

BNK Financial Group Inc.

Separate financial statements
for the year ended December 31, 2023
with the independent auditor's report

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Independent auditor's report

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Independent auditor's report
(English Translation of a Report Originally Issued in Korean)

The Shareholders and Board of Directors
BNK Financial Group Inc.

Opinion

We have audited the separate financial statements of BNK Financial Group Inc (the "Company"), which comprise the separate statement of financial position as of December 31, 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year ended December 31, 2023, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS").

We have audited the Company's internal control over financial reporting ("ICFR") as of December 31, 2023, based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea, in accordance with Korean Standards on Auditing ("KSA"), and our report dated March 13, 2024 expressed an unqualified opinion thereon.

Basis for opinion

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

We decided that there were no key audit matters to report in the audit report.

Other matter

The separate financial statements of the Company as of and for the year ended December 31, 2022 were audited by Deloitte Anjin Accounting Corp. whose report dated March 7, 2023 expressed an unqualified opinion on thereon.

Responsibilities of management and those charged with governance for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements,

including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahn, Duk Soo.



March 13, 2024

This audit report is effective as of March 13, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying separate financial statements and may result in modifications to this report.

BNK Financial Group Inc.

Separate financial statements
for each of the two years in the period ended December 31, 2023

“The accompanying separate financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Company.”

Dae In Bin
Chief Executive Officer
BNK Financial Group Inc.

BNK Financial Group Inc.
Separate statements of financial position
as of December 31, 2023 and 2022

<i>(In thousands of Korean won)</i>	Notes	2023		2022	
Assets					
Cash and due from banks	5,6,7	₩	155,238,418	₩	67,988,719
Financial assets at fair value through profit or loss	5,6,8		103,647,600		
Investments in subsidiaries	9		6,623,937,231		6,623,937,231
Loans and receivables	4,5,6,10		59,248,456		199,167,331
Property and equipment	11		11,908,188		7,913,464
Intangible assets	12		14,095,602		14,666,994
Other assets	13		922,450		2,113,079
Total assets		₩	6,968,997,945	₩	6,915,786,818
Liabilities					
Debentures	4,5,6,14	₩	1,618,376,304	₩	1,368,661,051
Net defined benefit liabilities	15		2,089,653		421,412
Current tax liabilities	18		37,920,784		177,993,164
Provisions	16		164,238		190,414
Other liabilities	4,5,6,17		26,509,872		20,976,839
Total liabilities			1,685,060,851		1,568,242,880
Equity					
Share capital	19		1,629,676,230		1,629,676,230
Hybrid equity securities	19		727,635,719		827,392,477
Other paid-in capital	19		2,276,280,170		2,270,038,314
Other components of equity	19		(4,485,067)		(3,933,475)
Retained earnings	20		654,830,042		624,370,392
Total equity			5,283,937,094		5,347,543,938
Total liabilities and equity		₩	6,968,997,945	₩	6,915,786,818

The accompanying notes are an integral part of the separate financial statements.

BNK Financial Group Inc.
Separate statements of comprehensive income
for each of the two years in the period ended December 31, 2023

<i>(In thousands of Korean won, except per share amounts)</i>	Notes	2023	2022
Net interest income (expenses)	21		
Interest income		₩ 908,673	₩ 701,539
Interest expenses		<u>(44,400,888)</u>	<u>(30,520,055)</u>
		<u>(43,492,215)</u>	<u>(29,818,516)</u>
Net fee and commission income	22		
Commission income		13,555,050	9,992,350
Commission expenses		<u>(5,912,429)</u>	<u>(2,379,259)</u>
		<u>7,642,621</u>	<u>7,613,091</u>
Net gain on financial assets at fair value through profit or loss	23	5,406,600	-
Dividend income		393,000,000	372,000,000
Reversal of (contribution to) allowance for credit loss	16	30,215	(30,215)
General and administrative expenses	24	<u>(48,297,435)</u>	<u>(43,855,071)</u>
Operating profit		<u>314,289,786</u>	<u>305,909,289</u>
Non-operating income (expense)	25		
Non-operating income		778,572	125,407
Non-operating expense		<u>(808,163)</u>	<u>(778,394)</u>
		<u>(29,591)</u>	<u>(652,987)</u>
Profit before income tax expense		314,260,195	305,256,302
Income tax expense	18	<u>(145,939)</u>	-
Profit for the year		<u>314,114,256</u>	<u>305,256,302</u>
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		<u>(551,593)</u>	<u>2,443,203</u>
		<u>(551,593)</u>	<u>2,443,203</u>
Total comprehensive income for the year		<u>₩ 313,562,663</u>	<u>₩ 307,699,505</u>
Earnings per share (in Korean won)	26		
Basic and diluted earnings per share		₩ 895	₩ 848

The accompanying notes are an integral part of the separate financial statements.

BNK Financial Group Inc.
Separate statements of changes in equity
for each of the two years in the period ended December 31, 2023

<i>(In thousands of Korean won)</i>	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Total
Balance as of January 1, 2022	₩ 1,629,676,230	₩ 827,392,477	₩ 2,270,038,314	₩ (6,376,677)	₩ 530,983,324	₩ 5,251,713,668
Change in capital adjustments	-	-	-	-	-	-
Dividends on hybrid equity securities	-	-	-	-	(30,187,500)	(30,187,500)
Dividends	-	-	-	-	(181,681,734)	(181,681,734)
Total comprehensive income	-	-	-	-	305,256,302	305,256,302
Profit for the year	-	-	-	-	305,256,302	305,256,302
Other comprehensive income (loss) :						
Remeasurements of net defined benefit liabilities	-	-	-	2,443,202	-	2,443,202
Balance as of December 31, 2022	<u>₩ 1,629,676,230</u>	<u>₩ 827,392,477</u>	<u>₩ 2,270,038,314</u>	<u>₩ (3,933,475)</u>	<u>₩ 624,370,392</u>	<u>₩ 5,347,543,938</u>
Balance as of January 1, 2023	₩ 1,629,676,230	₩ 827,392,477	₩ 2,270,038,314	₩ (3,933,475)	₩ 624,370,392	₩ 5,347,543,938
Acquisition of treasury stocks	-	-	(15,999,879)	-	-	(15,999,879)
Retirement of treasury stocks	-	-	22,997,375	-	(22,998,106)	(731)
Issuance of hybrid equity securities	-	149,487,602	-	-	-	149,487,602
Repayment of hybrid equity securities	-	(249,244,360)	(755,640)	-	-	(250,000,000)
Dividends on hybrid equity securities	-	-	-	-	(25,677,863)	(25,677,863)
Interim dividends	-	-	-	-	(32,208,844)	(32,208,844)
Dividends	-	-	-	-	(202,769,793)	(202,769,793)
Total comprehensive income	-	-	-	-	314,114,256	314,114,256
Profit for the year	-	-	-	-	314,114,256	314,114,256
Other comprehensive income (loss) :						
Remeasurements of net defined benefit liabilities	-	-	-	(551,592)	-	(551,592)
Balance as of December 31, 2023	<u>₩ 1,629,676,230</u>	<u>₩ 727,635,719</u>	<u>₩ 2,276,280,170</u>	<u>₩ (4,485,067)</u>	<u>₩ 654,830,042</u>	<u>₩ 5,283,937,094</u>

The accompanying notes are an integral part of the separate financial statements.

BNK Financial Group Inc.
Separate statements of cash flows
for each of the two years in the period ended December 31, 2023

<i>(In thousands of Korean won)</i>	Notes	2023	₩	2022
Cash flows from operating activities				
Profit for the year		₩ 314,114,256	₩	305,256,302
Adjustments to profit for the year:				
Profit on financial assets at fair value through profit or loss		(3,647,600)		-
Interest income		(908,673)		(701,539)
Interest expense		44,400,888		30,520,055
Contribution to (Reversal of) provision for credit loss		(30,215)		30,215
Depreciation		2,358,287		2,095,340
Amortization		3,334,648		3,014,283
Loss on disposal of property and equipment		522		264,494
Post-employment benefits		1,116,648		1,318,374
Dividend income		(393,000,000)		(372,000,000)
Other non-operating expense (income)		102		(55,348)
Income tax expense		145,939		-
		<u>(346,229,454)</u>		<u>(335,514,126)</u>
Changes in operating assets and liabilities:				
Increase in receivables		(23,378)		(7,599)
Decrease in net defined benefit liabilities		-		(53,684)
Decrease in other assets		1,190,629		68,198
Decrease in provisions		-		(24,750)
Increase in other liabilities		2,030,901		755,046
		<u>3,198,152</u>		<u>737,211</u>
Interest received		280,091		357,796
Interest paid		(40,629,125)		(30,090,400)
Dividend received		393,000,000		372,000,000
Income tax paid		(145,939)		-
Net cash flows provided by operating activities		<u>323,587,981</u>		<u>312,746,783</u>
Cash flows from investing activities				
Acquisition of financial assets at fair value through profit or loss		(100,000,000)		-
Increase in investments in subsidiaries		-		(50,000,000)
Payments for property and equipment		(745,036)		(1,517,994)
Proceeds from disposal of property and equipment		-		-
Payments for intangible assets		(2,763,256)		(1,863,205)
Proceeds from disposal of intangible assets		-		-
Decrease (increase) in lease deposits provided		(3,558,417)		222,490
Net cash flows used in investing activities		<u>(107,066,709)</u>		<u>(53,158,709)</u>
Cash flows from financing activities				
Proceeds from issuance of debentures	28	648,761,842		299,326,663
Repayment of debentures	28	(400,000,000)		(330,000,000)
Repayment of lease liabilities		(863,908)		(855,929)
Payment of dividends	27	(234,978,637)		(181,681,726)
Issuance of hybrid equity securities		149,487,602		-
Repayment of hybrid equity securities		(250,000,000)		-
Dividends paid on hybrid equity securities		(25,677,863)		(30,187,500)
Acquisition of treasury stocks		(15,999,879)		-
Cost of treasury stock retirement		(730)		-
Net cash flows used in financing activities		<u>(129,271,573)</u>		<u>(243,398,492)</u>

(Continued)

BNK Financial Group Inc.**Separate statements of cash flows****for each of the two years in the period ended December 31, 2023, continued***(In thousands of Korean won)*

	Notes	2023	2022
Net increase in cash and cash equivalents		87,249,699	16,189,582
Cash and cash equivalents at the beginning of the year	7	<u>67,988,719</u>	<u>51,799,137</u>
Cash and cash equivalents at the end of the year	7	<u>₩ 155,238,418</u>	<u>₩ 67,988,719</u>

The accompanying notes are an integral part of the separate financial statements.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

1. GENERAL INFORMATION:

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

Meanwhile, the Company established BNK System Co., Ltd. and BNK Savings Bank Co., Ltd. as its subsidiaries with 100% share in 2011 and obtained 56.97% share in Kyongnam Bank Co., Ltd. in October 2014, after which the Company proceeded to take over the rest of Kyongnam Bank Co., Ltd.’s shares through general exchange of shares on June 4, 2015. In July 2015, the Company obtained 51.01% shares of BNK Asset Management Co., Ltd. through acquisition and issue of shares and incorporated it as its subsidiary. In December 2017, the Company took over the rest of BNK Asset Management Co., Ltd.’s shares, and accordingly, it became a wholly owned subsidiary of the Company. In November 2019, the Company also obtained 100% shares of BNK Venture Capital Co., Ltd. and established it as a wholly owned subsidiary.

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

Meanwhile, the Company's share capital as of December 31, 2023 amounts to ₩1,629,676 million with 322,088,438 outstanding shares.

