484
Decrease in provision from sales	(65)	-	-	(65)
Reversal of provision for impairment	(131)	-	-	(131)
Ending balance	<u>₩ 1,288</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,288</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Changes in provision for impairment for securities at amortized cost for the six-month periods ended June 30, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 3,042	₩ -	₩ -	₩ 3,042
Contribution to provision for impairment	139	-	-	139
Ending balance	<u>₩ 3,181</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 3,181</u>

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 3,326	₩ -	₩ -	₩ 3,326
Reversal of provision for impairment	(164)	-	-	(164)
Ending balance	<u>₩ 3,162</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 3,162</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

14. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING:

Details of valuation of derivatives held for trading as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 53,593	₩ 50,867	₩ 61,311	₩ 56,253
Currency options	8,877	6,786	7,830	7,324
	<u>62,470</u>	<u>57,653</u>	<u>69,141</u>	<u>63,577</u>
Interest rate:				
Interest rate swaps	22,735	23,972	8,292	8,021
Interest rate futures	-	-	-	-
	<u>22,735</u>	<u>23,972</u>	<u>8,292</u>	<u>8,021</u>
Stock:				
Stock options	222	458	820	1,149
Stock swaps	100	97	1,003	111
	<u>322</u>	<u>555</u>	<u>1,823</u>	<u>1,260</u>
Credit:				
Credit swaps	12,250	13,031	39,340	8,191
	<u>₩ 97,776</u>	<u>₩ 95,211</u>	<u>₩ 118,595</u>	<u>₩ 81,050</u>

(In millions of Korean won)

	December 31, 2022			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 63,443	₩ 78,447	₩ 66,247	₩ 79,344
Currency options	17,750	13,886	13,726	14,340
	<u>81,193</u>	<u>92,333</u>	<u>79,973</u>	<u>93,684</u>
Interest rate:				
Interest rate swaps	47,103	47,013	38,057	36,878
Interest rate futures	55	-	55	-
	<u>47,158</u>	<u>47,013</u>	<u>38,112</u>	<u>36,878</u>
Stock:				
Stock options	345	83	5	598
Stock swaps	104	121	1,196	393
	<u>449</u>	<u>204</u>	<u>1,201</u>	<u>991</u>
Credit:				
Credit swaps	5,953	10,074	49,394	17,464
	<u>₩ 134,753</u>	<u>₩ 149,624</u>	<u>₩ 168,679</u>	<u>₩ 149,017</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Hedge

In order to hedge fluctuation risks of fair value due to changes in interest rate of structured deposits and issued financial bonds, a hedge accounting of fair value risk is applied that interest rate swaps are designated as a hedging instrument. In order to hedge currency fluctuation risks of net investments in foreign operations, a hedge accounting of net investments in foreign operations is applied that non-derivative financial instruments are designated as a hedging instrument.

The valuation of derivatives designated as a hedging instrument as of June 30, 2023 and December 31, 2022 is as follows:

(In millions of Korean won)

	June 30, 2023			
	Valuation gain	Valuation loss	Assets	Liabilities
Interest rate:				
Interest rate swaps	₩ 665	₩ 917	₩ -	₩ 46,501

(In millions of Korean won)

	December 31, 2022			
	Valuation gain	Valuation loss	Assets	Liabilities
Interest rate:				
Interest rate swaps	₩ -	₩ 41,944	₩ -	₩ 45,172

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Impacts of hedge accounting on the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity

Impacts of risk hedge instruments on the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023										
	Interim condensed consolidated statements of financial position					Interim condensed consolidated statements of comprehensive income and Interim condensed consolidated statements of changes in equity					
	Nominal amount	Changes in fair value	Derivative assets	Derivative liabilities	Borrowings	Profit or loss	Other comprehensive income ¹				
Fair value risk hedges											
Interest rate risk hedge	₩ 398,200	₩ (252)	₩ -	₩ 46,501	₩ -	₩ (252)	₩ -				
Hedges for net investments in foreign operations											
Currency risk hedge	345,266	3,756	-	-	345,266	-	2,806				
	₩ 743,466	₩ 3,504	₩ -	₩ 46,501	₩ 345,266	₩ (252)	₩ 2,806				

¹ The amount recognized in other comprehensive income is net of income tax effect.

(In millions of Korean won)

	December 31, 2022										
	Interim condensed consolidated statements of financial position					Interim condensed consolidated statements of comprehensive income and Interim condensed consolidated statements of changes in equity					
	Nominal amount	Changes in fair value	Derivative assets	Derivative liabilities	Borrowings	Profit or loss	Other comprehensive income ¹				
Fair value risk hedges											
Interest rate risk hedge	₩ 386,825	₩ (41,944)	₩ -	₩ 45,172	₩ -	₩ (41,944)	₩ -				
Hedges for net investments in foreign operations											
Currency risk hedge	348,508	(19,940)	-	-	348,508	-	(14,915)				
	₩ 735,333	₩ (61,884)	₩ -	₩ 45,172	₩ 348,508	₩ (41,944)	₩ (14,915)				

¹ The amount recognized in other comprehensive income is net of income tax effect.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Impacts of the hedged items on the interim condensed consolidated statements of financial position, the interim condensed consolidated statements of comprehensive income and the interim condensed consolidated statements of changes in equity as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

		June 30, 2023						
				Interim condensed consolidated statements of financial position		Interim condensed consolidated statements of comprehensive income and Interim condensed consolidated statements of changes in equity		Reserve for foreign currency translation
		Nominal amount	Changes in fair value	Deposits received	Debentures	Profit or loss	Other comprehensive -ve income ¹	
Fair value risk hedges								
Interest rate risk hedge		₩ 398,200	₩ 391	₩ 54,964	₩ 295,982	₩ 391	₩ -	₩ -
Hedges for net investments in foreign operations								
Currency risk hedge		345,266	11,623	-	-	(1,105)	8,641	24,552
		₩ 743,466	₩ 12,014	₩ 54,964	₩ 295,982	₩ (714)	₩ 8,641	₩ 24,552

¹ The amount recognized in other comprehensive income is net of income tax effect.

(In millions of Korean won)

		December 31, 2022						
				Interim condensed consolidated statements of financial position		Interim condensed consolidated statements of comprehensive income and Interim condensed consolidated statements of changes in equity		Reserve for foreign currency translation
		Nominal amount	Changes in fair value	Deposits received	Debentures	Profit or loss	Other comprehensive -ve income ¹	
Fair value risk hedges								
Interest rate risk hedge		₩ 386,825	₩ 41,603	₩ 54,309	₩ 287,660	₩ 41,603	₩ -	₩ -
Hedges for net investments in foreign operations								
Currency risk hedge		348,508	23,776	-	-	-	17,842	18,218
		₩ 735,333	₩ 65,379	₩ 54,309	₩ 287,660	₩ 41,603	₩ 17,842	₩ 18,218

¹ The amount recognized in other comprehensive income is net of income tax effect.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The amounts and items recognized in profit or loss due to ineffective portion in fair value risk hedges for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	Ineffective portion of risk hedges recognized in profit or loss			Items
	2023	2022		
Fair value risk hedges				
Interest rate risk hedge	₩ 139	₩ (153)		Gain (Loss) on valuation of derivatives

There is no amount recognized in profit or loss and other comprehensive income due to an ineffective portion of hedges for net investments in foreign operations for the six-month periods ended June 30, 2023 and 2022.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE:

Details of investments in associates and joint venture as of June 30, 2023 and December 31, 2022 are as follows:

	Main business	Location	June 30, 2023		Acquisition cost	Carrying amount
			Closing month	Percentage of ownership (%)		
<i>(In millions of Korean won)</i>						
Investments in associates:						
ANDA H Mezzanine Private Investment Trust 12th	Financial investment	The Republic of Korea	December	39%	₩ 10,000	₩ 10,937
BNK Intevalue Technology Finance Investment Association	Investment association	The Republic of Korea	December	34%	12,700	11,629
ANDA H Mezzanine Private Investment Trust 11th	Financial investment	The Republic of Korea	December	25%	10,234	11,490
Hana UBS Professional Investment Private Security Investment Trust No.7	Financial investment	The Republic of Korea	December	50%	38,685	40,766
Shinhan Corporation General Private Securities Investment Trust 14th	Financial investment	The Republic of Korea	December	50%	50,000	50,615
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 6th	Financial investment	The Republic of Korea	December	50%	30,000	30,987
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 8th	Financial investment	The Republic of Korea	December	50%	30,000	30,683
DGB Professional Investment Private Security Investment Trust No.28(Bond)	Financial investment	The Republic of Korea	December	50%	30,000	31,112
KB Leaders Professional Investment Private Security Investment Trust No.12	Financial investment	The Republic of Korea	December	31%	30,000	31,662
NH-Amundi General Private Equity Investment Trust No.18	Financial investment	The Republic of Korea	December	50%	50,000	50,058
Shinhan BNPP SGrail Professional Private Special Asset Fund No.1-2	Financial investment	The Republic of Korea	December	46%	14,960	15,160
Multi-Asset LNG General Private Equity Investment Trust No.5	Financial investment	The Republic of Korea	December	67%	23,949	24,087
Igis Ulsan New Port Infrastructure Private Investment Trust	Financial investment	The Republic of Korea	December	32%	23,737	24,169
Samsung Rafael Professional Investment Private Security Investment Trust No.1	Financial investment	The Republic of Korea	December	50%	50,000	50,734
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50%	40,050	40,640
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	39%	39,194	40,929
Petra7alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	22%	10,938	10,288
KB Leaders ESG Professional Private Securities Investment Trust No.1	Financial investment	The Republic of Korea	December	49%	20,434	20,246
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	Financial investment	The Republic of Korea	December	50%	50,000	51,111

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	Main business	Location	June 30, 2023			
			Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
VI Repo General Private Securities Investment Trust No.8	Financial investment	The Republic of Korea	December	50%	50,000	50,877
Shinhan Corporation General Private Securities Investment Trust 7th(bonds)	Financial investment	The Republic of Korea	December	50%	50,000	50,586
Shinhan Corporation Private Securities Investment Trust 15th(bonds)	Financial investment	The Republic of Korea	December	50%	50,000	51,010
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	Trust and collective investment business	The Republic of Korea	December	20%	12,034	3,821
Igis housing platform no.1 professional investors' private real estate fund	Trust and collective investment business	The Republic of Korea	December	20%	12,060	12,967
Hana UBS Private Security Investment Trust No.1(WithBonds)	Financial investment	The Republic of Korea	December	33%	10,000	10,458
NH-Amundi Private Security Investment Trust No.22(Bond)	Financial investment	The Republic of Korea	December	50%	30,000	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No.8	Financial investment	The Republic of Korea	December	50%	50,000	50,783
Hanwha A Professional Investment Private Security Investment Trust No.1(Bond)	Financial investment	The Republic of Korea	December	33%	50,000	50,695
Samsung Dollar S&B General Private Securities Investment Trust No.5(USB)(Bond)	Financial investment	The Republic of Korea	December	50%	25,794	26,764
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 13th [Bond]	Financial investment	The Republic of Korea	December	25%	50,000	51,320
VI Repo General Private Equity Securities Investment Trust No.11	Financial investment	The Republic of Korea	December	50%	50,000	51,164
Hi General Private Equity Securities Investment Trust No.32 (Bond)	Financial investment	The Republic of Korea	December	50%	50,000	50,001
Multi-Asset ESG Marine Transportation Infra General Private Investment Trust No.1	Financial investment	The Republic of Korea	December	92%	53,577	53,642
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.41(USD) [Bond]	Financial investment	The Republic of Korea	December	25%	13,175	13,249
Samsung Dollar S&B General Private Investment Trust No.6(USB) [Bond]	Financial investment	The Republic of Korea	December	50%	32,968	33,373
Kyobo-Axa Clean Energy Center Professional Private Special Asset Investment Trust No.1	Financial investment	The Republic of Korea	December	28%	10,171	10,038
Shinhan Long Short Maturity Matching General Private Securities Investment Trust No.1 (WithBonds)	Financial investment	The Republic of Korea	December	20%	20,000	20,194
KB Leaders General Private Securities Investment Trust No.29 (Bonds)(Specialized)	Financial investment	The Republic of Korea	December	50%	50,000	50,103
Hyundai Investment Professional Investment Private Real Estate Investment	Trust and collective investment	The Republic of Korea	December	23%	18,305	18,305

