

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2021 and 2020**

ATTACHMENT: INDEPENDENT AUDITORS' REPORT

BNK FINANCIAL GROUP

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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

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

Basis for Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audits of the consolidated 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audits of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Measurement of the allowances for credit losses for loans measured at amortized cost

Reasons why the matter was determined to be a key audit matter

As discussed in the Notes 2,3,4 and 12 to the consolidated financial statements, the Group recognized the expected credit losses for loans measured at amortized cost in accordance with K-IFRS 1109 *Financial Instruments*. Expected Credit Losses in accordance with K-IFRS 1109 *Financial Instruments* requires to determine of whether significant increases in credit risk and reflect forward-looking information when measuring expected credit losses.

The Group calculates expected credit losses for loans by collective assessment or individual assessment. Expected credit losses by collective assessment are calculated based on various assumptions, such as the results of assessment for the borrower's credit rating, whether significant increase in credit risk, calculation and application of probability of default and loss given default, and the reflection of forward-looking information considering multiple possible scenarios. Especially, management analyzes the correlation between macroeconomic indicators and past probability of default to reflect forward-looking information, and based on this analysis, selects a model that reflects forward-looking information and considers scenarios for possible forward-looking information. Management's estimations and judgments are involved in this process.

In addition, the Group measures allowances for credit losses on individual basis among individually significant corporate loans, when credit is impaired or certain requirements are met, such as significant increase in credit risk after initial recognition and impairment of capital. The Group measures expected credit losses based on the estimates of future recoverable cash flows, including collateral value In the process of individual assessment.

We determined measurement of allowances for expected credit losses for loans as a key audit matter, as the management's significant judgments are involved in the reflection of forward-looking information on collective assessment and estimating future recoverable cash flows on individual assessment.

The Group's loan measured at amortized cost is ₩97,848,874 million, and related loan loss allowances is ₩795,154 million.

How we addressed the Key Audit Matter in our audit procedures

(1) Measurement allowances for credit losses reflecting forward-looking information in the collective assessment

We obtained an understanding of the process and internal control of measuring loss allowances in the collective assessment in accordance with impairment requirements under K-IFRS 1109 *Financial Instruments*. In particular, we have assessed whether the methodology of reflecting forward-looking information to the loss allowances in the collective assessment by the management is reasonable.

We reconcile the macroeconomic indicators used in reflection of forward-looking information by the management with external information to verify the accuracy of the indicators.

We used credit risk specialists to reperform statistical analysis of the correlation between macroeconomic indicators used by management and past probability of default and verified the adequacy of the process and basis for the management's judgment regarding the selection of the model to reflect forward-looking information. In addition, we recalculated the adjustment factor to reflect the result of the model for reflecting forward-looking information determined by the management to the allowances for credit losses.

(2) Measurement of allowances for credit losses on individual assessment

We obtained an understanding of the process and internal control related to individual assessment. When the management assumed collateralized cash flows on estimating future cash flows, we assessed the Group's rights to collateral through external inquiries or document inspection on the certificate of collateral rights. To verify appropriateness of collateral valuation for future collateral cash flows, we conducted our own research on most recent auction information and property prices and engaged independent appraisal specialists. In addition, we have verified that the assumptions, such as the collection period and the winning bid rate, that the management applied to determine future cash flows are reasonable.

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

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

In preparing the consolidated financial statements, management of the Group is responsible for assessing the Group'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 Group or cease operations, has no realistic alternative, but to do so.

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

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

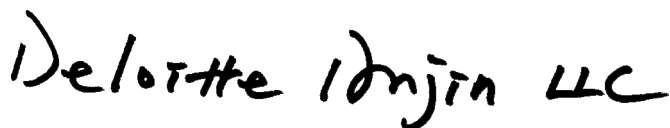
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We are solely responsible for our audit opinion.

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 audits.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the consolidated 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.

A handwritten signature in black ink that reads "Deloitte Idnjin LLC". The signature is written in a cursive, slightly stylized font.

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 consolidated financial statements and may result in modifications to the auditors' report.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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

The accompanying consolidated 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. AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

(In millions of Korean won)	Notes	2021	2020
Assets			
Cash and due from banks	4,6,7,42	₩ 5,349,248	₩ 4,505,069
Financial assets at fair value through profit or loss	4,6,8,11	5,640,558	4,583,427
Financial assets at fair value through other comprehensive income	4,6,9,13	5,150,489	5,349,830
Financial assets at amortized cost	4,6,10,13	8,734,540	7,877,347
Loans and receivables	4,6,12,13,14	98,699,253	87,700,654
Derivative assets	4,6,15	33,905	79,026
Investments in associates and joint venture	16	1,116,386	664,432
Property and equipment	17	1,160,271	1,172,675
Intangible assets	18	293,035	278,636
Investment properties	19	661,799	665,348
Net defined benefit assets	25	18,718	-
Other assets	20	1,428,832	1,280,427
Total assets		₩ 128,287,034	₩ 114,156,871
Liabilities			
Deposit liabilities	4,6,21	₩ 93,282,006	₩ 83,032,717
Financial liabilities designated at fair value through profit or loss	4,6,22	203,255	-
Borrowings	4,6,23	7,779,249	6,835,743
Debentures	4,6,24	13,442,860	11,247,990
Derivative liabilities	4,6,15	34,431	64,542
Net defined benefit liabilities	25	-	57,462
Provisions	26,40	99,155	83,844
Current tax liabilities	38	153,480	86,238
Deferred tax liabilities	38	26,618	27,030
Other liabilities	4,6,27	3,042,797	3,095,023
Total liabilities		118,063,851	104,530,589
Equity			
Equity attributable to owners of the Parent Company			
Share capital	28	1,629,676	1,629,676
Hybrid equity securities	28	827,392	827,392
Other paid-in capital	28	780,000	779,263
Other components of equity	28	(122,162)	(68,530)
Retained earnings	28	6,210,820	5,561,025
		9,325,726	8,728,826
Non-controlling interest		897,457	897,456
Total equity		10,223,183	9,626,282
Total liabilities and equity		₩ 128,287,034	₩ 114,156,871

See notes to consolidated financial statements.

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

(In millions of Korean won, except per share amounts)

	Notes	2021	2020
Net interest income (expenses)	29		
Interest income			
Financial assets at fair value through profit or loss		₩ 58,416	₩ 56,151
Financial asset at fair value through other comprehensive income and amortized cost		<u>3,493,595</u>	<u>3,247,401</u>
		3,552,011	3,303,552
Interest expenses		<u>(980,184)</u>	<u>(1,119,012)</u>
		<u>2,571,827</u>	<u>2,184,540</u>
Net fee and commission income	30		
Commission income		616,034	504,736
Commission expenses		<u>(155,634)</u>	<u>(141,003)</u>
		<u>460,400</u>	<u>363,733</u>
Gain on financial assets at fair value through profit or loss	31	176,282	123,598
Gain on financial assets at fair value through other comprehensive income	32	12,719	38,799
Gain (loss) on financial assets at amortized cost	33	2,443	(1,403)
Contribution to provision for credit loss and others	34		
Contribution to provision for credit loss		(397,231)	(448,589)
Gain on disposal of loans		56,734	80,998
General and administrative expenses	35	(1,597,667)	(1,436,728)
Other operating income (expenses)	15,36		
Gain (loss) on foreign currency transaction		(4,189)	54,799
Loss from derivatives		(5,488)	(2,184)
Other operating income		484,961	386,470
Other operating expenses		<u>(668,772)</u>	<u>(595,842)</u>
Operating profit		<u>1,092,019</u>	<u>748,191</u>
Non-operating income (expenses)	37		
Share of profit of associates		28,098	21,506
Other income		66,116	46,215
Other expenses		<u>(63,051)</u>	<u>(81,494)</u>
		<u>31,163</u>	<u>(13,773)</u>
Profit before income tax expense		1,123,182	734,418
Income tax expense	38	<u>(288,933)</u>	<u>(171,862)</u>
Profit for the year	5,39	<u>₩ 834,249</u>	<u>₩ 562,556</u>
Profit is attributable to:			
Owners of the Parent Company		791,009	519,316
Non-controlling interest		43,240	43,240

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020

(In millions of Korean won, except per share amounts)

	Notes	2021	2020
Other comprehensive income, net of tax	28		
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of net defined benefit liabilities	₩	(11,456)	₩ 1,832
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		6,358	(24,823)
Change in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the credit risk		24	-
<i>Items that may be subsequently reclassified to profit or loss</i>			
Gain (loss) on valuation of debt instruments at fair value through other comprehensive income		(58,852)	(2,704)
Exchange differences on translation of foreign operations		15,250	(18,436)
Gain (loss) on valuation of hedges of net investments in foreign operations		(11,227)	8,557
Share of other comprehensive income of associates		1,274	(1,001)
Impairment loss of debt instruments at fair value through other comprehensive income		(266)	539
Other comprehensive income (loss) for the year, net of tax		(58,895)	(36,036)
Total comprehensive income for the year		₩ 775,354	₩ 526,520
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company	₩	732,114	₩ 483,280
Non-controlling interests		43,240	43,240
Earnings per share (in Korean won)			
Basic and diluted earnings per share	39 ₩	2,341	₩ 1,498

See notes to consolidated financial statements.

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

	Attributable to owners of the Parent Company						Non-controlling interests	Total equity
	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Total		
<i>(In millions of Korean won)</i>								
Balance at January 1, 2020	₩ 1,629,676	₩ 707,874	₩ 786,783	₩ (32,524)	₩ 5,191,904	₩ 8,283,713	₩ 897,457	₩ 9,181,170
Dividends	-	-	-	-	(117,331)	(117,331)	-	(117,331)
Issuance of hybrid equity securities	-	348,925	-	-	-	348,925	-	348,925
Repayment of hybrid equity securities	-	(229,407)	(593)	-	-	(230,000)	-	(230,000)
Dividends on hybrid equity securities	-	-	-	-	(32,834)	(32,834)	(43,240)	(76,074)
Acquisition of treasury stock	-	-	(6,997)	-	-	(6,997)	-	(6,997)
Disposal of treasury stock	-	-	70	-	-	70	-	70
Total comprehensive income								
Profit for the year	-	-	-	-	519,315	519,315	43,240	562,555
Other comprehensive income								
Remeasurements of net defined benefit liabilities	-	-	-	1,832	-	1,832	-	1,832
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(27,527)	-	(27,527)	-	(27,527)
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income	-	-	-	29	(29)	-	-	-
Gain on overseas operations translation	-	-	-	(18,436)	-	(18,436)	-	(18,436)
Loss on valuation of hedges of net investments in foreign operations	-	-	-	8,557	-	8,557	-	8,557
Share of other comprehensive income of associates	-	-	-	(1,001)	-	(1,001)	-	(1,001)
Impairment loss of debt instruments at fair value through other comprehensive income	-	-	-	539	-	539	-	539
Balance at December 31, 2020	₩ 1,629,676	₩ 827,392	₩ 779,263	₩ (68,531)	₩ 5,561,025	₩ 8,728,825	₩ 897,457	₩ 9,626,282
Balance at January 1, 2021	₩ 1,629,676	₩ 827,392	₩ 779,263	₩ (68,531)	₩ 5,561,025	₩ 8,728,825	₩ 897,457	₩ 9,626,282
Dividends	-	-	-	-	(103,818)	(103,818)	-	(103,818)
Dividends on hybrid equity securities	-	-	-	-	(31,395)	(31,395)	(43,240)	(74,635)
Change in capital adjustments	-	-	737	-	(737)	-	-	-
Total comprehensive income								
Profit for the year	-	-	-	-	791,009	791,009	43,240	834,249
Other comprehensive income								
Remeasurements of net defined benefit liabilities	-	-	-	(11,456)	-	(11,456)	-	(11,456)
Loss on valuation of financial assets at fair value through other comprehensive income	-	-	-	(52,494)	-	(52,494)	-	(52,494)
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income	-	-	-	5,265	(5,265)	-	-	-
Gain on overseas operations translation	-	-	-	15,250	-	15,250	-	15,250
Loss on valuation of hedges of net investments in foreign operations	-	-	-	(11,227)	-	(11,227)	-	(11,227)
Share of other comprehensive income of associates	-	-	-	1,274	-	1,274	-	1,274
Impairment loss of debt instruments at fair value through other comprehensive income	-	-	-	(266)	-	(266)	-	(266)
Change in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the credit risk	-	-	-	24	-	24	-	24
Balance at December 31, 2021	₩ 1,629,676	₩ 827,392	₩ 780,000	₩ (122,161)	₩ 6,210,819	₩ 9,325,726	₩ 897,457	₩ 10,223,183

See notes to consolidated financial statements.