2. MATERIAL ACCOUNTING POLICIES:

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

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory separate financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“KIFRS”). The accompanying separate financial statements have been condensed, restructured and 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 report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, financial performance or cash flows is not presented in the accompanying separate financial statements.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The Company prepares its separate financial statements in accordance with KIFRS 1027 *Separate Financial Statements*. The separate financial statements require a parent or an investor with joint control of, or significant influence over, an investee to account for their investment assets in accordance with the cost method or the method prescribed in KIFRS 1109 *Financial Instruments* using the equity method of accounting as prescribed in KIFRS 1028 *Investments in Associates and Joint Ventures*.

The preparation of the separate financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or the areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 3.

As explained in accounting policies below, the accompanying separate financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the considerations given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of KIFRS 1102 *Share-Based Payment*; leasing transactions that are within the scope of KIFRS 1116 *Leases*; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in KIFRS 1002 *Inventories* or value in use in KIFRS 1036 *Impairment of Assets*.

The managements have, at the time of approving the separate financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis of accounting in preparing the separate financial statements.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES: (cont'd)

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards and interpretations adopted by the Company and the changes in the accounting policies are as follows:

- KIFRS 1117 Insurance Contracts

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

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

The new standard had no impact on the Company's separate financial statements.

- Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's separate financial statements.

- Disclosure of Accounting Policies - Amendments to KIFRS 1001 and KIFRS Practice Statement 2

The amendments to KIFRS 1001 and KIFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

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

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 such as lease and provision for restoration costs.

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

- International Tax Reform—Pillar Two Model Rules – Amendments to KIFRS 1012

The amendments to KIFRS 1012 have been introduced in response to the OECD's BEPS Pillar Two Model Rules and include:

- a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules; and
- disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after January 1, 2023, but not for any interim periods ending on or before December 31, 2023.

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

(b) Standards issued but not yet effective

- Amendments to KIFRS 1116: Lease Liability in a Sale and Leaseback

The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of KIFRS 1116. Earlier application is permitted and that fact must be disclosed.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The amendments are not expected to have a material impact on the Company's financial statements.

- Amendments to KIFRS 1001: Classification of Liabilities as Current or Non-current

The amendments to paragraphs 69 to 76 of KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Supplier Finance Arrangements - Amendments to KIFRS 1007 and KIFRS 1107

The amendments to KIFRS 1007 Statement of Cash Flows and KIFRS 1107 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

- Lack of Exchangeability - Amendments to KIFRS 1021 and KIFRS 1101

The amendments to KIFRS 1021 The Effects of Changes in Foreign Exchange Rates and consequential amendments to KIFRS 1101 First-time Adoption of IFRS specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments require disclosure of information that enables users of financial statements to understand the risk and impact of a currency not being exchangeable.

The amendments apply to annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The amendments are not expected to have a material impact on the Company's financial statements.

The Company does not expect that these amendments have a significant impact on the separate financial statements.

2.3 Subsidiaries

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

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The separate financial statements are presented in Korean won, which is the Company's functional and presentation currency.

(b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (the "foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

Exchange differences are recognized in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore, forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting the separate financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income.

2.5 Financial Assets

(a) Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured at fair value through profit or loss ("FVTPL")
- Those to be measured at fair value through other comprehensive income ("FVOCI"), and
- Those to be measured at amortized cost

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

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

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

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(b) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

A. Debt instruments

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

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

B. Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments, which are held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continues to be recognized in profit or loss when the right to receive payments is established.

BNK FINANCIAL GROUP INC.
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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

Changes in the fair value of financial assets at fair value through profit or loss are recognized in profit or loss in the separate statements of comprehensive income as applicable. Impairment loss (reversal of impairment loss) on equity investments measured at fair value through other comprehensive income is not reported separately from other changes in fair value.

(c) Impairment

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

The expected credit losses of debt securities at fair value through other comprehensive income and financial assets at amortized cost are measured as a probability-weighted estimate of the present value, that is, the difference between the contractual cash flows to be received over the expected life of the financial assets and cash flows expected to receive, discounted at the original effective interest rate.

At the end of each reporting period, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the end of each reporting period, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

(d) Recognition and derecognition

Regular-way purchases and sales of financial assets are recognized or derecognized on trade date, the date on which the Company commits to purchase or sell the assets. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognize the transferred asset in its entirety and recognize a financial liability for the consideration received.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

2.6 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

Debt and equity instruments issued by the Company are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(c) Hybrid capital instruments

The Company classifies issued financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. Hybrid capital instruments where the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as equity instruments and presented in equity.

(d) Financial liabilities

The Company's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not designated as a hedging instrument and an embedded derivative that is separated are also classified as held for trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'deposit liabilities,' 'borrowings' and 'other financial liabilities' in the separate statements of financial position.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(e) Derecognition of financial liabilities

Financial liabilities are removed from the separate statements of financial position when they are extinguished; for example, when the obligation specified in the contract is discharged, canceled or expired or when the terms of an existing financial liability are substantially modified. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(f) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the separate statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and, in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.7 Non-current Assets Held for Sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount will be recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. The assets are measured at the lower amount between their carrying amount and the fair value, less costs to sell.

2.8 Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of items of property and equipment directly attributable to their purchase or construction includes any costs directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the asset will flow into the Company and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Company does not depreciate land. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Useful life (years)	Depreciation method
Buildings	50	Straight line
Leasehold improvements	5	Straight line
Movable assets	5	Straight line

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

If Each part of an item of property and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Company reviews the depreciation method, the estimated useful lives and the residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss in the period in which the property is derecognized.

2.9 Intangible Assets

(a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost, less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost, less accumulated impairment losses.

	Amortization method	Useful life (years)
Software	Straight line	5
Development costs	Straight line	5

(b) Internally generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Expenditure arising from development (or from the development phase of an internal project) is recognized as an intangible asset if, and only if, the development project is designed to produce new or substantially improved products and the Company can demonstrate the technical and economic feasibility and measure reliably the resources attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

Subsequent to initial recognition, internally generated intangible assets are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(c) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(d) Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

2.10 Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating units ("CGUs") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs; otherwise, they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that an asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell, or value in use. If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount and the reduced amount is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The Company estimates the recoverable amount of an individual asset. If it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of a CGU. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater one of its value in use or its fair value, less costs to sell. The value in use is estimated by applying a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Except for impairment losses in respect of goodwill, which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.11 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued and recognized in the separate statements of financial position within other financial liabilities. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under KIFRS 1109 *Financial Instruments* or
- the amount initially recognized, less, where appropriate, the cumulative amount of income recognized in accordance with KIFRS 1115 *Revenue from Contracts with Customers*.

2.12 Compound Instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to share premium. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible notes using the effective interest method.

2.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). The discount rate used is a pretax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage is recognized in profit or loss as borrowing cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

BNK FINANCIAL GROUP INC.
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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(a) Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(b) Restructurings

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(c) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognized, less, where applicable, the cumulative amount of income recognized in accordance with KIFRS 1115 *Revenue from Contracts with Customers*.

2.14 Income Tax Expense

In accordance with the Korean Corporate Tax Act, the Company and its 100%-owned domestic subsidiaries have filed a consolidated tax return. Accordingly, the Company recognizes total corporate income tax due as a current tax liability and the amounts due from subsidiaries as loans and receivables. The Company applies the consolidated taxation system in the way that the Company reports and pays income tax based on the total amount of income regarding the Company and all domestic subsidiaries on which the Company completely controls over as a single taxation unit. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected combined profits or losses of eligible companies in accordance with the consolidated corporate tax system. The Company recognizes total amount of tax payables in accordance with the consolidated corporate tax system as a parent company and recognizes receivables that will be received from subsidiaries.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(a) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit or loss before tax expenses as reported in the separate statements of comprehensive income because of items of income or expense that are taxable or deductible in other periods. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the taxable or deductible temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit (taxable deficit) nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent it is probable that there will be sufficient taxable profits against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The Company shall offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

If a deferred tax liability or asset arises from investment property that is measured using the fair value model in KIFRS 1040 *Investment Property*, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(c) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred taxes are also recognized in other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.15 Employee Benefits

(a) Postemployment benefit

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the separate statements of financial position with a charge or credit recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are composed of service cost (including current service cost and past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Company presents the service cost and net interest expense (income) components in profit or loss and the remeasurement component in other comprehensive income. Curtailment gains and losses are accounted for as past service costs.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The defined benefit liabilities recognized in the separate statements of financial position represent the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(b) Termination benefits

A liability for a termination benefit is recognized at the earlier of when an entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service as follows:

- If the contributions are not linked to services (e.g., contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by KIFRS 1019 paragraph 70 for the gross benefits.

(c) Share-based payments

Under cash-settled share-based payment plan, the Company compensates the difference of the fair value and the exercise price of an option as the consideration for employee services received. Total expense that will be recognized over the vesting period is determined by reference to the fair value of the option granted. Until the liability is settled, the Company is required to remeasure the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognized in profit or loss for the year.

2.16 Revenue and Expense Recognition

(a) Interest income and expense

Using the effective interest rate method, the Company recognizes interest income and expense on financial instruments at amortized cost and at fair value through other comprehensive income in the separate statements of comprehensive income. The amortized cost of financial assets or liabilities is calculated based on the effective interest rate method, and the interest income and expenses are allocated over the relevant period.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The effective interest rate reconciles the expected future cash in and out through the expected life of financial instruments or, if appropriate, through shorter period and net carrying amount of financial assets or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments, except for the loss on future credit risk. Also, the effective interest rate calculation includes redemption costs, points (if it is a part of the effective interest rate) that are paid or earned between contracting parties, transaction costs and other premiums and discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

In addition, interest income arising from debt instruments at fair value through profit or loss is classified as interest income in the separate statements of comprehensive income.

(b) Commission income

Financial service fees are recognized in accordance with the accounting standard of the financial instrument related to the fees earned as follows:

① Fees that are a part of the financial instruments' effective yield

Fees that are a part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. Such fees include compensation for activities, such as evaluating the borrower's financial condition; evaluating and recording guarantees, collateral and other security arrangements; negotiating the terms of the instrument; preparing and processing documents; and closing the transaction, as well as origination fees received on issuing financial liabilities measured at amortized cost. These fees are deferred and recognized as an adjustment to the effective interest rate. However, in case the financial instrument is classified as a financial asset at fair value through profit or loss, the relevant fee is recognized as revenue when the instrument is initially recognized.

② Commission from rendering services

Commission income from rendering services, such as asset management, trustee business and financial guarantee, is recognized as the services are provided. When it is not probable that specific loan agreement is contracted and agreed commission is not applied to KIFRS 1109, those services will be recognized on a straight-line basis as the work is performed.

③ Commission from significant act performed

The recognition of revenue is postponed until the significant act is executed. On performing significant transactions, the earned commissions are recognized as gains and losses at the time the transactions are completed.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(c) Dividend income

Dividend income is recognized when the shareholders are entitled to receive dividends.

2.17 Leases

The Company assesses whether a contract is, or contains, a lease at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as other financial liabilities in the separate statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The Company remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or a rate, or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate, unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability; lease payments made at or before the commencement day, less any lease incentives received; and any initial direct costs. They are subsequently measured at cost, less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under KIFRS 1037. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the separate statements of financial position.

The Company applies KIFRS 1036 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy (see Note 2.8).

The Company does not include variable lease payments (excluding those based on an index or a rate) in the measurement of right-of-use assets and lease liabilities, and those lease payments are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

As a practical expedient, KIFRS 1116 permits a lessee not to separate non-lease components, but to account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.18 Approval of Issuance of the Separate Financial Statements

The separate financial statements for the year ended December 31, 2023 of the Company were approved for issuance by the Board of Directors on February 26, 2024, and are planned to be approved finally at shareholders' meeting on March 22, 2024.