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

		June 30, 2023				
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Trust No.44	business					
Others	Financial investment and others			0.23~54.55%	138,702	140,532
					₩ 1,391,667	₩ 1,407,751

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	Main business	Location	December 31, 2022			
			Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Investments in associates:						
ANDA H Mezzanine Private Investment Trust 12th	Financial investment	The Republic of Korea	December	39%	₩ 10,000	₩ 9,950
BNK Intervalue Technology Finance Investment Association	Investment association	The Republic of Korea	December	34%	12,700	12,096
ANDA H Mezzanine Private Investment Trust 11th	Financial investment	The Republic of Korea	December	25%	14,000	14,048
Hana UBS Professional Investment Private Security Investment Trust No.7	Financial investment	The Republic of Korea	December	20%	30,000	31,184
Shinhan Corporation General Private Securities Investment Trust 14th	Financial investment	The Republic of Korea	December	50%	50,000	50,677
BNKREPOPLUS Professional Investment Private Trust No.1	Financial investment	The Republic of Korea	December	36%	25,000	26,227
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 1st	Financial investment	The Republic of Korea	December	40%	20,000	20,156
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 6th	Financial investment	The Republic of Korea	December	37%	30,000	30,289
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 8th	Financial investment	The Republic of Korea	December	50%	30,000	30,083
VI Repo General Private Equity Securities Investment Trust No.9(Bond)	Financial investment	The Republic of Korea	December	50%	30,000	30,445
DGB Professional Investment Private Security Investment Trust No.28(Bond)	Financial investment	The Republic of Korea	December	50%	30,000	31,038
KB Leaders Professional Investment Private Security Investment Trust No.12(Bond)	Financial investment	The Republic of Korea	December	30%	30,000	31,014
KB Leaders Professional Investment Private Security Investment Trust No.15(Bond)	Financial investment	The Republic of Korea	December	50%	30,000	30,371
Samsung Rafael Professional Investment Private Security Investment Trust No.3	Financial investment	The Republic of Korea	December	50%	50,000	50,708
NH-Amundi General Private Equity Investment Trust No.18	Financial investment	The Republic of Korea	December	50%	30,000	30,482
Shinhan IPO Maturity Matching Private Investment Trust(WithBonds)	Financial investment	The Republic of Korea	December	30%	50,000	52,133
Shinhan BNPP SGrail Professional Private Special Asset Fund No.1-2	Financial investment	The Republic of Korea	December	46%	12,423	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	Financial investment	The Republic of Korea	December	67%	25,318	25,462
Igis Ulsan New Port Infrastructure Private Investment Trust	Financial investment	The Republic of Korea	December	32%	26,456	27,168
Multi-Asset KDB Ocean Value-up Professional Private	Financial investment	The Republic of Korea	December	50%	11,943	14,023

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

		December 31, 2022				
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Investment Trust No.15						
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	Financial investment	The Republic of Korea	December	25%	12,633	12,978
Samsung Rafael Professional Investment Private Security Investment Trust No.1	Financial investment	The Republic of Korea	December	50%	50,000	50,473
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50%	40,050	40,400
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	39%	39,194	39,829
Petra7alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	22%	10,938	10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	Financial investment	The Republic of Korea	December	49%	20,434	19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	Financial investment	The Republic of Korea	December	50%	50,000	50,573
VI Repo General Private Securities Investment Trust No.8	Financial investment	The Republic of Korea	December	50%	50,000	50,609
Shinhan Corporation General Private Securities Investment Trust 7th(bonds)	Financial investment	The Republic of Korea	December	50%	50,000	50,642
Shinhan Corporation Private Securities Investment Trust 15th(bonds)	Financial investment	The Republic of Korea	December	50%	50,000	50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	Trust and collective investment business	The Republic of Korea	December	20%	10,943	11,153
Igis housing platform no.1 professional investors' private real estate fund	Trust and collective investment business	The Republic of Korea	December	20%	12,060	12,540
Others	Financial investment and others	The Republic of Korea		3.00~62.21%	157,631	147,094
					<u>₩ 1,101,723</u>	<u>₩ 1,106,662</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Changes in investments in associates for the six-month period ended June 30, 2023 and the year ended December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates	Dividends received	Others	Ending balance
Investments in associates:						
ANDA H Mezzanine Private Investment Trust 12th	₩ 9,950	₩ -	₩ 987	₩ -	₩ -	₩ 10,937
BNK Interval Technology Finance Investment Association	12,096	-	(467)	-	-	11,629
ANDA H Mezzanine Private Investment Trust 11th	14,048	(3,766)	1,268	(60)	-	11,490
Hana UBS Professional Investment Private Security Investment Trust No.7	31,184	8,380	898	-	304	40,766
Shinhan Corporation General Private Securities Investment Trust 14th	50,677	-	1,069	(1,131)	-	50,615
BNKREPOPLUS Professional Investment Private Trust No.1	26,227	-	-	-	(26,227)	-
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 1st	20,156	(20,643)	-	-	487	-
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 6th	30,289	-	698	-	-	30,987
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 8th	30,083	-	600	-	-	30,683
VI Repo General Private Equity Securities Investment Trust No.9(Bond)	30,445	(30,709)	-	-	264	-
DGB Professional Investment Private Security Investment Trust No.28(Bond)	31,038	143	1,129	(1,055)	(143)	31,112
KB Leaders Professional Investment Private Security Investment Trust No.12(Bond)	31,014	-	648	-	-	31,662
KB Leaders Professional Investment Private Security Investment Trust No.15(Bond)	30,371	(30,904)	-	-	533	-
Samsung Rafael Professional Investment Private Security Investment Trust No.3	50,708	(50,754)	-	-	46	-
NH-Amundi General Private Equity Investment Trust No.18	30,482	20,000	864	(1,288)	-	50,058
Shinhan IPO Maturity Matching Private Investment Trust(WithBonds)	52,133	(52,348)	-	-	215	-
Shinhan BNPP SGrail Professional Private Special Asset Fund No.1-2	12,565	2,537	357	(299)	-	15,160

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates	Dividends received	Others	Ending balance
Multi-Asset LNG General Private Equity Investment Trust No.5	25,462	(1,377)	650	(641)	(7)	24,087
Igis Ulsan New Port Infrastructure Private Investment Trust	27,168	(2,143)	332	(1,140)	(48)	24,169
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	14,023	(12,100)	-	(414)	(1,509)	-
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	12,978	(13,287)	-	-	309	-
Samsung Rafael Professional Investment Private Security Investment Trust No.1	50,473	-	976	(715)	-	50,734
SHBNPP Corporate Private Security Investment Trust 8th	40,400	-	643	(403)	-	40,640
Kiwoom Frontier Private Securities Investment Trust 12th	39,829	-	1,100	-	-	40,929
Petra7alpha Private Equity Partnership	10,366	-	(78)	-	-	10,288
KB Leaders ESG Professional Private Securities Investment Trust No.1	19,860	-	386	-	-	20,246
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	50,573	-	1,204	(666)	-	51,111
VI Repo General Private Securities Investment Trust No.8	50,609	-	944	(676)	-	50,877
Shinhan Corporation General Private Securities Investment Trust 7th(bonds)	50,642	-	1,716	(1,772)	-	50,586
Shinhan Corporation Private Securities Investment Trust 15th(bonds)	50,026	-	984	-	-	51,010
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	11,153	1,088	230	(342)	(8,308)	3,821
Igis housing platform no.1 professional investors' private real estate fund	12,540	-	427	-	-	12,967
Hana UBS Private Security Investment Trust No.1(WithBonds)	-	10,000	458	-	-	10,458
VI Repo General Private Securities Investment Trust No.8(Bond)	-	3	-	-	(3)	-
NH-Amundi Private Security Investment Trust No.22(Bond)	-	30,000	566	-	-	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No.8	-	50,000	783	-	-	50,783
Hanwha A Professional Investment Private	-	50,000	695	-	-	50,695

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates	Dividends received	Others	Ending balance
Security Investment Trust No.1(Bond)						
Samsung Dollar S&B General Private Securities Investment Trust No.5(USB)(Bond)	-	25,794	511	-	459	26,764
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 13th [Bond]	-	50,000	1,320	-	-	51,320
VI Repo General Private Equity Securities Investment Trust No.11	-	50,000	1,164	-	-	51,164
Hi General Private Equity Securities Investment Trust No.32 (Bond)	-	50,000	1	-	-	50,001
Multiasset ESG Marine Transportation Infra General Private Investment Trust No.1	-	53,577	145	(80)	-	53,642
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.41(USD) [Bond]	-	13,175	121	-	(47)	13,249
Samsung Dollar S&B General Private Investment Trust No.6(USB) [Bond]	-	32,968	555	-	(150)	33,373
Kyobo Axa Clean Energy Center Professional Private Special Asset Investment Trust No.1	7,081	3,000	185	(228)	-	10,038
Shinhan Long Short Maturity Matching General Private Securities Investment Trust No.1 [WithBonds]	-	20,000	194	-	-	20,194
KB Leaders General Private Securities Investment Trust No.29 (Bonds)(Specialized)	-	50,103	-	-	-	50,103
Hyundai Investment Professional Investment Private Real Estate Investment Trust No.44	-	-	-	-	18,305	18,305
Others	140,013	(667)	2,937	(3,800)	2,049	140,532
	<u>₩ 1,106,662</u>	<u>₩ 302,070</u>	<u>₩ 27,200</u>	<u>₩ (14,710)</u>	<u>₩ (13,471)</u>	<u>₩ 1,407,751</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	December 31, 2022					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates	Dividends received	Others	Ending balance
Investments in associates:						
BNK Intervalue Technology Finance Investment Association	₩ 12,386	₩ -	₩ (290)	₩ -	₩ -	₩ 12,096
ANDA H Mezzanine Private Investment Trust 11th	14,052	-	(4)	-	-	14,048
Hana UBS Professional Investment Private Security Investment Trust No.7	40,763	(10,028)	405	-	44	31,184
Shinhan Corporation General Private Securities Investment Trust 14th	-	50,000	677	-	-	50,677
BNKREPOPLUS Professional Investment Private Trust No.1	-	25,814	358	(31)	86	26,227
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st	30,335	(10,032)	(68)	-	(79)	20,156
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 6st	30,218	-	508	(437)	-	30,289
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8st	30,146	-	(63)	-	-	30,083
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	-	30,000	445	-	-	30,445
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	30,351	-	687	-	-	31,038
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	40,864	(9,984)	146	-	(12)	31,014
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	30,353	-	18	-	-	30,371
Samsung Rafael Professional Investment Private Security Investment Trust No.3	50,029	-	1,041	(362)	-	50,708
NH-Amundi General Private Equity Investment Trust No.18	-	30,000	482	-	-	30,482
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	51,765	-	368	-	-	52,133
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	8,847	3,646	449	(377)	-	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	-	25,310	1,057	(913)	8	25,462
Igis Ulsan New Port Infrastructure Private Investment Trust	-	26,473	1,014	(302)	(17)	27,168
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	14,362	(1,463)	606	(535)	1,053	14,023
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	-	12,633	321	-	24	12,978

