BNK FINANCIAL GROUP INC.

SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

BNK FINANCIAL GROUP

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INDEPENDENT AUDITORS' REPORT

English Translation of Independent Auditors' Report Originally Issued in Korean on March 16, 2022

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

Audit Opinion

We have audited the separate financial statements of BNK Financial Group Inc. (the "Company"), which comprise the separate statements of financial position as of December 31, 2021 and December 31, 2020, respectively, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and December 31, 2020, respectively, and its financial performance and its cash flows for the years ended, in accordance with Korean International Financial Reporting Standards ("K-IFRS").

We have also audited, in accordance with the Korean Standards on Auditing ("KSAs"), the internal control over financial reporting of the Company as of December 31, 2021, based on '*Conceptual Framework for Designing and Operating Internal Control over Financial Reporting',* and our report dated March 16, 2022, expressed an unqualified opinion.

Basis for Audit Opinion

We conducted our audits in accordance with the KSAs. 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 audit opinion.

Key Audit Matters

We determined that there is no key audit matter to be reported in our audit of the separate financial statements of the current period.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of the accompanying separate financial statements in accordance with K-IFRS, and for such internal control as they determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management of the Company 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.

Auditors' 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 auditors' 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 the KSAs 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 the KSAs, 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 audit 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 auditors' 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 auditors' 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 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 auditors' 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 auditors' report is Jae Chul Park.

Deloitte Anjin LLC

March 16, 2022

<u>Notice to Readers</u>

This report is effective as of March 16, 2022, the auditors' report date. Certain subsequent events or circumstances, which may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the auditors' report.

BNK FINANCIAL GROUP INC.

SEPARATE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

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

Ji Wan Kim
President and Chief Executive Officer

Headquarters Address: (Road Name and Address) 30, Munhyeongeumyung-ro, Nam-gu, Busan
(Phone Number) 051-642-3300

BNK FINANCIAL GROUP INC.

Separate Statements of Financial Position

As of December 31, 2021 and 2020

(In thousands of Korean won)	Notes		2021		2020
Assets					
Cash and due from banks	5,6,7	₩	51,799,137	₩	87,759,028
Investments in subsidiaries	8		6,573,937,231		6,153,937,231
Loans and receivables	5,6,9		174,546,298		106,463,762
Property and equipment	10		7,023,634		5,474,991
Intangible assets	11		15,818,072		14,633,496
Other assets	12		2,181,276		1,848,706
Total assets		₩	6,825,305,648	₩	6,370,117,214
Liabilities					
Debentures	5,6,13	₩	1,398,528,377	₩	1,078,584,934
Net defined benefit liabilities	14		1,599,924		9,603,203
Current tax liabilities	17		153,475,623		86,237,630
Provisions	15		80,362		193,039
Other liabilities	5,6,16		19,907,694		13,489,882
Total liabilities			1,573,591,980		1,188,108,688
Equity					
Share capital	18		1,629,676,230		1,629,676,230
Hybrid equity securities	18		827,392,477		827,392,477
Other paid-in capital	18		2,270,038,314		2,269,301,272
Other components of equity	18		(6,376,677)		(4,991,540)
Retained earnings	19		530,983,324		460,630,087
Total equity			5,251,713,668		5,182,008,526
Total liabilities and equity		₩	6,825,305,648	₩	6,370,117,214

See notes to separate financial statements.

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

BNK FINANCIAL GROUP INC.
Separate Statements of Comprehensive Income
For The Years Ended December 31, 2021 and 2020

(In thousands of Korean won, except per share amounts)	Notes		2021		2020
Net interest income (expenses)	20				
Interest income		₩	693,479	₩	482,964
Interest expenses			(25,122,702)		(26,238,488)
			(24,429,223)		(25,755,524)
Net fee and commission income	21				
Commission income			9,305,850		10,980,800
Commission expenses			(1,876,828)		(1,587,128)
			7,429,022		9,393,672
Dividend income			270,016,785		300,023,845
General and administrative expenses	22		(45,750,229)		(35,976,529)
Operating profit			207,266,355		247,685,464
Non-operating income (expense)	23				
Non-operating income			361,011		3,235,948
Non-operating expense			(1,323,953)		(621,054)
			(962,942)		2,614,894
Profit before income tax expense			206,303,413		250,300,358
Income tax expense	17		-		-
Profit for the year			206,303,413		250,300,358
Other comprehensive loss, net of tax					
Items that will not be reclassified to profit or loss					
Remeasurements of net defined benefit liabilities			(1,385,138)		(928,626)
			(1,385,138)		(928,626)
Total comprehensive income for the year		₩	204,918,275	₩	249,371,732
Earnings per share *(in Korean won)*	24				
Basic and diluted earnings per share		₩	539	₩	670

See notes to separate financial statements.

The above separate statements of comprehensive income should be read in conjunction with the accompanying notes.

BNK FINANCIAL GROUP INC.
Separate Statements of Changes in Equity
For The Years Ended December 31, 2021 and 2020

(In thousands of Korean won)		Share capital		Hybrid equity securities		Other paid-in capital		Other components of equity		Retained earnings		Total
Balance at January 1, 2020	₩	1,629,676,230	₩	707,874,320	₩	2,276,821,837	₩	(4,062,914)	₩	360,494,820	₩	4,970,804,293
Acquisition of treasury shares		-		-		(6,997,496)		-		-		(6,997,496)
Disposal of treasury shares		-		-		69,826		-		-		69,826
Issuance of hybrid equity securities		-		348,925,262		-		-		-		348,925,262
Repayment of hybrid equity securities		-		(229,407,106)		(592,894)		-		-		(230,000,000)
Dividends on hybrid equity securities		-		-		-		-		(32,833,750)		(32,833,750)
Dividends		-		-		-		-		(117,331,341)		(117,331,341)
Total comprehensive income												
Profit for the year		-		-		-		-		250,300,358		250,300,358
Other comprehensive income												
Remeasurements of net defined benefit liabilities		-		-		-		(928,626)		-		(928,626)
Balance at December 31, 2020	₩	1,629,676,230	₩	827,392,476	₩	2,269,301,273	₩	(4,991,540)	₩	460,630,087	₩	5,182,008,526
Balance at January 1, 2021	₩	1,629,676,230	₩	827,392,476	₩	2,269,301,273	₩	(4,991,540)	₩	460,630,087	₩	5,182,008,526
Change in capital adjustments		-		-		737,042		-		(737,042)		-
Dividends on hybrid equity securities		-		-		-		-		(31,395,000)		(31,395,000)
Dividends		-		-		-		-		(103,818,134)		(103,818,134)
Total comprehensive income												
Profit for the year		-		-		-		-		206,303,413		206,303,413
Other comprehensive income												
Remeasurements of net defined benefit liabilities		-		-		-		(1,385,138)		-		(1,385,138)
Balance at December 31, 2021	₩	1,629,676,230	₩	827,392,476	₩	2,270,038,315	₩	(6,376,678)	₩	530,983,324	₩	5,251,713,667

See notes to separate financial statements.

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

BNK FINANCIAL GROUP INC.
Separate Statements of Cash Flows
For The Years Ended December 31, 2021 and 2020

(In thousands of Korean won)	Notes		2021		2020
Cash flows from operating activities					
Profit for the year		₩	206,303,413	₩	250,300,358
Adjustments to profit for the year:					
Interest income			(693,479)		(482,964)
Interest expense			25,122,702		26,238,488
Depreciation			1,787,059		1,753,889
Amortization			1,451,924		204,488
Loss (gain) on disposal of property and equipment			61,195		(821)
Loss on disposal of intangible assets			19,815		-
Post-employment benefits			1,881,650		2,398,370
Dividend income			(270,016,785)		(300,023,845)
Non-operating expense (income)			(12,998)		100,000
			(240,398,917)		(269,812,395)
Changes in operating assets and liabilities:					
Decrease (increase) in receivables			(40,749)		2,530
Decrease in net defined benefit liabilities			(11,270,066)		(1,280,643)
Increase in other assets			(332,570)		(31,759)
Decrease in provisions			(193,636)		-
Increase in other liabilities			4,379,720		2,215,973
			(7,457,301)		906,101
Interest received			341,200		125,866
Interest paid			(23,173,225)		(25,870,475)
Dividend received			270,016,785		300,023,845
Net cash inflow from operating activities			205,631,955		255,673,300
Cash flows from investing activities					
Increase in investments in subsidiaries			(420,000,000)		(254,000,000)
Decrease in investments in subsidiaries			-		120,000
Payments for property and equipment			(1,797,390)		(3,880,380)
Proceeds from disposal of property and equipment			81,497		1,250
Payments for intangible assets			(2,965,406)		(958,024)
Proceeds from disposal of intangible assets			309,091		-
Decrease (increase) in lease deposits provided			(535,993)		910,757
Net cash outflow for investing activities			(424,908,201)		(257,806,397)
Cash flows from financing activities					
Proceeds from issuance of debentures	26		449,177,722		399,223,106
Repayment of debentures	26		(130,000,000)		(350,000,000)
Repayment of lease liabilities			(648,257)		(533,797)
Payment of dividends			(103,818,110)		(117,331,309)
Proceeds from issuance of hybrid equity securities			-		348,925,262
Repayment of hybrid equity securities			-		(230,000,000)
Dividends paid on hybrid equity securities			(31,395,000)		(32,833,750)
Acquisition of treasury shares			-		(6,997,497)
Disposal of treasury shares			-		69,826
Net cash inflow from financing activities			183,316,355		10,521,841
Net increase (decrease) in cash and cash equivalents			(35,959,891)		8,388,744
Cash and cash equivalents at the beginning of the year	7		87,759,028		79,370,284
Cash and cash equivalents at the end of the year	7	₩	51,799,137	₩	87,759,028

See notes to separate financial statements.