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3. MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of separate financial statements requires the Company to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Company's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.

(a) Measurement of defined benefit obligations

Defined benefit obligations are calculated based on actuarial valuation method at the end of each reporting period. To apply actuarial valuation method, the Company requires to make estimates (actuarial assumptions) about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries and medical costs). Due to the uncertainty of the assumptions used, the amount of defined benefit retirement plans could be materially different from actual incurred payment in future periods. Details of defined benefit obligations are explained in Note 14.

(b) Income taxes

The Company's taxable income is subject to income taxes based on tax laws and interpretations of tax authorities. There are many transactions and calculations for which the ultimate tax determination is uncertain.

If certain portion of the taxable income is not used for investments or increases in wages or dividends in accordance with the *Tax System for Recirculation of Corporate Income*, the Company is liable to pay additional income tax calculated based on the tax laws. Accordingly, the measurement of current and deferred income taxes is affected by these tax effects. As the Company's income tax is dependent on the investments, the increase in wages and the dividends, there is an uncertainty measuring the final tax effects.

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4. FINANCIAL RISK MANAGEMENT:

This outline indicates the level of exposure to risks and objectives, policies, risk assessment and management procedures of the Company. Additional quantitative information is disclosed in the separate financial statements.

The Company operates the procedures for recognizing, measuring, evaluating, regulating, monitoring and reporting the risk so that the risk management system is focused on increasing the transparency of risk and supporting the long-term strategy and management decision-making to deal with rapid changes in the financial environment.

The risk management is the decision-making system to evade and reduce the risk and understand the source and scale of risk. This system aims to increase the asset's soundness and is operated by organization of risk management.

The organization of risk management is composed of risk management committee, risk management council and risk management division. The risk management committee establishes risk management strategy, determining the possible level of risk and the allocation of risk-weighted capital as a top decision-making organization. The Company's risk management division performs detailed policies, procedures and business processes of risk management.

4.1 Credit Risk

The credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's deposits, securities, loans, off-balance accounts and trust accounts.

The purpose of credit risk management is to avoid excessive risks that damage the Company's soundness by improving the assets' soundness through setup of credit ratings and credit screening and quantifying and regularly managing credit risks.

The Company does not calculate the credit risk-weighted assets in regulatory capital for managing the credit risk, but manages and sets up allowance for credit loss by checking the asset's soundness about loans and receivables accompanying the credit risk on a monthly basis. The Company's maximum exposure to the credit risk as of December 31, 2023 and 2022 is as follows:

<i>(In thousands of Korean won)</i>	2023	2022
On-balance items:		
Loans and receivables	₩ 59,248,456	₩ 199,167,332
Off-balance items:		
General loan agreement	-	150,000,000
	₩ 59,248,456	₩ 349,167,332

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Notes to separate financial statements
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4. FINANCIAL RISK MANAGEMENT: (cont'd)

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

(In thousands of Korean won)	2023					
	12 months' expected credit losses	Lifetime expected credit losses		Total	Allowance for credit loss	Carrying amount
		Unrecognized impairment	Recognized impairment			
Loans and receivables						
Non-trade receivables	W37,992,537	W -	W -	W37,992,537	W -	W37,992,537
Guarantee deposits provided	21,244,043	-	-	21,244,043	-	21,244,043
Accrued income	11,876	-	-	11,876	-	11,876
	W59,248,456	W -	W -	W59,248,456	W -	W59,248,456

(In thousands of Korean won)	2022					
	12 months' expected credit losses	Lifetime expected credit losses		Total	Allowance for credit loss	Carrying amount
		Unrecognized impairment	Recognized impairment			
Loans and receivables						
Non-trade receivables	W178,041,539	W -	W -	W178,041,539	W -	W178,041,539
Guarantee deposits provided	21,115,768	-	-	21,115,768	-	21,115,768
Accrued income	10,025	-	-	10,025	-	10,025
General loan agreements¹	150,000,000	-	-	150,000,000	(30,215)	150,000,000
	W349,167,332	W -	W -	W349,167,332	W (30,215)	W349,167,332

¹ Provisions for general loan agreements are accumulated in the separate statements of financial position; so, the carrying amount indicates the contract amount.

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4. FINANCIAL RISK MANAGEMENT: (cont'd)

4.2 Liquidity Risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds resulting from, for example, maturity mismatches, obtaining funds at a high price or disposing securities at an unfavorable price due to lack of available funds.

The Company's liquidity management goal is to secure stable sources of revenue and to contribute optimal allocation of assets by managing appropriate levels of the disparity between the inflow and outflow of funds and preventing from the risk of insolvency due to liquidity crunch.

All transactions that affect inflows and outflows of Korean/foreign currency funds across the Company are subject to liquidity risk management. The Company calculates the table of liquidity gap, which means a disparity between the maturity of assets and the maturity of liabilities, and sets up and manages the liquidity ratio, that is, Korean won-denominated liquid assets (including marketable securities) due within one month divided by Korean won-denominated liabilities due within one month.

Liabilities by term structures as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	2023				
	Less than 1 month	1 month–3 months	3–12 months	More than 1 year	Total
Debentures	₩ 104,795,050	₩ 67,528,175	₩ 341,818,825	₩ 1,212,459,025	₩ 1,726,601,075
Non-trade payables	249,267	-	-	801	250,068
Accrued expenses	2,103,603	10,610,220	68,000	9,339,936	22,121,759

<i>(In thousands of Korean won)</i>	2022				
	Less than 1 month	1 month–3 months	3–12 months	More than 1 year	Total
Debentures	₩ 2,129,600	₩ 5,352,350	₩ 420,337,200	₩1,005,973,067	₩ 1,433,792,217
Non-trade payables	343,585	-	-	699	344,284
Accrued expenses	294,211	7,227,192	1,347,904	7,844,030	16,713,337

The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest payments, which result in disagreement with the discounted cash flows ("DCF") included in the separate statements of financial position.

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4. FINANCIAL RISK MANAGEMENT: (cont'd)

4.3 Capital Management

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

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

There are no significant changes in the business and economic environments that affect the fair value of the Company's financial assets and liabilities for the year ended December 31, 2023.

5.1 Fair Value of Financial Instruments by Category

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

(In thousands of Korean won)

	<u>2023</u>		<u>2022</u>	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Financial assets at amortized cost				
Cash and due from banks	₩ 155,238,418	₩ 155,238,418	₩ 67,988,719	₩ 67,988,719
Loans and receivables	59,248,456	59,248,456	199,167,332	199,167,332
Financial assets at FVTPL				
Equity securities	103,647,600	103,647,600	-	-
	<u>₩ 318,134,474</u>	<u>₩ 318,134,474</u>	<u>₩ 267,156,051</u>	<u>₩ 267,156,051</u>
Financial liabilities:				
Debentures	₩ 1,618,376,304	₩ 1,611,207,500	₩ 1,368,661,051	₩ 1,305,858,490
Other financial liabilities ¹	22,371,827	22,371,827	17,057,621	17,057,621
	<u>₩ 1,640,748,131</u>	<u>₩ 1,633,579,327</u>	<u>₩ 1,385,718,672</u>	<u>₩ 1,322,916,111</u>

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

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5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

5.2 Fair Value Assessment Method and Assumptions

Fair value assessment method and assumptions are as follows:

Classification	Fair value measurement technique
Cash and due from banks	The carrying amount of cash is regarded as the fair value. The carrying amount of demand deposit is regarded as the fair value as it does not have maturity and the amount approximates the fair value. The DCF model is used to determine the fair value of general deposits. For those general deposits with residual maturities of less than three months as at the closing date and the ones with a reset period of less than three months, the carrying amount is regarded as 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.
Loans and receivables	For loans and receivables with the residual maturities of less than three months as of the closing date and the ones with reset period of less than three months, the carrying amount is regarded as the fair value. Among receivables, deposits provided are mostly considered as intragroup transactions; so, any new or renewed lease transactions are subject to the approval of the board of directors in pursuant to the Article No. 398 of the Commercial Law and the policy of the board of directors. The carrying amounts of deposits provided are regarded as fair value since the contracts have been kept considering fluctuation rate of officially assessed individual land price comparisons with local lease cases and others for fair trade.
Debentures	Fair value is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets.
Other financial liabilities	Other financial liabilities mainly consist of financial liabilities with the residual maturities of less than three months as of the closing date, and the carrying amount of those is regarded as fair value.

BNK FINANCIAL GROUP INC.
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5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

5.3 Fair Value Hierarchy of Financial Instruments that are Subsequently Measured at Fair Value

Fair value hierarchy of financial instruments that are subsequently measured at fair value as of December 31, 2023 is as follows:

<i>(In thousands of Korean won)</i>	2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩	-	₩	₩ 103,647,600

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 December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023			
	Fair value	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Financial assets				
Financial assets at FVTPL				
Equity securities	₩ 103,647,600	Hull & White / G2++ LSMC(Least-Squares Monte Carlo)	Volatility: 0.61%	Fair value increases (decreases) volatility 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 for each of the two years in the period ended December 31, 2023:

<i>(In thousands of Korean won)</i>	2023			
	Profit (loss) for the year		Other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets:				
Financial assets at FVTPL ¹	₩ 13,300	₩ (4,700)	₩ -	₩ -

¹ Fair value changes of securities are calculated by increasing or decreasing volatility (-1% - 1%) which are major unobservable input variables.

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5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

Changes in Level 3 financial instruments subsequently measured at fair value for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	Financial assets at FVTPL	
	2023	2022
Beginning balance	₩ -	₩ -
Total profit or loss:		
Amount recognized in profit or loss ¹	3,647,600	-
Amount recognized in other comprehensive income	-	-
Purchases	100,000,000	-
Sales	-	-
Other changes:		
Transfer into level 3	-	-
Transfer into other levels	-	-
Reclassification	-	-
Ending balance	₩ 103,647,600	₩ -

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the separate statement of comprehensive income for the year ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	Financial assets at FVTPL	
Profit for the year	₩	3,647,600
Change in unrealized gain		3,647,600

5.4 Fair Value Hierarchy of Financial Instruments Subsequently Not Measured at Fair Value

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

<i>(In thousands of Korean won)</i>	2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and due from banks	₩ -	₩ 155,238,418	₩ -	₩ 155,238,418
Loans and receivables ¹	-	-	59,248,456	59,248,456
	₩ -	₩ 155,238,418	₩ 59,248,456	₩ 214,486,874
Financial liabilities:				
Debentures	₩ -	₩ 1,611,207,500	₩ -	₩ 1,611,207,500
Other financial liabilities ¹	-	-	22,371,827	22,371,827
	₩ -	₩ 1,611,207,500	₩ 22,371,827	₩ 1,633,579,327

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5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

(In thousands of Korean won)	2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and due from banks	₩ -	₩ 67,988,719	₩ -	₩ 67,988,719
Loans and receivables ¹	-	-	199,167,332	199,167,332
	₩ -	₩ 67,988,719	₩ 199,167,332	₩ 267,156,051
Financial liabilities:				
Debentures	₩ -	₩ 1,305,858,490	₩ -	₩ 1,305,858,490
Other financial liabilities ¹	-	-	17,057,621	17,057,621
	₩ -	₩ 1,305,858,490	₩ 17,057,621	₩ 1,322,916,111

¹ The carrying amounts of loans and receivables and other financial liabilities at amortized cost, which are classified to Level 3, are disclosed in approximation of the fair value.