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2021 and 2020

(In millions of Korean won)

	2021	2020
Cash flows from operating activities		
Profit for the year	₩ 834,249	₩ 562,556
Adjustments to profit for the year:		
Interest income	(3,552,011)	(3,303,552)
Interest expense	980,184	1,119,012
Gain on financial assets at fair value through profit or loss, net	(11,351)	(29,699)
Gain on financial assets at fair value through other comprehensive income, net	(12,719)	(38,799)
Gain (loss) on financial assets at amortized cost, net	(2,443)	1,403
Loss on financial liabilities designated at fair value through profit or loss	157	-
Contribution to provision for credit loss	397,231	448,589
Loss (gain) on foreign currency translation	21,371	(40,113)
Loss (gain) on valuation of derivatives, net	19,737	(19,620)
Depreciation	99,103	95,093
Amortization	74,870	66,243
Post-employment benefits	61,140	69,392
Other operating expenses, net	238,887	245,675
Share of profit of associates	(28,098)	(21,506)
Loss (gain) on property and equipment, and intangible assets	(3,490)	510
Other non-operating expenses, net	10,286	19,594
Income tax expense	288,933	171,862
	<u>(1,418,213)</u>	<u>(1,215,916)</u>
Changes in operating assets and liabilities:		
Increase in due from banks	(643,069)	(353,328)
Increase in financial assets at fair value through profit or loss	(912,383)	(469,427)
Increase in loans and receivables	(11,411,747)	(7,801,258)
Increase in derivative assets and liabilities	(10,094)	(1,159)
Increase in other assets	(402,988)	(468,991)
Increase in financial liabilities designated at fair value through profit or loss	10,193,576	6,476,230
Increase in securities sold	203,130	-
Increase (decrease) in deposit liabilities	129,678	(40,208)
Increase (decrease) in provisions	5,307	(2,047)
Increase in other liabilities	42,896	324,092
Decrease in defined benefit obligation	(55,143)	(25,909)
Increase in plan assets	(97,390)	(67,522)
	<u>(2,958,227)</u>	<u>(2,429,527)</u>
Interest received	3,612,662	3,399,685
Dividend received	24,104	15,625
Interest paid	(1,008,945)	(1,272,084)
Income tax paid	(202,165)	(211,878)
Net cash outflow for operating activities	<u>(1,116,535)</u>	<u>(1,151,539)</u>

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2021 and 2020

(In millions of Korean won)

	2021	2020
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	5,070,669	3,770,807
Payments for financial assets at fair value through profit or loss	(5,260,433)	(3,986,313)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,433,099	3,630,044
Payments for financial assets at fair value through other comprehensive income	(2,289,312)	(3,725,179)
Proceeds from disposal of financial assets at amortized cost	1,862,944	1,479,197
Payments for financial assets at amortized cost	(2,691,965)	(1,814,105)
Proceeds from disposal of investments in associates	301,385	235,397
Payments for investments in associates	(688,992)	(368,190)
Proceeds from disposal of property and equipment	35,202	2,648
Payments for property and equipment	(99,590)	(86,388)
Proceeds from disposal of intangible assets	616	412
Payments for intangible assets	(67,177)	(57,644)
Payments for investment properties	(1,847)	(656,734)
Decrease in leasehold deposits provided	16,042	20,311
Net cash outflow for investing activities	(1,379,359)	(1,555,737)
Cash flows from financing activities		
Increase in borrowings	20,462,462	13,069,221
Decrease in borrowings	(19,653,590)	(11,100,713)
Issuance of debentures	6,172,060	4,038,511
Repayment of debentures	(4,019,048)	(2,971,550)
Payments of lease liabilities	(25,708)	(27,043)
Dividends paid to shareholders	(103,818)	(117,331)
Issuance of hybrid equity securities	-	348,925
Repayment of hybrid equity securities	-	(230,000)
Dividends paid on hybrid equity securities	(31,395)	(32,834)
Acquisition of treasury shares	-	(6,997)
Disposal of treasury shares	-	70
Dividends paid to non-controlling interests	(43,240)	(43,240)
Decrease in other liabilities	(66,646)	(198,566)
Net cash inflow from financing activities	2,691,077	2,728,453
Net increase in cash and cash equivalents	195,183	21,177
Cash and cash equivalents at the beginning of the year	1,152,790	1,150,294
Effects of exchange rate changes on cash and cash equivalents	6,078	(18,681)
Cash and cash equivalents at the end of the year	₩ 1,354,051	₩ 1,152,790

See notes to consolidated financial statements.

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the Years Ended December 31, 2021 and 2020

1. GENERAL INFORMATION:

General information of BNK Financial Group Inc. ("BNK Financial Group" or the "Parent Company"), which is a controlling entity in accordance with K-IFRS 1110 *Consolidated Financial Statements* and its subsidiaries (collectively, the "Group"), is as follows:

1.1 BNK Financial Group

BNK Financial Group was incorporated on March 15, 2011, in accordance with the provisions of the Financial Holding Company Act, whereby holders of the ordinary share of Busan Bank; BNK Securities Co., Ltd.; BNK Capital Co., Ltd.; and BNK Credit Information Co., Ltd. transferred all of their shares to the Parent Company, and in return received shares of the Parent Company's ordinary share in order to control, manage and provide financial support to subsidiaries engaged in financial business or financial industry-related subsidiaries. Meanwhile, BNK Financial Group established BNK Information System Co., Ltd. and BNK Savings Bank Co., Ltd. as its subsidiaries with 100% investment in 2011. The Parent Company obtained control of Kyongnam Bank by acquiring 56.97% of its shares in October 2014, and ultimately acquired 100% of shares of Kyongnam Bank through comprehensive exchange of shares on June 4, 2015. In July 2015, the Parent Company also obtained 51.01% of shares in BNK Asset Management Co., Ltd., and established it as its subsidiary through paid-in capital increase and acquisition of ownership. In December 2017, the Parent Company took over the rest of BNK Asset Management Co., Ltd.'s shares; accordingly, it became a wholly owned subsidiary. In November 2019, the Parent Company also obtained 100% of shares in BNK Venture Capital Co., Ltd., and established it as a wholly owned subsidiary. The headquarters of BNK Financial Group is located at Busan Nam-gu Munhyeongeumyu-ro, 30. Meanwhile, the Parent Company's share capital as of December 31, 2021, amounts to ₩1,629,676 million with 325,935,246 outstanding shares.

1.2 Consolidated Subsidiaries

Details of the consolidated subsidiaries as of December 31, 2021 and 2020, are as follows:

Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2021	2020
BNK Financial Group:					
Busan Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
Kyongnam Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.	Specialized credit financial business	Korea	December 31	100.00	100.00
BNK Securities Co., Ltd.	Investment brokerage and trading	Korea	December 31	100.00	100.00
BNK Savings Bank Co., Ltd.	Saving bank services	Korea	December 31	100.00	100.00
BNK Asset Management Co., Ltd.	Financial advisory and collective investment	Korea	December 31	100.00	100.00
BNK Credit Information Co., Ltd.	Credit investigation and collection agency	Korea	December 31	100.00	100.00

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2021	2020
BNK System Co., Ltd.	System software developing and supply	Korea	December 31	100.00	100.00
BNK Venture Capital Co., Ltd.	Start-up venture capital advisory	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.:					
BNKC (Cambodia) MFI PLC	Specialized credit financial business	Cambodia	December 31	100.00	100.00
BNK Capital Myanmar Co., Ltd. ¹	Specialized credit financial business	Myanmar	March 31	99.99	99.99
BNK Capital Lao Leasing Co., Ltd. ¹	Leases	Laos	December 31	96.71	96.71
MFO BNK Finance Kazakhstan LLP	Specialized credit financial business	Kazakhstan	December 31	100.00	100.00
BNK Capital Lao NDTMFI Co., Ltd.	Specialized credit financial business	Laos	December 31	100.00	-

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

1.3 Consolidated structured entities

Consolidated structured entities are as follows:

Category	Consolidated structured entities	Description
Trust	Busan Bank (unspecified money trust) and 18 others	As a money trust in accordance with the Financial Investment Services and Capital Markets Act, the Group owns less than 50% ownerships of the trust. However, the Group is considered to have control over the trust because the Group is exposed to variable returns from its involvement with the trust and has the ability to affect those returns through its power to direct the activities of the trust.
Investment Fund	BNKREPOPLUS Professional private Investment trust No. 1 and 28 others	As a structured company for purpose of marketable securities investment, the Group is considered to have control over the entity because the Group has a substantive power and is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.
Asset-Backed Securitization	BNK JANGAN CO., LTD. and 49 others	As a structured company for asset securitization, the Group does not own ownership of the company. However, the Group is considered to have control over the entity because the Group has a substantive power and is exposed to variable returns from involvement and has the ability to affect those returns through its power.

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1.4 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as of and for the years ended December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

Name of subsidiary	2021						
	Assets	Liabilities	Equity	Operating income	Operating profit	Profit for the year	Total comprehensive income
Busan Bank Co., Ltd. and its Subsidiaries	₩67,077,755	₩61,590,564	₩5,487,191	₩2,414,231	₩533,205	₩402,579	₩362,763
Kyongnam Bank Co., Ltd. and its Subsidiaries	46,628,812	43,110,659	3,518,153	1,465,990	315,615	230,554	218,453
BNK Capital Co., Ltd. and its Subsidiaries	8,444,534	7,463,475	981,059	985,764	170,163	133,189	130,391
BNK Securities Co., Ltd. and its Subsidiaries	3,995,983	2,980,494	1,015,489	579,371	138,228	116,051	118,023
BNK Savings Bank Co., Ltd.	1,662,321	1,422,814	239,507	85,120	27,482	21,547	21,547
BNK Asset Management Co., Ltd. and its Subsidiaries	189,589	16,977	172,612	37,190	16,515	12,161	12,158
BNK Credit Information Co., Ltd.	22,421	1,775	20,646	8,515	2,735	2,015	2,015
BNK System Co., Ltd.	27,733	7,394	20,339	85,295	2,768	2,134	2,134
BNK Venture Capital Co., Ltd.	53,365	1,186	52,179	7,701	3,308	3,432	1,870

(In millions of Korean won)

Name of subsidiary	2020						
	Assets	Liabilities	Equity	Operating income	Operating profit	Profit for the year	Total comprehensive income
Busan Bank Co., Ltd. and its Subsidiaries	₩60,392,220	₩55,091,166	₩ 5,301,054	₩ 2,564,755	₩ 417,760	₩ 308,463	₩ 281,356
Kyongnam Bank Co., Ltd. and its Subsidiaries	42,145,447	38,715,367	3,430,080	1,456,423	217,762	164,594	159,214
BNK Capital Co., Ltd. and its Subsidiaries	6,763,415	6,000,398	763,017	801,107	93,770	71,854	67,754
BNK Securities Co., Ltd. and its Subsidiaries	2,886,257	2,188,512	697,745	290,306	71,288	53,397	55,779
BNK Savings Bank Co., Ltd.	1,349,472	1,181,422	168,050	63,431	18,513	16,599	16,599
BNK Asset Management Co., Ltd. and its Subsidiaries	119,080	8,554	110,526	22,403	9,339	7,605	7,605
BNK Credit Information Co., Ltd.	19,490	858	18,632	6,334	1,430	1,065	1,065
BNK System Co., Ltd.	25,410	7,205	18,205	75,614	1,974	1,446	1,446
BNK Venture Capital Co., Ltd.	29,294	485	28,809	2,643	335	431	312

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1.5 Changes in Scope for Consolidation

Subsidiaries newly included in the consolidation for the years ended December 31, 2021 and 2020:

Subsidiary	Purpose
BNK Capital Lao NDTMFI Co., Ltd.	New investment

However, it excludes subsidiaries that do not perform business activities, such as trusts, beneficiary certificates, securitization companies, unions, and private equity investment companies.

None of the major subsidiaries are newly included in consolidated financial statements for the year ended December 31, 2020. However, it excludes subsidiaries that do not perform business activities, such as trusts, beneficiary certificates, securitization companies, unions, and private equity investment companies.

2. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these consolidated 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 Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRSs"). The accompanying consolidated 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 Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with K-IFRSs.

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

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As explained in accounting policies below, the accompanying consolidated financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair value. 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 Group 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 consolidated 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 consolidated financial statements, a reasonable expectation that the Group have 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 consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

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

- K-IFRS 1116 Leases – Practical Expedient for COVID-19-Related Rent Concessions (Amendment)

In March 2021, the International Accounting Standards Board amended K-IFRS 1116 *Leases* to extend the application period of the practical expedient extend by one year, which provides a practical and simple method for the lessee not to evaluate whether the rent concession occurred as a result of the Coronavirus Infectious Disease 19 ("COVID-19") pandemic, is a lease change. The lessee who chooses to apply this practical and simple method shall account for changes in lease fees, such as rent concession, consistently with the method described by the K-IFRSs, unless such changes are lease changes.

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The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The lease consideration corrected by the change in lease payments is substantially the same as or less than the lease consideration before the change.
- The lease concession only affects lease payments due 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).
- Other lease terms and conditions remain substantially unchanged.

The Group decided to apply the amendment early from the year ended December 31, 2021. In addition, the Group has elected to apply the practical expedient to all rent concession that meet the above conditions.

- Amendments of K-IFRS 1109 *Financial Instruments*,¹ K-IFRS 1039, *Financial Instruments: Recognition and Measurement*, K-IFRS 1107 *Financial Instruments: Disclosures*, K-IFRS 1104, *Insurance Contracts*² and K-IFRS 1116 *Leases* – Reform of Interest Rate Index.

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

The financial instruments that have not been converted to replaced interest rate benchmark among the London InterBank Offered Rate (“LIBOR”) interest rates as of December 31, 2021, are as follows:

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

	USD ⁽¹⁾	EUR ⁽²⁾	JPY ⁽²⁾	Total
Non-derivative financial assets				
Financial instruments at amortized costs	443,553	27	58,996	502,576
Non-derivative financial liabilities				
Financial liabilities at amortized costs	133,369	-	-	133,369
Derivatives				
Interest rate related (Hedge)	296,375	-	-	296,375
Guarantees and loan commitments	11,197	465	-	11,662

¹ USD LIBOR (overnight, 1M • 3M • 6M • 12M) that are the maturity before the end of June 2023 are excluded.

² The instruments that are the maturity before the end of December 2021 are excluded.

Hedge and risk management due to interest rate indicator reform is described in Note 15(5). The amendments do not have a significant impact on the consolidated financial statements.

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

- K-IFRS 1117 *Insurance Contract* (New Standard)

K-IFRS 1117 Insurance Contracts replaces K-IFRS 1104 *Insurance Contracts*.

This standard estimates future cash flows of an insurance contract and measures insurance liabilities using discount rates applied with assumptions and risks at the measurement date.

The entity recognizes insurance revenue on an accrual basis, including services (insurance coverage) provided to the policyholder by each annual period. In addition, investment components (refunds due to termination/maturity) repaid to a policyholder, even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses.

This standard should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted for entities that applied K-IFRS 1109 *Financial Instruments*.

- K-IFRS 1001 *Presentation of Financial Statements - Disclosure of Accounting Policies* (New Standard)

The amendment to K-IFRS 1001 defines and require entities to disclose their material accounting policies. The IASB amended K-IFRS Practice Statement 2 Disclosure of Accounting Policies to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

- K-IFRS 1001 *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 consolidated 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.

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- K-IFRS 1103 *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* (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*.

The amendment also clarifies the meaning of 'testing whether an asset is functioning properly.' K-IFRS 1016 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others or for administrative purposes.

If not presented separately in the consolidated statements of comprehensive income, the consolidated 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 consolidated 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 consolidated 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 component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is effective for annual periods beginning on or after January 1, 2022, and earlier application is permitted.

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- K-IFRS 1037 *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 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 component of equity, as appropriate, at the date of initial application.

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

- Annual Improvements to K-IFRSs 2018-2020

The annual improvements include amendment to four standards, such as K-IFRS 1109 *Financial Instrument* 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 is effective 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*

These amendments change the requirements of K-IFRS 1001 for disclosure of accounting policies and replaces all terms 'significant accounting policies' with 'Material accounting policy information.'

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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*

The amendment includes an additional condition to the exemption to initial recognition of an asset or liability that a transaction does not give rise to equal taxable and deductible temporary differences at the time of the transaction.

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

The Group does not expect that this amendment has a significant impact on the consolidated financial statements.

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2.3 Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company (and its subsidiaries). Control is achieved where the Group 1) has the power over the investee; 2) is exposed, or has rights, to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

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When the Parent Company loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1109 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.4 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 – *Income Taxes* and K-IFRS 1019 – *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 – *Share-Based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 – *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree and c) the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement-period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement-period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement-period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1109 – *Financial Instruments* or K-IFRS 1037 – *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.5 Investments in Associates and Joint Ventures

Associates are entities over which the Group has significant influence, but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is an objective evidence of impairment for the investment in the associate, the Group recognizes the difference between the recoverable amount of the associate and its book amount as impairment loss.