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	December 31, 2022					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates	Dividends received	Others	Ending balance
Samsung Rafael Professional Investment Private Security Investment Trust No.1	49,741	-	732	-	-	50,473
SHBNPP Corporate Private Security Investment Trust 8th	49,692	(9,950)	658	-	-	40,400
Kiwoom Frontier Private Securities Investment Trust 12th	39,614	-	686	(471)	-	39,829
Petra7alpha Private Equity Partnership	10,447	-	(81)	-	-	10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	49,852	(29,732)	(260)	-	-	19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	-	50,000	573	-	-	50,573
VI Repo General Private Securities Investment Trust No.8	-	50,000	609	-	-	50,609
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	-	50,000	642	-	-	50,642
Shinhan Corporation Private Securities Investment Trust 15th	-	50,000	26	-	-	50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	10,997	-	(5,165)	(689)	6,010	11,153
Igis housing platform no.1 professional investors' private real estate fund	2,880	9,180	480	-	-	12,540
Others	518,692	(357,525)	612	(5,149)	414	157,044
	<u>₩ 1,116,386</u>	<u>₩ (15,658)</u>	<u>₩ 7,669</u>	<u>₩ (9,266)</u>	<u>₩ 7,531</u>	<u>₩ 1,106,662</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Financial information of associates as of June 30, 2023 and December 31, 2022 is as follows:

(In millions of Korean won)

	June 30, 2023					
	Current assets	Current liabilities	Equity	Operating income	Profit (loss) for the period	Total comprehensive income (loss)
Investments in associates:						
ANDA H Mezzanine Private Investment Trust 12th	₩ 27,890	₩ 1	₩ 27,889	₩ 2,714	₩ 2,620	₩ 2,620
BNK Intervalue Technology Finance Investment Association	34,268	388	33,880	35	(1,361)	(1,361)
ANDA H Mezzanine Private Investment Trust 11th	45,738	1	45,737	5,008	4,807	4,807
Hana UBS Professional Investment Private Security Investment Trust No.7	140,055	58,522	81,533	3,815	1,796	1,796
Shinhan Corporation General Private Securities Investment Trust 14th	198,149	96,919	101,230	3,385	2,138	2,138
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 6th	119,915	57,814	62,101	2,454	1,399	1,399
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 8th	61,377	11	61,366	1,944	1,200	1,200
DGB Professional Investment Private Security Investment Trust No.28(Bond)	148,697	86,319	62,378	3,029	2,264	2,264
KB Leaders Professional Investment Private Security Investment Trust No.12(Bond)	103,500	18	103,482	2,227	2,118	2,118
NH-Amundi General Private Equity Investment Trust No.18	201,643	101,527	100,116	3,276	1,729	1,729
Shinhan BNPP SGrail Professional Private Special Asset Fund No.1-2	33,341	493	32,848	783	774	774
Multi-Asset LNG General Private Equity Investment Trust No.5	36,140	11	36,129	668	656	656
Igis Ulsan New Port Infrastructure Private Investment Trust	76,776	1,094	75,682	527	498	498
Samsung Rafael Professional Investment Private Security Investment Trust No.1	149,289	47,817	101,472	2,136	1,952	1,952
SHBNPP Corporate Private Security Investment Trust 8th	179,700	98,419	81,281	2,475	1,286	1,286

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023					
	Current assets	Current liabilities	Equity	Operating income	Profit (loss) for the period	Total comprehen- sive income (loss)
Kiwoom Frontier Private Securities Investment Trust 12th	189,978	86,125	103,853	3,196	2,792	2,792
Petra7alpha Private Equity Partnership	47,816	601	47,215	-	(360)	(360)
KB Leaders ESG Professional Private Securities Investment Trust No.1	41,094	7	41,087	894	784	784
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	205,570	103,236	102,334	4,084	2,410	2,410
VI Repo General Private Securities Investment Trust No.8	199,567	97,813	101,754	3,673	1,888	1,888
Shinhan Corporation General Private Securities Investment Trust 7th(bonds)	215,583	114,225	101,358	3,170	3,437	3,437
Shinhan Corporation Private Securities Investment Trust 15th(bonds)	199,236	97,216	102,020	3,867	1,969	1,969
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	60,774	29	60,745	64,269	(454)	(454)
Igis housing platform no.1 professional investors' private real estate fund	64,890	57	64,833	2,192	2,135	2,135
Hana UBS Private Security Investment Trust No.1(WithBonds)	31,379	5	31,374	1,554	1,374	1,374
NH-Amundi Private Security Investment Trust No.22(Bond)	122,846	61,714	61,132	1,608	1,132	1,132
Samsung Rafael Professional Investment Private Security Investment Trust No.8	189,298	87,732	101,566	2,909	1,566	1,566
Hanwha A Professional Investment Private Security Investment Trust No.1(Bond)	303,429	151,343	152,086	4,951	2,086	2,086
Samsung Dollar S&B General Private Securities Investment Trust No.5(USB)(Bond)	53,529	1	53,528	1,031	1,022	1,022
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 13th [Bond]	449,461	244,180	205,281	9,656	5,281	5,281
VI Repo General Private Equity Securities Investment Trust No.11	223,767	121,440	102,327	4,322	2,327	2,327

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023					
	Current assets	Current liabilities	Equity	Operating income	Profit (loss) for the period	Total comprehen- sive income (loss)
Hi General Private Equity Securities Investment Trust No.32 (Bond)	189,717	89,715	100,002	(298)	2	2
Multi-Asset ESG Marine Transportation Infra General Private Investment Trust No.1	58,284	19	58,265	172	158	158
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.41(USD) [Bond]	53,001	3	52,998	343	342	342
Samsung Dollar S&B General Investment Trust No.5(USB)(Bond)	85,456	18,710	66,746	2,387	2,223	2,223
Kyobo-Axa Clean Energy Center Professional Private Special Asset Investment Trust No.1	35,506	39	35,467	1,095	651	651
Shinhan Long Short Maturity Matching General Private Securities Investment Trust No.1 (WithBonds)	181,796	80,828	100,968	2,179	968	968
KB Leaders General Private Securities Investment Trust No.29 (Bonds)(Specialized)	130,102	29,914	100,188	550	-	-
Hyundai Investment Professional Investment Private Real Estate Investment Trust No.44	81,366	45	81,321	2,460	2,415	2,415
Others	798,417	272,528	525,889	29,949	14,395	14,395
	<u>₩ 5,768,340</u>	<u>₩ 2,206,879</u>	<u>₩ 3,561,461</u>	<u>₩ 184,689</u>	<u>₩ 74,419</u>	<u>₩ 74,419</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	December 31, 2022					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Investments in associates:						
BNK Interservice Technology Finance Investment Association	₩ 35,439	₩ 198	₩ 35,241	₩ 32	₩ (843)	₩ (843)
ANDA H Mezzanine Private Investment Trust 11th	56,220	5	56,215	53	(2)	(2)
Hana UBS Professional Investment Private Security Investment Trust No.7	219,503	66,044	153,459	6,785	1,995	1,995
Shinhan Corporation General Private Securities Investment Trust 14th	101,361	7	101,354	3,807	1,354	1,354
BNKREPOPLUS Professional Investment Private Trust No.1	111,995	39,333	72,662	4,933	992	992
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st	99,710	49,215	50,495	3,749	(170)	(170)
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 6th	123,817	41,018	82,799	3,675	1,389	1,389
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8th	79,481	19,315	60,166	2,275	(125)	(125)
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	90,198	29,309	60,889	2,197	889	889
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	116,596	54,860	61,736	2,527	1,365	1,365
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	111,230	9,320	101,910	2,464	478	478
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	83,996	22,812	61,184	2,494	35	35
Samsung Rafael Professional Investment Private Security Investment Trust No.3	101,439	21	101,418	3,401	2,083	2,083
NH-Amundi General Private Equity Investment Trust No.18	83,376	22,412	60,964	1,596	964	964
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	346,553	174,469	172,084	5,999	1,215	1,215

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	December 31, 2022					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	27,717	492	27,225	1,029	975	975
Multi-Asset LNG General Private Equity Investment Trust No.5	38,203	12	38,191	1,625	1,575	1,575
Igis Ulsan New Port Infrastructure Private Investment Trust	85,040	30	85,010	3,678	3,173	3,173
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	28,046	1	28,045	1,214	1,212	1,212
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	51,472	2	51,470	3,424	1,274	1,274
Samsung Rafael Professional Investment Private Security Investment Trust No.1	112,460	11,514	100,946	2,504	1,464	1,464
SHBNPP Corporate Private Security Investment Trust 8th	80,806	6	80,800	2,143	1,317	1,317
Kiwoom Frontier Private Securities Investment Trust 12th	104,075	3,014	101,061	384	1,742	1,742
Petra7alpha Private Equity Partnership	47,816	241	47,575	-	(369)	(369)
KB Leaders ESG Professional Private Securities Investment Trust No.1	40,310	8	40,302	2,595	(529)	(529)
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	155,185	54,039	101,146	4,264	1,146	1,146
VI Repo General Private Securities Investment Trust No.8	190,561	89,343	101,218	3,641	1,218	1,218
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	194,591	93,130	101,461	5,070	1,287	1,287
Shinhan Corporation Private Securities Investment Trust 15th	100,053	2	100,051	53	51	51
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	55,785	28	55,757	4,622	783	783
Igis housing platform no.1 professional investors' private real estate fund	62,756	57	62,699	2,083	2,025	2,025
Others	828,158	238,683	589,475	29,043	19,636	19,636

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

December 31, 2022					
Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
<u>₩ 3,963,948</u>	<u>₩ 1,018,940</u>	<u>₩ 2,945,008</u>	<u>₩ 113,359</u>	<u>₩ 49,599</u>	<u>₩ 49,599</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