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

(In thousands of Korean won)	Fair value		Valuation technique	Input
	2023	2022		
Financial liabilities:				
Debentures	₩ 1,611,207,500	₩ 1,305,858,490	DCF model	Discount rate

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6. FINANCIAL INSTRUMENTS BY CATEGORY:

(a) *The carrying amounts of financial instruments by category*

All financial instruments (financial assets and financial liabilities) are measured at fair value or at amortized cost. The carrying amounts of financial assets and financial liabilities by each category as of December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023			
	Financial assets at FVTPL	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Financial assets:				
Due from banks	₩ -	₩ 155,238,418	₩ -	₩ 155,238,418
Financial assets at FVTPL	103,647,600	-	-	103,647,600
Loans and receivables	-	59,248,456	-	59,248,456
	<u>₩ 103,647,600</u>	<u>₩ 214,486,874</u>	<u>₩ -</u>	<u>₩ 318,134,474</u>
Financial liabilities:				
Debentures	₩ -	₩ -	₩ 1,618,376,304	₩ 1,618,376,304
Other financial liabilities ¹	-	-	25,350,987	25,350,987
	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 1,643,727,291</u>	<u>₩ 1,643,727,291</u>

(In thousands of Korean won)

	2022		
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Financial assets:			
Due from banks	₩ 67,988,719	₩ -	₩ 67,988,719
Loans and receivables	199,167,332	-	199,167,332
	<u>₩ 267,156,051</u>	<u>₩ -</u>	<u>₩ 267,156,051</u>
Financial liabilities:			
Debentures	₩ -	₩ 1,368,661,051	₩ 1,368,661,051
Other financial liabilities ¹	-	19,297,515	19,297,515
	<u>₩ -</u>	<u>₩ 1,387,958,566</u>	<u>₩ 1,387,958,566</u>

¹ Other financial liabilities consist of accounts payables, accrued expenses, lease liabilities, etc.

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6. FINANCIAL INSTRUMENTS BY CATEGORY: (cont'd)

(b) Net gains or losses by category of financial instruments

Net gains or losses on each category of financial instruments for the years ended December 31, 2023, and 2022, are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Financial assets at amortized cost:		
Interest income	₩ 908,673	₩ 701,539
Financial assets at FVTPL:		
Other income	1,759,000	-
Gain on valuation	3,647,600	-
Financial liabilities at amortized cost:		
Interest expenses	(44,400,888)	(30,520,055)

(c) Credit quality of financial assets

The credit quality of financial assets is divided into prime and normal. The distinction between prime grade and normal grade is as follows:

<u>Type of Borrowers</u>	<u>Corporate and banks</u>
Grade: 1. Prime	External credit rating of BBB+ or above
Grade: 2. Normal	External credit rating of below BBB+

Details of financial assets by credit quality as of December 31, 2023 and 2022 consist of the following:

<i>(In thousands of Korean won)</i>	2023	2022
Grade: 1. Prime	₩ 213,028,448	₩ 266,089,765
Grade: 2. Normal	1,458,426	1,066,286
	<u>₩ 214,486,874</u>	<u>₩ 267,156,051</u>

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7. CASH AND DUE FROM FINANCIAL BANKS:

Cash and due from banks as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	Financial institution	Interest rate (%)			2023			2022
Cash and cash equivalents:								
Checking deposits	Busan Bank Co., Ltd. and Kyongnam Bank Co., Ltd.	0.01	₩	134,886,436	₩	51,750,807		
Corporate saving deposits	Busan Bank Co., Ltd.	0.01–0.50		4,915,857		1,030,552		
Corporate savings	BNK Savings Bank Co., Ltd.	1.50		15,436,125		15,207,360		
				₩ 155,238,418		₩ 67,988,719		

The cash and cash equivalents above are the same as the cash and cash equivalents in the separate statements of cash flow.

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

8. FINANCIAL ASSETS AT FVTPL:

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

<i>(In thousands of Korean won)</i>			2023			2022
Equity securities	₩	103,647,600	₩		-	

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9. INVESTMENTS IN SUBSIDIARIES:

Details of investments in subsidiaries as of December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

Name of subsidiaries	Location	Closing month	2023	
			Percentage of ownership (%)	Carrying amount
Busan Bank Co., Ltd.	Korea	December	100.00	₩ 2,968,140,154
Kyongnam Bank Co., Ltd.	Korea	December	100.00	1,949,160,438
BNK Capital Co., Ltd.	Korea	December	100.00	528,488,236
BNK Securities Co., Ltd.	Korea	December	100.00	784,166,758
BNK Savings Bank Co., Ltd.	Korea	December	100.00	165,000,600
BNK Asset Management Co., Ltd.	Korea	December	100.00	156,930,000
BNK Venture Capital Co., Ltd.	Korea	December	100.00	50,600,000
BNK Credit Information Co., Ltd.	Korea	December	100.00	11,451,045
BNK System Co., Ltd.	Korea	December	100.00	10,000,000
				<u>₩ 6,623,937,231</u>

(In thousands of Korean won)

Name of subsidiaries	Location	Closing month	2022	
			Percentage of ownership (%)	Carrying amount
Busan Bank Co., Ltd.	Korea	December	100.00	₩ 2,968,140,154
Kyongnam Bank Co., Ltd.	Korea	December	100.00	1,949,160,438
BNK Capital Co., Ltd.	Korea	December	100.00	528,488,236
BNK Securities Co., Ltd.	Korea	December	100.00	784,166,758
BNK Savings Bank Co., Ltd.	Korea	December	100.00	165,000,600
BNK Asset Management Co., Ltd.	Korea	December	100.00	156,930,000
BNK Venture Capital Co., Ltd.	Korea	December	100.00	50,600,000
BNK Credit Information Co., Ltd.	Korea	December	100.00	11,451,045
BNK System Co., Ltd.	Korea	December	100.00	10,000,000
				<u>₩ 6,623,937,231</u>

Changes in investments in subsidiaries for each of the two years in the period ended December 31, 2023 are as follows:

(In thousands of Korean won)

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

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10. LOANS AND RECEIVABLES:

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

<i>(In thousands of Korean won)</i>	2023		2022	
Non-trade receivables	₩	37,992,537	₩	178,041,539
Accrued income		11,876		10,025
Guarantee deposits provided		24,844,678		21,286,261
Present-value discounts		(3,600,635)		(170,493)
	₩	<u>59,248,456</u>	₩	<u>199,167,332</u>

11. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	2023			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount
Land	₩ 1,220,861	₩ -	₩ -	₩ 1,220,861
Buildings	2,252,591	(157,182)	-	2,095,409
Leasehold improvements	2,488,828	(1,431,792)	-	1,057,036
Equipment and vehicles	6,450,132	(5,418,179)	-	1,031,953
Right-of-use assets	10,441,834	(3,938,905)	-	6,502,929
	₩ <u>22,854,246</u>	₩ <u>(10,946,058)</u>	₩ -	₩ <u>11,908,188</u>

<i>(In thousands of Korean won)</i>	2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount
Land	₩ 1,220,861	₩ -	₩ -	₩ 1,220,861
Buildings	2,252,590	(112,038)	-	2,140,552
Leasehold improvements	2,095,288	(1,121,711)	-	973,577
Equipment and vehicles	6,108,083	(5,007,033)	-	1,101,050
Right-of-use assets	5,164,471	(2,687,047)	-	2,477,424
	₩ <u>16,841,293</u>	₩ <u>(8,927,829)</u>	₩ -	₩ <u>7,913,464</u>

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11. PROPERTY AND EQUIPMENT: (cont'd)

Changes in property and equipment for each of the two years in the period ended December 31, 2023 are as follows:

(In thousands of Korean won)

	2023					
	Beginning balance	Acquisition	Disposal	Depreciation	Transfer	Ending balance
Property and equipment						
Land	₩ 1,220,861	₩ -	₩ -	₩ -	₩ -	₩ 1,220,861
Buildings	2,140,552	-	-	(45,143)	-	2,095,409
Leasehold improvements	973,577	393,540	-	(310,081)	-	1,057,036
Equipment and vehicles	1,101,050	342,049	-	(411,146)	-	1,031,953
Construction in progress	-	-	-	-	-	-
Right-of-use assets						
Properties	2,041,382	5,643,241	(47,748)	(1,384,582)	-	6,252,293
Vehicles	436,042	21,929	-	(207,335)	-	250,636
	<u>₩ 7,913,464</u>	<u>₩ 6,400,759</u>	<u>₩ (47,748)</u>	<u>₩ (2,358,287)</u>	<u>₩ -</u>	<u>₩ 11,908,188</u>

(In thousands of Korean won)

	2022					
	Beginning balance	Acquisition	Disposal	Depreciation	Transfer	Ending balance
Property and equipment						
Land	₩ 1,220,861	₩ -	₩ -	₩ -	₩ -	₩ 1,220,861
Buildings	2,185,696	-	-	(45,144)	-	2,140,552
Leasehold improvements	460,008	164,780	(214,202)	(332,299)	895,290	973,577
Equipment and vehicles	1,118,702	455,786	-	(473,438)	-	1,101,050
Construction in progress	-	895,290	-	-	(895,290)	-
Right-of-use assets						
Properties	1,499,473	2,480,478	(928,479)	(1,010,090)	-	2,041,382
Vehicles	538,894	188,124	(56,607)	(234,369)	-	436,042
	<u>₩ 7,023,634</u>	<u>₩ 4,184,458</u>	<u>₩ (1,199,288)</u>	<u>₩ (2,095,340)</u>	<u>₩ -</u>	<u>₩ 7,913,464</u>

The depreciation included in general and administrative expense in 2023 is ₩2,358 million (2022: ₩2,095 million).

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

(In thousands of Korean won)

	2023		
	Properties	Vehicles	Total
Cost of right-of-use asset	₩ 9,672,226	₩ 769,608	₩ 10,441,834
Accumulated depreciation	<u>(3,419,933)</u>	<u>(518,972)</u>	<u>(3,938,905)</u>
Book amount of right-of-use asset	<u>₩ 6,252,293</u>	<u>₩ 250,636</u>	<u>₩ 6,502,929</u>

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11. PROPERTY AND EQUIPMENT: (cont'd)

(In thousands of Korean won)

	2022		
	Properties	Vehicles	Total
Cost of right-of-use asset	₩ 4,243,197	₩ 921,274	₩ 5,164,471
Accumulated depreciation	<u>(2,201,815)</u>	<u>(485,232)</u>	<u>(2,687,047)</u>
Book amount of right-of-use asset	<u>₩ 2,041,382</u>	<u>₩ 436,042</u>	<u>₩ 2,477,424</u>

12. INTANGIBLE ASSETS:

Intangible assets as of December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Software	₩ 2,841,317	₩ (1,792,238)	₩ -	₩ 1,049,079
Development costs	15,478,113	(6,792,184)	-	8,685,929
Construction in progress (intangible)	652,179	-	-	652,179
Right of membership	3,430,447	-	-	3,430,447
Trademark	<u>277,968</u>	<u>-</u>	<u>-</u>	<u>277,968</u>
	<u>₩ 22,680,024</u>	<u>₩ (8,584,422)</u>	<u>₩ -</u>	<u>₩ 14,095,602</u>

(In thousands of Korean won)

	2022			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Carrying amount
Software	₩ 2,807,544	₩ (1,333,165)	₩ -	₩ 1,474,379
Development costs	13,438,948	(3,916,609)	-	9,522,339
Construction in progress (intangible)	417,539	-	-	417,539
Right of membership	2,976,201	-	-	2,976,201
Trademark	<u>276,536</u>	<u>-</u>	<u>-</u>	<u>276,536</u>
	<u>₩ 19,916,768</u>	<u>₩ (5,249,774)</u>	<u>₩ -</u>	<u>₩ 14,666,994</u>

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12. INTANGIBLE ASSETS: (cont'd)

Changes in intangible assets for each of the two years in the period ended December 31, 2023 are as follows:

(In thousands of Korean won)