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2.6 Goodwill

Goodwill resulting from an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognized for goodwill is not reversed in the subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.7 Foreign Currencies

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in currency units (KRW), which is the functional currency of the Parent Company and the presentation currency for the consolidated financial statements.

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; 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.

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For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in currency units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for that 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 and accumulated in equity (attributed to non-controlling interests, as appropriate).

2.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and highly liquid investment assets that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

2.9 Financial Assets

(a) Classification

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

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

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Group 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 Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

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

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

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A. Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group 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.
- **FVTPL:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss.

B. Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments, which 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 continue to be recognized in profit or loss when the right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in profit or loss in the statements of profit or loss, 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 Group 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.

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For debt securities at fair value through other comprehensive income and financial assets measured at amortized costs, expected credit losses are measured at estimation of probability weighted present value calculated as the difference between its cash flows, which are contractually expected to receive during over the life of financial instruments and actually expected to receive discounted at the original effective interest rate.

Lifetime expected losses will be recognized on assets for which there is a significant increase in credit risk after initial recognition. The Group recognizes 12-month expected credit losses in profit or loss where credit risk did not increase significantly.

The Group considers a financial asset to be in default if it meets one or more of the following conditions:

- if a borrower is overdue 90 days or more from the contractual payment date,
- if the Group judges that it is not possible to recover principal and interest without enforcing the collateral on a financial asset

(d) Recognition and Derecognition

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

2.10 Financial Liabilities and Equity Instruments

(a) Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of 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 Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group'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 Group's own equity instruments.

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(c) Hybrid Capital Instruments

The Group classifies issued capital 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 which the Group 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

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

1) Financial liabilities at FVTPL

Financial liabilities are classified as of FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as of FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing in the near term.
- On initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.
- It forms part of a contract containing one or more embedded derivatives, and K-IFRS 1109 permits the entire combined contract to be designated as of FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy).

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However, for financial liabilities that are designated as of FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that is recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

2) Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as of FVTPL are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the amortized cost of a financial liability.

(e) 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 debt instruments.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value, subsequently at the higher of following:

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

(f) Derecognition of financial liabilities

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

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(g) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where 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 liability 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 Group or the counterparty.

2.11 Derivative Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross-currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument; in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives either as hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges) or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(a) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

(b) Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

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At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of the option as a hedging instrument when it used the option contract to hedge the expected transaction. In International Accounting Standard 39(Financial Instrument: Recognition and Measurement), changes in the fair value of an option are immediately recognized in profit or loss. In IFRS 9, changes in the time value of the option associated with the hedged item in other comprehensive income and the accumulated amount of equity is reclassified to profit or loss during the period when the hedged item affects profit or loss or is removed from equity and included directly in the carrying amount of non-financial items.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e., excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognized in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognized non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

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(c) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line item of the consolidated statements of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

(d) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss related to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other non-operating income and expenses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated statements of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated or exercised; or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

2.12 Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment directly attributable to their purchase or construction includes any costs directly attributable to bringing the 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 assets will flow into the Group and the cost of the asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

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The Group 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
Construction	50	Straight line
Leasehold improvements	5	Straight line
Equipment and vehicles	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 Group reviews the depreciation method, the estimated useful lives and 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 property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

2.13 Investment Property

Investment property is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

While land is not depreciated, all other investment property is depreciated based on the respective assets' estimated useful lives ranging from 50 years using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of investment property, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income in the period in which the asset is derecognized.

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2.14 Leases

1-1) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group 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 short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group 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 by using the rate implicit in the lease. If this rate cannot be readily determined, the Group 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 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
- 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 a separate line in the consolidated 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 Group remeasures the lease liability 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 rate or a change in expected payment under a guaranteed residual value, in which case, the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.

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- 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 Group 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 Group 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 Group 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 2.16).

1-2) The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of K-IFRS 1109, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Group applies K-IFRS 1115 to allocate the consideration under the contract to each component.

2.15 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.

(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 Group can demonstrate the technical and economical 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.

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The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

	Useful life (years)
Development costs	3-5
Software	3-5
Industrial property rights	5
Others	3-10

(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.

2.16 Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in making decision on the financial and operating policies of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement, whereby the parties that have joint control over the arrangement have rights to net assets relating to the arrangement. Joint control is the contractually agreed sharing of control over an arrangement that exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The profit for the year and the financial results of the joint ventures and associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case, it is accounted for in accordance with K-IFRS 1105 *Non-Current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in the joint ventures and associates is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the net assets of the joint ventures and associates and any impairment. When the Group's share of losses in the joint ventures and associates exceeds the Group's interest in the associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures and associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint ventures and associates recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

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Upon a loss of significant influence over the joint ventures and associates, the Group discontinues the use of the equity method and measures at fair value of any investment that the Group retains in the former joint ventures and associates from the date when the Group loses significant influence. The fair value of the investment is regarded as its fair value on initial recognition, as a financial asset, in accordance with K-IFRS 1109. The Group recognized differences between the carrying amount and fair value in profit or loss, and it is included in determination of the gain or loss on disposal of joint ventures and associates. The Group accounts for all amounts recognized in other comprehensive income in relation to the joint ventures and associates on the same basis as would be required if the joint ventures and associates had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity profit or loss as a reclassification adjustment.

When the Group's ownership of interest in an associate or a joint venture decreases, but the Group continues to maintain significant influence over an associate or a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that decrease in ownership interest if the gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. Meanwhile, if interest on an associate or a joint venture meets the definition of non-current asset held for sale, it is accounted for in accordance with K-IFRS 1105.

The requirements of K-IFRS 1036 to determine whether there has been a loss event are applied to identify whether it is necessary to recognize any impairment loss with respect to the Group's investment in the associates and joint ventures. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 as a single asset by comparing its recoverable amount (higher of value in use or fair value, less costs to sell) with its carrying amount. Any impairment loss recognized is not allocated to any asset (including goodwill) that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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2.17 Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill 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 Group estimates the recoverable amount of the 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, or 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 the 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 a 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.

2.18 Non-Current Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only, when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with K-IFRS 1109 *Financial Instruments* unless the retained interest continues to be an associate or a joint venture, in which case, the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 Group 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.

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(b) Restructurings

A restructuring provision is recognized when the Group 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.

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group 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. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower one between the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it.

(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* and the amount initially recognized less, where applicable, the cumulative amount of income recognized in accordance with K-IFRS 1115 *Revenue from Contracts with Customers*.

(d) Provision for acceptances and guarantees and provision for unused commitment

Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit card and unused credit line of consumer and corporate loans are recognized using valuation model that applies the credit conversion factor, default rates and loss given default.

2.20 Revenue and Expense Recognition

(a) Interest income and expense

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

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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 Group 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 FVTPL is classified as interest income in the consolidated 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 following:

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 FVTPL, 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.

The commissions and sales commissions that are paid for the participation in negotiations for the third party are recognized as gains and losses at the time the transactions of the third party are completed.

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The Group arranges a syndicated loan, but does not participate in the syndicate or has the same effective gains and losses with other participants; fees on syndicated loan are recognized as gains and losses when the transactions of syndicated loan are completed.

④ Unearned revenue from point programs (customer loyalty program)

The Group operates customer loyalty program to provide customers with incentives to buy their goods or services. If a customer buys goods or services, the entity grants the customer award credits (often described as 'points'). The customer can redeem the award credits for awards, such as free or discounted goods or services. The award credits are accounted separately as identifiable component of the sales transaction(s) in which they are granted (the 'initial sales'). The fair value of the consideration received or receivable with respect to the initial sale shall be allocated between the award credits and the other components of the sale. If the Group supplies the awards itself, it shall recognize the consideration allocated to award credits as revenue when award credits are redeemed and it fulfills its obligation to supply awards. The amount of revenue recognized shall be based on the number of award credits that have been redeemed in exchange for awards, related to the total number expected to be redeemed.

If the third party supplies the awards, the Group shall assess whether it is collecting the consideration allocated to the award credits on its own account (as the principal in the transaction) or on behalf of the third party (as agent for the third party). The amount of revenue recognized shall be net amount retained on its own account.

(c) Dividend income

Dividend income is recognized when the shareholders are entitled to receive dividends. According to the classification of equity securities, dividend income is indicated in the consolidated statements of comprehensive income.

2.21 Employee Benefits

(a) Short-term employee benefits

Short-term employee benefits are defined as employee benefits that fall due within 12 months after the end of the reporting period in which the employees render the related service. The Group recognizes the undiscounted amount of short-term employee benefits expecting payment in exchange for the services when the employee renders services.

(b) Other long-term employee benefits

If the Group does not pay employee benefits within 12 months from the end of the reporting period after providing services, other long-term employee benefits are discounted by present value of future benefits based on current and past terms. These benefits are also recognized as liabilities after deducting fair value of plan assets that can directly pay relevant liabilities. The liabilities are determined after discounting estimated future cash flow by using interest rate of sound finance bonds that have similar maturity with related benefits. Gains and losses arising from remeasurement are recognized as amount of total gains and losses during the period of events.

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(c) Postemployment benefit costs and termination benefits

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 consolidated statements of financial position, with a charge or credit recognized in other comprehensive income in the period in which they occur. 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, past service cost, as well as gains and losses on curtailments and settlements), net interest expense (income) and remeasurement.

The Group 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 obligation recognized in the consolidated statements of financial position represents the actual deficit or surplus in the Group'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.

A liability for a termination benefit is recognized at the earlier of when the 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.

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(d) Share-based payments

i) Share-based payment

Equity-settled share-based payment granted to employees and others providing similar services are measured at fair value of equity instruments at grant date. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Refer to Note 34 for details of determination of fair value of equity-settled share-based payment.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to be vested as a result of a vesting condition other than a market condition. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment in other component of equity.

Equity-settled share-based payments granted to parties other than employee are measured at fair value of the goods or services received. However, if the fair value of goods or services received cannot be estimated reliably, the Group measures the goods or services received by reference to the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders service.

For the cash-settled share-based payment, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

ii) Share-based payment transactions of business combination of acquiree

The Group measures replacement of an Group's share-based payment transactions (hereinafter referred to as 'replacement award') with share-based payment transactions of the acquiree (hereinafter referred to as 'acquiree's payment') in accordance with the method in K-IFRS 2 *Share-Based Payment* at the acquisition date ('market-based measure'). The portion of the replacement award is the market-based measure of the acquiree award multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award. Any excess of the market-based measure of the replacement award over the market-based measure of the acquiree award is recognized as remuneration cost of postcombination service.

However, in situations in which acquiree awards would expire as a consequence of a business combination and if the acquirer replaces those awards when it is not obliged to do so, replacement awards are measured at market-based measure in accordance with K-IFRS 1102. All of the market-based measure of the replacement awards is recognized as remuneration cost in the postcombination services.

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If the Group does not exchange its share-based payment transactions for equity-settled share-based payment transactions held by employee of acquiree as of the acquisition date, the equity-settled share-based payment transactions are measured at their market-based measure at the acquisition date. If the acquiree's share-based payment transactions are vested, those acquiree share-based payment transactions are part of the non-controlling interest in the acquiree. If acquiree's share-based payment transactions are unvested, the market-based measure of unvested share-based payment transactions is allocated to the non-controlling interest on the basis of the ratio of the portion of the vesting period completed to the greater of the total vesting period and the original vesting period of the share-based payment transaction. The balance is allocated to postcombination service.

2.22 Income Tax Expense

Income tax expense consists of current and deferred taxes.

In accordance with the Korean Corporate Tax Act, the Group and its 100%-owned domestic subsidiaries have filed a consolidated tax return. Accordingly, the Group recognizes total corporate income tax due as a current tax liability and the amounts due from subsidiaries as loans and receivables. The Group applies the consolidated taxation system, the way that the Group reports and pays income tax based on the total amount of income regarding the Group and all domestic subsidiaries on which the Group 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 Group recognizes total amount of tax payables in accordance with the consolidated corporate tax system as a parent Group 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 consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other periods. The Group'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 consolidated 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.

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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 Group 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 to utilize the benefits of the temporary differences 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 asset 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 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group shall offset deferred tax assets and deferred tax liabilities if, and only if, the Group 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.

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(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.

2.23 Accounting for Trust Accounts

In accordance with the Financial Investment Services and Capital Market Act, the Group establishes savings accounts under trust agreements ("trust account") separately from its bank accounts and administers the funds for the benefit of one or more beneficiaries. Funds transferred between a bank account and trust account are recognized as due to/from trust accounts. The fees and commissions received from trust accounts are recognized when the Group provides services to the trust accounts.

With respect to certain trust account products, the Group guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to the Group accounts and receiving compensating contributions from the Group accounts of the Group. If the Group pays compensating contributions to the trusts with the guaranteed return to cover such deficiencies, these contributions are reflected as operating expense of the Group accounts and as other income of the trust accounts.

2.24 Fair Value

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 Group 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 consolidated 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 1017 *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*.

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In addition, for financial reporting purposes, fair value measurements are categorized into Levels 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.25 Operating Segments

The Group makes a decision about resources to be allocated within segments and divides segments based on internal reports for management to evaluate performances regularly. Each segment consists of the Group's own strategic business units. The segments provide their products and services, and they are separately operated by their business units due to the difference between technical and marketing strategies.

2.26 Approval of Issuance of the Consolidated Financial Statements

The consolidated financial statements for the 2021 reporting period of the Group 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.

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3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS:

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgement in applying the Group'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) Fair value of financial instruments

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

(b) Expected credit losses for financial instruments

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

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

The Group derived correlations between the long-term data over the past 10 years, major macroeconomic variables and then reflected future forecast information through regression estimation. The major macroeconomic variables identified by the Group are GDP growth rate, facility investment growth rate, housing price indices, current account (difference), export goods growth rate, leading composite index, and etc.

Forward-looking information used in calculation of expected credit loss is based on the macroeconomic forecasts utilized by the governments and public institutions, such as the Bank of Korea and Korea Development Institute with comprehensive approach to capture the possibility of various economic forecast scenarios.

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(c) Uncertainty due to the pandemic of Coronavirus Infectious Disease 19 ("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 Group's expected credit losses for certain portfolios and a decline in the fair value of financial instruments.

The Group 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 financial statements may change. The Group is continuously monitoring the impact of COVID-19 through the key market indicators, delinquency rates and liquidity ratios.