The reconciliations of the net assets of associates to the corresponding book amount of investments in associates based on the ownership ratio of the Group as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won)

	June 30, 2023			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (A*B)	Book amount
Investments in associates:				
ANDA H Mezzanine Private Investment Trust 12th	₩ 27,889	39.22	₩ 10,937	₩ 10,937
BNK Intervalue Technology Finance Investment Association	33,880	34.32	11,629	11,629
ANDA H Mezzanine Private Investment Trust 11th	45,737	25.12	11,490	11,490
Hana UBS Professional Investment Private Security Investment Trust No.7	81,533	50.00	40,766	40,766
Shinhan Corporation General Private Securities Investment Trust 14th	101,230	50.00	50,615	50,615
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 6th	62,101	49.90	30,987	30,987
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 8th	61,366	50.00	30,683	30,683
DGB Professional Investment Private Security Investment Trust No.28(Bond)	62,378	49.88	31,112	31,112
KB Leaders Professional Investment Private Security Investment Trust No.12(Bond)	103,482	30.60	31,662	31,662
NH-Amundi General Private Equity Investment Trust No.18	100,116	50.00	50,058	50,058
Shinhan BNPP SGrail Professional Private Special Asset Fund No.1-2	32,848	46.15	15,160	15,160
Multi-Asset LNG General Private Equity Investment Trust No.5	36,129	66.67	24,087	24,087
Igis Ulsan New Port Infrastructure Private Investment Trust	75,682	31.93	24,169	24,169
Samsung Rafael Professional Investment Private Security Investment Trust No.1	101,472	50.00	50,736	50,734
SHBNPP Corporate Private Security Investment Trust 8th	81,281	50.00	40,640	40,640
Kiwoom Frontier Private Securities Investment Trust 12th	103,853	39.41	40,929	40,929
Petra7alpha Private Equity Partnership	47,215	21.79	10,288	10,288

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (A*B)	Book amount
KB Leaders ESG Professional Private Securities Investment Trust No.1	41,087	49.28	20,246	20,246
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	102,334	49.95	51,111	51,111
VI Repo General Private Securities Investment Trust No.8	101,754	50.00	50,877	50,877
Shinhan Corporation General Private Securities Investment Trust 7th(bonds)	101,358	49.91	50,586	50,586
Shinhan Corporation Private Securities Investment Trust 15th(bonds)	102,020	50.00	51,010	51,010
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1 ¹	60,745	20.00	12,151	3,821
Igis housing platform no.1 professional investors' private real estate fund	64,833	20.00	12,967	12,967
Hana UBS Private Security Investment Trust No.1(WithBonds)	31,374	33.33	10,458	10,458
NH-Amundi Private Security Investment Trust No.22(Bond)	61,132	50.00	30,566	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No.8	101,566	50.00	50,783	50,783
Hanwha A Professional Investment Private Security Investment Trust No.1(Bond)	152,086	33.33	50,695	50,695
Samsung Dollar S&B General Private Security Investment Trust No.5(USB)(Bond)	53,528	50.00	26,764	26,764
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 13th [Bond]	205,281	25.00	51,320	51,320
VI Repo General Private Equity Securities Investment Trust No.11	102,327	50.00	51,164	51,164
Hi General Private Equity Securities Investment Trust No.32 (Bond)	100,002	50.00	50,001	50,001
Multiasset ESG Marine Transportation Infra General Private Investment Trust No.1	58,265	92.07	53,642	53,642
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.41(USD) [Bond]	52,998	25.00	13,249	13,249

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	June 30, 2023			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (A*B)	Book amount
Samsung Dollar S&B General Private Investment Trust No.6(USB) [Bond]	66,746	50.00	33,373	33,373
Kyobo Axa Clean Energy Center Professional Private Special Asset Investment Trust No.1	35,467	28.30	10,038	10,038
Shinhan Long Short Maturity Matching General Private Securities Investment Trust No.1 [WithBonds]	100,968	20.00	20,194	20,194
KB Leaders General Private Securities Investment Trust No.29 (Bonds)(Specialized)	100,188	50.00	50,103	50,103
Hyundai Investment Professional Investment Private Real Estate Investment Trust No.44	81,321	22.51	18,305	18,305
Others	525,889		140,532	140,532

¹ The Group recognized ₩ 8,330 million of impairment for the six-month period ended June 30, 2023.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	2022			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Investments in associates:				
BNK Intervalue Technology Finance Investment Association	₩ 35,241	34.32	₩ 12,096	₩ 12,096
ANDA H Mezzanine Private Investment Trust 11th	56,215	24.99	14,048	14,048
Hana UBS Professional Investment Private Security Investment Trust No.7	153,459	20.32	31,184	31,184
Shinhan Corporation General Private Securities Investment Trust 14th	101,354	50.00	50,677	50,677
BNKREPOPLUS Professional Investment Private Trust No.1	72,662	36.10	26,227	26,227
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st	50,495	39.92	20,156	20,156
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 6th	82,799	36.58	30,289	30,289
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8th	60,166	50.00	30,083	30,083
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	60,889	50.00	30,445	30,445
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	61,736	50.27	31,038	31,038
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	101,910	30.43	31,014	31,014
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	61,184	49.64	30,371	30,371
Samsung Rafael Professional Investment Private Security Investment Trust No.3	101,418	50.00	50,708	50,708
NH-Amundi General Private Equity Investment Trust No.18	60,964	50.00	30,482	30,482
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	172,084	30.29	52,133	52,133
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	27,225	46.15	12,565	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	38,191	66.67	25,462	25,462

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	2022			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Igis Ulsan New Port Infrastructure Private Investment Trust	85,010	31.96	27,168	27,168
Multi-Asset KDB Ocean Value- up Professional Private Investment Trust No.15	28,045	50.00	14,023	14,023
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	51,470	25.21	12,978	12,978
Samsung Rafael Professional Investment Private Security Investment Trust No.1	100,946	50.00	50,473	50,473
SHBNPP Corporate Private Security Investment Trust 8th	80,800	50.00	40,400	40,400
Kiwoom Frontier Private Securities Investment Trust 12th	101,061	39.41	39,829	39,829
Petra7alpha Private Equity Partnership	47,575	21.79	10,366	10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	40,302	49.28	19,860	19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	101,146	50.00	50,573	50,573
VI Repo General Private Securities Investment Trust No.8	101,218	50.00	50,609	50,609
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	101,461	49.91	50,642	50,642
Shinhan Corporation Private Securities Investment Trust 15th	100,051	50.00	50,026	50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	55,757	20.01	11,153	11,153
Igis housing platform no.1 professional investors' private real estate fund	62,699	20.00	12,540	12,540
Others	589,475		157,044	157,044

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

16. PROPERTY AND EQUIPMENT:

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

(In millions of Korean won)

	2023							Ending balance
	Beginning balance	Acquisition	Disposal	Reclassification	Depreciation	Others		
Land	₩ 416,829	₩ -	₩ (1,761)	₩ 12,614	₩ -	₩ (207)	₩ 427,475	
Building	574,930	1,405	(1,081)	14,877	(8,003)	(183)	581,945	
Leasehold improvements	24,745	2,189	(13)	2,250	(5,062)	65	24,174	
Equipment and vehicles	118,016	16,998	(467)	9,825	(19,610)	(248)	124,514	
Construction in progress	32,982	17,661	-	(18,654)	-	-	31,989	
Right-of-use assets	43,403	25,463	(3,388)	-	(20,969)	39	44,548	
	<u>₩1,210,905</u>	<u>₩ 63,716</u>	<u>₩ (6,710)</u>	<u>₩ 20,912</u>	<u>₩ (53,644)</u>	<u>₩ (534)</u>	<u>₩1,234,645</u>	

(In millions of Korean won)

	2022							Ending balance
	Beginning balance	Acquisition	Disposal	Reclassification	Depreciation	Others		
Land	₩ 403,300	₩ 14	₩ (1,968)	₩ 9,275	₩ -	₩ -	₩ 410,621	
Building	582,125	1,488	(3,339)	(181)	(8,033)	-	572,060	
Leasehold improvements	23,009	2,862	(438)	2,632	(4,651)	39	23,453	
Equipment and vehicles	99,220	13,524	(245)	14,873	(18,582)	(337)	108,453	
Construction in progress	13,865	9,821	-	(6,573)	-	-	17,113	
Right-of-use assets	38,752	29,927	(2,559)	-	(17,935)	66	48,251	
	<u>₩1,160,271</u>	<u>₩ 57,636</u>	<u>₩ (8,549)</u>	<u>₩ 20,026</u>	<u>₩ (49,201)</u>	<u>₩ (232)</u>	<u>₩1,179,951</u>	

Details of right-of-use assets as of June 30, 2023, and December 31, 2022, are as follows:

(In millions of Korean won)

	June 30, 2023			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 145,577	₩ 1,481	₩ 6,506	₩ 153,564
Accumulated depreciation	<u>(103,244)</u>	<u>(707)</u>	<u>(5,065)</u>	<u>(109,016)</u>
Book amount of right-of-use asset	<u>₩ 42,333</u>	<u>₩ 774</u>	<u>₩ 1,441</u>	<u>₩ 44,548</u>

(In millions of Korean won)

	December 31, 2022			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 132,660	₩ 1,238	₩ 5,248	₩ 139,146
Accumulated depreciation	<u>(90,354)</u>	<u>(673)</u>	<u>(4,716)</u>	<u>(95,743)</u>
Book amount of right-of-use asset	<u>₩ 42,306</u>	<u>₩ 565</u>	<u>₩ 532</u>	<u>₩ 43,403</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

17. INTANGIBLE ASSETS:

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

(In millions or Korean won)

	2023						
	Beginning balance	Acquisition	Disposal	Reclassifi- cation ¹	Amortization	Others	Ending balance
Software	₩ 27,893	₩ 9,314	₩ -	₩ -	₩ (6,989)	₩ (40)	₩ 30,178
Goodwill	28,341	-	-	-	-	-	28,341
Core deposits	29,277	-	-	-	(8,365)	-	20,912
Development costs	104,263	2,316	-	34,625	(18,027)	(853)	122,324
Others	91,799	16,829	(29)	(34,625)	(10,517)	664	64,121
	<u>₩ 281,573</u>	<u>₩ 28,459</u>	<u>₩ (29)</u>	<u>₩ -</u>	<u>₩ (43,898)</u>	<u>₩ (229)</u>	<u>₩ 265,876</u>

¹ Transferred from construction in progress.