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

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, 2021, amounts to ₩1,629,676 million with 325,935,246 outstanding shares.

2. SIGNIFICANT ACCOUNTING POLICIES:

The principal 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 Korean International Financial Reporting Standards ("K-IFRSs"). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

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.

The Company prepares its separate financial statements in accordance with K-IFRS 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 K-IFRS 1109 *Financial Instruments* using the equity method of accounting as prescribed in K-IFRS 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.

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 K-IFRS 1102 *Share-Based Payment*; leasing transactions that are within the scope of K-IFRS 1116 *Leases*; and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in K-IFRS 1002 *Inventories* or value in use in K-IFRS 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.

2.2 Changes in Accounting Policies and Disclosures

(a) *New and amended standards adopted by the Group*

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing on January 1, 2021.

- K-IFRS 1116 Lease - COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment)

The Company applied *Coronavirus Infectious Disease 19* (“*COVID-19”)-Related Rent Concessions beyond June 30, 2021 (K-IFRS 1116 amendment),* which allow lessees to apply the practical expedient such as discount on rent due to the direct consequence of COVID-19 on lease payments due on or before June 30, 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying K-IFRS 1116 if the change was not a lease modification.

The practical simple method applies only to rent concessions, etc., caused directly due to COVID-19 and applies only when all of the conditions below are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

- Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022, and increased lease payments that extend beyond June 30, 2022).

- There is no substantive change to other terms and conditions of the lease.

The Company applies the amendment from 2021 and has elected to apply the practical simple method to all rental discounts that meet the above conditions.

- Impact of the initial application of interest rate benchmark reform

The Company applied the *interest rate benchmark reform Phase 2 - K-IFRSs 1109, 1039, 1107, 1104 and 1116 (amendments)* for the year 2021. The Company applies these amendments without raising an accounting impact that would not provide useful information to information users of the separate financial statements and may reflect changes in an interest rate benchmark from an interbank offered rate to an alternative benchmark rate (Risk-Free Rate or RFR). The amendments do not have a significant impact on the separate financial statements.

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

- K-IFRS 1117 *Insurance Contract* (Amendment)

K-IFRS 1117 establishes principles for recognition, measurement, presentation and disclosure of insurance contracts, and replaces K-IFRS 1104 *Insurance Contract.*

K-IFRS 1117 describes the modified general model of applying the variable fee approach to insurance contracts with direct participation characteristics. The general model is simplified by measuring the residual coverage liability using the premium allocation approach when certain conditions are met.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and explicitly measures the costs of those uncertainties. It considers market interest rates and the impact of the policyholder's options and guarantees.

K-IFRS 1117 is impracticable in practice that it should be applied retrospectively, unless the retroactively amended or fair value method is applied.

For the purposes of transitional provisions, the initial application date is the beginning of the fiscal year in which the standard is first applied, and the transition date is the base date of the period immediately preceding the initial application date.

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

The amendment to K-IFRS 1001 affects only the presentation of liabilities as current or non-current in the separate statements of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

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

The amendment is applied retrospectively for annual periods beginning on or after January 1, 2023, and earlier application is permitted.

- K-IFRS 1103 *Business Combination - Reference to the Conceptual Framework* (Amendment)

The amendment updates K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). It also adds to K-IFRS 1103 a requirement that, for obligations within the scope of K-IFRS 1037, an acquirer applies K-IFRS 1037 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of K-IFRS 2121 *Levies*, the acquirer applies K-IFRS 2121 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendment adds an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendment is effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Earlier application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- K-IFRS 1016 *Property, Plant and Equipment - Proceeds before intended use* (Amendment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with K-IFRS 1002 *Inventories*.

If not presented separately in the separate statements of comprehensive income, the separate financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the separate statements of comprehensive income include(s) such proceeds and cost.

The amendment is applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the separate financial statements in which the entity first applies the amendment. The entity shall recognize the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other components of equity, as appropriate) at the beginning of that earliest period presented. The amendment should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

- K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*: *Cost of Fulfilling a Contract* (Amendment)

The amendment specifies that the 'Cost of Fulfilling a Contract' comprises the 'Costs that Relate Directly to the Contract.' Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment applies to contracts for which the entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which the entity first applies the amendment. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings or other components of equity, as appropriate, at the date of initial application.

The amendment should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

- Annual Improvements to K-IFRS Standards 2018‑2020

The annual improvements include partial amendments to two standards, such as K-IFRS 1109 *Financial Instruments* and K-IFRS 1116 *Leases*.

(i) K-IFRS 1109 *Financial Instruments*

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

(ii) K-IFRS 1116 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to K-IFRS 1116 only regards an illustrative example, no effective date is stated.

- K-IFRS 1001 *Classification of Liabilities as Current or Non-current* and IFRS Practice Statement 2 *Making Materiality Judgements* (Amendments) - Disclosure of Accounting Policies

The amendments change the requirements of K-IFRS 1001 for disclosure of accounting policies and replace all terms of 'significant accounting policies' with 'material accounting policy information.'

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

Guidance and examples have also been developed to describe and apply the application of the 'Four Steps of the Criticality Process' described in IFRS 2.

These amendments will be applied prospectively for the fiscal year beginning on or after January 1, 2023, and early application is permitted. Amendments to IFRS 2 do not include effective dates or transitional provisions.

- K-IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

This amendment replaces the definition of change in accounting estimates with the definition of accounting estimates. Under the new definition, the accounting estimate is "the amount of money in the financial statements affected by measurement uncertainty."

The amendment should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted.

- K-IFRS 1012 *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

This amendment reduces the scope of application of the initial recognition exception. According to the amendment, the exception to initial recognition does not apply to transaction in which the equal taxable temporary difference and deductible temporary difference give rise.

Under applicable tax laws, the initial recognition of an asset or a liability in a transaction that is not a business combination and does not affect accounting profit or taxable profit may result in equal taxable temporary difference and deductible temporary difference when recognizing assets and liabilities. For instance, this situation may arise when a lease liability and a corresponding right-of-use asset are recognized by applying K-IFRS 1116 at the commencement date of the lease.

In accordance with K-IFRS 1012 amendment, the Company should recognize related deferred tax assets and deferred tax liabilities. Recognition of deferred tax assets is subject to the recoverability requirements of K-IFRS 1012.

The amendment is effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

The Company expects that impact of these amendments on the separate financial statements is not significant.

2.3 Subsidiaries

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

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 (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.

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
- Those to be measured at fair value through other comprehensive income
- 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.

(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. Movements 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 which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

- Fair value through profit or loss: 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.

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 recognizes a financial liability for the consideration received.

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.

(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, cancelled 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

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.

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.

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 K-IFRS 1109 *Financial Instruments* or

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with K-IFRS 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.

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.

(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 K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognized less, where applicable, the cumulative amount of income recognized in accordance with K-IFRS 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, which will be received from subsidiaries.

(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 that 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.

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 K-IFRS 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.

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 K-IFRS 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.

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 though 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 K-IFRS 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.

(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.

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 K-IFRS 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 K-IFRS 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 (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.

As a practical expedient, K-IFRS 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 2021 reporting period of the Company were approved for issue by the board of directors on March 15, 2022, and are planned for the approval of Shareholders' Meeting on March 25, 2022.

3. CRITICAL 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) Uncertainty due to the pandemic of COVID-19

The rapid spread of COVID-19 is having a negative impact on finance, foreign exchange markets and the real economy around the world, which may increase the overall volatility of macroeconomic indicators, such as stock prices, interest rates and exchange rates. COVID-19 could potentially affect the Company's expected credit losses for certain portfolios and a decline in the fair value of financial instruments.

The Company cannot predict the size and duration of future COVID-19 damage, and due to uncertainties arising from COVID-19, important accounting estimates and assumptions used in the preparation of the separate financial statements may change. The Company is continuously monitoring the impact of COVID-19 through the key market indicators, delinquency rates and liquidity ratios.

(b) 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.