Matters related to the fair value of financial instruments are described in Note 6, and at the end of the current-year exposures by major industry are as follows when significant accounting estimates and assumptions are changed due to COVID-19:

(In millions of Korean won)

		2021								
		Loans								
		Twelve months expected credit losses		Lifetime expected credit losses				Provision for impairment		
				Unrecognized impairment		Recognized impairment		Subtotal		
Aviation, Travel and										
Hotel	₩	265,071	₩	1,000,057	₩	229	₩	1,265,357	₩	25,967
Refining, Gas and										
Petrochemical		630,605		164,258		4,657		799,520		7,372
Logistics		1,922,290		392,664		11,045		2,325,999		14,908
Restaurant		269,414		753,413		2,123		1,024,950		12,807
Small Enterprise		1,131,615		76,165		3,948		1,211,728		6,331
	₩	4,218,995	₩	2,386,557	₩	22,002	₩	6,627,554	₩	67,385

(In millions of Korean won)

2021										
Receivables										
		Twelve months expected credit losses		Lifetime expected credit losses				Subtotal	Provision for impairment	
				Unrecognized impairment		Recognized impairment				
Aviation, Travel and										
Hotel	₩	326	₩	1,835	₩	-	₩	2,161	₩	98
Refining, Gas and										
Petrochemical		1,085		187		2		1,274		11
Logistics		2,787		679		42		3,508		53
Restaurant		456		1,134		-		1,590		25
Small Enterprise		3,910		376		14		4,300		56
	₩	8,564	₩	4,211	₩	58	₩	12,833	₩	243

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(In millions of Korean won)

		2021					
		Loan commitments					
		Twelve months expected credit losses	Lifetime expected credit losses		Subtotal		Provision
			Unrecognized impairment	Recognized impairment			
Aviation, Travel and Hotel	₩	11,037	₩ 40,116	₩ -	₩ 51,153	₩	1,417
Refining, Gas and Petrochemical		139,483	3,577	-	143,060		347
Logistics		151,289	13,369	-	164,658		584
Restaurant		12,282	11,004	-	23,286		262
Small Enterprise		58,938	4,950	-	63,888		450
	₩	<u>373,029</u>	₩ <u>73,016</u>	₩ <u>-</u>	₩ <u>446,045</u>	₩	<u>3,060</u>

(In millions of Korean won)

		2021					
		Confirmed acceptances and guarantees					
		Twelve months expected credit losses	Lifetime expected credit losses		Subtotal		Provision
			Unrecognized impairment	Recognized impairment			
Aviation, Travel and Hotel	₩	57,315	₩ 10,373	₩ -	₩ 67,688	₩	2,790
Refining, Gas and Petrochemical		18,737	1,462	-	20,199		82
Logistics		56,111	2,769	2	58,882		284
Restaurant		-	-	-	-		-
Small Enterprise		331	-	-	331		-
	₩	<u>132,494</u>	₩ <u>14,604</u>	₩ <u>2</u>	₩ <u>147,100</u>	₩	<u>3,156</u>

Meanwhile, despite the economic contraction caused by COVID-19, the Group's actual default rate has been stable due to various government support policies.

In order to reflect the potential default risk, some of the borrowers from industries that are highly influenced by COVID-19 and borrowers who are deferred in payment of interest and deferred in repayment in installments were classified as borrowers with a significant increase in credit risk, and additional credit loss allowance was recognized. The exposure and credit loss allowance of those borrowers are as follows:

		2021		2020	
Exposure	₩	3,498,195	₩	1,737,851	
Credit loss allowance		120,295		84,953	

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4. FINANCIAL RISK MANAGEMENT:

4.1 General

(a) General risk management policy

The Group is exposed to various financial risks, such as credit, liquidity, market and operational, associated with financial instruments. These risks are recognized, measured and reported in accordance with risk management guidelines established at the Parent Company level and implemented at the subsidiary level.

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

The Group's risk management system has 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 Group realizes the important risks, such as credit, market, operational, credit concentration, interest rate, liquidity, strategy and reputation. It measures and manages the quantitative economic capital or value at risk ("VaR") by using the statistical method.

(b) Organization of risk management

i) Risk management committee

The risk management committee establishes a risk management strategy in accordance with the strategic direction chosen by the board of directors, determines the possible level of risk and manages the level of risk that the Group faced and the condition of risk management activities as a top decision-making organization.

ii) Risk management council

Risk management council is responsible for coordinating with the risk management units of subsidiaries to ensure that they implement the policies, guidelines and limits established by the risk management committee. The Group's risk management council is composed of the Group's chief risk management officer and the chief risk management officers of subsidiaries.

iii) Risk management division

The Group's risk management division performs detailed risk policies, procedures and business processes of risk management, and is responsible for managing and monitoring the limit of the Group's economic capital.

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4.2 Credit Risk

(a) General

The credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's loan, card assets and securities. The Group considers all the elements of individual borrower's credit risk exposure, including default and breach.

(b) Risk management framework

The Group assesses its required expected loss and economic capital by managing all credit exposures on or off-balance sheet.

The Group establishes and manages total exposure limits for borrowers and industries in order to optimize the use of credit availability and avoid excessive risk concentration.

The credit management division and management planning division manage the credit risk by integrating and establishing credit policy, monitoring loan portfolios and restructuring the loans independently from the marketing division. The risk management division conducts the measurement of the economic capital, total exposure management, credit evaluation and approval and reviews the credit evaluation model.

(c) Maximum exposure to credit risk

The Group's maximum exposure of financial instruments, except for equity securities to credit risk that does not consider value of collateral as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		2020	
On balance				
Cash and due from banks	₩	3,995,197	₩	3,352,279
Financial assets at FVTPL		5,310,074		4,317,172
Financial assets at fair value through other comprehensive income		4,968,436		5,179,080
Financial assets at amortized cost		8,734,540		7,877,347
Loans		97,293,360		86,360,022
Receivables		1,405,893		1,340,632
Derivative assets		33,905		79,026
		<u>121,741,405</u>		<u>108,505,558</u>
Off balance				
Guarantees and acceptances		1,280,474		1,137,761
Loan commitments		23,019,015		21,967,307
		<u>24,299,489</u>		<u>23,105,068</u>
	₩	<u>146,040,894</u>	₩	<u>131,610,626</u>

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(d) Analysis of credit quality of financial assets

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

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

The gross carrying amount of loans, receivables and debt securities by credit risk grade as of December 31, 2021, is as follows:

(In millions of Korean won)

2021												
Loans and receivables								Debt securities				
Loans				Receivables				Fair value through other comprehensive income		Amortized cost		
Lifetime expected credit losses			Lifetime expected credit losses							Twelve months		
Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment			Twelve months expected credit losses	Twelve months expected credit losses	months expected credit losses		
						Subtotal					Subtotal	
Grade 1	₩ 45,412,016	₩ 932,494	₩ -	₩ 404,026	₩ 1,380	₩ -	₩ 46,749,916	₩ 4,968,436	₩ 8,737,235	₩ 13,705,671		
Grade 2	27,357,849	4,430,599	-	82,597	8,173	-	31,879,218	-	-	-		
Grade 3	7,646,305	5,488,282	-	20,307	12,452	-	13,167,346	-	-	-		
Grade 4	440,308	2,603,081	498,875	1,145	6,688	1,069	3,551,166	-	-	-		
Non-graded	3,138,173	73,967	-	868,799	3,432	727	4,085,098	-	630	630		
	₩ 83,994,651	₩ 13,528,423	₩ 498,875	₩ 1,376,874	₩ 32,125	₩ 1,796	₩ 99,432,744	₩ 4,968,436	₩ 8,737,865	₩ 13,706,301		

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of December 31, 2021, is as follows:

(In millions of Korean won)

2021										
Loan commitments					Guarantees and acceptances					
Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal	twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal			
Grade 1	₩ 14,531,735	₩ 83,174	₩ -	₩ 14,614,909	₩ 370,618	₩ 7,304	₩ 377,922			
Grade 2	4,466,382	569,235	-	5,035,617	465,005	122,923	587,928			
Grade 3	1,066,410	520,976	-	1,587,386	164,105	104,087	268,192			
Grade 4	61,946	117,186	283	179,415	82	22,734	31,432			
Non-graded	637,740	2,900	-	640,640	15,000	-	15,000			
	₩ 20,764,213	₩ 1,293,471	₩ 283	₩ 22,057,967	₩ 1,014,810	₩ 257,048	₩ 1,280,474			

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The gross carrying amount of loans, receivables and debt securities by credit risk grade as of December 31, 2020, is as follows:

(In millions of Korean won)	2020																					
	Loans and receivables								Debt securities													
									Fair value through other comprehensiv e income	Amortized cost												
	Loans				Receivables																	
	Lifetime expected credit losses				Lifetime expected credit losses																	
	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal	Twelve months expected credit losses	Twelve months expected credit losses	Subtotal												
Grade 1	₩	39,862,734	₩	246,538	₩	-	₩	263,249	₩	461	₩	-	₩	40,372,982	₩	5,179,080	₩	7,878,849	₩	13,057,929		
Grade 2		24,524,870		2,868,053		-		119,983		6,811		-		27,519,717		-		-		-		
Grade 3		7,754,440		5,208,902		-		28,229		14,676		-		13,006,247		-		-		-		
Grade 4		65,066		2,818,599		604,107		4,459		12,723		3,497		3,508,451		-		-		-		
Non-graded		3,100,797		43,021		-		892,473		323		152		4,036,766		-		1,021		1,021		
	₩	75,307,907	₩	11,185,113	₩	604,107	₩	1,308,393	₩	34,994	₩	3,649	₩	88,444,163	₩	5,179,080	₩	7,879,870	₩	13,058,950		

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of December 31, 2020, is as follows:

(In millions of Korean won)		2020														
		Loan commitments						Guarantees and acceptances								
		Lifetime expected credit losses				Subtotal		Lifetime expected credit losses				Subtotal				
		Twelve months expected credit losses	Unrecognized impairment	Recognized impairment				Twelve months expected credit losses	Unrecognized impairment	Recognized impairment						
Grade 1	₩	13,422,842	₩	43,681	₩	-	₩	13,466,523	₩	208,491	₩	1,042	₩	-	₩	209,533
Grade 2		4,635,919		459,091		-		5,095,010		493,651		102,876		-		596,527
Grade 3		1,115,928		571,740		-		1,687,668		171,556		75,812		-		247,368
Grade 4		11,156		142,226		68		153,450		-		24,500		14,633		39,133
Non-graded		522,468		15,429		-		537,897		45,200		-		-		45,200
	₩	19,708,313	₩	1,232,167	₩	68	₩	20,940,548	₩	918,898	₩	204,230	₩	14,633	₩	1,137,761

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(e) Concentration analysis of credit risk

Details of loans and debt securities by borrower's country and industry as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Loans	Debt securities		
		Fair value through other comprehensive income	Amortized cost	Subtotal
Country:				
The Republic of Korea	₩ 97,082,080	₩ 4,948,608	₩ 8,702,334	₩ 13,650,942
China	63,570	-	-	-
Others	876,299	19,828	35,531	55,359
	<u>₩ 98,021,949</u>	<u>₩ 4,968,436</u>	<u>₩ 8,737,865</u>	<u>₩ 13,706,301</u>
Industry:				
Mining	₩ 35,095	₩ 89,890	₩ -	₩ 89,890
Manufacturing	19,886,862	-	-	-
Electricity, gas, steam and water service	549,777	80,273	419,701	499,974
Construction	2,847,081	275,839	488,859	764,698
Wholesale and retail	9,016,870	-	-	-
Transportation	2,248,880	148,617	203,338	351,955
Lodging and restaurant business	3,787,827	-	-	-
Publishing, visual entertainment, broadcasting and information	402,254	-	2,004	2,004
Financial and insurance business	2,409,589	1,544,851	2,710,244	4,255,095
Real estates and lease business	16,417,735	337,834	656,227	994,061
Business facility management and business support services	632,847	20,156	60,000	80,156
Public, national defense and social security system	449,579	2,401,409	4,126,862	6,528,271
Associations, organizations and household	4,462,077	69,567	70,000	139,567
Others	34,875,476	-	630	630
	<u>₩ 98,021,949</u>	<u>₩ 4,968,436</u>	<u>₩ 8,737,865</u>	<u>₩ 13,706,301</u>

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	2020			
	Debt securities			Subtotal
	Loans	Fair value through other comprehensive income	Amortized cost	
Country:				
The Republic of Korea	₩ 85,795,123	₩ 5,179,080	₩ 7,858,128	₩ 13,037,208
China	122,585	-	-	-
Others	1,179,419	-	21,742	21,742
	<u>₩ 87,097,127</u>	<u>₩ 5,179,080</u>	<u>₩ 7,879,870</u>	<u>₩ 13,058,950</u>
Industry:				
Mining	₩ 35,465	₩ 76,995	₩ -	₩ 76,995
Manufacturing	19,364,235	-	-	-
Electricity, gas, steam and water service	530,607	183,056	499,515	682,571
Construction	2,594,957	300,428	479,653	780,081
Wholesale and retail	7,739,484	-	-	-
Transportation	2,073,070	220,596	143,356	363,952
Lodging and restaurant business	3,263,216	-	-	-
Publishing, visual entertainment, broadcasting and information	366,886	-	-	-
Financial and insurance business	2,041,168	1,980,132	2,651,975	4,632,107
Real estates and lease business	13,728,911	403,665	548,411	952,076
Business facility management and business support services	509,830	19,968	80,000	99,968
Public, national defense and social security system	333,591	1,918,344	3,458,503	5,376,847
Associations, organizations and household	3,563,057	75,896	10,000	85,896
Others	30,952,650	-	8,457	8,457
	<u>₩ 87,097,127</u>	<u>₩ 5,179,080</u>	<u>₩ 7,879,870</u>	<u>₩ 13,058,950</u>

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4.3 Liquidity Risk

(a) General

Liquidity risk is the risk that the Group is unable to meet its payment obligations arising from financial liabilities as they fall due. The Group classifies and discloses contractual maturity of all financial liabilities into six categories in relation to liquidity risk, such as immediately payable, less than one month, one month to three months, three months to one year, less than one year, one year to five years and more than five years. Although off-balance-sheet items, such as loan commitment and financial guarantees, have contractual maturities, they are separately disclosed, as the Group will pay them immediately upon counterparty's request for payment.

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

(b) Liquidity risk management

General principles and the overall framework for managing liquidity risk across the Group are defined in the liquidity risk policy by risk management regulation, risk management instruction and liquidity risk manual.

All transactions that affect inflows and outflows of Korean/foreign currency funds across the Group are subject to the liquidity risk management. Liquidity risk is centrally managed and controlled by the Financial Planning Department, which reports its analysis and statics of the liquidity, including liquidity gap, liquidity ratio, maturity mismatch ratio and liquidity risk situation, to the asset-liability management committee ("ALCO"). The financial strategies that are required to achieve the Group's risk management goal, including liquidity risk management, are set out and overseen by the ALCO.