(In millions or Korean won)

	2022						
	Beginning balance	Acquisition	Disposal	Reclassifi- cation ¹	Amortization	Others	Ending balance
Software	₩ 28,121	₩ 6,962	₩ (3)	₩ 76	₩ (6,073)	₩ (83)	₩ 29,000
Goodwill	28,341	-	-	-	-	-	28,341
Core deposits	46,007	-	-	-	(8,365)	-	37,642
Development costs	86,228	2,584	-	24,338	(14,247)	(2)	98,901
Others	104,338	16,424	(139)	(24,414)	(10,241)	13	85,981
	<u>₩ 293,035</u>	<u>₩ 25,970</u>	<u>₩ (142)</u>	<u>₩ -</u>	<u>₩ (38,926)</u>	<u>₩ (72)</u>	<u>₩ 279,865</u>

¹ Transferred from construction in progress.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

18. INVESTMENT PROPERTIES:

The fair value and assessment method of investment properties as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023	December 31, 2022	Valuation techniques	Input variables
Land	₩ 534,043	₩ 561,774	- The evaluation method of using officially assessed land pricing - Sales comparison approach	- Officially assessed land pricing - Sales history - Discount rate - Rent increase rate, etc.
Building	208,170	198,906	- Evaluation by the prime cost - Evaluation by the standard land cost - Sales comparison approach	- Repurchase cost - Durable years - Sales history - Discount rate - Rent increase rate, etc.
	<u>₩ 742,213</u>	<u>₩ 760,680</u>		

Investment properties are classified as Level 3 and measured by independent professionals who have specialty and similar experience in the area where the investment properties are located recently.

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

<i>(In millions of Korean won)</i>	2023					
	Beginning balance	Acquisition	Reclassification	Depreciation	Others	Ending balance
Land	₩ 465,954	₩ -	₩ (12,038)	₩ -	₩ -	₩ 453,916
Building	181,687	1,576	(5,848)	(3,018)	75	174,472
	<u>₩ 647,641</u>	<u>₩ 1,576</u>	<u>₩ (17,886)</u>	<u>₩ (3,018)</u>	<u>₩ 75</u>	<u>₩ 628,388</u>

<i>(In millions of Korean won)</i>	2022					
	Beginning balance	Acquisition	Reclassification	Depreciation	Others	Ending balance
Land	₩ 478,167	₩ -	₩ (9,275)	₩ -	₩ -	₩ 468,892
Building	183,632	822	2,331	(3,081)	130	183,834
	<u>₩ 661,799</u>	<u>₩ 822</u>	<u>₩ (6,944)</u>	<u>₩ (3,081)</u>	<u>₩ 130</u>	<u>₩ 652,726</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

19. FINANCIAL LIABILITIES DESIGNATED AS AT FVTPL:

Financial liabilities designated as at FVTPL as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Equity-linked securities sold	₩	328,582	₩	328,597
Securities sold with embedded derivatives		364,365		259,689
Credit risk assessment adjustment		627		73
Adjustment of gains and losses on valuation at transaction date		(1,654)		(4,199)
	₩	<u>691,920</u>	₩	<u>584,160</u>

(*) In accordance with KIFRS 1109, paragraph 6.7.1, the Group designated the financial liabilities as at FVTPL at initial recognition (or subsequently).

20. BORROWINGS:

Borrowings at amortized cost as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>		June 30, 2023	December 31, 2022
	Minimum	Maximum		
Borrowings in Korean won:				
The BOK	0.25	2.00	₩ 862,209	₩ 973,374
Others	-	5.90	4,058,339	4,286,526
			<u>4,920,548</u>	<u>5,259,900</u>
Borrowings in foreign currencies:				
Overdraft on our account	-	-	9,613	2,948
Banks	0.28	19.00	1,109,385	1,215,726
Others	0.49	7.15	469,048	456,502
			<u>1,588,046</u>	<u>1,675,176</u>
Call money	0.40	3.43	123,791	37,468
Bonds sold under repurchase agreement:				
Korean won	0.55	5.83	1,301,178	707,697
Foreign currencies	0.62	0.62	18,139	19,064
			<u>1,319,317</u>	<u>726,761</u>
Bills sold	2.24	3.85	20,439	19,196
Deferred expenses from borrowings			(2,255)	(2,412)
			<u>₩ 7,969,886</u>	<u>₩ 7,716,089</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Borrowings at FVTPL as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>			June 30,	December 31,
	Minimum	Maximum		2023	2022
Securities sold	1.30	5.25	₩	757,013	₩ 266,502

21. DEBENTURES:

Debentures issued by the Group as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>			June 30,	December 31,
	Minimum	Maximum		2023	2022
Debentures in Korean won:					
Unsecured coupon bond	1.22	7.34	₩	11,231,830	₩ 10,888,455
Subordinated bond	3.05	4.06		800,000	800,000
Discounted present value				(9,558)	(9,614)
				<u>12,022,272</u>	<u>11,678,841</u>
Debentures in foreign currencies:					
Senior bond	6.15	6.46		187,074	180,590
Subordinated bond	3.63	3.63		328,200	316,825
Loss on fair value hedge				(31,258)	(29,165)
Discounted present value				(1,466)	(1,634)
				<u>482,550</u>	<u>466,616</u>
			₩	<u>12,504,822</u>	₩ <u>12,145,457</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

22. NET DEFINED BENEFIT LIABILITIES (ASSETS):

As of June 30, 2023 and December 31, 2022, the amounts recognized in the interim condensed consolidated statements of financial position related to defined benefit plan are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Present value of funded defined benefit obligations	₩	588,604	₩	569,699
Fair value of plan assets		<u>(756,343)</u>		<u>(763,342)</u>
Net defined benefit assets ¹	₩	<u>(167,739)</u>	₩	<u>(193,643)</u>

¹ As of June 30, 2023, the asset amounts recognized under the defined benefit plan of ₩167,739 million represent the net defined benefit assets of ₩172,035 million less net defined benefit liabilities of ₩4,296 million.

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 millions of Korean won)</i>	2023					
	Present value of defined benefit obligation		Plan assets		Total	
Current service cost	₩	25,711	₩	-	₩	25,711
Interest expenses (interest income)		<u>15,441</u>		<u>(21,049)</u>		<u>(5,608)</u>
	₩	<u>41,152</u>	₩	<u>(21,049)</u>	₩	<u>20,103</u>

<i>(In millions of Korean won)</i>	2022					
	Present value of defined benefit obligation		Plan assets		Total	
Current service cost	₩	30,861	₩	-	₩	30,861
Interest expenses (interest revenues)		<u>10,394</u>		<u>(11,031)</u>		<u>(637)</u>
	₩	<u>41,255</u>	₩	<u>(11,031)</u>	₩	<u>30,224</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

23. PROVISIONS:

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

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Provision for acceptances and guarantees	₩	12,887	₩	12,669
Provision for unused credit limit		37,667		37,693
Financial guarantee contract liabilities		1,862		1,661
Provision for restoration costs		13,472		13,444
Provision for credit card point		516		739
Others		46,885		47,550
	₩	<u>113,289</u>	₩	<u>113,756</u>

Changes in provision for acceptances and guarantees, provision for unused credit limit and financial guarantee contract liabilities for the six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023							
	12 months'		Expected lifetime credit losses			Total		
	expected credit losses	Unrecognized impairment	Recognized impairment					
Beginning balance	₩	27,245	₩	23,585	₩	1,193	₩	52,023
Transfer to 12 months' expected credit loss		3,858		(3,858)		-		-
Transfer to lifetime expected credit losses		(1,246)		1,246		-		-
Transfer to credit-impaired financial liabilities		(13)		(24)		37		-
Foreign currency translation and others		4		321		-		325
Others		103		(73)		-		30
		<u>29,951</u>		<u>21,197</u>		<u>1,230</u>		<u>52,378</u>
Provision (reversal)		(505)		443		100		38
Ending balance	₩	<u>29,446</u>	₩	<u>21,640</u>	₩	<u>1,330</u>	₩	<u>52,416</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	2022							
	12 months' expected credit losses		Expected lifetime credit losses			Total		
			Unrecognized impairment	Recognized impairment				
Beginning balance	₩	28,694	₩	14,836	₩	4,183	₩	47,713
Transfer to 12 months' expected credit loss		3,222		(3,222)		-		-
Transfer to lifetime expected credit losses		(2,872)		2,872		-		-
Transfer to credit-impaired financial liabilities		(187)		(28)		215		-
Foreign currency translation and others		63		226		-		289
Others		3,272		126		-		3,398
		32,192		14,810		4,398		51,400
Provision (reversal)		(2,060)		9,129		(2,548)		4,521
Ending balance	₩	30,132	₩	23,939	₩	1,850	₩	55,921

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

(In millions of Korean won)

	2023				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 13,443	₩ 399	₩ (302)	₩ (67)	₩ 13,473
Provision for credit card point	740	-	(224)	-	516
Provision for litigation	-	-	-	-	-
Others ^{1,2}	47,550	10,224	(10,890)	-	46,884
	₩ 61,733	₩ 10,623	₩ (11,416)	₩ (67)	₩ 60,873

¹ As of June 30, 2023, the Group's Lime Asset Management's redemption deferral fund sales amount to ₩62,730 million and related provisions amount to ₩34,074 million.

² Regarding the embezzlement, the Group recognized other provisions for other special loss of ₩10,100 million for the six-month period ended June 30, 2023.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(In millions of Korean won)

	2022				Ending balance
	Beginning balance	Increase	Decrease	Others	
Provision for restoration costs	₩ 10,984	₩ 641	₩ (294)	₩ 48	₩ 11,379
Provision for credit card point	838	52	(69)	-	821
Provision for litigation	471	-	-	-	471
Others	39,148	7,639	(563)	-	46,224
	<u>₩ 51,441</u>	<u>₩ 8,332</u>	<u>₩ (926)</u>	<u>₩ 48</u>	<u>₩ 58,895</u>

¹ As of June 30, 2022, the Group's Lime Asset Management's redemption deferral fund sales amount to ₩63,515 million and related provisions amount to ₩34,551 million.

Provision for restoration costs represent the estimated cost to restore the existing leased properties, which is discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to incur at the end of lease contract, and such costs are reasonably estimated using the average lease year of expired leases for the past three years. In addition, the expected restoration expense is calculated based on the average of actual costs incurred in the past and the prior year's inflation rate.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

24. OTHER LIABILITIES:

Other liabilities as of June 30, 2023 and December 31, 2022 consist of the following:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Other financial liabilities:				
Due to trust accounts	₩	508,681	₩	423,461
Due to fund accounts		939		1,670
Foreign exchange remittances pending		27,909		37,960
Prepaid card liabilities		11,297		13,984
Debit card liabilities		15,859		13,673
Deposits for letter of guarantees		496,137		440,116
Discounted present value		(46,180)		(28,665)
Accounts payable		2,135,427		588,271
Accrued expenses		1,532,830		1,100,470
Agency business accounts		172,859		135,795
Unsettled domestic exchange liabilities		634,517		145,472
Deposits held by agency relationship		162,888		103,642
Guarantee deposits for securities subscription		8,280		8,087
Lease liabilities		38,112		33,566
Remittance pending		16		210
Others		454,328		280,534
		<u>6,153,899</u>		<u>3,298,246</u>
Other non-financial liabilities:				
Withholding taxes		29,804		36,247
Unearned revenues		109,204		104,299
Others		39,393		23,742
		<u>178,401</u>		<u>164,288</u>
	₩	<u>6,332,300</u>	₩	<u>3,462,534</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

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

(In millions of Korean won)

	June 30, 2023					
	Less than 1 month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than 5 years	Total
Lease liabilities	₩ 2,466	₩ 4,625	₩ 13,369	₩ 16,926	₩ 1,881	₩ 39,267

(In millions of Korean won)

	December 31, 2022					
	Less than 1 month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than 5 years	Total
Lease liabilities	₩ 1,594	₩ 2,871	₩ 9,461	₩ 18,407	₩ 2,415	₩ 34,748

Cash outflows from lease contract were ₩ 16,666 million (Low-value leases ₩ 1,753 million included) for the six-month period ended June 30, 2023, and ₩ 15,153 million (Low-value leases ₩ 876 million included) for the six-month period ended June 30, 2022.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

25. EQUITY:

(a) Share capital

As of June 30, 2023, the Group has 700 million shares authorized with a par value of ₩5,000, and 325,935,246 shares have been issued. The Parent Company's share capital as of June 30, 2023 amounts to ₩1,629,676 million.