(c) Income taxes

The Company’s taxable income generated from these operations is subject to income taxes based on tax laws and interpretations of tax authorities in numerous jurisdictions. 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 increase 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. The new tax system is effective for three years from 2015. Accordingly, the measurement of current and deferred income taxes is affected by the tax effects from the new tax system. 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.

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, 2021 and 2020, is as follows:

(In thousands of Korean won)	**2021**	**2020**
Loans and receivables	₩ 174,546,298	₩ 106,463,762

Credit risk by impairment of loans and receivables is summarized as of December 31, 2021 and 2020, as follows:

(In thousands of Korean won)	2021					
		Lifetime expected credit losses				
	Twelve months' expected credit losses	Unrecognized impairment	Recognized impairment	Total	Allowance for credit loss	Carrying amount
Loans and receivables						
Non-trade receivables	₩153,516,398	₩ -	₩ -	₩153,516,398	₩ -	₩153,516,398
Guarantee deposits provided	21,014,599	-	-	21,014,599	-	21,014,599
Accrued income	15,301	-	-	15,301	-	15,301
	₩174,546,298	₩ -	₩ -	₩174,546,298	₩ -	₩174,546,298

(In thousands of Korean won)	2020					
		Lifetime expected credit losses				
	Twelve months' expected credit losses	Unrecognized impairment	Recognized impairment	Total	Allowance for credit loss	Carrying amount
Loans and receivables						
Non-trade receivables	₩ 86,237,656	₩ -	₩ -	₩ 86,237,656	₩ -	₩ 86,237,656
Guarantee deposits provided	20,224,655	-	-	20,224,655	-	20,224,655
Accrued income	1,451	-	-	1,451	-	1,451
	₩106,463,762	₩ -	₩ -	₩106,463,762	₩ -	₩106,463,762

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, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021				
	Less than 1 month	**1 month– 3 months**	**3–12 months**	**Over 1 year**	**Total**
Debentures	₩ 2,816,350	₩ 106,451,650	₩ 244,480,050	₩1,110,020,500	₩ 1,463,768,550
Non-trade payables	363,205	-	-	210	363,415
Accrued expenses	588,133	7,410,170	1,276,040	7,215,065	16,489,408

(In thousands of Korean won)	2020				
	Less than 1 month	**1 month– 3 months**	**3–12 months**	**Over 1 year**	**Total**
Debentures	₩ 51,613,175	₩ 5,034,050	₩ 92,699,450	₩ 981,127,100	₩ 1,130,473,775
Non-trade payables	1,484,400	19,059	186	-	1,503,645
Accrued expenses	2,321,012	6,329,797	1,230,655	-	9,881,464

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 included in the separate statements of financial position.

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, 2021.

5.1 Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021		2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:				
Cash and due from banks	₩ 51,799,137	₩ 51,799,137	₩ 87,759,028	₩ 87,759,028
Loans and receivables	174,546,298	174,546,298	106,463,762	106,463,762
	₩ 226,345,435	₩ 226,345,435	₩ 194,222,790	₩ 194,222,790
Financial liabilities:				
Debentures	₩ 1,398,528,377	₩ 1,388,231,600	₩ 1,078,584,934	₩ 1,098,781,440
Other financial liabilities[1]	16,852,823	16,852,823	11,385,109	11,385,109
	₩ 1,415,381,200	₩ 1,405,084,423	₩ 1,089,970,043	₩ 1,110,166,549

[1] Other financial liabilities consist of accounts payable, accrued expenses and lease liabilities.

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 discounted cash flow ("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.
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.

Classification	Fair value measurement technique
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.

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

The fair value hierarchy of financial assets and liabilities subsequently not measured at fair value as of December 31, 2021 and 2020, is as follows:

(In thousands of Korean won)	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and due from banks	₩ -	₩ 51,799,137	₩ -	₩ 51,799,137
Loans and receivables[1]	-	-	174,546,298	174,546,298
	₩ -	₩ 51,799,137	₩ 174,546,298	₩ 226,345,435
Financial liabilities:				
Debentures	₩ -	₩ 1,388,231,600	₩ -	₩ 1,388,231,600
Other financial liabilities[1]	-	-	16,852,823	16,852,823
	₩ -	₩ 1,388,231,600	₩ 16,852,823	₩ 1,405,084,423

(In thousands of Korean won)	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and due from banks	₩ -	₩ 87,759,028	₩ -	₩ 87,759,028
Loans and receivables[1]	-	-	106,463,762	106,463,762
	₩ -	₩ 87,759,028	₩ 106,463,762	₩ 194,222,790
Financial liabilities:				
Debentures	₩ -	₩ 1,098,781,440	₩ -	₩ 1,098,781,440
Other financial liabilities[1]	-	-	11,385,109	11,385,109
	₩ -	₩ 1,098,781,440	₩ 11,385,109	₩ 1,110,166,549

[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, 2021 and 2020, 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
	2021	2020		
Financial liabilities:				
Debentures	₩ 1,388,231,600	₩ 1,098,781,440	DCF model	Discount rate

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, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021			2020		
	Financial assets at amortized cost	Financial liabilities at amortized cost	Total	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
Financial assets:						
Due from banks	₩ 51,799,137	₩ -	₩ 51,799,137	₩ 87,759,028	₩ -	₩ 87,759,028
Loans and receivables	174,546,298	-	174,546,298	106,463,762	-	106,463,762
	₩ 226,345,435	₩ -	₩ 226,345,435	₩ 194,222,790	₩ -	₩ 194,222,790
Financial liabilities:						
Debentures	₩ -	₩ 1,398,528,377	₩ 1,398,528,377	₩ -	₩ 1,078,584,934	₩ 1,078,584,934
Other financial liabilities[1]	-	18,357,227	18,357,227	-	12,011,438	12,011,438
	₩ -	₩ 1,416,885,604	₩ 1,416,885,604	₩ -	₩ 1,090,596,372	₩ 1,090,596,372

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

(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, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021	2020
Financial assets at amortized cost:		
Interest income	₩ 693,479	₩ 482,964
Financial liabilities at amortized cost:		
Interest expenses	(25,122,702)	(26,238,488)

(c) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

(In thousands of Korean won)		2021		2020
Counterparties with external credit rating				
AAA	₩	158,567,858	₩	179,656,792
Counterparties without external credit rating		67,777,577		14,565,998
	₩	226,345,435	₩	194,222,790

7. CASH AND DUE FROM FINANCIAL BANKS:

Cash and due from banks as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	Financial institution	Interest rate (%)		2021		2020
Cash and cash equivalents:						
Checking deposits	Busan Bank Co., Ltd.	0.01	₩	16,173,662	₩	84,787,136
Corporate saving deposits	Busan Bank Co., Ltd.	0.01–0.20		5,625,475		2,971,892
Term deposits	Busan Bank Co., Ltd.	0.70–1.05		30,000,000		
			₩	51,799,137	₩	87,759,028

The maturity structures of due from banks as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021				
	Less than 1 month	1 month-3 months	3-12 months	Over 1 year	Total
Due from banks	₩ 21,799,137	₩ 30,000,000	₩ -	₩ -	₩ 51,799,137

(In thousands of Korean won)	2020				
	Less than 1 month	1 month-3 months	3-12 months	Over 1 year	Total
Due from banks	₩ 87,759,028	₩ -	₩ -	₩ -	₩ 87,759,028

There is no restricted due from banks as of December 31, 2021 and 2020.

8. INVESTMENTS IN SUBSIDIARIES:

Details of investments in subsidiaries as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021			
Name of subsidiaries	**Location**	**Closing month**	**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	478,488,236
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 Credit Information Co., Ltd.	Korea	December	100.00	11,451,045
BNK System Co., Ltd.	Korea	December	100.00	10,000,000
BNK Venture Capital Co., Ltd.	Korea	December	100.00	50,600,000
				₩ 6,573,937,231

(In thousands of Korean won)	2020			
Name of subsidiaries	**Location**	**Closing month**	**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	378,488,236
BNK Securities Co., Ltd.	Korea	December	100.00	584,166,758
BNK Savings Bank Co., Ltd.	Korea	December	100.00	115,000,600
BNK Asset Management Co., Ltd.	Korea	December	100.00	106,930,000
BNK Credit Information Co., Ltd.	Korea	December	100.00	11,451,045
BNK System Co., Ltd.	Korea	December	100.00	10,000,000
BNK Venture Capital Co., Ltd.	Korea	December	100.00	30,600,000
				₩ 6,153,937,231

Changes in investments in subsidiaries for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021	2020
Beginning balance	₩ 6,153,937,231	₩ 5,900,057,231
Acquisition	420,000,000	254,000,000
Collection	-	(120,000)
Ending balance	₩ 6,573,937,231	₩ 6,153,937,231

9. LOANS AND RECEIVABLES:

Loans and receivables as of December 31, 2021 and 2020, consist of the following:

(In thousands of Korean won)		2021		2020
Non-trade receivables	₩	153,516,398	₩	86,237,656
Accrued income		15,301		1,451
Guarantee deposits provided		21,508,751		20,972,758
Present value discounts		(494,152)		(748,103)
	₩	174,546,298	₩	106,463,762

10. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021							
		Acquisition cost		Accumulated depreciation		Accumulated impairment loss		Carrying amount
Land	₩	1,220,861	₩	-	₩	-	₩	1,220,861
Buildings		2,252,591		(66,895)		-		2,185,696
Leasehold improvements		1,319,546		(859,538)		-		460,008
Equipment and vehicles		5,652,297		(4,533,595)		-		1,118,702
Right-of-use assets		3,835,518		(1,797,151)		-		2,038,367
	₩	14,280,813	₩	(7,257,179)	₩	-	₩	7,023,634

(In thousands of Korean won)	2020							
		Acquisition cost		Accumulated depreciation		Accumulated impairment loss		Carrying amount
Land	₩	660,865	₩	-	₩	-	₩	660,865
Buildings		1,651,081		(30,270)		-		1,620,811
Leasehold improvements		1,159,311		(710,597)		-		448,714
Equipment and vehicles		5,496,529		(4,328,011)		-		1,168,518
Right-of-use assets		2,980,468		(1,606,765)		-		1,373,703
Construction in progress		202,380		-		-		202,380
	₩	12,150,634	₩	(6,675,643)	₩	-	₩	5,474,991

Changes in property and equipment for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021					
	Beginning balance	**Acquisition**	**Disposal**	**Depreciation**	**Transfer**	**Ending balance**
Land	₩ 660,865	₩ 55,416	₩ -	₩ -	₩ 504,580	₩ 1,220,861
Buildings	1,620,811	126,541	-	(36,625)	474,969	2,185,696
Leasehold improvements	448,714	309,820	(71,809)	(226,717)	-	460,008
Equipment and vehicles	1,168,518	523,561	(59,123)	(514,254)	-	1,118,702
Right-of-use assets	1,373,703	2,160,078	(485,951)	(1,009,463)	-	2,038,367
Construction in progress	202,380	777,169	-	-	(979,549)	-
	₩ 5,474,991	₩ 3,952,585	₩ (616,883)	₩ (1,787,059)	₩ -	₩ 7,023,634

(In thousands of Korean won)	2020					
	Beginning balance	**Acquisition**	**Disposal**	**Depreciation**	**Transfer**	**Ending balance**
Land	₩ -	₩ 660,865	₩ -	₩ -	₩ -	₩ 660,865
Buildings	-	1,651,081	-	(30,270)	-	1,620,811
Leasehold improvements	602,299	39,970	-	(193,555)	-	448,714
Equipment and vehicles	1,635,383	181,565	(1)	(648,429)	-	1,168,518
Right-of-use assets	981,899	1,304,389	(30,950)	(881,635)	-	1,373,703
Construction in progress	8,533,788	1,341,999	-	-	(9,673,407)	202,380
	₩ 11,753,369	₩ 5,179,869	₩ (30,951)	₩ (1,753,889)	₩ (9,673,407)	₩ 5,474,991

11. INTANGIBLE ASSETS:

Intangible assets as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021			
	Acquisition cost	**Accumulated amortization**	**Accumulated impairment loss**	**Carrying amount**
Software	₩ 1,716,785	₩ (987,061)	₩ -	₩ 729,724
Development costs	12,867,448	(1,248,430)		11,619,018
Construction in progress (intangible)	386,873	-		386,873
Right of membership	2,976,201	-	-	2,976,201
Trademark	106,255	-	-	106,255
	₩ 18,053,562	₩ (2,235,491)	₩ -	₩ 15,818,071

(In thousands of Korean won)	2020			
	Acquisition cost	**Accumulated amortization**	**Accumulated impairment loss**	**Carrying amount**
Software	₩ 1,516,103	₩ (764,635)	₩ -	₩ 751,468
Development costs	935,959	(18,932)		917,027
Construction in progress (intangible)	9,554,629	-		9,554,629
Right of membership	3,305,107	-	-	3,305,107
Trademark	105,265	-	-	105,265
	₩ 15,417,063	₩ (783,567)	₩ -	₩ 14,633,496

Changes in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021					
	Beginning balance	**Acquisition**	**Amortization**	**Disposal**	**Transfer**	**Ending balance**
Software	₩ 751,468	₩ 200,682	₩ (222,426)	₩ -	₩ -	₩ 729,724
Development costs	917,027	1,216,249	(1,229,498)	-	10,715,240	11,619,018
Construction in progress (intangible)	9,554,629	1,547,484	-	-	(10,715,240)	386,873
Right of membership	3,305,107	-	-	(328,906)	-	2,976,201
Trademark	105,265	990	-	-	-	106,255
	₩ 14,633,496	₩ 2,965,405	₩ (1,451,924)	₩ (328,906)	₩ -	₩ 15,818,071

(In thousands of Korean won)	2020					
	Beginning balance	**Acquisition**	**Amortization**	**Disposal**	**Transfer**	**Ending balance**
Software	₩ 799,037	₩ 137,987	₩ (185,556)	₩ -	₩ -	₩ 751,468
Development costs	-	49,995	(18,932)	-	885,964	917,027
Construction in progress (intangible)	-	767,186	-	-	8,787,443	9,554,629
Right of membership	3,302,924	2,183	-	-	-	3,305,107
Trademark	104,591	674	-	-	-	105,265
	₩ 4,206,552	₩ 958,025	₩ (204,488)	₩ -	₩ 9,673,407	₩ 14,633,496

12. OTHER ASSETS:

Other assets as of December 31, 2021 and 2020, consist of the following:

(In thousands of Korean won)	**2021**	**2020**
Advance payments and others	₩ 2,181,276	₩ 1,848,706

13. DEBENTURES:

Debentures as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	Issuance date	Maturity date	Interest rate (%) as of December 31, 2021	2021	2020
16th non-guaranteed coupon bonds	2016-01-15	2021-01-15	2.07	₩ -	₩ 50,000,000
21-3rd non-guaranteed coupon bonds	2017-05-30	2022-05-30	2.37	30,000,000	30,000,000
22nd non-guaranteed coupon bonds	2017-09-26	2022-09-26	2.46	100,000,000	100,000,000
23rd non-guaranteed coupon bonds	2018-05-25	2023-05-25	2.90	100,000,000	100,000,000
24th non-guaranteed coupon bonds	2018-06-26	2021-06-26	2.62	-	80,000,000
25-1st non-guaranteed coupon bonds	2018-08-23	2023-08-23	2.54	100,000,000	100,000,000
25-2nd non-guaranteed coupon bonds	2018-08-23	2028-08-23	2.75	30,000,000	30,000,000
26th non-guaranteed coupon bonds	2019-06-14	2024-06-14	1.78	100,000,000	100,000,000
27th non-guaranteed coupon bonds	2019-07-26	2024-07-26	1.60	90,000,000	90,000,000
28th non-guaranteed coupon bonds	2020-04-27	2022-04-27	1.61	100,000,000	100,000,000
29th non-guaranteed coupon bonds	2020-05-22	2023-05-22	1.42	100,000,000	100,000,000
30th non-guaranteed coupon bonds	2020-07-14	2022-07-14	1.14	100,000,000	100,000,000
31st non-guaranteed coupon bonds	2020-10-29	2023-10-29	1.23	100,000,000	100,000,000
32nd non-guaranteed coupon bonds	2021-01-12	2026-01-12	1.58	100,000,000	-
33rd non-guaranteed coupon bonds	2021-01-26	2024-01-26	1.23	100,000,000	-
34th non-guaranteed coupon bonds	2021-05-31	2026-05-31	1.92	100,000,000	-
35-1st non-guaranteed coupon bonds	2021-07-14	2026-07-14	2.00	110,000,000	-
35-2nd non-guaranteed coupon bonds	2021-07-14	2028-07-14	2.09	40,000,000	-
				1,400,000,000	1,080,000,000
Less: Present value discounts				(1,471,623)	(1,415,066)
				₩ 1,398,528,377	₩ 1,078,584,934

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

Details of issuance and repayment of debentures for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021			
	Beginning balance	**Issuance**	**Repayment**	**Ending balance**
Debentures in Korean won	₩ 1,080,000,000	₩ 450,000,000	₩ (130,000,000)	₩ 1,400,000,000

(In thousands of Korean won)	2020			
	Beginning balance	**Issuance**	**Repayment**	**Ending balance**
Debentures in Korean won	₩ 1,030,000,000	₩ 400,000,000	₩ (350,000,000)	₩ 1,080,000,000

14. POSTEMPLOYMENT BENEFITS:

Details of net defined benefit liabilities recognized in the separate statements of financial position as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	**2021**	**2020**
Present value of funded defined benefit obligations	₩ 13,742,894	₩ 15,505,386
Fair value of plan assets	(12,142,970)	(5,902,183)
Net defined benefit liabilities	₩ 1,599,924	₩ 9,603,203