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(c) Remaining contractual maturity analysis of non-derivative and derivative financial liabilities

The Group's non-derivative financial liabilities as of December 31, 2021 and 2020, are summarized by remaining contractual maturity as follows:

(In millions of Korean won)

	2021					
	Less than one month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than five years	Total
Financial liabilities ¹:						
Deposits	₩44,296,568	₩12,406,231	₩35,014,211	₩ 3,436,657	₩ 214,558	₩95,368,225
Financial liabilities designated as at FVTPL	21,611	70,721	111,328	1,922	-	205,582
Borrowings	3,034,346	872,834	1,624,325	1,876,587	441,126	7,849,218
Debentures	710,606	1,675,656	3,216,317	7,963,546	399,055	13,965,180
Other financial liabilities ²	2,190,006	47,392	163,349	338,752	211,815	2,951,314
	<u>₩50,253,137</u>	<u>₩15,072,834</u>	<u>₩40,129,530</u>	<u>₩13,617,464</u>	<u>₩1,266,554</u>	<u>₩120,339,519</u>
Derivative liabilities:						
Derivatives for hedging ³	₩ -	₩ -	₩ -	₩ -	₩ 3,862	₩ 3,862
Derivatives for trading ³	1,412	8,165	10,970	10,022	-	30,569
	<u>₩ 1,412</u>	<u>₩ 8,165</u>	<u>₩ 10,970</u>	<u>₩ 10,022</u>	<u>₩ -</u>	<u>₩ 30,569</u>

¹ Principal and interest are included in financial liabilities.

² Consist of other payables, accrued expenses and leasehold deposits received and others.

³ Estimate the cash flows by offsetting cash inflow and cash outflow.

(In millions of Korean won)

	2020					
	Less than one month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than five years	Total
Financial liabilities ¹:						
Deposits	₩40,959,828	₩10,646,310	₩29,457,942	₩ 2,272,864	₩ 210,362	₩83,547,306
Borrowings	3,008,209	1,040,585	1,084,725	1,411,968	346,244	6,891,731
Debentures	549,189	1,073,396	2,627,260	6,695,070	627,946	11,572,861
Other financial liabilities ²	1,979,072	31,952	153,164	195,372	311,971	2,671,531
	<u>₩46,496,298</u>	<u>₩12,792,243</u>	<u>₩33,323,091</u>	<u>₩10,575,274</u>	<u>₩1,496,523</u>	<u>₩104,683,429</u>
Derivative liabilities:						
Derivatives for hedging ³	₩ -	₩ -	₩ -	₩ -	₩ 1,004	₩ 1,004
Derivatives for trading ³	13,554	20,505	21,142	8,337	-	63,538
	<u>₩ 13,554</u>	<u>₩ 20,505</u>	<u>₩ 21,142</u>	<u>₩ 8,337</u>	<u>₩ 1,004</u>	<u>₩ 64,542</u>

¹ Principal and interest are included in financial liabilities.

² Consist of other payables, accrued expenses and leasehold deposits received and others.

³ Estimate the cash flows by offsetting cash inflow and cash outflow.

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(d) Marginal residual maturity (payment guarantee, commitments and others)

Guarantees, loan commitments and other credit facilities provided by the Group have maturities. However, if the counterparty requests the payment immediately, the payment must be fulfilled. The off-balance-sheet items as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Guarantees	₩	1,280,474	₩	1,137,761
Loan commitments		23,019,015		21,967,307
	₩	<u>24,299,489</u>	₩	<u>23,105,068</u>

4.4 Market Risk

(a) General

Market risk is the risk to the Group's earnings arising from changes in interest rates, stock price, currency exchange rates and commodity prices. It is derived from loans, deposits, securities and derivatives, and generated through both trading and non-trading positions. The trading market risk that the Group is mainly exposed to is the interest rate risk arising from the change in the value of debt instruments and interest rate-embedded securities due to changes in market interest rate. The Group is additionally exposed to stock price and foreign exchange rate fluctuation risk arising from loans, receivables, deposits, securities and financial derivatives.

(b) Market risk management

The Group monitors and sets up the economic capital limit of market risk and interest rate risk to manage trading and non-trading positions. To manage market risk effectively, trading position enforces trading policy regulation and market risk manual, while non-trading position enforces interest rate risk manual, risk management system and procedure. All such processes are approved by the Group's ALCO and risk management council.

The Group's risk management council establishes overall market risk management principles. It has delegated the responsibility of the market risk management for trading activities to the Market Risk Management Subcommittee of the Group. Based on the policies approved by the Group's risk management council, the Market Risk Management Subcommittee reviews and approves reports as required that include trading profits and losses, position reports, limit utilization, sensitivity analysis and VaR results from the trading activities.

Determination of interest rate and commission rate, enactment and amendment of asset-liability management ("ALM") risk management policy and interest rate and commission rate guidelines, and analysis of monthly ALM risks are the responsibilities of the ALCO. Interest rate risk limits are determined based on asset-liability position and expected interest rate volatility considering annual operational planning, and are centrally measured and monitored by the financial planning team. Responsibility for management of interest rate risks, such as interest rate gap, duration gap, sensitivity and compliance, with interest rate risk limits policy resides with the Risk Management department, which reports the results to the ALCO on a monthly basis.

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(c) Market risk management for trading activities

a. Definition of trading position

The trading position in accordance with 'Regulation of Trading Policy' is subject to the trading market management. The basic requirements of the trading position are as follows:

- The target position is not restricted to the sale. It is daily evaluated at fair value and should be a hedge against important risks in the market.
- The trading position should be controlled by the instruction of the trading policy and managed by a separate trading department.
- The target position is operated in accordance with a documented trading strategy and the limit of trading should be controlled.
- Without the prior approval, a professional dealer or an operation division for the target position should be authorized to handle transactions within the predetermined limit.
- The target position to control risk should be periodically reported to management.

b. Measurement of market risk occurring at trading position

The Group measures market risk as VaR that is calculated by market risk management system. It generally manages market risk arising from the trading position at the level of the portfolio.

To manage the market risk, the Group monitors and sets up the economic capital limit based on VaR. It sets up and monitors the economic capital limit, position limit and loss cut within the economic capital limit. According to the regulations and rules of the Financial Supervisory Service, the Group controls and manages risks of derivative transactions.

c. VaR

① VaR measurement

The Group uses daily VaR to measure market risk. Daily VaR is a statistically estimated maximum amount of loss that could occur in one day under normal distribution of financial variables. The Group uses a 99% single-tail confidence level, based on past 250 business days, to measure daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique; however, this approach does have some shortcomings.

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The VaR measures the potential loss in value of a risky asset or portfolio based on historical market movements over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market movements reflect all future conditions and circumstances, which results in variance in actual loss timing and size due to the changes in assumptions used in the calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be sufficient holding periods before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Back testing

The Group conducts back testing on a daily basis to validate the adequacy of market risk. In back testing, the Group compares both the actual and hypothetical profit and loss with the VaR calculations, and analyzes any results that fall outside its predetermined confidence interval of 99%.

③ Stress testing

The Group uses stress testing to assess market risk exposure to abnormal market fluctuations, such as interest rate, equity price, exchange rate and implied volatility of derivatives. The Group uses not only historical scenarios as a main scenario, but also hypothetical scenarios as a supplementary analysis. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. Stress testing is conducted at least more than once within a quarter.

i) Busan Bank

The following table shows VaR as of December 31, 2021 and 2020, at 99% confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities:

(In millions of Korean won)	2021			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 303	₩ 175	₩ 257	₩ 330
Equity price risk	811	46	217	93
Foreign exchange rate risk	399	150	200	114
Diversification	(250)	(118)	(198)	(158)
Total VaR	₩ 1,263	₩ 253	₩ 476	₩ 379

(In millions of Korean won)	2020			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 506	₩ 463	₩ 526	₩ 261
Equity price risk	-	35	17	-
Foreign exchange rate risk	1,010	218	357	403
Diversification	(448)	(377)	(249)	(124)
Total VaR	₩ 1,068	₩ 339	₩ 651	₩ 540

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ii) Kyongnam Bank

The following table shows VaR as of December 31, 2021 and 2020, at 99% confidence level for a one-day holding period, for interest rate risk, equity price risk and foreign exchange rate risk related to trading activities:

(In millions of Korean won)	2021			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 246	₩ 160	₩ 264	₩ 255
Equity price risk	719	2	231	36
Foreign exchange rate risk	26	5	27	15
Diversification	(98)	(5)	(45)	(11)
Total VaR	₩ 893	₩ 162	₩ 477	₩ 295

(In millions of Korean won)	2020			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 100	₩ 67	₩ 121	₩ 162
Equity price risk	486	6	81	7
Foreign exchange rate risk	6	2	10	12
Diversification	(55)	(6)	(23)	(14)
Total VaR	₩ 537	₩ 69	₩ 189	₩ 167

The total VaR becomes smaller than the total of interest rate risk, equity price risk and foreign exchange rate risk due to diversification effect.

d. Details by risk factors

① Interest rate risk

Interest rate risk from trading activities arises mainly from the Group's trading of Korean-won-denominated debt securities. The Group's trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As the Group's trading accounts are marked to market daily, it manages the interest risk related to its trading accounts using market value-based tools, such as VaR and sensitivity analysis.

② Equity price risk

Equity price risk results from the Group's equity trading portfolio in Korean won since it does not have any trading exposure to shares denominated in foreign currencies. The equity trading portfolio in Korean won consists of exchange-traded stocks and nearest-month or second-nearest-month futures contracts under the strict diversified investment limits. The Group's risk management council sets annual and monthly stop-loss limits, position limits and sensitivity limits that are daily monitored by its Risk Management department.

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③ Foreign exchange rate risk

Foreign exchange rate risk arises because the Group has assets and liabilities that are denominated in currencies other than Korean won, as well as off-balance-sheet items, such as foreign exchange forwards and currency swaps. Assets and liabilities denominated in U.S. dollars, Japanese yen and Euro are typically accounted for the majority of the Group's foreign currency assets and liabilities. The Group oversees its foreign exchange rate exposure for both trading and non-trading purposes by establishing a limit for net foreign currency open position, together with stop-loss limits.

		2021											
		USD		JPY		EUR		CNY		Others			
(In millions of USD, JPY, EUR, CNY and in millions of Korean won)		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Korean won equivalent			
Assets	Cash and cash equivalents	387	₩ 458,672	9,090	₩ 93,651	50	₩ 33,668	123	₩ 40,207	₩ 39,729			
	Financial assets at FVTPL	51	60,024	-	-	-	-	-	-	-			
	Financial assets at fair value through other comprehensive income	86	101,493	-	-	-	-	-	-	-			
	Financial assets at amortized cost	87	102,615	-	-	-	-	-	-	-			
	Loans and receivables	1,489	1,755,497	15,677	161,508	60	66,257	546	117,160	149,682			
		2,100	2,478,301	24,767	255,159	110	99,925	669	157,367	189,411			
Liabilities	Deposit liabilities	807	957,030	9,559	98,486	71	55,346	235	59,174	28,348			
	Borrowings	1,275	1,511,099	11,220	115,591	6	6,214	151	52,614	126,898			
	Other liabilities	141	167,503	981	10,105	8	4,665	15	3,724	820			
		2,223	₩ 2,635,632	21,760	₩ 224,182	85	₩ 66,225	401	₩ 115,512	₩ 156,066			
		2020											
		USD		JPY		EUR		CNY		Others			
(In millions of USD, JPY, EUR, CNY and in millions of Korean won)		Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Foreign currency	Korean won equivalent	Korean won equivalent			
Assets	Cash and cash equivalents	422	₩ 459,500	6,962	₩ 73,396	49	₩ 66,178	144	₩ 24,002	₩ 29,021			
	Financial assets at FVTPL	39	42,192	-	-	-	-	-	-	-			
	Financial assets at fair value through other comprehensive income	85	92,083	-	-	-	-	-	-	-			
	Financial assets at amortized cost	77	83,687	-	-	-	-	-	-	-			
	Loans and receivables	1,475	1,605,112	18,052	190,315	55	73,212	655	109,330	50,243			
		2,098	2,282,574	25,014	263,711	104	139,390	799	133,332	79,264			
Liabilities	Deposit liabilities	1,019	1,108,356	9,171	96,682	41	54,300	315	52,634	17,297			
	Borrowings	571	621,776	12,835	135,319	32	43,206	172	28,753	42,065			
	Other liabilities	251	273,032	1,028	10,841	6	8,312	76	12,636	778			
		1,841	₩ 2,003,164	23,034	₩ 242,842	79	₩ 105,818	563	₩ 94,023	₩ 60,140			

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(d) Market risk management for non-trading activities

a. Definition of non-trading position

The Group's principal market risk from non-trading activities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or repricing periods of the rate-sensitive assets and liabilities. The Group measures interest rate risk for Korean won and foreign currency assets and liabilities in its bank accounts (including derivatives) and its principal-guaranteed trust accounts. Most of its interest-earning assets and interest-bearing liabilities are denominated in Korean won, and its foreign-currency-denominated assets and liabilities are mostly denominated in U.S. dollars.

b. Measurement of market risk occurring at non-trading position

The Group's principal interest rate risk management objectives are to generate stable net interest revenues and to protect its asset value against interest rate fluctuations. The Group principally manages this risk for its non-trading activities by analyzing and managing maturity and duration gaps between its interest-earning assets and interest-bearing liabilities.

4.5 Operational Risk

(a) General

The Group defines operational risk broadly to include all financial and non-financial risks that may arise from its operations that could negatively affect its capital.

(b) Operational risk management

The Group's operational risk management objectives include not only satisfying regulatory requirements, but also providing internal support through the encouragement of a strong risk management culture, reinforcement of internal controls, improvement of work processes and provision of timely feedback to management members and staff throughout the Group.

4.6 Capital Management

In accordance with financial holding Group regulations, the Group is required to maintain a minimum 8% of the capital adequacy ratio. The capital adequacy ratio must correspond to the standard of capital regulation of the Bank for International Settlements ("BIS"), and is calculated by dividing own capital by asset (weighted with a risk premium – risk-weighted assets) based on the consolidated financial statements of a holding group. The Group calculates its capital adequacy ratio under Basel I, according to the Regulation on the Supervision of Financial Holding Companies.

In accordance with financial holding group regulations, the Group must maintain the share capital-common ratio of 7.0%, Tier 1 capital ratio of 8.5% and total capital ratio of 10.5% as of December 31, 2021.

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The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Group bears. The Group computes the risk-weighted asset by risk (credit, market and operational) and uses it for calculation of BIS capital ratio.