(b) Other paid-in capital

Other paid-in capital as of June 30, 2023 and December 31, 2022 is as follows:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Share premium	₩	678,953	₩	678,953
Other reserves		102,340		102,340
Treasury shares		(22,997)		(6,997)
Gain on disposal of treasury share		5,826		5,826
Loss on disposal of treasury share		(122)		(122)
Capital adjustment-other		(1,570)		(1,096)
	₩	<u>762,430</u>	₩	<u>778,904</u>

(c) Hybrid equity securities

Details of hybrid equity securities issued by the Parent Company as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)	June 30, 2023		December 31, 2022	
Hybrid equity securities in Korean won	2015.06.24	2045.06.24	5.10	₩	30,000	₩	30,000
	2018.02.13	-	4.83		-		100,000
	2018.03.02	-	4.26		-		150,000
	2019.02.20	-	3.74		100,000		100,000
	2019.08.29	-	3.20		100,000		100,000
	2020.02.19	-	3.35		150,000		150,000
	2020.06.23	-	3.30		100,000		100,000
	2020.08.04	-	3.38		100,000		100,000
Issuance cost					(1,852)		(2,608)
				₩	<u>578,148</u>	₩	<u>827,392</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Hybrid equity securities classified as non-controlling equity as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)	June 30, 2023	December 31, 2022
Hybrid equity securities in Korean won	2013.04.25	2043.04.25	4.75	₩ -	₩ 60,000
	2013.05.27	2043.05.27	4.83	-	40,000
	2013.10.25	2043.10.25	5.55	90,000	90,000
	2013.11.07	2043.11.07	5.72	10,000	10,000
	2013.11.11	2043.11.11	6.00	37,000	37,000
	2013.11.28	2043.11.28	6.14	63,000	63,000
	2018.05.04	-	4.50	-	100,000
	2018.06.26	-	4.65	-	100,000
	2019.04.29	-	3.60	100,000	100,000
	2022.04.07	-	4.30	150,000	150,000
	2022.05.10	-	5.20	200,000	200,000
Issuance cost				(1,598)	(2,413)
				<u>₩ 648,402</u>	<u>₩ 947,587</u>

The Group 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 Group to indefinitely extend the maturity date with the same contractual terms. In addition, the Group decides not to pay the dividends of ordinary share at general shareholders' meeting; the Group may not pay interest on the hybrid equity securities.

(d) Other components of equity

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

<i>(In millions of Korean won)</i>	June 30, 2023	December 31, 2022
Loss on valuation of financial instruments at FVOCI	₩ (77,962)	₩ (135,310)
Exchange differences on translation of foreign operations	29,888	15,318
Remeasurements of net defined benefit liabilities	(88,531)	(73,146)
Loss on valuation of hedges of net investments in foreign operations	(36,085)	(26,519)
Share of other comprehensive income of associates	1,636	2,422
Others	1,224	(74)
Tax effects	42,797	56,935
	<u>₩ (127,033)</u>	<u>₩ (160,374)</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

(e) Retained earnings

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

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Reserve:				
Legal reserves ¹	₩	933,635	₩	827,329
Regulatory reserve for credit loss		441,563		568,892
Discretionary reserves		3,465,716		3,028,104
		<u>4,840,914</u>		<u>4,424,325</u>
Retained earnings before appropriation		<u>2,167,609</u>		<u>2,348,845</u>
	₩	<u>7,008,523</u>	₩	<u>6,773,170</u>

¹ Article 53 of the Financial Holding Company Act requires the Parent Company to appropriate at least 10% of profit for the period for legal reserve until such reserve equals 100% of its paid-in 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 loss

In accordance with the Regulations for Supervision of the Financial Holding Company, if provisions for impairment under KIFRSs for the accounting purpose do not exceed those for the regulatory purpose, the Group discloses such shortfall amount as regulatory reserve for credit loss. Due to the fact that regulatory reserve for credit loss is a discretionary reserve, amounts exceeding the existing reserve for credit loss are over the compulsory reserve for credit loss at the period-end date and are able to be reversed in profit. In case of accumulated deficit, the Group should set aside reserve for credit loss at the time when accumulated deficit is gone.

Regulatory reserve for credit loss as of June 30, 2023 and December 31, 2022 is as follows:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Provided reserve for credit loss ¹	₩	441,563	₩	568,892
Estimated reversal of reserve for credit losses for the period		<u>(29,530)</u>		<u>(127,329)</u>
Regulatory reserve for credit loss	₩	<u>412,033</u>	₩	<u>441,563</u>
Owners of the Parent Company	₩	412,033	₩	441,563
Non-controlling interests		-		-

¹ Provided reserve for credit loss as of June 30, 2023 and December 31, 2022 is the amount after appropriations of retained earnings.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

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

(In millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Profit for the period of owners of the Parent Company	₩ 195,916	₩ 452,670	₩ 206,283	₩ 482,600
Reversal of reserve for credit losses	22,991	29,530	83,759	64,554
Adjusted profit after the reversal of regulatory reserve ¹	₩ 218,907	₩ 482,200	₩ 290,042	₩ 547,154
Adjusted earnings per share after the provision of regulatory reserve ¹ <i>(in Korean won)</i>	₩ 664	₩ 1,453	₩ 870	₩ 1,638

¹ Adjusted profit and earnings per share after provision of reserve for credit loss are not in accordance with KIFRSs, but are calculated on the assumption that provision or reversal of reserve for credit loss is adjusted to the profit for the year of owners of the Parent Company. Earnings per share after provision of reserve for credit loss are presented net of dividends on hybrid equity securities.

Treasury shares

Details of acquisition of treasury shares as of June 30, 2023 and December 31, 2022 are as follows:

(In millions of Korean won and in shares)

	June 30, 2023		December 31, 2022	
	Number of shares	Book amount	Number of shares	Book amount
Beginning balance	1,503,577	₩ 6,997	1,503,577	₩ 6,997
Acquisition	2,343,231	16,000	-	-
Ending balance	3,846,808	₩ 22,997	1,503,577	₩ 6,997

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

26. NET INTEREST INCOME:

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

(In millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Interest income:				
Due from banks	₩ 7,521	₩ 18,037	₩ 2,078	₩ 3,742
Financial instruments at FVTPL	29,703	57,655	21,424	39,870
Financial instruments at FVOCI	31,940	57,650	18,145	35,640
Financial assets at amortized cost	56,730	111,621	44,825	87,458
Loans receivable	1,506,345	2,985,143	1,016,233	1,935,424
	<u>1,632,239</u>	<u>3,230,106</u>	<u>1,102,705</u>	<u>2,102,134</u>
Interest expense:				
Deposit liabilities	(730,933)	(1,418,900)	(264,960)	(488,163)
Borrowings	(66,106)	(129,455)	(34,214)	(59,282)
Debentures	(107,000)	(211,297)	(72,614)	(140,722)
Others	(10,505)	(21,340)	(5,213)	(9,620)
	<u>(914,544)</u>	<u>(1,780,992)</u>	<u>(377,001)</u>	<u>(697,787)</u>
Net interest income	₩ 717,695	₩ 1,449,114	₩ 725,704	₩ 1,404,347

27. NET COMMISSION INCOME:

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

(In millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Commission income:				
Commission received	₩ 97,643	₩ 205,466	₩ 157,318	₩ 337,027
Guarantees	2,889	5,520	2,583	7,130
Credit card	1,765	3,265	1,655	4,215
Others	185	416	365	662
	<u>102,482</u>	<u>214,667</u>	<u>161,921</u>	<u>349,034</u>
Commission expenses:				
Commission paid	(20,586)	(48,941)	(27,202)	(53,291)
Credit card	(14,710)	(30,968)	(14,322)	(29,640)
	<u>(35,296)</u>	<u>(79,909)</u>	<u>(41,524)</u>	<u>(82,931)</u>
Net commission income	₩ 67,186	₩ 134,758	₩ 120,397	₩ 266,103

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

28. GAIN OR LOSS ON FINANCIAL ASSETS AT FVTPL:

Gain or loss on financial assets at FVTPL for the three-month and six-month periods ended June 30, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Gain on financial assets at FVTPL:				
Gain on disposal of financial assets at FVTPL	₩ 2,597	₩ 3,009	₩ 531	₩ 763
Gain on sale of financial assets at FVTPL	41,908	115,073	52,139	91,255
Gain on valuation of financial assets at FVTPL	21,303	86,793	15,347	42,479
Dividend income and others	17,660	34,743	18,953	37,217
	<u>83,468</u>	<u>239,618</u>	<u>86,970</u>	<u>171,714</u>
Loss on financial assets at FVTPL:				
Loss on disposal of financial assets at FVTPL	(48,456)	(1,253)	(811)	(1,352)
Loss on sale of financial assets at FVTPL	(49,135)	(109,363)	(67,324)	(111,963)
Loss on valuation of financial assets at FVTPL	(25,594)	(35,228)	(56,531)	(111,952)
Purchase expenses of financial assets at FVTPL and others	-	-	-	(15)
	<u>(123,185)</u>	<u>(145,844)</u>	<u>(124,666)</u>	<u>(225,282)</u>
Net gain (loss) on financial assets at FVTPL	₩ <u>(39,717)</u>	₩ <u>93,774</u>	₩ <u>(37,696)</u>	₩ <u>(53,568)</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

29. GAIN OR LOSS ON FINANCIAL ASSETS AT FVOCI:

Gain or loss on financial assets at FVOCI for the three-month and six-month periods ended June 30, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Gain on financial assets at FVOCI:				
Gain on sale of financial assets at FVOCI	₩ 352	₩ 1,764	₩ -	₩ 27
Reversal of impairment loss	77	141	97	148
Dividend income and others	746	3,876	265	4,516
	<u>1,175</u>	<u>5,781</u>	<u>362</u>	<u>4,691</u>
Loss on financial assets at FVOCI:				
Loss on sale of financial assets at FVOCI	-	-	(67)	(1,271)
Impairment loss on financial assets at FVOCI	(175)	(518)	4	(17)
	<u>(175)</u>	<u>(518)</u>	<u>(63)</u>	<u>(1,288)</u>
Net gain (loss) on financial assets at FVOCI	₩ (1,000)	₩ 5,263	₩ 299	₩ 3,403