Income and expenses related to net defined benefit liabilities for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021		
	Present value of defined benefit obligation	**Plan assets**	**Total**
Beginning balance	₩ 15,505,386	₩ (5,902,183)	₩ 9,603,203
Current service cost	1,665,749	-	1,665,749
Interest expenses (income)	363,000	(164,832)	198,168
Settlement profit	17,732	-	17,732
	2,046,481	(164,832)	1,881,649
Remeasurements:			
Expected return on plan assets	-	79,347	79,347
Actuarial gain from change in demographic assumptions	50,136	-	50,136
Actuarial loss arising from changes in financial assumptions	(248,574)	-	(248,574)
Actuarial loss from experience adjustments	1,504,229	-	1,504,229
	1,305,791	79,347	1,385,138
Benefits paid	(5,370,066)	-	(5,370,066)
Contributions	-	(5,900,000)	(5,900,000)
Transfer of employees between the Company and the related companies	255,302	(255,302)	-
Ending balance	₩ 13,742,894	₩ (12,142,970)	₩ 1,599,924

(In thousands of Korean won)	2020		
	Present value of defined benefit obligation	**Plan assets**	**Total**
Beginning balance	₩ 12,701,468	₩ (5,144,618)	₩ 7,556,850
Current service cost	2,244,536	-	2,244,536
Interest expenses (income)	298,117	(144,283)	153,834
	2,542,653	(144,283)	2,398,370
Remeasurements:			
Expected return on plan assets	-	66,603	66,603
Actuarial gain from change in demographic assumptions	(42,044)	-	(42,044)
Actuarial loss arising from changes in financial assumptions	332,725	-	332,725
Actuarial loss from experience adjustments	571,343	-	571,343
	862,024	66,603	928,627
Benefits paid	(1,280,644)	-	(1,280,644)
Transfer of employees between the Company and the related companies	679,885	(679,885)	-
Ending balance	₩ 15,505,386	₩ (5,902,183)	₩ 9,603,203

Details of fair values of plan assets as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020
Time deposits	₩	12,142,970	₩	5,902,183

The significant actuarial assumptions as of December 31, 2021 and 2020, are as follows:

(In percentage)	2021	2020
Discount rate	3.48	2.90
Weighted-average rate of salary increase	1.18	1.42
Mortality ratio	Standardized mortality ratio by Korea Insurance Development Institute	
Retirement ratio	Retirement ratio per age group	

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:

(In thousands of Korean won)		1% increase		1% decrease
Change in discount rate	₩	(1,321,793)	₩	1,520,202
Change in salary growth rate		1,528,911		(1,352,792)

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, 2021 and 2020, is 10.66 years and 9.67 years, respectively.

The expected maturity analysis of undiscounted postemployment benefits as of December 31, 2021 and 2020, is as follows:

(In thousands of Korean won)	2021									
	Less than 1 year		Between 1 year-2 years		Between 2-5 years		Over 5 years		Total	
Postemployment benefits	₩	382,694	₩	498,011	₩	1,500,644	₩	17,760,093	₩	20,141,442

(In thousands of Korean won)	2020									
	Less than 1 year		Between 1 year-2 years		Between 2-5 years		Over 5 years		Total	
Postemployment benefits	₩	423,109	₩	1,192,057	₩	1,531,740	₩	13,864,702	₩	17,011,608

15. PROVISIONS:

Details of provisions for other liabilities and charges as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021		2020	
Provision for restoration costs	₩	80,362	₩	93,039
Provision for litigation		-		100,000
	₩	80,362	₩	193,039

Changes in provision for other liabilities and charges for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021									
	Beginning balance		Increase		Decrease		Others		Ending balance	
Provision for restoration costs	₩	93,039	₩	80,958	₩	(93,635)	₩	-	₩	80,362
Provision for litigation		100,000		-		(100,000)		-		-
	₩	193,039	₩	80,958	₩	(193,635)	₩	-	₩	80,362

(In thousands of Korean won)	2020									
	Beginning balance		Increase		Decrease		Others		Ending balance	
Provision for restoration costs	₩	90,717	₩	2,322	₩	-	₩	-	₩	93,039
Provision for litigation		-		100,000		-		-		100,000
	₩	90,717	₩	102,322	₩	-	₩	-	₩	193,039

16. OTHER LIABILITIES:

Other liabilities as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020
Non-trade payables	₩	363,415	₩	1,503,645
Accrued expenses		16,489,408		9,881,464
Lease liabilities		1,504,404		626,329
Others[1]		1,550,467		1,478,444
	₩	19,907,694	₩	13,489,882

[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, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021											
		Less than 1 month		1 month - 3 months		3 - 12 months		1 year - 5 years		More than 5 years		Total
Lease liabilities	₩	51,977	₩	94,581	₩	347,659	₩	1,063,002	₩	-	₩	1,557,219

(In thousands of Korean won)	2020											
		Less than 1 month		1 month - 3 months		3 - 12 months		1 year - 5 years		More than 5 years		Total
Lease liabilities	₩	42,136	₩	72,446	₩	231,853	₩	300,102	₩	-	₩	646,537

The total cash outflow for leases in 2021 was ₩686,847 thousand (2020: ₩ 571,030 thousand).

Expense relating to leases of low-value assets that are not short-term leases in 2021 is ₩33,707 thousand (2020: ₩37,233 thousand).

17. TAX EXPENSE AND DEFERRED TAX:

Income tax expense for the years ended December 31, 2021 and 2020, consists of the following:

(In thousands of Korean won)		2021		2020
Current tax:	₩	-	₩	-
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	₩	-	₩	-

Reconciliation between accounting profit and income tax expense for the years ended December 31, 2021 and 2020, is as follows:

(In thousands of Korean won)		2021		2020
Profit before income tax expense	₩	206,303,413	₩	250,300,358
Taxes payable[1]		49,463,426		60,110,687
Tax effect of:				
Non-taxable income		(62,268,778)		(68,815,952)
Non-deductible expenses		811,269		535,292
Consolidated tax and others		11,994,083		8,169,973
Adjustment in respect of prior years		-		-
Income tax expense	₩	-	₩	-
Effective tax rate (income tax expense/profit before income tax expense)		0.00%		0.00%

[1] Taxes payable are calculated by applying 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.

Changes in accumulated temporary differences and tax loss carried forward as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	**2021**				
	Beginning balance	**Decrease**	**Increase[1]**	**Ending balance**	**Deferred tax assets (liabilities)**
Taxable temporary differences:					
Pension plan assets	₩ (5,902,183)	₩ (2,364,773)	₩ (8,195,347)	₩ (11,732,757)	₩ (3,027,051)
Leasehold estates	(87,335)	(87,335)	-	-	-
Right-of-use assets	(1,373,703)	(1,373,703)	(2,038,367)	(2,038,367)	(525,899)
	₩ (7,363,221)	₩ (3,825,811)	₩ (10,233,714)	₩ (13,771,124)	(3,552,950)
Deductible temporary differences and tax loss carried forward:					
Unconfirmed costs	₩ 4,164,640	₩ 4,164,640	₩ 5,718,092	₩ 5,718,092	1,475,268
Defined benefit obligations	7,967,838	2,364,773	3,352,273	8,955,338	2,310,477
Stock compensation cost	1,673,681	1,673,681	6,044,943	6,044,943	1,559,595
Accumulated depreciation	304,235	182,562	45,732	167,405	43,190
Provision for restoration costs	93,040	93,040	80,362	80,362	20,733
Present value discounts for lease deposits	748,103	748,103	494,152	494,152	127,491
Lease liabilities	626,329	626,329	1,504,404	1,504,404	388,136
Non-trade payables	19,059	19,059	-	-	-
Commission paid	199,266	199,266	-	-	-
Miscellaneous loss	3,406,198	-	-	3,406,198	878,799
Intangible assets	239,050	-	-	239,050	61,675
Provision for litigation	100,000	100,000	-	-	-
Tax loss carried forward	4,620,123	4,620,123	-	-	-
	₩ 24,161,562	₩ 14,791,576	₩ 17,239,958	₩ 26,609,944	6,865,364
Not recognized as deferred tax assets					₩ 3,312,414
Recognized as deferred tax assets					₩ 3,552,950