	2023					
	Beginning balance	Acquisition	Amortization	Disposal	Transfer	Ending balance
Software	₩ 1,474,379	₩ 33,773	₩ (459,073)	₩ -	₩ -	₩ 1,049,079
Development costs	9,522,339	87,435	(2,875,575)	-	1,951,730	8,685,929
Construction in progress (intangible)	417,539	2,187,802	-	-	(1,953,162)	652,179
Right of membership	2,976,201	454,246	-	-	-	3,430,447
Trademark	276,536	-	-	-	1,432	277,968
	<u>₩ 14,666,994</u>	<u>₩ 2,763,256</u>	<u>₩ (3,334,648)</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 14,095,602</u>

(In thousands of Korean won)

	2022					
	Beginning balance	Acquisition	Amortization	Disposal	Transfer	Ending balance
Software	₩ 729,724	₩ 414,834	₩ (346,104)	₩ -	₩ 675,925	₩ 1,474,379
Development costs	11,619,018	16,820	(2,668,179)	-	554,680	9,522,339
Construction in progress (intangible)	386,873	1,431,552	-	-	(1,400,886)	417,539
Right of membership	2,976,201	-	-	-	-	2,976,201
Trademark	106,255	-	-	-	170,281	276,536
	<u>₩ 15,818,071</u>	<u>₩ 1,863,206</u>	<u>₩ (3,014,283)</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 14,666,994</u>

13. OTHER ASSETS:

Other assets as of December 31, 2023 and 2022 consist of the following:

(In thousands of Korean won)

	2023	2022
Advance payments and others	₩ 922,450	₩ 2,113,079

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14. DEBENTURES:

Debentures as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	Issuance date	Maturity date	Interest rate (%) as of December 31, 2023		2023	2022
23rd non-guaranteed coupon bonds	2018-05-25	2023-05-25	2.90	₩	-	₩ 100,000,000
25-1st non-guaranteed coupon bonds	2018-08-23	2023-08-23	2.54		-	100,000,000
25-2nd non-guaranteed coupon bonds	2018-08-23	2028-08-23	2.75		30,000,000	30,000,000
26th non-guaranteed coupon bonds	2019-06-14	2024-06-14	1.78		100,000,000	100,000,000
27th non-guaranteed coupon bonds	2019-07-26	2024-07-26	1.60		90,000,000	90,000,000
29th non-guaranteed coupon bonds	2020-05-22	2023-05-22	1.42		-	100,000,000
31st non-guaranteed coupon bonds	2020-10-29	2023-10-29	1.23		-	100,000,000
32nd non-guaranteed coupon bonds	2021-01-12	2026-01-12	1.58		100,000,000	100,000,000
33rd non-guaranteed coupon bonds	2021-01-26	2024-01-26	1.23		100,000,000	100,000,000
34th non-guaranteed coupon bonds	2021-05-31	2026-05-31	1.92		100,000,000	100,000,000
35-1st non-guaranteed coupon bonds	2021-07-14	2026-07-14	2.00		110,000,000	110,000,000
35-2nd non-guaranteed coupon bonds	2021-07-14	2028-07-14	2.09		40,000,000	40,000,000
36-1st non-guaranteed coupon bonds	2022-03-24	2024-03-24	2.77		60,000,000	60,000,000
36-2nd non-guaranteed coupon bonds	2022-03-24	2025-03-24	3.03		90,000,000	90,000,000
37-1st non-guaranteed coupon bonds	2022-06-29	2024-06-28	4.33		60,000,000	60,000,000
37-2nd non-guaranteed coupon bonds	2022-06-29	2024-11-29	4.35		40,000,000	40,000,000
37-3rd non-guaranteed coupon bonds	2022-06-29	2025-06-27	4.36		30,000,000	30,000,000
38th non-guaranteed coupon bonds	2022-09-06	2024-12-06	4.57		20,000,000	20,000,000
39th non-guaranteed coupon bonds	2023-01-17	2025-01-17	3.87		100,000,000	-
40th non-guaranteed coupon bonds	2023-02-23	2026-02-23	4.07		150,000,000	-
41-1st non-guaranteed coupon bonds	2023-04-28	2026-04-28	3.88		60,000,000	-
41-2nd non-guaranteed coupon bonds	2023-04-28	2028-04-28	4.07		140,000,000	-
42nd non-guaranteed coupon bonds	2023-08-29	2026-08-29	4.35		100,000,000	-

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43rd non-guaranteed coupon bonds	2023-11-24	2025-11-24	4.19	100,000,000	-
				<u>1,620,000,000</u>	<u>1,370,000,000</u>
				(1,623,696)	(1,338,949)
Less: present-value discounts				<u>₩ 1,618,376,304</u>	<u>₩ 1,368,661,051</u>

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

Details of issuance and repayment of debentures for each of the two years in the period ended December 31, 2023 are as follows:

(In thousands of Korean won)

	2023			
	Beginning balance	Issuance	Repayment	Ending balance
Debentures in Korean won	₩ 1,370,000,000	₩ 650,000,000	₩ (400,000,000)	₩ 1,620,000,000

(In thousands of Korean won)

	2022			
	Beginning balance	Issuance	Repayment	Ending balance
Debentures in Korean won	₩ 1,400,000,000	₩ 300,000,000	₩ (330,000,000)	₩ 1,370,000,000

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15. POSTEMPLOYMENT BENEFITS:

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

<i>(In thousands of Korean won)</i>	2023		2022	
Present value of funded defined benefit obligations	₩	17,372,387	₩	13,037,338
Fair value of plan assets		<u>(15,282,734)</u>		<u>(12,615,926)</u>
Net defined benefit liabilities	₩	<u>2,089,653</u>	₩	<u>421,412</u>

Income and expenses related to net defined benefit liabilities for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 13,037,338	₩ (12,615,926)	₩ 421,412
Current service cost	1,092,122	-	1,092,122
Interest expenses (income)	741,249	(716,722)	24,527
	<u>1,833,371</u>	<u>(716,722)</u>	<u>1,116,649</u>
Remeasurements:			
Expected return on plan assets	-	157,449	157,449
Actuarial loss from change in demographic assumptions	254	-	254
Actuarial loss arising from changes in financial assumptions	1,230,815	-	1,230,815
Actuarial gain from experience adjustments	(836,926)	-	(836,926)
	<u>394,143</u>	<u>157,449</u>	<u>551,592</u>
Benefits paid	(831,286)	831,286	-
Transfer of employees between the Company and the related companies	2,938,821	(2,938,821)	-
Ending balance	₩ <u>17,372,387</u>	₩ <u>(15,282,734)</u>	₩ <u>2,089,653</u>

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15. POSTEMPLOYMENT BENEFITS: (cont'd)

(In thousands of Korean won)

	2022		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 13,742,894	₩ (12,142,970)	₩ 1,599,924
Current service cost	1,262,825	-	1,262,825
Interest expenses (income)	471,123	(415,574)	55,549
	<u>1,733,948</u>	<u>(415,574)</u>	<u>1,318,374</u>
Remeasurements:			
Expected return on plan assets	-	189,657	189,657
Actuarial gain arising from changes in financial assumptions	(3,151,169)	-	(3,151,169)
Actuarial loss from experience adjustments	518,310	-	518,310
	<u>(2,632,859)</u>	<u>189,657</u>	<u>(2,443,202)</u>
Benefits paid	(470,707)	417,023	(53,684)
Transfer of employees between the Company and the related companies	664,062	(664,062)	-
Ending balance	<u>₩ 13,037,338</u>	<u>₩ (12,615,926)</u>	<u>₩ 421,412</u>

Details of fair values of plan assets as of December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)

	2023	2022
Time deposits	₩ 15,282,734	₩ 12,615,926

The significant actuarial assumptions as of December 31, 2023 and 2022 are as follows:

(In percentage)

	2023	2022
Discount rate	5.03	5.82
Weighted-average rate of salary increase	1.87	1.83
Mortality ratio	Standardized mortality ratio by Korea Insurance Development Institute	
Retirement ratio	Retirement ratio per age group	

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15. POSTEMPLOYMENT BENEFITS: (cont'd)

Assuming that all other assumptions remain as they are at the end of the reporting period, the effect of any changes in significant actuarial assumptions, which were made within the reasonable limit on defined benefit obligations, is as follows:

<i>(In thousands of Korean won)</i>	1% increase		1% decrease	
Change in discount rate	₩	(1,533,383)	₩	1,744,388
Change in salary growth rate		1,782,267		(1,591,436)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized in the separate statements of financial position.

The Company reviews the funding level on an annual basis and has a policy of eliminating deficit from the fund.

The weighted-average duration of the defined benefit obligation as of December 31, 2023 and 2022 is 9.88 years and 9.36 years, respectively.

The expected maturity analysis of undiscounted postemployment benefits as of December 31, 2023 and 2022 is as follows:

<i>(In thousands of Korean won)</i>	2023				
	Less than 1 year	1 year- 2 years	2-5 years	More than 5 years	Total
Postemployment benefits	₩ 560,453	₩ 731,418	₩ 2,592,416	₩ 25,243,277	₩ 29,127,564

<i>(In thousands of Korean won)</i>	2022				
	Less than 1 year	1 year- 2 years	2-5 years	More than 5 years	Total
Postemployment benefits	₩ 572,448	₩ 765,640	₩ 2,186,434	₩ 19,677,020	₩ 23,201,542

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16. PROVISIONS:

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

<i>(In thousands of Korean won)</i>	2023		2022	
Provision for restoration costs	₩	164,238	₩	160,199
Provision for unused loan commitments		-		30,215
	₩	<u>164,238</u>	₩	<u>190,414</u>

Changes in provision for other liabilities and charges for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 160,199	₩ 4,039	₩ -	₩ -	₩ 164,238
Provision for unused loan commitments	<u>30,215</u>	<u>-</u>	<u>(30,215)</u>	<u>-</u>	<u>-</u>
	₩ 190,414	₩ 4,039	₩ (30,215)	₩ -	₩ 164,238

<i>(In thousands of Korean won)</i>	2022				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 80,362	₩ 160,417	₩ (80,580)	₩ -	₩ 160,199
Provision for unused loan commitments	<u>-</u>	<u>30,215</u>	<u>-</u>	<u>-</u>	<u>30,215</u>
	₩ 80,362	₩ 190,632	₩ (80,580)	₩ -	₩ 190,414

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17. OTHER LIABILITIES:

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

<i>(In thousands of Korean won)</i>	2023		2022	
Non-trade payables	₩	250,068	₩	344,284
Accrued expenses		22,121,759		16,713,337
Lease liabilities		2,979,161		2,239,894
Others ¹		1,158,884		1,679,324
	₩	<u>26,509,872</u>	₩	<u>20,976,839</u>

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

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

<i>(In thousands of Korean won)</i>	2023					
	Less than 1 month	1 month-3 months	3-12 months	1 year-5 years	More than 5 years	Total
Lease liabilities	₩ 75,141	₩ 187,740	₩ 714,767	₩ 2,260,654	₩ -	₩ 3,238,302

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

The total cash outflow for leases in 2023 was ₩899,722 thousand (2022: ₩ 886,651 thousand).

Expense relating to leases of low-value assets that are not short-term leases in 2023 is ₩26,368 thousand (2022: ₩28,585 thousand).