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

30. GAIN OR LOSS ON FINANCIAL ASSETS AT AMORTIZED COST:

Gain or loss on financial assets at amortized cost for the three-month and six-month periods ended June 30, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Gain on financial assets at amortized cost:				
Reversal of impairment loss on financial assets at amortized cost	₩ 204	₩ 398	₩ 357	₩ 629
	<u>204</u>	<u>398</u>	<u>357</u>	<u>629</u>
Loss on financial assets at amortized cost:				
Impairment loss on financial assets at amortized cost	(333)	(537)	(195)	(466)
	<u>(333)</u>	<u>(537)</u>	<u>(195)</u>	<u>(466)</u>
Net gain (loss) on financial assets at amortized cost	₩ (129)	₩ (139)	₩ 162	₩ 163

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

31. PROVISION FOR CREDIT LOSS:

Provision for credit loss for the three-month and six-month periods ended June 30, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Reversal of provision for credit loss and others:				
Reversal of provisions:				
Reversal of provision for impairment	₩ 4	₩ 12	₩ 375	₩ 546
Reversal of provision for credit loss on acceptances and guarantees	146	242	(205)	80
Reversal of provision for credit loss on unused credit limits	(565)	1,109	286	823
Reversal of provision for credit loss on financial guarantee contract	-	-	(698)	243
	(415)	1,363	(242)	1,692
Gain on disposal of loans receivable	48,151	60,819	26,023	53,174
Gain on loans receivable at FVTPL	1,216	3,242	421	889
	48,952	65,424	26,202	55,755
Contribution to provision for credit loss and others:				
Contribution to provisions:				
Impairment loss	(164,145)	(289,139)	(116,012)	(193,967)
Contribution to provision for credit loss on acceptances and guarantees	799	(136)	66	(5,427)
Contribution to provision for credit loss on unused credit limits	(1,083)	(1,083)	(352)	(358)
Contribution to provision for credit loss on financial guarantee contract	292	(170)	184	-
	(164,137)	(290,528)	(116,114)	(199,752)
Loss on disposal of loans receivable	(3,710)	(8,463)	(751)	(3,989)
Loss on loans receivable at FVTPL	(770)	(770)	-	-
	(168,617)	(299,761)	(116,865)	(203,741)
Contribution to provision for credit loss	₩ (119,665)	₩ (234,337)	₩ (90,663)	₩ (147,986)

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

32. 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 millions of Korean won)

	2023		2022	
	Three months	Six months	Three months	Six months
Employee benefits:				
Salaries	₩ 158,266	₩ 335,564	₩ 158,942	₩ 330,505
Employee benefit expenses	43,056	103,095	43,378	93,285
Postemployment benefits	12,671	29,870	20,345	48,472
Termination benefits	-	60	7	17
	<u>213,993</u>	<u>468,589</u>	<u>222,672</u>	<u>472,279</u>
Rent	3,335	6,595	2,816	5,669
Business promotion expenses	6,107	12,925	7,412	13,371
Depreciation	28,588	56,662	26,288	52,282
Amortization	22,436	43,898	19,825	38,926
Taxes and dues	19,552	37,845	16,170	30,398
Other administrative expenses	63,095	123,493	61,216	114,484
	<u>₩ 357,106</u>	<u>₩ 750,007</u>	<u>₩ 356,399</u>	<u>₩ 727,409</u>

(a) *Share-based payments*

The Group 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.

The performance compensation linked to short-term performance and long-term performance for the chairman, the bank president and the other executives shall be paid in cash in the following year of evaluation period, and the remaining compensations shall be deferred in connection with the share price.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

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

i) Linked to short-term performance

- Initially granted

<i>(In shares)</i>	June 30, 2023	December 31, 2022
Beginning balance	914,745	612,596
Granted	69,646	649,857
Exercised	(412,834)	(347,708)
Ending balance	<u>571,557</u>	<u>914,745</u>

ii) Linked to long-term performance

- Initially granted

<i>(In shares)</i>	June 30, 2023	December 31, 2022
Beginning balance	4,889,202	4,312,698
Granted	2,677,512	1,834,519
Exercised	(354,865)	(132,424)
Others	(689,638)	(1,125,591)
Ending balance	<u>6,522,211</u>	<u>4,889,202</u>

- Deferred grants

<i>(In shares)</i>	June 30, 2023	December 31, 2022
Beginning balance	2,724,069	1,420,221
Granted	281,579	1,210,308
Exercised	(351,638)	(44,082)
Others	(121,927)	137,622
Ending balance	<u>2,532,083</u>	<u>2,724,069</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

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 millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Linked to short-term performance (reversal)	₩ 563	₩ (48)	₩ (1,804)	₩ (531)
Linked to long-term performance (reversal)	4,144	4,596	(2,374)	1,818

Liabilities recognized related to the share option granted as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023	December 31, 2022
Accrued expenses (short-term performance)	₩ 4,031	₩ 7,992
Accrued expenses (long-term performance)	28,785	27,081

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

33. OTHER OPERATING INCOME AND EXPENSES:

Gains and losses on foreign currency transactions for the three-month and six-month periods ended June 30, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Gains on foreign currency transactions:				
Gain on foreign currency transactions	₩ 156,829	₩ 308,311	₩ 113,380	₩ 172,940
Foreign currency translation gains (losses)	(17,143)	153,186	(19,344)	141,445
	<u>139,686</u>	<u>461,497</u>	<u>94,036</u>	<u>314,385</u>
Losses on foreign currency transactions:				
Loss on foreign currency transactions	(149,508)	(293,771)	(111,033)	(168,678)
Foreign currency translation gains (losses)	18,768	(159,855)	5,597	(159,566)
	<u>(130,740)</u>	<u>(453,626)</u>	<u>(105,436)</u>	<u>(328,244)</u>
	<u>₩ 8,946</u>	<u>₩ 7,871</u>	<u>₩ (11,400)</u>	<u>₩ (13,859)</u>

Net income and loss related to derivatives for the three-month and six-month periods ended June 30, 2023 and 2022, are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Gains on financial derivatives:				
Gains on derivative transactions	₩ 138,111	₩ 279,217	₩ 88,325	₩ 185,056
Gains on valuation of derivatives	3,088	98,441	92,285	128,885
	<u>141,199</u>	<u>377,658</u>	<u>180,610</u>	<u>313,941</u>
Losses on financial derivatives:				
Losses on derivative transactions	(102,357)	(219,980)	(75,170)	(135,267)
Losses on valuation of derivatives	(20,833)	(96,128)	(101,410)	(155,113)
	<u>(123,190)</u>	<u>(316,108)</u>	<u>(176,580)</u>	<u>(290,380)</u>
	<u>₩ 18,009</u>	<u>₩ 61,550</u>	<u>₩ 4,030</u>	<u>₩ 23,561</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

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

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Other operating revenue:				
Gain on fair value hedged items	₩ 391	₩ 391	₩ 12,123	₩ 32,758
Trust fees and commissions received from trust account	6,295	12,193	6,445	12,543
Reversal of other provisions	(25)	229	(76)	170
Operating lease income	134,790	259,142	125,939	238,999
Gain on financial liabilities at FVTPL	11,471	22,419	19,807	31,471
Gain on financial liabilities designated as at FVTPL	50	50	69	69
Others	122	563	1,835	2,789
	153,094	294,987	166,142	318,799
Other operating expenses:				
Loss on fair value risk hedged items	5,670	-	-	-
Trust management fees	(20)	(42)	(22)	(43)
Credit card charges	(3)	(10)	(2)	(16)
Contribution to credit guarantee fund	(30,214)	(58,717)	(28,400)	(54,526)
Contribution to housing credit guarantee fund	(12,006)	(24,391)	(11,237)	(21,041)
Insurance fees on deposits	(30,759)	(61,966)	(30,800)	(60,347)
Other provisions	(65)	(358)	(2,330)	(2,627)
Operating lease expense	(118,818)	(228,543)	(112,101)	(212,771)
Loss on financial liabilities at FVTPL	(14,393)	(53,702)	(184)	(2,678)
Loss on financial liabilities designated as at FVTPL	(6,990)	(14,785)	(1,511)	(2,811)
Others	(9,587)	(18,969)	(6,633)	(14,091)
	(217,185)	(461,483)	(193,220)	(370,951)
	₩ (64,091)	₩ (166,496)	₩ (27,078)	₩ (52,152)

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

34. NON-OPERATING INCOME AND EXPENSES:

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

<i>(In millions of Korean won)</i>	2023		2022	
	Three months	Six months	Three months	Six months
Income from investments in associates:				
Share of profit of associates	₩ 7,728	₩ 29,235	₩ (1,097)	₩ 5,107
Gain on disposal of investments in associates	1,933	2,430	186	720
Share of loss of associates	(513)	(2,035)	(3,963)	(6,672)
Loss on disposal of investments in associates	(217)	(352)	(3,135)	(4,423)
Impairment loss on investments in associates	(8,308)	(8,308)	-	-
	<u>623</u>	<u>20,970</u>	<u>(8,009)</u>	<u>(5,268)</u>
Non-operating income:				
Gain on disposal of property and equipment	39	618	1,260	1,567
Rental income	7,196	14,292	6,628	13,165
Restoration income	-	186	-	125
Gain on collection of charge-offs	88	151	1,129	1,266
Gain on changes in leases	171	322	112	216
Other non-operating income	5,049	9,962	6,693	12,858
	<u>12,543</u>	<u>25,531</u>	<u>15,822</u>	<u>29,197</u>
Non-operating expenses:				
Expenses on collection of charge-offs	(107)	(210)	(229)	(290)
Loss on disposal of property and equipment	(54)	(171)	(130)	(206)
Loss on retirement of property and equipment	(10)	(16)	(80)	(319)
Loss on disposal of intangible assets	-	-	(3)	(3)
Donations	(9,162)	(11,383)	(2,129)	(3,574)
Loss on changes in leases	(7)	(16)	(3)	(13)
Restoration loss	(4)	(72)	(225)	(469)
Other non-operating expenses ¹	(13,664)	(17,766)	(42,962)	(45,715)
	<u>(23,008)</u>	<u>(29,634)</u>	<u>(45,761)</u>	<u>(50,589)</u>
	<u>₩ (9,842)</u>	<u>₩ 16,867</u>	<u>₩ (37,948)</u>	<u>₩ (26,660)</u>

¹ Other non-operating expenses for the six-month periods ended June 30, 2023 and 2022 include ₩ 10,104 million and ₩ 30,477 million of other special loss regarding the embezzlement, respectively.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

35. INCOME TAX EXPENSE:

Reconciliation between profit before income tax and income tax expense for the six-month periods ended June 30, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>	2023		2022	
Profit before income tax	₩	618,218	₩	675,943
Taxes payable ^{1,2}		158,029		180,704
Tax effect of:				
Non-taxable income				
(₩38,585 million in 2023, ₩38,713 million in 2022)		(9,863)		(10,349)
Non-deductible expenses				
(₩13,202 million in 2023, ₩13,486 million in 2022)		3,375		3,605
Consolidated tax		(7,626)		50
Others		(1,410)		(2,287)
Income tax expense	₩	<u>142,505</u>	₩	<u>171,723</u>
Effective tax rate (income tax expense/profit before income tax)		23.05%		25.40%

¹ Taxes payable in 2023 are calculated by applying income tax rate (9.9% for ₩200 million and below, 20.9% for more than ₩200 million and up to ₩20 billion, 23.1% for more than ₩20 billion and up to ₩300 billion and 26.4% for more than ₩300 billion) to profit before income tax.