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

(In thousands of Korean won)	2020				
	Beginning balance	**Decrease**	**Increase[1]**	**Ending balance**	**Deferred tax assets (liabilities)**
Taxable temporary differences:					
Pension plan assets	₩ (5,144,618)	₩ (1,082,383)	₩ (1,839,948)	₩ (5,902,183)	₩ (1,516,861)
Leasehold estates	(87,335)	-	-	(87,335)	(22,445)
Right-of-use assets	(981,899)	(981,899)	(1,373,703)	(1,373,703)	(353,042)
	₩ (6,213,852)	₩ (2,064,282)	₩ (3,213,651)	₩ (7,363,221)	(1,892,348)
Deductible temporary differences and tax loss carried forward:					
Unconfirmed costs	₩ 4,684,532	₩ 4,684,532	₩ 4,164,640	₩ 4,164,640	1,070,312
Defined benefit obligations	5,645,545	1,082,383	3,404,676	7,967,838	2,047,734
Stock compensation cost	883,584	883,584	1,673,681	1,673,681	430,136
Accumulated depreciation	247,372	111,284	168,147	304,235	78,188
Provision for restoration costs	90,717	90,717	93,040	93,040	23,911
Present value discounts for lease deposits	162,692	162,692	748,103	748,103	192,262
Lease liabilities	819,920	819,920	626,329	626,329	160,967
Non-trade payables	19,059	-	-	19,059	4,898
Commission paid	374,000	174,734	-	199,266	51,211
Miscellaneous loss	3,406,198	-	-	3,406,198	875,393
Intangible assets	239,050	-	-	239,050	61,436
Provision for litigation	-	-	100,000	100,000	25,700
Tax loss carried forward	4,620,123	-	-	4,620,123	1,187,372
	₩ 21,192,792	₩ 8,009,846	₩ 10,978,616	₩ 24,161,562	6,209,520
Not recognized as deferred tax assets					₩ 4,317,172
Recognized as deferred tax assets					₩ 1,892,348

[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, 2021, 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.

The Company, as the parent company on behalf of its subsidiaries, recognizes total corporate income tax payables as a current tax liability amounting to ₩153,475,623 thousand and ₩86,237,630 as of December 31, 2021 and 2020, respectively, in accordance with the consolidated corporate tax system.

18. SHARE CAPITAL AND OTHER PAID-IN CAPITAL:

(a) Share capital

As of December 31, 2021, the Company has 700 million ordinary shares authorized with a par value per share of ₩5,000 and 325,935,246 shares have been issued. Share capital is ₩1,629,676 million.

(b) Hybrid equity securities

Hybrid equity securities classified as equity as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	**Issue date**	**Maturity**	**Annual interest rate (%)**	**2021**	**2020**
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	100,000,000
	2018-03-02	-	4.26	150,000,000	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
Issuance cost				(2,607,523)	(2,607,523)
				₩ 827,392,477	₩ 827,392,477

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.

(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.

(In thousands of Korean won)		**2021**		**2020**
Share premium	₩	2,277,035,810	₩	2,277,035,810
Treasury shares		(6,997,496)		(6,997,496)
Loss on disposal of treasury shares		-		(144,147)
Capital adjustments - others		-		(592,895)
	₩	2,270,038,314	₩	2,269,301,272

(d) Other components of equity

Other components of equity for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		**2021**						
		Beginning balance		**Decrease**		**Effect of deferred tax**		**Ending balance**
Remeasurements of net defined benefit liabilities	₩	(4,991,540)	₩	(1,385,137)	₩	-	₩	(6,376,677)

(In thousands of Korean won)		**2020**						
		Beginning balance		**Decrease**		**Effect of deferred tax**		**Ending balance**
Remeasurements of net defined benefit liabilities	₩	(4,062,913)	₩	(928,627)	₩	-	₩	(4,991,540)

19. RETAINED EARNINGS:

Retained earnings as of December 31, 2021 and 2020, consist of the following:

(In thousands of Korean won)		**2021**		**2020**
Reserves:				
Earned profit reserves	₩	120,514,407	₩	95,483,407
Reserve for credit losses		431,000		518,000
Reserve for claims liability		2,000,000		2,000,000
Discretionary reserves		233,129,504		145,162,072
		356,074,911		243,163,479
Retained earnings before appropriation		174,908,413		217,466,608
	₩	530,983,324	₩	460,630,087

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

The appropriation of retained earnings for the years ended December 31, 2021 and 2020, is as follows:

(In thousands of Korean won)		**2021**		**2020**
Unappropriated retained earnings:				
Unappropriated retained earnings carried over from prior year	₩	-	₩	-
Dividends from hybrid equity securities		(31,395,000)		(32,833,750)
Profit for the year		206,303,413		250,300,358
		174,908,413		217,466,608
Transfers such as discretionary reserves:				
Discretionary reserves		27,741,322		-
Reversal of reserve for credit losses		-		87,000
		27,741,322		87,000
Appropriation of retained earnings:				
Legal reserve		20,631,000		25,031,000
Reserve for credit losses		337,000		-
Discretionary reserves		-		87,967,432
Loss on repayment of hybrid equity securities		-		592,894
Loss on disposal of treasury shares		-		144,148
Cash dividends (%): ₩560 (11.2%) in 2021 ₩320 (6.4%) in 2020		181,681,735		103,818,134
		202,649,735		217,553,608
Unappropriated retained earnings to be carried forward	₩	-	₩	-

The appropriation of retained earnings for the year ended December 31, 2021, is expected to be appropriated on March 25, 2022. The appropriation date for the year ended December 31, 2020, was March 26, 2021.

Regulatory reserve for credit losses

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

Balances of regulatory reserve for credit losses as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		**2021**		**2020**
Provided regulatory reserve	₩	431,000	₩	518,000
Expected provision of reserve for credit losses		337,000		(87,000)
	₩	768,000	₩	431,000

Expected provision of reserve for credit losses, adjusted profit after the expected provision of regulatory reserve and adjusted earnings per share after the expected provision of regulatory reserve for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		**2021**		**2020**
Profit for the year	₩	206,303,413	₩	250,300,358
Reversal (provision) of reserve for credit losses		(337,000)		87,000
Adjusted profit after the reversal (provision) of regulatory reserve[1]	₩	205,966,413	₩	250,387,358
Adjusted earnings per share after the provision of regulatory reserve[1] *(in Korean won)*	₩	538	₩	669

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

Details of acquisition of treasury shares as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won and in shares)	**2021**		**2020**	
	Number of shares	**Book amount**	**Number of shares**	**Book amount**
Beginning balance	1,503,577	₩ 6,997,497	14,855	₩ 213,973
Acquisition[1]	-	-	1,503,577	6,997,497
Disposal	-	-	(14,855)	(213,973)
Ending balance	1,503,577	₩ 6,997,497	1,503,577	₩ 6,997,497

[1] In order to enhance shareholder value, the Company signed a treasury share trust contract with Korea Investment & Securities Co., Ltd. and acquired its own shares through the contract.

20. NET INTEREST EXPENSES:

Net interest expenses and interest income and expenses for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	**2021**	**2020**
Interest income:		
Cash and due from banks	₩ 355,050	₩ 126,293
Other interest income:		
Present value discounts	338,429	356,671
	693,479	482,964
Interest expenses:		
Debentures	(25,098,940)	(26,222,843)
Lease liabilities	(21,882)	(13,322)
Miscellaneous interest:		
Provision for restoration costs	(1,880)	(2,323)
	(25,122,702)	(26,238,488)
Net interest expenses	₩ (24,429,223)	₩ (25,755,524)

21. NET COMMISSION INCOME:

Net commission income and commission income and expenses for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020
Commission income:				
Brand income	₩	9,305,000	₩	10,976,000
Other commission income		850		4,800
		9,305,850		10,980,800
Commission expenses:				
Other commission expenses		(1,876,828)		(1,587,128)
Net commission income	₩	7,429,022	₩	9,393,672

22. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020
Employee benefits:				
Salaries	₩	24,307,130	₩	16,332,410
Employee benefits		2,947,548		2,536,678
Postemployment benefits		2,061,025		2,398,370
Termination benefits		-		1,793,569
		29,315,703		23,061,027
Rent expense		365,530		358,939
Business promotion expenses		2,063,946		1,664,767
Depreciation		1,787,059		1,753,889
Amortization		1,451,924		204,488
Taxes and dues		293,986		298,927
Service fees		2,369,389		2,047,310
Advertisement expenses		5,855,578		4,724,214
Others		2,247,114		1,862,968
	₩	45,750,229	₩	35,976,529

(a) Share-based payments

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

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

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

The terms and conditions of granted share options as of December 31, 2021, are as follows:

i) Linked to short-term performance

(In shares)	**2019**	**2020**
Number of shares granted	110,980	140,899
Residual shares	73,991	93,936
Date of grant	2019-03-05	2020-02-27
Grant method	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-
Vesting conditions	Service period/Non-market performance	Service period/Non-market performance
Settlement method	Cash	Cash
Service period	1 year	1 year

ii) Linked to long-term performance

- *Initially granted*

(In shares)	**2017**	**2018**	**2019**	**2020**	**2021**
Number of shares granted	92,159	36,875	9,293	305,585	597,959
Residual shares	26,871	6,373	1,927	305,585	586,018
Date of grant	2017-01-01	2018-01-01	2019-01-01	2020-01-01	2021-01-01
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
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
Settlement method	Cash	Cash	Cash	Cash	Cash
Service period	3 years	3 years	3 years	1 year	1 year