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18. TAX EXPENSE AND DEFERRED TAX:

Income tax expense for each of the two years in the period ended December 31, 2023 consists of the following:

<i>(In thousands of Korean won)</i>	2023		2022	
Current tax	₩	145,939	₩	-
Changes in deferred tax liabilities by temporary difference		-		-
Changes in deferred tax by taxable loss		-		-
Tax effect		-		-
Changes in deferred tax liabilities reflected directly in equity		-		-
Income tax expense	₩	<u>145,939</u>	₩	<u>-</u>

Reconciliation between accounting profit and income tax expense for each of the two years in the period ended December 31, 2023 is as follows:

<i>(In thousands of Korean won)</i>	2023		2022	
Profit before income tax expense	₩	314,260,195	₩	305,256,302
Taxes payable ^{1,2}		72,602,691		73,583,483
Tax effect of:				
Non-taxable income		(85,540,815)		(84,778,340)
Non-deductible expenses		581,125		683,560
Consolidated tax and others		12,211,060		10,511,297
Income tax expense	₩	<u>145,939</u>	₩	<u>-</u>
Effective tax rate (income tax expense/profit before income tax expense)		0.05%		0.00%

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

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

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18. TAX EXPENSE AND DEFERRED TAX: (cont'd)

Changes in accumulated temporary differences and tax loss carried forward as of December 31, 2023 and 2022 are as follows:

(In thousands of Korean won)	2023				
	Beginning balance	Decrease	Increase ¹	Ending balance	Deferred tax assets (liabilities)
Taxable temporary differences:					
Pension plan assets	₩ (9,871,301)	₩ (4,764,231)	₩ (925,820)	₩ (6,032,890)	₩ (1,526,321)
Financial assets at FVTPL	-	-	(3,647,600)	(3,647,600)	(922,843)
Right-of-use assets	(2,477,424)	(2,477,424)	(6,502,929)	(6,502,929)	(1,645,241)
	(12,348,725)	(7,241,655)	(11,076,349)	(16,183,419)	(4,094,405)
Deductible temporary differences and tax loss carried forward:					
Unconfirmed costs	5,487,204	5,487,204	4,502,587	4,502,587	1,139,155
Defined benefit obligations	4,620,424	4,620,424	2,227,514	2,227,514	563,561
Stock compensation cost	7,463,256	7,463,256	9,411,389	9,411,389	2,381,081
Accumulated depreciation	185,487	102,631	140,147	223,003	56,420
Provision for restoration costs	160,199	160,199	164,238	164,238	41,552
Provision for unused loan commitments	30,215	30,215	-	-	-
Present-value discounts for lease deposits	170,493	170,493	3,600,635	3,600,635	910,961
Lease liabilities	2,239,894	2,239,894	2,979,161	2,979,161	753,728
Commission paid	-	-	55,000	55,000	13,915
Miscellaneous loss	3,406,198	3,406,198	-	-	-
Intangible assets	239,050	-	110,216	349,266	88,364
	₩ 24,002,420	₩ 23,680,514	₩ 23,190,887	₩ 23,512,793	5,948,737
Not recognized as deferred tax assets					₩ 1,854,332
Recognized as deferred tax assets					₩ 4,094,405

¹ Tax adjustments include adjustments that eventuated from additional adjustments made at the time of filing of taxation report.

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18. TAX EXPENSE AND DEFERRED TAX: (cont'd)

(In thousands of
Korean won)

	2022				
	Beginning balance	Decrease	Increase¹	Ending balance	Deferred tax assets (liabilities)
Taxable temporary differences:					
Pension plan assets	₩ (11,732,757)	₩ (3,436,003)	₩ (1,574,547)	₩ (9,871,301)	₩ (2,487,568)
Right-of-use assets	(2,038,367)	(2,038,367)	(2,477,424)	(2,477,424)	(624,311)
	<u>(13,771,124)</u>	<u>(5,474,370)</u>	<u>(4,051,971)</u>	<u>(12,348,725)</u>	<u>(3,111,879)</u>
Deductible temporary differences and tax loss carried forward:					
Unconfirmed costs	5,718,092	5,718,092	5,487,204	5,487,204	1,382,775
Defined benefit obligations	8,955,338	3,436,003	(898,911)	4,620,424	1,164,347
Stock compensation cost	6,044,943	6,044,943	7,463,256	7,463,256	1,880,741
Accumulated depreciation	167,405	72,538	90,620	185,487	46,743
Provision for restoration costs	80,362	80,362	160,199	160,199	40,370
Provision for unused loan commitments	-	-	30,215	30,215	7,614
Present-value discounts for lease deposits	494,152	494,152	170,493	170,493	42,964
Lease liabilities	1,504,404	1,504,404	2,239,894	2,239,894	564,453
Miscellaneous loss	3,406,198	-	-	3,406,198	858,362
Intangible assets	239,050	-	-	239,050	60,241
	<u>₩ 26,609,944</u>	<u>₩ 17,350,494</u>	<u>₩ 14,742,970</u>	<u>₩ 24,002,420</u>	<u>6,048,610</u>
Not recognized as deferred tax assets					<u>₩ 2,936,731</u>
Recognized as deferred tax assets					<u>₩ 3,111,879</u>

¹ Tax adjustments include adjustments that eventuated from additional adjustments made at the time of filing of taxation report.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized up to taxable temporary differences for tax loss carried forward and deductible temporary differences in consideration of their realizability. The amounts of deferred tax assets and deferred tax liabilities are identical as of December 31, 2023, and the deferred tax assets and liabilities are offset as the deferred tax balances relate to the same taxation authority; therefore, no deferred tax is presented in the separate financial statements.

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18. TAX EXPENSE AND DEFERRED TAX: (cont'd)

The Company, as the parent company on behalf of its subsidiaries, recognizes total corporate income tax payables as a current tax liability amounting to ₩37,920,784 thousand and ₩177,993,164 thousand as of December 31, 2023 and 2022, respectively, in accordance with the consolidated corporate tax system.

19. SHARE CAPITAL AND OTHER PAID-IN CAPITAL:

(a) Share capital

As of December 31, 2023, the Company has 700 million ordinary shares authorized with a par value per share of ₩5,000 and 322,088,438 shares have been issued. Share capital is ₩1,629,676 million.

(b) Hybrid equity securities

Hybrid equity securities classified as equity as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	Issue date	Maturity	Annual interest rate (%)		2023	2022
Hybrid equity securities	2015-06-24	2045-06-24	5.10	₩	30,000,000	₩ 30,000,000
	2018-02-13	-	4.83		-	100,000,000
	2018-03-02	-	4.26		-	150,000,000
	2019-02-20	-	3.74		100,000,000	100,000,000
	2019-08-29	-	3.20		100,000,000	100,000,000
	2020-02-19	-	3.35		150,000,000	150,000,000
	2020-06-23	-	3.30		100,000,000	100,000,000
	2020-08-04	-	3.38		100,000,000	100,000,000
	2023-09-22	-	5.70		150,000,000	-
Issuance cost					<u>(2,364,281)</u>	<u>(2,607,523)</u>
					<u>₩ 727,635,719</u>	<u>₩ 827,392,477</u>

The Company can exercise its right to early repayment after 5 or 10 years after issuing hybrid equity securities, and at the date of maturity, the contractual agreements allow the Company to indefinitely extend the maturity date with the same contractual terms. In addition, the Company decides not to pay the dividends of ordinary shares at general shareholders' meeting and may not pay interest on the hybrid equity securities.

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19. SHARE CAPITAL AND OTHER PAID-IN CAPITAL: (cont'd)

(c) Other paid-in capital

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

<i>(In thousands of Korean won)</i>	2023	2022
Share premium	₩ 2,277,035,810	₩ 2,277,035,810
Treasury shares	-	(6,997,496)
Other capital adjustments	(755,640)	-
	<u>₩ 2,276,280,170</u>	<u>₩ 2,270,038,314</u>

(d) Other components of equity

Other components of equity for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023			
	Beginning balance	Increase	Effect of deferred tax	Ending balance
Remeasurements of net defined benefit liabilities	₩ (3,933,476)	₩ (551,592)	₩ -	₩ (4,485,068)

<i>(In thousands of Korean won)</i>	2022			
	Beginning balance	Decrease	Effect of deferred tax	Ending balance
Remeasurements of net defined benefit liabilities	₩ (6,376,678)	₩ 2,443,202	₩ -	₩ (3,933,476)

20. RETAINED EARNINGS:

Retained earnings as of December 31, 2023 and 2022 consist of the following:

<i>(In thousands of Korean won)</i>	2023	2022
Reserves:		
Legal reserves	₩ 171,671,407	₩ 141,145,407
Reserve for credit losses	1,611,000	768,000
Reserve for claims liability	2,000,000	2,000,000
Voluntary reserves	246,318,193	205,388,183
	<u>421,600,600</u>	<u>349,301,590</u>
Retained earnings before appropriation	<u>233,229,443</u>	<u>275,068,802</u>
	<u>₩ 654,830,043</u>	<u>₩ 624,370,392</u>

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20. RETAINED EARNINGS: (cont'd)

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

The appropriation of retained earnings for each of the two years in the period ended December 31, 2023 is as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Unappropriated retained earnings:		
Unappropriated retained earnings carried over from prior year	₩ -	₩ -
Retirement of treasury shares	(22,998,106)	-
Dividends from hybrid equity securities	(25,677,863)	(30,187,500)
Interim dividends (dividend per share, dividend ratio to face value):		
₩100 (2.0%) in 2023		
₩ - (-%) in 2022	(32,208,844)	-
Profit for the year	<u>314,114,256</u>	<u>305,256,302</u>
	<u>233,229,443</u>	<u>275,068,802</u>
Transfers:		
Reversal of reserve for credit losses	<u>1,420,000</u>	-
	<u>1,420,000</u>	-
Appropriation of retained earnings:		
Legal reserve	31,411,426	30,526,000
Reserve for credit losses	-	843,000
Voluntary reserves	70,426,117	40,930,009
Loss on redemption of hybrid equity securities	755,640	-
Cash dividends (dividend per share, dividend per share, dividend ratio to face value):		
₩410 (8.2%) in 2023		
₩625 (12.5%) in 2022	132,056,260	202,769,793
	<u>234,649,443</u>	<u>275,068,802</u>
Unappropriated retained earnings to be carried forward to the next year	<u>₩ -</u>	<u>₩ -</u>

The appropriation of retained earnings for the year ended December 31, 2023 is expected to be appropriated on March 22, 2024. The appropriation date for the year ended December 31, 2022, was March 17, 2023.

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20. RETAINED EARNINGS: (cont'd)

Regulatory reserve for credit losses

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

Balances of regulatory reserve for credit losses as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Provided regulatory reserve	₩ 1,611,000	₩ 768,000
Expected contribution to (reversal of) reserve for credit losses	<u>(1,420,000)</u>	<u>843,000</u>
	<u>₩ 191,000</u>	<u>₩ 1,611,000</u>

Expected provision of reserve for credit losses, adjusted profit after the expected provision of regulatory reserve and adjusted earnings per share after the expected provision of regulatory reserve for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Profit for the year	₩ 314,114,256	₩ 305,256,302
Reversal (provision) of reserve for credit losses	<u>1,420,000</u>	<u>(843,000)</u>
Adjusted profit after the reversal (provision) of regulatory reserve ¹	<u>₩ 315,534,256</u>	<u>₩ 304,413,302</u>
Adjusted earnings per share after the provision of regulatory reserve ¹ <i>(in Korean won)</i>	<u>₩ 899</u>	<u>₩ 845</u>

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

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20. RETAINED EARNINGS: (cont'd)

Treasury shares

Acquisition and retirement of treasury shares for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In millions of Korean won and in shares)</i>	2023		2022	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Beginning balance	1,503,577 ₩	6,997,496	1,503,577 ₩	6,997,496
Acquisition ¹	2,343,231	15,999,879	-	-
Retirement ²	<u>(3,846,808)</u>	<u>(22,997,375)</u>	-	-
	<u>-</u>	<u>-</u>	<u>1,503,577</u>	<u>6,997,496</u>

¹ In order to enhance shareholders' value, the Company entered into a treasury shares trust agreement with Korea Investment & Securities Co., Ltd. through which the Company acquired treasury shares.