The Group's BIS capital ratios as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Share capital - common (A)	₩	7,908,727	₩	7,679,421
Other basic capital (B)		1,194,486		1,205,259
Tier 2 capital (C)		664,404		1,130,275
Total capital (D)	₩	9,767,617	₩	10,014,955
Credit risk-weighted assets	₩	65,166,763	₩	70,352,853
Market risk-weighted assets		1,110,013		656,986
Operational risk-weighted assets		5,491,154		5,039,451
Total risk-weighted assets (E)	₩	71,767,930	₩	76,049,290
Share capital - common ratio (A/E) (%)		11.02		10.10
Tier 1 capital ratio ((A+B)/E) (%)		12.68		11.68
Total capital ratio (D/E) (%)		13.61		13.17

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5. OPERATING SEGMENT INFORMATION:

(a) Segment report and division information

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

Operations by divisions for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021						Total	Adjustment	Consolidated financial statements
	Busan Bank	Kyongnam Bank	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank	Others			
Net interest income (expenses)	₩ 1,301,147	₩ 881,171	₩ 324,633	₩ 49,791	₩ 50,063	₩ (23,413)	₩ 2,583,392	₩ (11,565)	₩ 2,571,827
Net commission income	126,825	72,979	44,369	189,804	4,312	36,514	474,803	(14,403)	460,400
Net gain on financial assets at FVTPL	17,472	29,021	30,110	106,009	1,207	5,475	189,294	(13,012)	176,282
Net gain on financial assets at fair value through other comprehensive income	8,723	3,708	0	290	0	0	12,721	(2)	12,719
Net loss on financial assets at amortized cost	3,554	(1,111)	0	0	0	0	2,443	0	2,443
Reversal of provision for credit loss and others (contribution to)	(75,827)	(92,068)	(169,961)	(12,838)	(3,156)	13,395	(340,455)	(42)	(340,497)
General and administrative expenses	(734,900)	(482,895)	(91,578)	(186,246)	(20,411)	(89,507)	(1,605,537)	7,869	(1,597,668)
Other operating income (expenses), net	(113,789)	(95,190)	32,590	(8,582)	(4,533)	290,129	100,625	(294,112)	(193,487)
Operating profit	533,205	315,615	170,163	138,228	27,482	232,593	1,417,286	(325,267)	1,092,019
Non-operating income (expenses), net	(166)	(12,280)	7,209	15,701	720	(314)	10,870	20,293	31,163
Profit before income tax	533,039	303,335	177,372	153,929	28,202	232,279	1,428,156	(304,974)	1,123,182
Income tax expense	(130,461)	(72,781)	(44,184)	(37,878)	(6,656)	(6,234)	(298,194)	9,261	(288,933)
Profit for the year	₩ 402,578	₩ 230,554	₩ 133,188	₩ 116,051	₩ 21,546	₩ 226,045	₩ 1,129,962	₩ (295,713)	₩ 834,249
Total assets	₩67,077,755	₩46,628,812	₩8,444,534	₩3,995,983	₩1,662,321	₩7,118,414	₩134,927,819	₩ (6,640,785)	₩128,287,034
Total liabilities	₩61,590,564	₩43,110,659	₩7,463,475	₩2,980,494	₩1,422,814	₩1,600,924	₩118,168,930	₩ (105,079)	₩118,063,851

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(In millions of Korean won)	2020								Consolidated financial statements
	Busan Bank	Kyongnam Bank	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank	Others	Total	Adjustment	
Net interest income (expenses)	₩ 1,119,253	₩ 794,571	₩ 244,031	₩ 23,406	₩ 36,491	₩ (25,166)	₩ 2,192,586	₩ (8,045)	₩ 2,184,541
Net commission income	140,916	72,636	39,111	95,972	1,128	28,241	378,004	(14,271)	363,733
Net gain on financial assets at FVTPL	13,422	16,521	6,762	76,180	322	10,155	123,362	236	123,598
Net gain on financial assets at fair value through other comprehensive income	21,632	17,218	-	209	-	-	39,059	(260)	38,799
Net loss on financial assets at amortized cost	(64)	(1,339)	-	-	-	-	(1,403)	-	(1,403)
Reversal of provision for credit loss and others (contribution to)	(97,969)	(138,228)	(131,483)	(3,947)	3,525	-	(368,102)	510	(367,592)
General and administrative expenses	(695,498)	(463,335)	(86,143)	(109,695)	(19,555)	(69,220)	(1,443,446)	6,718	(1,436,728)
Other operating income (expenses), net	(83,932)	(80,282)	21,492	(10,837)	(3,398)	316,753	159,796	(316,553)	(156,757)
Operating profit	417,760	217,762	93,770	71,288	18,513	260,763	1,079,856	(331,665)	748,191
Non-operating income (expenses), net	(21,004)	(9,807)	899	387	583	3,518	(25,424)	11,651	(13,773)
Profit before income tax	396,756	207,955	94,669	71,675	19,096	264,281	1,054,432	(320,014)	734,418
Income tax expense	(88,293)	(43,361)	(22,815)	(18,278)	(2,497)	(3,434)	(178,678)	6,815	(171,863)
Profit for the year	₩ 308,463	₩ 164,594	₩ 71,854	₩ 53,397	₩ 16,599	₩ 260,847	₩ 875,754	₩ (313,199)	₩ 562,555
Total assets	₩60,392,220	₩42,145,447	₩6,763,415	₩ 2,886,257	₩ 1,349,472	₩ 6,563,389	₩120,100,200	₩ (5,943,329)	₩ 114,156,871
Total liabilities	₩55,091,166	₩38,715,367	₩6,000,398	₩ 2,188,512	₩ 1,181,422	₩ 1,205,207	₩104,382,072	₩ 148,517	₩ 104,530,589

(b) Information on financial services and geographical areas

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

(c) Information on main customers

No single customer accounts for more than 10% of the Group's revenue for the years ended December 31, 2021 and 2020.

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6. FAIR VALUE:

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

(a) The fair value of financial instruments by category

The carrying amounts and fair value of financial assets and financial liabilities by each category as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from bank	₩ 5,349,248	₩ 5,349,248	₩ 4,505,069	₩ 4,505,069
Financial assets at FVTPL	5,640,559	5,640,559	4,583,427	4,583,427
Financial assets at fair value through other comprehensive income	5,150,489	5,150,489	5,349,830	5,349,830
Financial assets at amortized cost	8,734,540	8,686,996	7,877,347	7,974,996
Loans and receivables	98,699,253	99,246,216	87,700,654	88,537,395
Derivative assets	33,904	33,904	79,026	79,026
	<u>₩ 123,607,993</u>	<u>₩ 124,107,412</u>	<u>₩ 110,095,353</u>	<u>₩ 111,029,743</u>
Financial liabilities:				
Deposit liabilities	₩ 93,282,006	₩ 93,212,651	₩ 83,032,717	₩ 83,045,139
Financial liabilities designated as at FVTPL	203,255	203,255	-	-
Borrowings	7,779,249	7,730,685	6,835,743	6,817,831
Debentures	13,442,859	13,155,365	11,247,990	11,401,821
Derivative liabilities	34,430	34,430	64,542	64,542
Other financial liabilities ¹	2,869,284	2,869,268	2,954,518	2,954,518
	<u>₩ 117,611,083</u>	<u>₩ 117,205,654</u>	<u>₩ 104,135,510</u>	<u>₩ 104,283,851</u>

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

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

Fair value assessment method and assumptions are as follows:

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

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

Fair value hierarchy classifications of the financial instruments that are subsequently measured at fair value as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at FVTPL	₩	352,769	₩ 3,893,892	₩ 1,393,898	₩ 5,640,559
Financial assets at fair value through other comprehensive income		2,122,778	2,858,114	169,597	5,150,489
Loans receivables at FVTPL		-	-	66,565	66,565
Derivative assets		261	32,297	1,346	33,904
	₩	2,475,808	₩ 6,784,303	₩ 1,631,406	₩ 10,891,517
Financial liabilities:					
Financial liabilities designated as at FVTPL	₩	-	₩ 111,055	₩ 92,201	₩ 203,256
Borrowings		138,031	-	-	138,031
Derivative liabilities		250	30,318	3,862	34,430
	₩	138,281	₩ 30,318	₩ 3,862	₩ 172,461

(In millions of Korean won)

		2020			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Financial assets at FVTPL	₩	333,254	₩ 3,203,127	₩ 1,047,046	₩ 4,583,427
Financial assets at fair value through other comprehensive income		1,543,873	3,653,822	152,135	5,349,830
Loans receivables at FVTPL		-	-	7,349	7,349
Derivative assets		4	65,908	13,114	79,026
	₩	1,877,131	₩ 6,922,857	₩ 1,219,644	₩ 10,019,632
Financial liabilities:					
Borrowings	₩	10,222	₩ -	₩ -	₩ 10,222
Derivative liabilities		-	63,538	1,004	64,542
	₩	10,222	₩ 63,538	₩ 1,004	₩ 74,764

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The valuation techniques and input variables of Level 2 financial instruments, subsequently measured at fair value, as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021			
	Fair value	Valuation techniques	Input variables	
Financial assets:				
Financial assets at fair value through profit or loss				
Debt securities	₩ 3,092,791	DCF Model	Discount rate	
Other securities	801,101	DCF Model and Net Asset Value Method	Discount rate, value of underlying assets, volatility, etc.	
Financial assets at fair value through other comprehensive income				
Debt securities	2,858,114	DCF Model	Discount rate	
Derivative assets	32,297	DCF Model	Discount rate and exchange rate	
Financial liabilities:				
Financial liabilities designated as at FVTPL	111,055	Black-Scholes Model	Stock price, volatility, etc.	
Derivative liabilities	₩ 30,318	DCF Model	Discount rate and exchange rate	
(In millions of Korean won)	2020			
	Fair value	Valuation techniques	Input variables	
Financial assets:				
Financial assets at FVTPL				
Debt securities	₩ 2,688,131	DCF Model	Discount rate	
Other securities	514,996	DCF Model, Net Asset Value Method	Discount rate and value of underlying assets	
Financial assets at fair value through other comprehensive income				
Debt securities	3,653,822	DCF Model	Discount rate	
Derivative assets	65,908	DCF Model	Discount rate and exchange rate	
Financial liabilities:				
Derivative liabilities	₩ 63,538	DCF Model	Discount rate and exchange rate	

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The valuation techniques, input variables and range of significant unobservable input variables of Level 3 financial instruments, which are subsequently measured at fair value, as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	Fair value		Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
		2021			
Financial assets					
Financial assets at FVTPL	₩	1,393,898			
Equity securities		117,280	Net Asset Value Method, DCF Model, Binomial Trees and others	Value of underlying assets Discount rate: 17.07%-19.55% Volatility: 6.06%-45.30% Growth rate: 1% Price multiple: 0.69	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or price multiple increases (decreases)
Debt securities		213,210	Least Square Monte Carlo Simulation ("LSMC")	Volatility: 14.82%-41.37%	Fair value increases (decreases) when volatility increases (decreases)
Other securities		1,063,408	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model and Binomial Trees	Value of underlying assets Discount rate: 1.76%-29.48% Volatility: 1.00%-27.73% Growth rate: 0.00% Liquidation value: -1.00%-1.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases), liquidation value increases (decreases) or volatility increases (decreases)
Financial assets at fair value through other comprehensive income		169,597			
Equity securities		169,597	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model, Comparable Company Analysis, DCF Model and others	Value of underlying assets Discount rate: 10.42%-17.26% Volatility: 18.94%-27.73% Growth rate: 0.00%-1.00% Liquidation value: -1.00%-1.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or liquidation value increases (decreases)
Loans receivables at FVTPL		66,565			
Hybrid (combined)		66,565	Binomial Trees ,LSMC,	Discount rate: 2.18%-17.72% Volatility: 25.49%-27.74%	Fair value increases (decreases) when discount

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(In millions of Korean won)	Fair value	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2021			
instruments		and DCF Model		rate decreases (increases) or volatility increases (decreases)
Derivative assets	1,346	Binomial Trees and Monte Carlo simulation	Discount rate: 0.57%-0.96% Volatility: 0.54% -27.32%	Fair value increases (decreases) when discount rate decreases (increases) or volatility increases (decreases)
Financial liability	96,063			
Financial liabilities designated as at FVTPL	92,201	Black-Scholes Model	Volatility: 2%-72% Discount rate: 0.1%-21%	Fair value increases (decreases) when discount rate decreases (increases) or volatility increases (decreases)
Derivative liabilities	3,862	Binomial Trees and Monte Carlo simulation	Discount rate: 0.57%-0.96% Volatility: 0.54%	Fair value increases (decreases) when discount rate decreases (increases) or volatility increases (decreases)
(In millions of Korean won)	Fair value	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2020			
Financial assets				
Financial assets at ₩ FVTPL	1,047,046			
Equity securities	63,796	Net Asset Value Method, DCF Model, Binomial Trees and others	Value of underlying assets Discount rate: 14.64%- 19.05% Volatility: 22.31%-32.03% Growth rate: 0%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases) or growth rate increases (decreases)
Debt securities	61,662	LSMC	Volatility: 15.14%-31.15%	Fair value increases (decreases) when volatility increases (decreases)
Other securities	921,588	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model and Binomial Trees	Value of underlying assets Discount rate: 1.58%-16.15% Growth rate: 0.00% Liquidation value: -1.00%- 1.00% Volatility: 0.00%-44.10%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases), liquidation value increases (decreases) or volatility increases (decreases)
Financial assets at fair value through	152,135			

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<i>(In millions of Korean won)</i>	<u>Fair value</u>	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2020			
other comprehensive income				
Equity securities	152,135	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model, Comparable Company Analysis, DCF Model and others	Value of underlying assets Discount rate: 9.90%-19.68% Growth rate: 0.00%-1.00% Liquidation value: -1.00%- 1.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases) or liquidation value increases (decreases)
Loans receivables at FVTPL	7,349			
Hybrid (combined) instruments	7,349	Binomial Trees and LSMC	Volatility: 22.11%-40.14% Discount rate: 1.53%-14.07%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)
Derivative assets	13,114	Binomial Trees and Monte Carlo simulation	Volatility: 0.46% Discount rate: 0.66%-1.32%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)
Financial liability				
Derivative liabilities	1,004	Binomial Trees and Monte Carlo simulation	Volatility: 0.46% Discount rate: 0.66%-1.32%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)

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The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments for the years ended December 31, 2021 and 2020:

(In millions of Korean won)

	2021			
	Profit (loss) for the year		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets:				
Financial assets at FVTPL ^{1, 5}	₩ 21,722	₩ (6,996)	₩ -	₩ -
Financial assets at fair value through other comprehensive income ¹	-	-	5,622	(4,234)
Loans receivables at FVTPL ²	819	(731)	-	-
Derivative assets ³	134	(132)	-	-
Financial liabilities:				
Financial liabilities designated as at FVTPL ⁴	1,616	(83)	-	-
Derivative liabilities ³	5,973	(4,861)	-	-
	₩ 30,264	₩ (12,803)	₩ 5,622	₩ (4,234)

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

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

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

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

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

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(In millions of Korean won)

	2020			
	Profit (loss) for the year		Other comprehensive income	
	Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Financial assets:				
Financial assets at FVTPL ^{1 4}	₩ 6,455	₩ (5,780)	₩ -	₩ -
Financial assets at fair value through other comprehensive income ¹	-	-	5,396	(4,033)
Loans receivables at FVTPL ²	563	(493)	-	-
Derivative assets ³	942	(3,003)	-	-
Financial liabilities:				
Derivative liabilities ³	2,416	(9,745)	-	-
	₩ 10,376	₩ (19,021)	₩ 5,396	₩ (4,033)

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

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

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

⁴ Beneficiary certificates and some contributions were excluded because it was practically impossible to calculate sensitivity due to changes in input variables.