² Taxes payable in 2022 are calculated by applying income tax rate (11% for ₩200 million and below, 22% for more than ₩200 million and up to ₩20 billion, 24.2% for more than ₩20 billion and up to ₩300 billion and 27.5% for more than ₩300 billion) to profit before income tax.

36. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing profit attributable to owners of the Parent Company by weighted-average number of ordinary shares outstanding for the six-month periods ended June 30, 2023 and 2022.

Weighted-average number of ordinary shares 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
Number of ordinary shares outstanding	322,088,438	324,431,669	324,431,669	324,431,669
Acquisition of treasury shares	-	(1,728,039)	-	-
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 attributable to owners of the Parent Company for the three-month and six-

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

month periods ended June 30, 2023 and 2022 are as follows:

*(In millions of Korean won
and in shares)*

	2023		2022	
	Three months	Six months	Three months	Six months
Profit for the period attributable to owners of the Parent Company	₩ 195,916	₩ 452,670	₩ 206,283	₩ 482,600
Dividends on hybrid equity securities	(5,044)	(13,453)	(7,849)	(15,698)
Profit attributable to the ordinary equity holders	190,872	439,217	198,434	466,902
Weighted-average number of ordinary shares outstanding	322,088,438	322,703,630	324,431,669	324,431,669
Basic earnings per share (in Korean won)	₩ 593	₩ 1,361	₩ 611	₩ 1,439

Diluted earnings per share for the six-month periods ended June 30, 2023 and 2022 are equal to the basic earnings per share because the Group did not have any potentially dilutive ordinary shares during the period.

37. CONTINGENCIES AND COMMITMENTS:

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

<i>(In millions of Korean won)</i>	Type	June 30, 2023	December 31, 2022
Confirmed acceptances and guarantees:			
Confirmed acceptances and guarantees in Korean won	Payment guarantee for loans	₩ 50,347	₩ 50,224
	Others	485,485	502,994
		<u>535,832</u>	<u>553,218</u>
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit	63,127	19,504
	Acceptances on letters of guarantee for importers	22,160	28,045
	Others	308,631	298,801
		<u>393,918</u>	<u>346,350</u>
		<u>929,750</u>	<u>899,568</u>
Unconfirmed acceptances and guarantees:	Letters of credit	248,939	258,611
	Others	4,872	3,573
		<u>253,811</u>	<u>262,184</u>
Others:	Endorsed bill	23	22
		<u>₩ 1,183,584</u>	<u>₩ 1,161,774</u>

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
Corporates	₩	8,695,682	₩	8,733,101
Households		9,681,438		9,319,394
Credit card		5,042,953		5,032,524
Securities purchase agreement		717,457		732,409
	₩	<u>24,137,530</u>	₩	<u>23,817,428</u>

The Bank has entered into a Korean currency borrowing agreement with KDB Development Bank, etc. for ₩900,078 million and foreign currency borrowing agreements with Sumitomo Mitsui Trust Bank, Shinhan Bank, etc. CNY 350,000,000, JPY 2,000,000,000, USD 156,980,000 and KZT 3,400,000,000 for the purpose of securing foreign currency liquidity in preparation for the crisis in the foreign currency fund market and diversifying financing channels.

Lawsuits

As of June 30, 2023 and December 31, 2022, the Group's major lawsuits are as follows:

<i>(In millions of Korean won)</i>	June 30, 2023		December 31, 2022	
	As a plaintiff	As a defendant	As a plaintiff	As a defendant
Number (cases)	34 cases	67 cases	33 cases	61 cases
Amount	₩ 115,676	₩ 54,181	₩ 133,614	₩ 52,597
Provisions related to these lawsuits		₩ -		₩ -

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

38. TRANSACTIONS WITH RELATED PARTIES:

All intercompany transactions, including intercompany receivables and payables, are derecognized while preparing the interim condensed consolidated financial statements.

Outstanding balances arising from sales/purchases of goods and services as of June 30, 2023 and December 31, 2022 are as follows:

<i>(In millions of Korean won)</i>		June 30,		December 31, 2022
		2023		
Associates/associates of entities under common control:				
BNK Shareholder Value Active Securities Exchange Traded Fund	Other assets	₩ 15	₩	10
BNK Winning Securities Investment Trust 1	Other assets	6		6
BNK Teunteun Korea Securities Investment Trust No. 1	Other assets	9		8
UQIP Future Generation Investment Fund Partnership	Other assets	800		291
UQIP Energy Fusion Investment Fund Partnership	Other assets	245		463
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Other assets	112		242
2019 UQIP Innovative Growth Follow-on Fund Partnership	Other assets	156		195
BNK Fisheries Investment Association	Other assets	162		95
BNK Intervalue Technology Finance Investment Association	Other assets	232		108
BNK Agricultural Food Investment Association No. 3	Other assets	-		75
Anda H Mezzanine Professional Investment Private Fund No. 11	Other assets	-		1
BNK-KN Eastsouthern Creating jobs No.1 Fund Partnership	Other assets	-		317
BNK Cape ESG New Renewable Energy No. 1 New Technology Association	Other assets	-		16
BNK Eastsouthern Digital New Deal 1st New Technology Business Investment Fund	Other assets	27		54
BNK-Hyundai Defense Technology Innovation Fund	Other assets	115		-
Key management ¹	Loans receivable	1,178		925
	Credit card receivable	2		16
	Deposit liabilities	859		730

¹ Key management includes the main management of the Parent Company and major subsidiaries, including Busan Bank Co., Ltd.; Kyongnam Bank Co., Ltd.; BNK Capital Co., Ltd.; and BNK Securities Co., Ltd.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

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

<i>(In millions of Korean won)</i>	2023	2022
Associates/associates of entities under common control:		
BNK Shareholder Value Active Securities Exchange Traded Fund	₩ 28	₩ -
BNK Winning Securities Investment Trust 1	19	2
BNK Teunteun Korea Securities Investment Trust No. 1	71	37
UQIP Energy Fusion Investment Fund Partnership	245	267
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	112	126
2019 UQIP Innovative Growth Follow-on Fund Partnership	156	172
BNK Fisheries Investment Association	162	186
BNK Intervalue Technology Finance Investment Association	232	262
BNK Agricultural Food Investment Association No. 3	-	188
Orion KOSDAQ venture fund #52	1	1
HI Private Investment Trust 28th	-	2
Anda H Mezzanine Professional Investment Private Fund No. 11	-	2
BNKKN Eastsouthern Creating jobs No.1 Fund Partnership	-	166
BNKKN Eastsouthern Digital New Deal 1st New Technology Business Investment Fund Partnership	27	27
BNK Cape ESG New Renewable Energy No. 1 New Technology Association	15	31
BNK-T2021 Korea Support Venture Investment Association No. 1	217	214
BNKKN Younghonam Special Zone Venture Investment Associate No. 1	143	143
BNK-Kiwoom New Technology Investment Fund 1st	30	22
BNK-KN New Marine Industry No.1 Fund	121	136
Future Creation UQIP Investment Association	800	-
BNK Teunteun Short-Term Bond	-	11
BNK-Hyundai Defense Technology Innovation Fund	223	-
Key management ¹	1	-
	Interest expenses	4
	Interest income	3
	Other income	5

¹ Key management includes the main management of the Parent Company and major subsidiaries, including Busan Bank Co., Ltd.; Kyongnam Bank Co., Ltd.; BNK Capital Co., Ltd.; and BNK Securities Co., Ltd.

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

as follows:

	2023							
	Loans		Deposits					
	Loans	Repayments	Increase	Decrease				
Key management	₩	-	₩	56	₩	1,608	₩	615

	2022							
	Loans		Deposits					
	Loans	Repayments	Increase	Decrease				
Key management	₩	79	₩	55	₩	1,667	₩	1,748

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

	2023		2022					
	Loan limit	Credit card	Loan limit	Credit card				
Key management	₩	27	₩	149	₩	143	₩	141

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

	2023		2022	
Short-term employee benefits	₩	2,999	₩	1,980
Share-based payments		2,232		2,497
Postemployment benefits		264		357
	₩	5,495	₩	4,834

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

39. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENT:

For the six-month period ended June 30, 2023, the Group recognized the embezzlement by an employee of Kyongnam Bank, a subsidiary of the Group, that occurred before the current period. The Group adjusted the book value of project financing loans related to the embezzlement and reflected income tax effect. As the adjustment affects consolidated financial statements before the current period, the Group restated comparative consolidated financial statements as of December 31, 2022 and as of and for the three-month and six-month periods ended June 30, 2022.

The main impact of the restatement of consolidated financial statement is as follows.

Consolidated Statement of Financial Position

(In millions of Korean won)

	December 31, 2022		
	Before adjustment	Adjusted amount	After adjustment
Asset:			
Loans and receivables	₩ 106,327,189	₩ (48,077)	₩ 106,279,112
Deferred tax assets	10,292	12,115	22,407
Total Asset	136,966,388	(35,962)	136,930,426
Liabilities:			
Provisions	113,758	(2)	113,756
Total Liabilities	126,134,072	(2)	126,134,070
Equity:			
Profit for the period of owners of the			
Parent Company	9,884,729	(35,960)	9,848,769
Retained earnings	6,809,130	(35,960)	6,773,170
Total equity	10,832,316	(35,960)	10,796,356
Total liabilities and equity	136,966,388	(35,962)	136,930,426

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2023 and 2022 (Unaudited)

Interim Condensed Consolidated Statement of Comprehensive Income

(In millions of Korean won)

	2022					
	Three months			Six months		
	Before adjustment	Adjusted amount	After adjustment	Before adjustment	Adjusted amount	After adjustment
Non-operating income and expenses	₩ (7,471)	₩ (30,477)	₩ (37,948)	₩ 3,817	₩ (30,477)	₩ (26,660)
Profit before income tax expense	319,888	(30,477)	289,411	706,420	(30,477)	675,943
Income tax expense	(80,303)	7,985	(72,318)	(179,708)	7,985	(171,723)
Profit for the period	239,585	(22,492)	217,093	526,712	(22,492)	504,220
Total comprehensive income for the period	207,603	(22,492)	185,111	454,929	(22,492)	432,437
Basic and diluted earnings per share (in Korean won)	680	(69)	611	1,508	(69)	1,439

Interim condensed consolidated statement of changes in equity, interim condensed consolidated statements of cash flows for the six-month period ended June 30, 2022, and related notes to the consolidated financial statements as of December 31, 2022 and as of and for the six-month period ended June 30, 2022 were also adjusted.

Meanwhile, Kyongnam bank, Financial Supervisory Service and the Prosecution Service are investigating the embezzlement. The impact due to the embezzlement can be amended depending on the result of investigation.