² On August 10, 2023, the Company completed the retirement of all 3,846,808 treasury shares.

21. NET INTEREST EXPENSES:

Net interest expenses and interest income and expenses for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023		2022	
Interest income:				
Cash and due from banks	₩	281,943	₩	352,520
Other interest income:				
Present value discounts		<u>626,730</u>		<u>349,019</u>
		<u>908,673</u>		<u>701,539</u>
Interest expenses:				
Debentures		(44,345,299)		(30,474,529)
Lease liabilities		(51,550)		(41,369)
Miscellaneous interest:				
Provision for restoration costs		<u>(4,039)</u>		<u>(4,157)</u>
		<u>(44,400,888)</u>		<u>(30,520,055)</u>
Net interest expenses	₩	<u>(43,492,215)</u>	₩	<u>(29,818,516)</u>

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22. NET COMMISSION INCOME:

Net commission income and commission income and expenses for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Commission income:		
Brand income	₩ 13,555,000	₩ 9,990,000
Other commission income	<u>50</u>	<u>2,350</u>
	<u>13,555,050</u>	<u>9,992,350</u>
Commission expenses:		
Other commission expenses	<u>(5,912,429)</u>	<u>(2,379,259)</u>
Net commission income	<u>₩ 7,642,621</u>	<u>₩ 7,613,091</u>

23. NET GAIN ON FINANCIAL ASSETS AT FVTPL

<i>(In thousands of Korean won)</i>	2023	2022
Gain on financial assets at FVTPL:		
Other income	₩ 1,759,000	₩ -
Gain on valuation	<u>3,647,600</u>	<u>-</u>
Net gain on financial assets at FVTPL	<u>₩ 5,406,600</u>	<u>₩ -</u>

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24. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Employee benefits:		
Salaries	₩ 20,887,284	₩ 19,671,871
Employee benefits	3,362,752	3,001,749
Postemployment benefits	1,643,588	2,038,960
	<u>25,893,624</u>	<u>24,712,580</u>
Rent expense	664,695	538,515
Business promotion expenses	2,317,999	2,544,541
Depreciation	2,358,287	2,095,340
Amortization	3,334,648	3,014,283
Taxes and dues	399,949	375,943
Service fees	4,114,650	3,679,840
Advertisement expenses	6,320,499	4,764,128
Others	2,893,084	2,129,901
	<u>₩ 48,297,435</u>	<u>₩ 43,855,071</u>

(a) Share-based payments

The Company grants long-term incentive compensation linked to shares to employees and calculates the cost of compensation using the fixed value approach for these rights. The long-term incentive compensation scheme determines the maximum number of shares that can be issued at the initial agreement date, and compensation is made in cash when predetermined conditions are met.

Short-term and long-term incentives were a mixture of cash rewards and stock price-linked cash rewards until 2019. However, since 2020, short-term incentives are paid in cash in entirety following the result of performance evaluation, while long-term incentives are distributed evenly over three years through stock price-linked cash rewards following the result of performance evaluation.

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24. GENERAL AND ADMINISTRATIVE EXPENSES: (cont'd)

The terms and conditions of granted share options as of December 31, 2023 are as follows:

i) Linked to short-term performance

- *Initially granted*

<i>(In shares)</i>	2022
Number of shares granted ¹	279,884
Residual shares	186,593
Date of grant	2022-03-03
Grant method	Cash-settled share-based payment
Exercise price	₩-
Vesting conditions	Service period/non-market performance
Settlement method	Cash
Service period	1 year

¹ The number of shares granted outstanding was awarded upon the determination of performance evaluation.

ii) Linked to long-term performance

- *Initially granted*

<i>(In shares)</i>	2017	2018	2020	2021	2022	2023
Number of shares granted ¹	92,159	36,875	305,585	597,959	486,607	357,869
Residual shares	7,343	1,534	177,137	586,018	393,657	357,869
Date of grant	2017-01-01	2018-01-01	2020-01-01	2021-01-01	2022-01-01	2023-01-01
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-	₩-	₩-	₩-	₩-
Vesting conditions	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash
Service period	3 years	3 years	1 year	1 year	1 year	1 year

¹ The number of shares granted outstanding was awarded upon the determination of performance evaluation.

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24. GENERAL AND ADMINISTRATIVE EXPENSES: (cont'd)

- *Deferred grants*

<i>(In shares)</i>	Deferred grant in 2024	Deferred grant in 2025
Residual shares ¹	97,440	88,574
Grant method	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	W-	W-
Settlement method	Cash	Cash
Vesting conditions	Vested	Vested

¹ The number of deferred grants is less than the granted shares after meeting the vesting conditions at the end of the reporting period.

Changes in granted number of share options for each of the two years in the period ended December 31, 2023 are as follows:

i) Linked to short-term performance

- *Initially granted*

<i>(In shares)</i>	2023	2022
Beginning balance	326,857	130,938
Granted	-	279,884
Exercised	(140,264)	(83,965)
Others	-	-
Ending balance	186,593	326,857

ii) Linked to long-term performance

- *Initially granted*

<i>(In shares)</i>	2023	2022
Beginning balance	1,306,459	926,774
Granted	357,869	486,607
Exercised	(100,885)	(13,972)
Others	(39,885)	(92,950)
Ending balance	1,523,558	1,306,459

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24. GENERAL AND ADMINISTRATIVE EXPENSES: (cont'd)

- *Deferred grants*

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

The fair value of share options and the significant inputs into the option-pricing model as of December 31, 2023 are as follows:

<i>(In Korean won)</i>	2023						Risk-free interest rate	Fair value
	Option-pricing model	Share price	Exercise price	Price volatility	Expected option life	rate		
Grant expected in 2024	Black-Scholes model	7,140	-	15.69%	1 year	3.43%	6,671	
Grant expected in 2025	Black-Scholes model	7,140	-	20.97%	2 years	3.24%	6,233	
Grant expected in 2026	Black-Scholes model	7,140	-	22.73%	3 years	3.15%	5,825	

Expenses recognized related to the share options granted for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Linked to short-term performance	₩ 1,276,184	₩ 1,947,296
Linked to long-term performance	2,656,345	1,539,310

Liabilities recognized related to the share options granted for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Accrued expenses (short-term performance)	₩ 2,522,755	₩ 3,846,435
Accrued expenses (long-term performance)	9,411,389	7,463,256

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25. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Non-operating income:		
Miscellaneous income	₩ 778,376	₩ 68,864
Gain on disposal of property and equipment	196	713
Gain on restoration construction	-	55,830
	<u>778,572</u>	<u>125,407</u>
Non-operating expenses:		
Donations	(117,040)	(168,829)
Loss on disposal of property and equipment	(718)	(265,207)
Miscellaneous expense	(690,405)	(344,358)
	<u>(808,163)</u>	<u>(778,394)</u>
	<u>₩ (29,591)</u>	<u>₩ (652,987)</u>

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26. EARNINGS PER SHARE:

Weighted-average number of ordinary shares for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In shares)</i>	2023		
	Period	Number of shares	Accumulation of days
Number of ordinary shares outstanding	2023-01-01 ~ 2023-12-31	325,935,246	118,966,364,790
Treasury shares	2023-01-01 ~ 2023-12-31	(1,503,577)	(548,805,605)
Acquisition of treasury shares	2023-02-07 ~ 2023-12-31	(2,343,231)	(743,929,555)
	Subtotal(①)		117,673,629,630
	Weighted-average number of ordinary shares(②)=(①/365) ¹		322,393,506

¹ The total number of ordinary shares issued by the Company is 325,935,246 shares, and the weighted average number of outstanding shares is calculated by taking into account the treasury shares held, which amount to 1,503,577 shares, and the treasury shares acquired during the period from February 7, 2023 to March 13, 2023, amounting to 2,343,231 shares in total.

<i>(In shares)</i>	2022		
	Period	Number of shares	Accumulation of days
Number of ordinary shares outstanding	2022-01-01 ~ 2022-12-31	325,935,246	118,966,364,790
Treasury shares	2022-01-01 ~ 2022-12-31	(1,503,577)	(548,805,605)
	Subtotal(①)		118,417,559,185
	Weighted-average number of ordinary shares(②)=(①/365)		324,431,669

Basic earnings per share for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won and in shares)</i>	2023		2022	
Profit attributable to ordinary shares	₩	314,114,256	₩	305,256,302
Dividends from hybrid equity securities		(25,677,862)		(30,187,500)
Profit for the year attributable to ordinary shares		288,436,394		275,068,802
Weighted-average number of ordinary shares outstanding		322,393,506		324,431,669
Basic earnings per share	₩	895	₩	848

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

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27. DIVIDENDS:

A dividend in respect of the year ended December 31, 2023, of ₩132,056,260 thousand for ordinary shares is to be proposed to shareholders at the annual general meeting on March 22, 2024. These separate financial statements do not reflect this dividend payable (2022: ₩202,769,793 thousand).

In addition, the Board of Directors' meeting held on July 26, 2023 decided to pay an interim dividend of ₩32,208,844 thousand to shareholders for the base date of August 11, 2023, and the interim dividend was paid on August 25, 2023.

28. SEPARATE STATEMENTS OF CASH FLOWS:

Details of material transactions without cash inflows and outflows as of December 31, 2023 and 2022 are as follows:

<i>(In thousands of Korean won)</i>	2023	2022
Right-of-use assets, lease liabilities appropriation	₩ 5,608,498	₩ 1,575,411

Changes in liabilities arising from financial activities for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In thousands of Korean won)</i>	2023					
	Beginning balance	Cash flows	Non-cash movements			Ending balance
			Exchange rate changes	Fair value hedge	Others	
Debentures	₩ 1,368,661,051	₩ 248,761,840	₩ -	₩ -	₩ 953,412	₩ 1,618,376,304

<i>(In thousands of Korean won)</i>	2022					
	Beginning balance	Cash flows	Non-cash movements			Ending balance
			Exchange rate changes	Fair value hedge	Others	
Debentures	₩ 1,398,528,377	₩ (30,673,337)	₩ -	₩ -	₩ 806,011	₩ 1,368,661,051

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29. COMMITMENTS:

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

(In thousands of Korean won)

Commitment	Financial institution	2023		2022	
		Limit	Balance	Limit	Balance
General loans	Korea Development Bank ¹	₩ 150,000,000	₩ -	₩ 150,000,000	₩ -
	BNK Securities ²	-	-	150,000,000	-

¹ The Company has entered into general loan agreement with Korea Development Bank for securing liquidity to cope with potential financial distress in domestic credit market and diversifying the financing channel, and entered into borrowing limit agreement in August 2022.

² Regarding the purchase of corporate bonds of BNK Securities Co., Ltd. by the Korea Development Bank, the Company signed an agreement to provide BNK Securities Co., Ltd. with a credit line of ₩150 billion in December 2022. This agreement ended in March 2023.