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Changes in Level 3 financial instruments subsequently measured at fair value for the years ended December 31, 2021 and 2020, are as follows:

	2021					
<i>(In millions of Korean won)</i>	Financial assets at FVTPL	Financial assets at fair value through other comprehensive income	Loans receivables at FVTPL	Derivative assets	Derivative liabilities	Financial liabilities designated as of FVTPL
Beginning balance	₩ 1,047,046	₩ 152,135	₩ 7,349	₩ 13,114	₩ 1,004	₩ -
Total profit or loss						
Amount recognized in profit or loss ¹	28,682	-	15,384	(12,634)	2,858	295
Amount recognized in other comprehensive income	-	12,162	-	-	-	(29)
Purchases	675,843	5,300	48,114	866	-	151,770
Sales	(229,730)	-	(9,022)	-	-	(59,835)
Settlement	-	-	-	-	-	-
Other changes:						
Transfer into other levels ²	-	-	(2,973)	-	-	-
Reclassification	(127,943)	-	7,713	-	-	-
Ending balance	₩ 1,393,898	₩ 169,597	₩ 66,565	₩ 1,346	₩ 3,862	₩ 92,201

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the consolidated statement of comprehensive income for the year ended December 31, 2021, are as follows:

<i>(In millions of Korean won)</i>	Financial assets at FVTPL	Loans receivables at FVTPL	Derivatives	Financial liabilities designated at FVTPL	Total
Profit for the year	₩ 28,682	₩ 15,384	₩ (15,492)	₩ 295	₩ 28,869
Change in unrealized gain	37,442	5,161	(15,492)	295	27,406

² It moved from Level 3 to Level 1 due to listing of equity securities during the year ended December 31, 2021.

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	2020				
	Financial assets at FVTPL	Financial assets at fair value through other comprehensive income	Loans receivables at FVTPL	Derivative assets	Derivative liabilities
Beginning balance	₩ 855,310	₩ 185,966	₩ 6,755	₩ 855	₩ 313
Total profit or loss					
Amount recognized in profit or loss ¹	8,646	-	594	12,259	691
Amount recognized in other comprehensive income	-	(34,190)	-	-	-
Purchases	389,546	370	-	-	-
Sales	(161,416)	(11)	-	-	-
Settlement	-	-	-	-	-
Other changes:					
Transfer into Level 3 ²	11,999	-	-	-	-
Transfer into other levels ²	(5,924)	-	-	-	-
Reclassification	(51,115)	-	-	-	-
Ending balance	₩ 1,047,046	₩ 152,135	₩ 7,349	₩ 13,114	₩ 1,004

¹ In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year and total gains or losses for the period included in profit or loss for financial instruments held at the end of the reporting period in the consolidated statement of comprehensive income for the year ended December 31, 2020, are as follows:

	Financial assets at FVTPL	Loans receivables at FVTPL	Derivatives	Total
(In millions of Korean won)				
Profit for the year	₩ 8,646	₩ 594	₩ 11,568	₩ 20,808
Change in unrealized gain	4,753	639	11,568	16,960

² It moved from Level 3 to Level 1 due to listing of equity securities during the year ended December 31, 2021.

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

Fair value hierarchy classifications of the financial instruments that are subsequently not measured at fair value as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 567,205	₩ 4,782,043	₩ -	₩ 5,349,248
Loans and receivables	-	-	99,179,651	99,179,651
Financial assets at amortized cost	184,984	8,502,012	-	8,686,996
	₩ 752,189	₩ 13,284,055	₩ 99,179,651	₩ 113,215,895
Financial liabilities:				
Deposit liabilities	₩ -	₩ 19,996,333	₩ 73,216,318	₩ 93,212,651
Borrowings	850,993	1,069,377	5,672,284	7,592,654
Debentures	-	12,801,375	353,990	13,155,365
Other financial liabilities	-	-	2,869,268	2,869,268
	₩ 850,993	₩ 33,867,085	₩ 82,111,860	₩ 116,829,938

(In millions of Korean won)

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 568,513	₩ 3,936,556	₩ -	₩ 4,505,069
Loans and receivables	-	-	88,530,046	88,530,046
Financial assets at amortized cost	100,842	7,874,154	-	7,974,996
	₩ 669,355	₩ 11,810,710	₩ 88,530,046	₩ 101,010,111
Financial liabilities:				
Deposit liabilities	₩ -	₩ 12,069,920	₩ 70,975,219	₩ 83,045,139
Borrowings	1,070,107	1,047,045	4,690,457	6,807,609
Debentures	-	11,401,821	-	11,401,821
Other financial liabilities	-	-	2,954,518	2,954,518
	₩ 1,070,107	₩ 24,518,786	₩ 78,620,194	₩ 104,209,087

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The valuation techniques and input variables of Level 2 financial instruments, subsequently not measured at fair value, as of December 31, 2021 and 2020, are as follows. The valuation techniques and inputs variables are not disclosed for the items that the carrying amounts are disclosed at fair value as the carrying amounts are considered to be the reasonable approximation of the fair value.

(In millions of Korean won)	Fair value		Valuation techniques	Input variables
	2021	2020		
Financial assets:				
Debt securities	₩ 8,502,012	₩ 7,874,154	DCF Model	Discount rate
Financial liabilities:				
Deposit liabilities	₩ 19,996,333	₩ 12,069,920	DCF Model	Discount rate
Borrowings	1,069,377	1,047,045	DCF Model	Discount rate
Debentures	12,801,375	11,401,821	DCF Model	Discount rate

The valuation techniques and input variables of Level 3 financial instruments, subsequently not measured at fair value, as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	Fair value		Valuation techniques	Input variables
	2021	2020		
Financial assets:				
Loans and receivables	₩ 99,179,651	₩ 88,530,046	DCF Model	Discount rate, early repayment rate
Financial liabilities:				
Deposit liabilities	₩ 73,216,318	₩ 70,975,219	DCF Model	Discount rate
Borrowings	5,672,284	4,690,457	DCF Model	Discount rate
Other financial liabilities	2,869,268	2,954,518	DCF Model	Discount rate

(e) Transfer of Financial Assets

The Group holds securities sold under repurchase and securities lending arrangements, and such transactions have resulted in transfer of financial assets. However, they have been recorded in the financial statements since the assets did not meet the removal criteria. In case of securities sold under repurchase agreements, the Group sells the assets to another party with a commitment to buy the assets back at a specified price. Loaned securities will be returned at the end of security lending agreement. Hence, the Group retains substantially all the risks and rewards of ownership of the financial assets.

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Details of book amounts of transferred assets and relevant liabilities as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		2020	
	Book amount of transferred assets	Book amount of related liabilities	Book amount of transferred assets	Book amount of related liabilities
Securities sold under repurchase agreement	₩ 1,520,961	₩ 1,363,145	₩ 1,603,157	₩ 1,623,147
Loaned securities	984,964	-	561,014	-
Liquidated financial assets	705,467	809,741	-	-
	<u>₩ 3,211,392</u>	<u>₩ 2,172,886</u>	<u>₩ 2,164,171</u>	<u>₩ 1,623,147</u>

(f) Offsetting financial instruments:

Details of financial instruments that are set off and subject to an enforceable master netting arrangement or similar agreement as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities to be set off	Net amounts of financial assets presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral received	
Derivatives assets	₩ 33,644	₩ -	₩ 33,644	₩ 329,681	₩ 141	₩ 37,165
Receivable spot exchanges	333,343	-	333,343			
Bonds purchased under resale agreement	265,100	-	265,100	265,100	-	-
Domestic exchange uncollected	1,973,640	1,613,350	360,290	-	-	360,290
Securities-related receivable	64,200	4,498	59,702	-	-	59,702
	<u>₩ 2,669,927</u>	<u>₩ 1,617,848</u>	<u>₩ 1,052,079</u>	<u>₩ 594,781</u>	<u>₩ 141</u>	<u>₩ 457,157</u>

(In millions of Korean won)

	2021					
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets to be set off	Net amounts of financial liabilities presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
				Financial instruments	Cash collateral received	
Derivatives liabilities	₩ 34,180	₩ -	₩ 34,180	₩ 345,125	₩ 245	₩ 840
Payable spot exchanges	312,030	-	312,030			
Bonds sold under repurchase agreement	1,363,145	-	1,363,145	1,363,145	-	-
Securities sold	138,031	-	138,031	138,031	-	-
Domestic currency exchange payables	1,703,248	1,613,350	89,898	-	-	89,898
Securities-related payables	55,914	4,498	51,416	-	-	51,416
	<u>₩ 3,606,548</u>	<u>₩ 1,617,848</u>	<u>₩ 1,988,700</u>	<u>₩ 1,846,301</u>	<u>₩ 245</u>	<u>₩ 142,154</u>

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		2020					
		Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities to be set off	Net amounts of financial assets presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
					Financial instruments	Cash collateral received	
Derivatives assets	₩	79,026	₩ -	₩ 79,026	₩ 425,902	₩ 13,302	₩ 32,621
Receivable spot exchanges		392,799	-	392,799			
Bonds purchased under resale agreement		477,100	-	477,100	477,100	-	-
Domestic exchange uncollected		1,462,891	1,287,929	174,962	-	-	174,962
Securities-related receivable		131,314	10,395	120,919	-	-	120,919
	₩	2,543,130	₩ 1,298,324	₩ 1,244,806	₩ 903,002	₩ 13,302	₩ 328,502

(In millions of Korean won)

		2020					
		Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets to be set off	Net amounts of financial liabilities presented in the consolidated statement of financial position	Non-offsetting amount		Net amount
					Financial instruments	Cash collateral received	
Derivatives liabilities	₩	64,542	₩ -	₩ 64,542	₩ 400,713	₩ -	₩ 31,970
Payable spot exchanges		368,141	-	368,141			
Bonds sold under repurchase agreement		1,623,147	-	1,623,147	1,623,147	-	-
Securities sold		10,222	-	10,222	10,222	-	-
Domestic currency exchange payables		1,411,738	1,287,929	123,809	-	-	123,809
Securities-related payables		116,319	10,395	105,924	-	-	105,924
	₩	3,594,109	₩ 1,298,324	₩ 2,295,785	₩ 2,034,082	₩ -	₩ 261,703

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7. CASH AND DUE FROM BANKS:

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

<i>(In millions of Korean won)</i>		2021		2020
Cash and cash equivalents:				
Cash	₩	484,016	₩	482,578
Foreign currencies		96,793		85,935
Time deposits and others		295,514		147,311
Other deposits		82,205		34,467
Deposits in foreign currencies		395,523		402,499
		<u>1,354,051</u>		<u>1,152,790</u>
Due from banks ¹ :				
Due from banks in local currency		3,807,192		3,187,823
Due from banks in foreign currencies		188,005		164,456
		<u>3,995,197</u>		<u>3,352,279</u>
	₩	<u>5,349,248</u>	₩	<u>4,505,069</u>

¹ The maturity is more than three months.

Due from banks in local currency and foreign currencies as of December 31, 2021 and 2020, consists of the following:

<i>(In millions of Korean won)</i>	Financial institution		2021		2020
Due from banks in local currency:					
Due from domestic banks	The Bank of Korea (BOK)	₩	3,470,148	₩	3,026,805
Due from consigned transaction	Korea Exchange (KRX)		37,074		58,170
Others	Woori Bank and others		299,970		102,848
			<u>3,807,192</u>		<u>3,187,823</u>
Due from banks in foreign currencies:					
Due from domestic banks	The BOK		107,778		103,880
Offshore due from banks	Bank of China		-		816
Others	The People's Bank of China and others		80,227		59,760
			<u>188,005</u>		<u>164,456</u>
		₩	<u>3,995,197</u>	₩	<u>3,352,279</u>

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Restricted cash and due from banks as of December 31, 2021 and 2020, consist of the following:

<i>(In millions of Korean won)</i>	Financial institution	2021	2020	Reason for restriction
Due from banks in Korean won	The BOK	₩ 3,470,148	₩ 3,026,805	The BOK Act
	The Korea Securities Finance Corporation	793	5,494	Deposits from investors and others
	Korea Federation of Savings Banks and others	54,954	43,224	Reserve deposits and others
	Korea Securities Depository and others	-	2,640	Deposits to performance guarantees
	KRX and others	38,947	62,617	Collective fund for default losses and others
		<u>3,564,842</u>	<u>3,140,780</u>	
Due from banks in foreign currencies	The BOK	107,778	103,880	Reserve deposits
	KRX and others	4,539	9,901	Reserve deposits and others
	The People's Bank of China and others	24,575	32,233	Reserve deposits for overseas affiliates and others
		<u>136,892</u>	<u>146,014</u>	
		<u>₩ 3,701,734</u>	<u>₩ 3,286,794</u>	

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8. FINANCIAL ASSETS AT FVTPL:

Financial assets at FVTPL as of December 31, 2021 and 2020, consist of the following:

<i>(In millions of Korean won)</i>	2021	2020
Equity securities	₩ 330,484	₩ 266,255
Government and public bonds	220,213	134,121
Finance bonds	405,801	641,974
Corporate bonds	1,961,331	1,576,706
Other debt securities	835,679	476,052
Beneficiary certificates	1,221,121	870,984
Others	665,929	617,335
	<u>₩ 5,640,558</u>	<u>₩ 4,583,427</u>

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

Financial assets at fair value through other comprehensive income as of December 31, 2021 and 2020, consist of the following:

<i>(In millions of Korean won)</i>	2021	2020
Equity securities	<u>₩ 182,053</u>	<u>₩ 170,750</u>
Debt securities:		
Government and public bonds	1,413,009	1,245,979
Finance bonds	687,040	1,031,233
Corporate bonds	1,989,583	2,350,624
Loans in securities	878,804	551,244
	<u>4,968,436</u>	<u>5,179,080</u>
	<u>₩ 5,150,489</u>	<u>₩ 5,349,830</u>