- *Deferred grants*

(In shares)	**Deferred grant in 2022**	**Deferred grant in 2023**	**Deferred grant in 2024**
Residual shares[1]	13,972	12,322	8,877
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-	₩-
Settlement method	Cash	Cash	Cash
Vesting conditions	Vested	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 the years ended December 31, 2021 and 2020, are as follows:

i) Linked to short-term performance

- *Initially granted*

(In shares)	**2021**	**2020**
Beginning balance	226,730	184,353
Granted	-	140,899
Exercised	(95,792)	(54,013)
Others	-	(44,509)
Ending balance	130,938	226,730

ii) Linked to long-term performance

- *Initially granted*

(In shares)	**2021**	**2020**
Beginning balance	372,008	95,114
Granted	597,959	305,585
Exercised	(7,304)	(5,262)
Others	(35,889)	(23,429)
Ending balance	926,774	372,008

- *Deferred grants*

(In shares)	**2021**	**2020**
Beginning balance	15,854	20,469
Granted	26,621	10,346
Exercised	(7,304)	(5,262)
Others	-	(9,699)
Ending balance	35,171	15,854

The fair value of share options and the significant inputs into the option-pricing model as of December 31, 2021, are as follows:

(In Korean won)	**2021**						
	Option-pricing model	**Share price**	**Exercise price**	**Price volatility**	**Expected option life**	**Risk-free interest rate**	**Fair value**
Grant expected in 2022	Black-Scholes model	8,400	-	25.87%	1 year	1.35%	8,019
Grant expected in 2023	Black-Scholes model	8,400	-	36.85%	2 years	1.67%	7,655
Grant expected in 2024	Black-Scholes model	8,400	-	32.97%	3 years	1.80%	7,307

Expenses recognized related to the share options granted for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		**2021**		**2020**
Linked to short-term performance (reversal)	₩	5,482,809	₩	(655,568)
Linked to long-term performance		4,580,840		972,979

Liabilities recognized related to the share options granted for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		**2021**		**2020**
Accrued expenses (short-term performance)	₩	4,442,051	₩	1,267,270
Accrued expenses (long-term performance)		6,044,943		1,673,681

23. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		**2021**		**2020**
Non-operating income:				
Miscellaneous income	₩	325,279	₩	3,234,675
Gain on disposal of property and equipment		22,734		1,273
Lease change profit		12,998		-
		361,011		3,235,948
Non-operating expenses:				
Donations		(1,139,453)		(493,540)
Loss on disposal of property and equipment		(83,928)		(452)
Loss on restoration construction		(5,365)		-
Loss on disposal of intangible asset		(19,815)		-
Miscellaneous expense		(75,392)		(127,062)
		(1,323,953)		(621,054)
	₩	(962,942)	₩	2,614,894

24. EARNINGS PER SHARE:

Weighted-average number of ordinary shares for the years ended December 31, 2021 and 2020, are as follows:

(In shares)	2021	2020
Beginning	324,431,669	325,920,391
Acquisition of treasury shares	-	(1,191,969)
Disposal of treasury shares	-	10,390
Weighted-average number of ordinary shares outstanding	324,431,669	324,738,812

Basic earnings per share for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won and in shares)		2021		2020
Profit attributable to ordinary shares	₩	206,303,413	₩	250,300,358
Dividends from hybrid equity securities		(31,395,000)		(32,833,750)
Profit for the year attributable to ordinary shares		174,908,413		217,466,608
Weighted-average number of ordinary shares outstanding		324,431,669		324,738,812
Basic earnings per share	₩	539	₩	670

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.

25. DIVIDENDS:

A dividend in respect of the year ended December 31, 2021, of ₩181,681,735 thousand for ordinary shares is to be proposed to shareholders at the annual general meeting on March 25, 2022. These separate financial statements do not reflect this dividend payable (2020: ₩103,818,134 thousand).

26. SEPARATE STATEMENTS OF CASH FLOWS:

The cash and cash equivalents in the separate statements of cash flows include cash, bank deposits and investment in money market, which mature within three months after the date of acquisition. The Company's cash and cash equivalents in the separate statements of cash flows for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020
Cash and due from banks	₩	51,799,137	₩	87,759,028

Details of material transactions without cash inflows and outflows as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020
Increase in right-of-use assets and lease liabilities	₩	1,601,925	₩	1,268,966

Chances in liabilities arising from financial activities for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)	2021					
			Non-cash movements			
	Beginning balance	Cash flows	Exchange rate changes	Fair value hedge	Others	Ending balance
Debentures	₩ 1,078,584,934	₩ 319,177,722	₩ -	₩ -	₩ 765,721	₩ 1,398,528,377

(In thousands of Korean won)	2020					
			Non-cash movements			
	Beginning balance	Cash flows	Exchange rate changes	Fair value hedge	Others	Ending balance
Debentures	₩ 1,028,710,380	₩ 49,223,106	₩ -	₩ -	₩ 651,448	₩ 1,078,584,934

27. COMMITMENTS:

Details of commitments with financial institutions as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021		2020	
Commitment	**Financial institution**	**Limit[1]**	**Balance**	**Limit[1]**	**Balance**
General loans	Korea Development Bank	₩ 100,000,000	₩ -	₩ 150,000,000	₩ -

[1] The Company has entered into general loan agreement with Korea Development Bank in May 2020 for securing liquidity to cope with potential financial distress in domestic credit market and diversifying the financing channel.

28. CONTINGENCIES:

The Company filed a lawsuit against Korea Deposit Insurance Corporation to seek compensation for loss (litigation value: ₩52.6 billion) as of December 31, 2021. On December 15, 2017, the court ordered Korea Deposit Insurance Corporation to pay the claim for compensation to the Company in the first trial. In respect of the first court decision, the Korea Deposit Insurance Corporation paid the claim amount in advance and the Company recognized the corresponding amount as other liabilities. In the second trial held on January 24, 2019, the Company has decided to return back certain amount to Korea Deposit Insurance Corporation, and the amount of the liability has been revised including the interest paid. In addition, although the Company returned the loss and filed an appeal for the final judgement in the Supreme Court on February 13, 2019, and the ultimate outcome of the appeal cannot be reasonably estimated. The management judges that the outcome of the suit does not exceed the amount of the liability recognized as of December 31, 2021.

The Company; Busan Bank Co., Ltd.; BNK Securities Co., Ltd.; and their former and current employees were accused of a lawsuit with violation of the Financial Investment Services and Capital Markets Act in relation to anticompetitive transactions (the Company’s second capital increase) by Busan District Public Prosecutor’s office on May 1, 2017. Regarding the charges of certain former employees of the Company, they were separated from the Busan District Court and convicted in the first trial twice on January 9, 2018, and January 29, 2019. Afterward, an appeal was made, but the Supreme Court dismissed the appeal on May 28, 2020, and therefore, the trial of former and current employees was terminated. Meanwhile, the rest of the former and current employees, including the Company, were convicted in the first trial on October 30, 2020, and appealed afterward, but the appeal was rejected as a result of the second trial on September 30, 2021, and the Company paid a ₩100 million fine.

29. TRANSACTIONS WITH RELATED PARTIES:

Related parties as of December 31, 2021, 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.; Busan Bank Co., Ltd. (unspecified money trust) and 18 others; BNK REPOPLUS Professional Private Investment Trust No. 1 and 28 others; and BNCK Jangan Co., Ltd. and 49 others
Associates	BNK-INTERVALUE Technology Financing Fund; ANDA H Mezzanine Private Investment Trust 11th; HANA UBS Private Securities Investment Trust 7th; HI Private Investment Trust 28th; Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust – J 1st; Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust – J 8th; NH-Amundi Enhanced Bond Private Securities Investment Trust 1st; Samsung Rafael Private Securities Investment Trust 3rd; KB Leaders Private Securities Investment Trust 12th; KB Leaders Private Securities Investment Trust 15th; IBK Private Securities Investment Trust 15th; Shinhan IPO Maturity Matching Private Investment Trust; Multi-Asset KDB Ocean Value Private Securities Investment Trust No. 15; Samsung Rafael Private Securities Investment Trust 1st; SHBNPP Corporate Private Security Investment Trust 8th; Consus Clean Water Private Securities Investment Trust 1st; Kiwoom Frontier Private Security Investment Trust 11th; Kiwoom Frontier Private Security Investment Trust 12th; Petra 7 Alpha Private Equity Partnership; HANA UBS Private Investment Trust 6th; HDC Presto Private Securities Investment Trust 9th; KB Leaders ESG Private Securities Investment Trust 1st; Shinhan Corporation Private Securities Investment Trust 13th; HANA UBS Private Investment Trust 10th; KIAMCO Aviation Private Fund Special Asset Trust 1 Hedge Fund; IGIS Private Securities Investment Trust 331st; BNK Teun Teun Short-Term Bond; KTB IPO 10 Securities Investment Trust; KB New Wave Ordinary Private Securities Trust 1st; Kyobo-Axa ESG Alpha Plus Private Securities Investment Trust – J 6th; Hyundai Dual Strategies Private Securities Investment Trust 1st; and 51 others

Transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

		2021				
		Revenues		Expenses		Acquisition of property and equipment
Type	Name of entity	Interest income	Other revenues	Interest expenses	Other expenses	
Subsidiaries	Busan Bank Co., Ltd.	₩ 353,995	₩ 160,676,629	₩ -	₩ 609,959	₩ -
	Kyongnam Bank Co., Ltd.	-	104,563,155	-	234,272	-
	BNK Capital Co., Ltd.	-	13,355,348	8,928	1,656,000	598,103
	BNK Securities Co., Ltd.	-	521,000	-	102,881	-
	BNK Saving Bank Co., Ltd.	304,575	113,000	-	-	-
	BNK Asset Management Co., Ltd.	-	37,000	-	406	86,292
	BNK Credit Information Co., Ltd.	-	11,300	-	-	-
	BNK System Co., Ltd.	-	41,550	-	717,112	2,486,436
	BNK Venture Capital Co., Ltd.	-	4,000	-	-	-
	BNK Gangnam Core Office Co., Ltd.	3,441	5,873	9,353	-	943,311
		₩ 662,011	₩ 279,328,855	₩ 18,281	₩ 3,320,630	₩ 4,114,142

(In thousands of Korean won)

		2020				
		Revenues		Expenses		Acquisition of property and equipment
Type	Name of entity	Interest income	Other revenues	Interest expenses	Other expenses	
Subsidiaries	Busan Bank Co., Ltd.	₩ 448,977	₩ 180,687,967	₩ -	₩ 360,020	₩ -
	Kyongnam Bank Co., Ltd.	-	107,372,778	-	74,101	-
	BNK Capital Co., Ltd.	-	22,374,200	4,485	1,550,000	145,020
	BNK Securities Co., Ltd.	-	349,000	-	190,817	-
	BNK Saving Bank Co., Ltd.	-	137,000	-	-	-
	BNK Asset Management Co., Ltd.	-	23,000	-	-	-
	BNK Credit Information Co., Ltd.	-	12,000	-	-	-
	BNK System Co., Ltd.	-	45,700	-	833,366	1,034,494
	BNK Venture Capital Co., Ltd.	-	3,000	-	-	-
		₩ 448,977	₩ 311,004,645	₩ 4,485	₩ 3,008,304	₩ 1,179,514

Fund transactions with related parties for the years ended December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)

		2021			
		Loan transactions		Investment	
Type	Name of entity	Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 333,271,935	₩ 369,231,826	₩ -	₩ -
	BNK Securities Co., Ltd.	-	-	100,000,000	-
	BNK Asset Management Co., Ltd.	-	-	200,000,000	-
	BNK Credit Information Co., Ltd.	50,304,575	50,304,575	50,000,000	-
	BNK System Co., Ltd.	-	-	50,000,000	-
	BNK Venture Capital Co., Ltd.	-	-	20,000,000	-
		₩ 383,576,510	₩ 419,536,401	₩ 420,000,000	₩ -

(In thousands of Korean won)

		2020			
		Loan transactions		Investment	
Type	Name of entity	Loans	Repayments	Capital increase	Capital reduction
Subsidiaries	Busan Bank Co., Ltd.	₩ 604,082,573	₩ 595,693,829	₩ -	₩ -
	BNK Securities Co., Ltd.	-	-	200,000,000	-
	BNK Asset Management Co., Ltd.	-	-	30,000,000	-
	BNK Credit Information Co., Ltd.	-	-	7,000,000	-
	BNK System Co., Ltd.	-	-	7,000,000	-
	BNK Venture Capital Co., Ltd.	-	-	10,000,000	-
		₩ 604,082,573	₩ 595,693,829	₩ 254,000,000	₩ -

Outstanding receivables and payables from related parties as of December 31, 2021 and 2020, are as follows:

(In thousands of Korean won)		2021			
		Receivables		Payables	
Type	**Name of entity**	**Loans/due from banks**	**Other assets[1]**	**Deposit liabilities**	**Other liabilities**
Subsidiaries	Busan Bank Co., Ltd.	₩ 51,799,137	₩ 81,133,670	₩ -	₩ 288,128
	Kyongnam Bank Co., Ltd.	-	26,110,430	-	-
	BNK Capital Co., Ltd.	-	27,217,793	-	542,750
	BNK Securities Co., Ltd.	-	31,786,531	-	-
	BNK Saving Bank Co., Ltd.	-	4,335,143	-	-
	BNK Asset Management Co., Ltd.	-	1,603,446	-	76,385
	BNK Credit Information Co., Ltd.	-	501,539	-	-
	BNK System Co., Ltd.	-	717,425	-	-
	BNK Venture Capital Co., Ltd.	-	434,040		-
	BNK Gangnam Core Office Co., Ltd.	-	229,658	-	829,337
		₩ 51,799,137	₩ 174,069,675	₩ -	₩ 1,736,600

(In thousands of Korean won)		2020			
		Receivables		Payables	
Type	**Name of entity**	**Loans/due from banks**	**Other assets[1]**	**Deposit liabilities**	**Other liabilities**
Subsidiaries	Busan Bank Co., Ltd.	₩ 87,759,028	₩ 76,955,896	₩ -	₩ 124,480
	Kyongnam Bank Co., Ltd.	-	15,679,707	-	-
	BNK Capital Co., Ltd.	-	1,843,756	-	237,088
	BNK Securities Co., Ltd.	-	9,943,351	-	-
	BNK Saving Bank Co., Ltd.	-	1,292,223	-	-
	BNK Asset Management Co., Ltd.	-	241,474	-	-
	BNK Credit Information Co., Ltd.	-	179,018	-	-
	BNK System Co., Ltd.	-	335,645	-	-
	BNK Venture Capital Co., Ltd.	-	32,011	-	-
		₩ 87,759,028	₩ 106,503,081	₩ -	₩ 361,568

[1] As of December 31, 2021 and 2020, the amount due to consolidated tax payment is ₩153,475,623 thousand and ₩86,237,656 thousand, respectively.

The Company paid ₩438,549 thousand (2020: ₩215,123 thousand) for the lease payments in relation to related parties for the year ended December 31, 2021.

Compensation for key executives for the years ended December 31, 2021 and 2020, is as follows:

(In thousands of Korean won)		**2021**		**2020**
Short-term employee benefits	₩	1,231,705	₩	1,219,074
Performance compensation		1,657,534		625,793
Postemployment benefits		240,000		240,000

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

English Translation of Independent Auditors' Report on Internal Control over Financial Reporting Originally Issued in Korean on March 16, 2022

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

Audit Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of BNK Financial Group Inc. (the "Company") as at December 31, 2021, based on '*Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'*.

In our opinion, the Company's internal control over financial reporting is designed and operated effectively as of December 31, 2021, in all material respects, in accordance with the 'Conceptual Framework for Designing and Operating Internal Control over Financial Reporting'.

We have also audited, in accordance with the Korean Standards on Auditing (the "KSAs"), the separate financial statements of the Company, which comprise the separate statement of financial position as of December 31, 2021, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flow for the year then ended, and notes to the separate financial statements including a summary of significant accounting policies, and our report dated March 16, 2022, expressed an unqualified opinion.

Basis for Audit Opinion on Internal Control over Financial Reporting

We conducted our audits in accordance with the KSAs. Our responsibility under those standards are further described in the *Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the internal control over financial reporting 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for Internal Control over Financial Reporting

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 *Report on the Effectiveness of the Internal Control over Financial Reporting*.

Those charged with governance is responsible for the oversight of internal control over financial reporting of the Company.

Auditor's Responsibilities for the Audit of Internal Control over Financial Reporting

Our responsibility is to express opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with KSAs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditors' judgment, including the assessment of the risks that a material weakness exists. The audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control over Financial Reporting

A Company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean International Financial Reporting Standards ("K-IFRS"). A Company's internal control over financial reporting 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 financial statements in accordance with K-IFRS, 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 financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls 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 auditors' report is Jae Chul Park.

Deloitte.

Deloitte Anjin LLC

March 16, 2022

Notice to Readers

This report is effective as of March 16, 2022, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the Company's internal control over financial reporting and may result in modifications to the auditors' 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, 2021.

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(name of the framework in case different one was used)" 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(name of standard in case a different standard was used)" 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, 2021, in all material respects, in accordance with the "Conceptual Framework for Designing and Operating Internal Control over Financial Reporting(name of framework in case different framework is used)".

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.

March **3** , 2022

KIM JI WAN

Chief Executive Officer

S. J. JEONG

Internal Control over Financial Reporting Officer