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

30. TRANSACTIONS WITH RELATED PARTIES:

Related parties as of December 31, 2023 are as follows:

Relationship	Name of the related party
Subsidiaries	Busan Bank Co., Ltd.; Kyongnam Bank Co., Ltd.; BNK Capital Co., Ltd.; BNK Securities Co., Ltd.; BNK Savings Bank Co., Ltd.; BNK Asset Management Co., Ltd.; BNK Credit Information Co., Ltd.; BNK System Co., Ltd.; BNK Venture Capital Co., Ltd.; BNKC (Cambodia) MFI PLC; BNK Capital Myanmar Co., Ltd.; BNK Capital Lao Leasing Co., Ltd.; MFO BNK Finance Kazakhstan LLP; BNK Capital Lao NDTMFI Co., Ltd.; MCC BNK Finance LLC, Busan Bank Co., Ltd. (unspecified money trust) and 18 others; BNK Luxembourg private equity and 31 others; BNK Jeju Global Co., Ltd. and 54 others
Associates	BSK No. 9 Youth Startup Investment Association; ANDA H Mezzanine Private Investment Trust 11th; Orion The bank 1 Private Investment Trust; ANDA H Mezzanine General Private Equity Investment Trust No. 12; Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 21; Shinhan BNPP SGrail Professional Private Special Asset Fund No. 1-2; ANDA H The banks 2 General Private Investment Trust (Specialty); Shinhan Corporation General Private Securities Investment Trust 14th [bond]; Multi-Asset LNG General Private Equity Investment Trust No.5; NH-Amundi General Private Equity Investment Trust No.18 [bond]; Igis Ulsan New Port Infrastructure Private Investment Trust; NH-Amundi General Private Equity Investment Trust No.22 [bond]; Samsung Rafael General Investment Private Security Investment Trust No.8; Hanhwa A Professional Investment Private Security Investment Trust No.1(Bond); Multi-Asset ESG Marine Transportation Infra General Private Investment Trust No.1; Hi General Private Equity Securities Investment Trust No.32 (Bond); Hanwha A Professional Investment Private No. 120 (USD, bond); Kiwoom Busan Green Infrastructure Professional Private Investment Trust; Shinhan IPO Maturity Matching Private Investment Trust No.2; DB Alpha Professional Investment Private No. 2 (Mixed Bond) and 62 others

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

30. TRANSACTIONS WITH RELATED PARTIES: (cont'd)

Transactions with related parties for each of the two years in the period ended December 31, 2023 are as follows:

(In thousands of Korean won)

Type	Name of entity	2023									
		Revenues		Expenses		Acquisition of property and equipment					
		Interest income	Other revenues	Interest expenses	Other expenses						
Subsidiaries	Busan Bank Co., Ltd.	₩	631,536	₩	253,309,000	₩	-	₩	559,161	₩	3,980,018
	Kyongnam Bank Co., Ltd.		2,701		149,585,919		-		280,237		-
	BNK Capital Co., Ltd.		-		1,946,000		8,873		1,927,913		7,742
	BNK Securities Co., Ltd.		-		1,542,000		-		115,803		-
	BNK Saving Bank Co., Ltd.		229,531		180,000		-		11,608		-
	BNK Asset Management Co., Ltd.		-		26,000		812		15,136		-
	BNK Venture Capital Co., Ltd.		-		12,000		-		-		-
	BNK Credit Information Co., Ltd.		-		19,000		-		-		-
	BNK System Co., Ltd.		-		71,000		-		1,062,623		1,845,802
	BNK Gangnam Core Office Co., Ltd.		9,885		-		28,456		196,176		-
		₩	873,653	₩	406,690,919	₩	38,141	₩	4,168,657	₩	5,833,562

(In thousands of Korean won)

Type	Name of entity	2022									
		Revenues		Expenses		Acquisition of property and equipment					
		Interest income	Other revenues	Interest expenses	Other expenses						
Subsidiaries	Busan Bank Co., Ltd.	₩	373,372	₩	232,316,060	₩	-	₩	381,908	₩	15,084
	Kyongnam Bank Co., Ltd.		372		136,630,000		-		157,881		-
	BNK Capital Co., Ltd.		-		1,715,605		9,126		1,686,000		188,123
	BNK Securities Co., Ltd.		-		11,033,000		-		-		-
	BNK Saving Bank Co., Ltd.		216,110		152,000		-		-		-
	BNK Asset Management Co., Ltd.		-		64,000		812		-		-
	BNK Venture Capital Co., Ltd.		-		14,000		-		-		-
	BNK Credit Information Co., Ltd.		-		14,000		-		-		-
	BNK System Co., Ltd.		-		53,750		-		947,364		1,735,062
	BNK Gangnam Core Office Co., Ltd.		9,931		17,028		29,236		-		2,119,328
		₩	599,785	₩	382,009,443	₩	39,174	₩	3,173,153	₩	4,057,597

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

30. TRANSACTIONS WITH RELATED PARTIES: (cont'd)

Fund transactions with related parties for each of the two years in the period ended December 31, 2023 are as follows:

(In thousands of Korean won)

		2023			
Type	Name of entity	Loan transactions		Investment	
		Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 594,506,386	₩ 513,997,349	₩ -	₩ -
	Kyongnam Bank Co., Ltd.	-	6,511,898	-	-
	BNK Saving Bank Co., Ltd.	228,765	-	-	-
		<u>₩ 594,735,151</u>	<u>₩ 520,509,247</u>	<u>₩ -</u>	<u>₩ -</u>

(In thousands of Korean won)

		2022			
Type	Name of entity	Loan transactions		Investment	
		Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 562,510,619	₩ 562,457,181	₩ -	₩ -
	Kyongnam Bank Co., Ltd.	54,000,030	54,000,030	-	-
	BNK Capital Co., Ltd.	-	-	50,000,000	-
	BNK Saving Bank Co., Ltd.	20,207,360	5,000,000	-	-
	<u>₩ 636,718,009</u>	<u>₩ 621,457,211</u>	<u>₩ 50,000,000</u>	<u>₩ -</u>	

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

30. TRANSACTIONS WITH RELATED PARTIES: (cont'd)

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

(In thousands of Korean won)

		2023			
Type	Name of entity	Receivables		Payables	
		Loans/due from banks	Other assets ¹	Deposit liabilities	Other liabilities
Subsidiaries	Busan Bank Co., Ltd.	₩ 133,290,053	₩ 50,477,859	₩ -	₩ 185,022
	Kyongnam Bank Co., Ltd.	6,512,240	6,751,006	-	-
	BNK Capital Co., Ltd.	-	16,967,651	-	255,402
	BNK Securities Co., Ltd.	-	-	-	18,709,689
	BNK Saving Bank Co., Ltd.	15,436,125	9,515	-	297,521
	BNK Asset Management Co., Ltd.	-	676,211	-	31,778
	BNK Venture Capital Co., Ltd.	-	649,002	-	-
	BNK Credit Information Co., Ltd.	-	380,222	-	-
	BNK System Co., Ltd.	-	729,389	-	-
	BNK Gangnam Core Office Co., Ltd.	-	401,992	-	1,293,853
		₩ 155,238,418	₩ 77,042,847	₩ -	₩ 20,773,265

(In thousands of Korean won)

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

BNK FINANCIAL GROUP INC.
Notes to separate financial statements
December 31, 2023 and 2022

30. TRANSACTIONS WITH RELATED PARTIES: (cont'd)

¹ As of December 31, 2023 and 2022, the amount due to consolidated tax payment is ₩37,920,784 thousand and ₩177,993,164 thousand, respectively.

The Company paid ₩680,239 thousand (2022: ₩675,242 thousand) for the lease payments in relation to related parties for the year ended December 31, 2023.

Compensation for key executives for each of the two years in the period ended December 31, 2023 is as follows:

<i>(In thousands of Korean won)</i>	2023		2022	
Short-term employee benefits	₩	1,114,946	₩	1,263,089
Performance compensation		1,001,530		1,208,114
Postemployment benefits		34,946		207,853

Details of unused loan commitment of related parties as of December 31, 2023 and 2022 are as follows:

Provider	Provided to	Unused loan commitment		
			2023	2022
Busan Bank Co., Ltd.	BNK Financial Group Inc.	Credit Card	₩ 414,978	₩ 388,178
BNK Group Inc.	BNK Securities Co., Ltd.	General loan agreements ¹	-	150,000,000

¹ Regarding the purchase of corporate bonds of BNK Securities Co., Ltd. by the Korea Development Bank, the Company signed an agreement to provide BNK Securities Co., Ltd. with a credit line of ₩150 billion in December 2022. This agreement ended in March 2023.

Audit opinion on internal control over financial reporting

The accompanying independent auditor's report on internal control over financial reporting is attached as a result of auditing the internal control over financial reporting of BNK Financial Group Inc. (the "Company") and the separate financial statements of the Company for the year ended December 31, 2023 in accordance with the Article 8 of the *Act on External Audit of Stock Companies*.

Attachments:

1. Independent auditor's report on internal control over financial reporting
2. Internal Control over Financial Reporting("ICFR") Operating Status Report by CEO

Independent auditor’s report on internal control over financial reporting

(English Translation of a Report Originally Issued in Korean)

BNK Financial Group Inc.

The Shareholders and Board of Directors

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting (“ICFR”) of BNK Financial Group Inc. (the “Company”) based on the Conceptual Framework for Design and Operation of ICFR established by the Operating Committee of ICFR in Korea (the “ICFR Committee”) as of December 31, 2023.

In our opinion, the Company’s ICFR has been effectively designed and operated, in all material respects, as of December 31, 2023 in accordance with the Conceptual Framework for Design and Operation of ICFR.

We also have audited, in accordance with the Korean Standards on Auditing (“KSA”), the separate statement of financial position as of December 31, 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including material accounting policy information, of the Company, and our report dated March 13, 2024 expressed an unqualified opinion thereon.

Basis for opinion on ICFR

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of ICFR section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of ICFR in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of management and those charged with governance for ICFR

Management is responsible for designing, operating and maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Internal Control over Financial Reporting Operating Status Report by CEO.

Those charged with governance are responsible for overseeing the Company's ICFR process.

Auditor's responsibilities for the audit of ICFR

Our responsibility is to express an opinion of the Company's ICFR based on our audit. We conducted our audit in accordance with KSA. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective ICFR was maintained in all material respects.

An audit of the ICFR involves performing procedures to obtain audit evidence as to whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit also includes testing and evaluating the design and operation of ICFR based on obtaining an understanding of ICFR and the assessed risk.

ICFR definition and inherent limitations

A company's ICFR is implemented by those charged with governance, management, and other employees and is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of separate financial statements for external purposes in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS"). A company's ICFR includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of separate financial statements in accordance with KIFRS, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the separate financial statements.

Because of its inherent limitations, ICFR may not prevent or detect misstatements of the separate financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that ICFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The engagement partner on the audit resulting in this independent auditor's report is Ahn Duk Soo

Ernst & Young Han Young

March 13, 2024

This audit report is effective as of March 13, 2024, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the Company's ICFR and may result in modifications to this report.

**Internal Control over Financial Reporting("ICFR")
Operating Status Report by CEO**

To the Shareholders, Board of Directors and Audit Committee of BNK Financial Group

We, as the Chief Executive Officer("CEO") and the Internal Accounting Manager ("IAM") of BNK Financial Group ("the Company"), assessed the operating status of the Company's Internal Control over Financial Reporting("ICFR") for the year ending December 31, 2023.

The design and operation of ICFR is the responsibility of the Company's management, including the CEO and the IAM(collectively "We", "Our", or "Us").

We evaluated whether the Company effectively designed and operated its ICFR to prevent and detect errors or frauds which may cause a misstatement in financial statements to ensure preparation and disclosure of reliable financial information.

We used the "Conceptual Framework for Designing and Operating Internal Control over Financial Reporting" established by the Operating Committee of Internal Control over Financial Reporting in Korea(the "ICFR Committee") as the criteria for design and operation of the Company's ICFR. And we conducted an evaluation of ICFR based on the "Management Guideline for Evaluating and Reporting Effectiveness of Internal Control over Financial Reporting" established by the ICFR committee.

Based on our assessment, we concluded that the Company's ICFR is designed and operated effectively as of December 31, 2023, in all material respects, in accordance with the "Conceptual Framework for Designing and Operating Internal Control over Financial Reporting".

We certify that this report does not contain any untrue statement of a fact, or omit to state a fact necessary to be presented herein. We also certify that this report does not contain or present any statements which might cause material misunderstandings of the readers, and we have reviewed and verified this report with sufficient care.

February 28, 2024



Chief Executive Officer



Internal Control over Financial Reporting Officer