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Changes in the carrying amounts of debt securities among financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 5,179,080	₩ -	₩ -	₩ 5,179,080
Changes in financial instruments recognized at the beginning	-	-	-	-
Acquisition	2,278,261	-	-	2,278,261
Repayment/Disposal	(2,419,872)	-	-	(2,419,872)
Gain on valuation of fair value	(74,805)	-	-	(74,805)
Amortization of effective interest	(2,514)	-	-	(2,514)
Exchange differences	8,286	-	-	8,286
Ending balance	₩ 4,968,436	₩ -	₩ -	₩ 4,968,436

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 5,064,688	₩ -	₩ -	₩ 5,064,688
Changes in financial instruments recognized at the beginning	-	-	-	-
Acquisition	3,722,881	-	-	3,722,881
Repayment/Disposal	(3,601,568)	-	-	(3,601,568)
Gain on valuation of fair value	3,060	-	-	3,060
Amortization of effective interest	(5,710)	-	-	(5,710)
Exchange differences	(4,271)	-	-	(4,271)
Ending balance	₩ 5,179,080	₩ -	₩ -	₩ 5,179,080

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Dividend income recognized from equity securities designated as an item measured at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

	2021		2020	
	Derecognized equity securities	Equity securities on hand	Derecognized equity securities	Equity securities on hand
General stocks:				
Marketable stocks	₩ -	₩ 24	₩ -	₩ 1
Non-marketable stocks	-	3,062	284	4,391
	₩ -	₩ 3,086	₩ 284	₩ 4,392

Derecognized equity securities at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		2020	
	Disposal	Accumulated gain (loss) on valuation at disposal date	Disposal	Accumulated gain (loss) on valuation at disposal date
General stocks:				
Marketable stocks	₩ 8,452	₩ (7,095)	₩ 78	₩ (42)
Non-marketable stocks	-	-	11	3
	₩ 8,452	₩ (7,095)	₩ 89	₩ (39)

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10. FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets at amortized cost as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Debt securities:				
Government and public bonds	₩	3,870,021	₩	3,345,337
Finance bonds		729,284		655,798
Corporate bonds		4,032,401		3,868,966
Loans in securities		106,160		9,770
Provision for impairment		(3,326)		(2,524)
	₩	<u>8,734,540</u>	₩	<u>7,877,347</u>

Changes in the carrying amounts of financial assets at amortized cost for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 7,879,870	₩ -	₩ -	₩ 7,879,870
Acquisition	2,691,965	-	-	2,691,965
Repayment/Disposal	(1,859,699)	-	-	(1,859,699)
Amortization of effective interest	17,733	-	-	17,733
Exchange differences	8,388	-	-	8,388
Others	(392)	-	-	(392)
Ending balance	<u>₩ 8,737,865</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 8,737,865</u>

<i>(In millions of Korean won)</i>	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 7,535,881	₩ -	₩ -	₩ 7,535,881
Acquisition	1,814,104	-	-	1,814,104
Repayment/Disposal	(1,479,268)	-	-	(1,479,268)
Amortization of effective interest	13,298	-	-	13,298
Exchange differences	(2,080)	-	-	(2,080)
Others	(2,065)	-	-	(2,065)
Ending balance	<u>₩ 7,879,870</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 7,879,870</u>

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11. ASSETS PROVIDED AS COLLATERAL:

The investments in financial assets provided as collateral as of December 31, 2021 and 2020, consist of the following:

<i>(In millions of Korean won)</i>		Face value		Reason
	Provided to	2021		
Financial assets at FVTPL	Korea Securities Depository	₩ 873,396		Sold under repurchase agreements
	KB Asset Management Co., Ltd. and others	133,680		Sold under repurchase agreements
	Samsung Futures Inc. and others	86,277		Margin for futures and others
	Korea Securities Finance Corp and others	506,754		Lending transaction
Financial assets at fair value through other comprehensive income	Korea Securities Depository	124,278		Sold under repurchase agreements
	Nomura Finance Investment and others	29,667		Sold under repurchase agreements
	Bank of Korea	221,099		Borrowing collateral and overdraft and settlement
	Sumitomo Mitsui Banking Corporation	23,997		Foreign borrowings
	Societe Generale Bank	10,373		Collateral for Credit Support Annex
Financial assets at amortized cost	Korea Securities Depository	359,940		Sold under repurchase agreements
	Bank of Korea	1,740,143		Borrowing collateral and overdraft and settlement
	Korea Securities Depository	82		Collective fund for default losses and others
	KRX	5,296		Collective funds for OTC derivatives and others
	Industrial Bank of Korea and others	97,998		Foreign borrowings, Collateral for Credit Support Annex and others
	Futures Companies	32,130		Margin for futures and others
		₩ 4,245,110		

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(In millions of Korean won)		Face value		Reason
	Provided to	2020		
Financial assets at FVTPL	Korea Securities Depository	₩ 983,008		Sold under repurchase agreements
	KB Asset Management Co., Ltd. and others	48,150		Sold under repurchase agreements
	KRX	2,010		Central Counterparty (CCP)
	Samsung Futures Inc. and others	39,737		Margin for futures and others
	Korea Securities Finance Corp and others	187,420		Lending transaction
Financial assets at fair value through other comprehensive income	Korea Securities Depository	152,891		Sold under repurchase agreements
	Nomura Finance Investment and others	36,382		Sold under repurchase agreements
	Bank of Korea	392,189		Borrowing collateral and overdraft and settlement
	Sumitomo Mitsui Banking Corporation	66,718		Foreign borrowings
	KRX	1,304		Collective funds for OTC derivatives
Financial assets at amortized cost	Korea Securities Depository	382,726		Sold under repurchase agreements
	Bank of Korea	1,468,002		Borrowing collateral and overdraft and settlement
	Korea Securities Depository	83		Collective fund for default losses and others
	KRX	2,008		Collective funds for OTC derivatives and others
	Industrial Bank of Korea and others	86,312		Foreign borrowings, Collateral for Credit Support Annex and others
	Futures Companies	22,452		Margin for futures and others
		₩ 3,871,392		

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Details of the land and building provided by the Group as collateral for the leasehold deposits as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

(In millions of Korean won)		2021		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	11,365	₩ 1,170
	Building		10,735	
			22,100	
Investment properties	Land		28,997	
	Building		4,390	
		₩	33,387	

(In millions of Korean won)

(In millions of Korean won)		2020		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	11,405	₩ 670
	Building		10,208	
			21,613	
Investment properties	Land		28,958	
	Building		4,375	
		₩	33,333	

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12. LOANS AND RECEIVABLES:

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

(In millions of Korean won)

	2021			2020		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Loans receivable:						
Loans in Korean won:						
Corporates	₩ 60,330,234	₩ -	₩ 60,330,234	₩ 53,263,723	₩ -	₩ 53,263,723
Household	30,965,263	-	30,965,263	27,743,937	-	27,743,937
Public sector and others	1,942,459	-	1,942,459	1,666,736	-	1,666,736
Interbank loans	102,212	-	102,212	147,115	-	147,115
	<u>93,340,168</u>	<u>-</u>	<u>93,340,168</u>	<u>82,821,511</u>	<u>-</u>	<u>82,821,511</u>
Loans in foreign currencies	1,563,484	-	1,563,484	1,238,496	-	1,238,496
Call loans	219,318	-	219,318	328,637	-	328,637
Bills bought in local currency	2,181	-	2,181	1,272	-	1,272
Bills bought in foreign currencies	204,598	-	204,598	160,765	-	160,765
Advances for customers	769	-	769	2,026	-	2,026
Credit card receivables	823,380	-	823,380	816,775	-	816,775
Bonds purchased under repurchase agreement	265,100	-	265,100	477,100	-	477,100
Privately placed bonds	463,649	66,565	530,214	169,302	7,349	176,651
Finance lease receivables	615,590	-	615,590	657,640	-	657,640
Installment financing receivables	350,637	-	350,637	278,515	-	278,515
	<u>97,848,874</u>	<u>66,565</u>	<u>97,915,439</u>	<u>86,952,039</u>	<u>7,349</u>	<u>86,959,388</u>
Provision for impairment of loans receivable ¹	(795,154)	-	(795,154)	(744,454)	-	(744,454)
Deferred loan origination fees	(6,621)	-	(6,621)	(3,684)	-	(3,684)
Deferred loan origination costs	179,696	-	179,696	148,772	-	148,772
	<u>97,226,795</u>	<u>66,565</u>	<u>97,293,360</u>	<u>86,352,673</u>	<u>7,349</u>	<u>86,360,022</u>
Receivables:						
Suspense payments	1,465	-	1,465	2,645	-	2,645
Non-trade receivable	435,444	-	435,444	544,425	-	544,425
Domestic exchange settlement debits	360,290	-	360,290	174,962	-	174,962
Guarantee deposits provided	261,661	-	261,661	280,071	-	280,071
Accrued income	360,085	-	360,085	349,316	-	349,316
Deposits under regulation	1,022	-	1,022	1,647	-	1,647
Bills unsettled	22	-	22	109	-	109
Other	16	-	16	42	-	42
	<u>1,420,005</u>	<u>-</u>	<u>1,420,005</u>	<u>1,353,217</u>	<u>-</u>	<u>1,353,217</u>
Provision for impairment of	(4,902)	-	(4,902)	(6,404)	-	(6,404)

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	2021			2020		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
receivables						
Present value discounts						
(leasehold deposits provided)	(9,210)	-	(9,210)	(6,181)	-	(6,181)
	1,405,893	-	1,405,893	1,340,632	-	1,340,632
Loans and receivables	₩ 98,699,253	₩ 66,565	₩ 98,699,253	₩ 87,693,305	₩ 7,349	₩ 87,700,654

¹ Present value discounts of ₩13 million and ₩1,822 million are included as of December 31, 2021, and present value discounts of ₩7 million and ₩5,357 million are included as of December 31, 2020.

The changes in the carrying amounts of loans and receivables for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Twelve months' expected credit losses	Lifetime expected credit losses ¹		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 76,616,299	₩ 11,220,108	₩ 607,756	₩ 88,444,163
Transfer to 12 months' expected credit losses of financial assets	2,928,766	(2,890,227)	(38,539)	-
Transfer to expected lifetime credit losses	(5,429,248)	5,455,355	(26,107)	-
Transfer to credit-impaired financial assets	(170,460)	(149,353)	319,813	-
Amortization	-	-	(324,320)	(324,320)
Disposal	-	-	(333,088)	(333,088)
Exchange differences	(9,379)	-	-	(9,379)
Net increase (decrease)	11,435,547	(75,335)	295,156	11,655,368
Ending balance	₩ 85,371,525	₩ 13,560,548	₩ 500,671	₩ 99,432,744

¹ Includes items that have changed the stage due to credit-rating adjustments for borrowers who apply for deferral due to COVID-19.

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	2020			
	Twelve months' expected credit losses	Lifetime expected credit losses ¹		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 70,808,371	₩ 9,878,477	₩ 788,383	₩ 81,475,231
Transfer to 12 months' expected credit losses of financial assets	2,487,503	(2,478,332)	(9,171)	-
Transfer to expected lifetime credit losses	(4,556,878)	4,614,617	(57,739)	-
Transfer to credit-impaired financial assets	(221,090)	(344,153)	565,243	-
Amortization	-	-	(415,910)	(415,910)
Disposal	-	(170)	(374,883)	(375,053)
Exchange differences	(6,495)	-	-	(6,495)
Net increase (decrease)	8,104,889	(450,332)	111,833	7,766,390
Ending balance	₩ 76,616,300	₩ 11,220,107	₩ 607,756	₩ 88,444,163

¹ Includes items that have changed the stage due to credit-rating adjustments for borrowers who apply for deferral due to COVID-19.

The changes in deferred loan origination fees and costs for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (3,684)	₩ (7,865)	₩ 4,928	₩ (6,621)
Deferred loan origination costs	148,772	151,526	(120,602)	179,696
	₩ 145,088	₩ 143,661	₩ (115,674)	₩ 173,075

(In millions of Korean won)

	2020			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (7,950)	₩ (296)	₩ 4,562	₩ (3,684)
Deferred loan origination costs	143,943	110,672	(105,843)	148,772
	₩ 135,993	₩ 110,376	₩ (101,281)	₩ 145,088

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13. PROVISION FOR IMPAIRMENT:

Changes in provision for impairment of loans and receivables for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 255,191	₩ 291,473	₩ 204,194	₩ 750,858
Transfer to 12 months' expected credit losses of financial assets	50,308	(39,541)	(10,767)	-
Transfer to expected lifetime credit losses	(24,786)	28,604	(3,818)	-
Transfer to credit-impaired financial assets	(31,987)	(69,598)	101,585	-
Written off during the year as uncollectible	-	-	(324,320)	(324,320)
Decrease in provision due to sales of loans	-	-	(107,004)	(107,004)
Financial assets issued or acquired	-	-	67,045	67,045
Changes from adjustments to receivables and payables	-	-	(222)	(222)
Exchange differences	299	510	(469)	340
Other	4,838	-	(6,528)	(1,690)
	<u>253,863</u>	<u>211,448</u>	<u>(80,304)</u>	<u>385,007</u>
Additional provision for impaired receivables during the year	51,903	92,321	270,825	415,049
Ending balance	₩ 305,766	₩ 303,769	₩ 190,521	₩ 800,056

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(In millions of Korean won)

	2020			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 233,330	₩ 245,025	₩ 346,406	₩ 824,761
Transfer to 12 months' expected credit losses of financial assets	34,036	(32,521)	(1,515)	-
Transfer to expected lifetime credit losses	(28,248)	50,043	(21,795)	-
Transfer to credit-impaired financial assets	(40,461)	(74,285)	114,746	-
Written off during the year as uncollectible	-	-	(415,910)	(415,910)
Decrease in provision due to sales of loans	-	(63)	(120,468)	(120,531)
Financial assets issued or acquired	-	-	(211)	(211)
Changes from adjustments to receivables and payables	-	-	(19,122)	(19,122)
Exchange differences	(475)	(180)	(12)	(667)
Other	3,042	-	(4,985)	(1,943)
	<u>201,224</u>	<u>188,019</u>	<u>(122,866)</u>	<u>266,377</u>
Additional provision for impaired receivables during the year	53,967	103,453	327,061	484,481
Ending balance	₩ <u>255,191</u>	₩ <u>291,472</u>	₩ <u>204,195</u>	₩ <u>750,858</u>

The percentage of provision for impairment of loans and receivables as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

	2021	2020
Loans and receivables	99,432,744	₩ 88,444,163
Provision for impairment	<u>800,056</u>	<u>750,858</u>
Percentage of provision for impairment (%)	<u>0.80%</u>	<u>0.85%</u>

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Changes in provision for impairment for financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,840	₩ -	₩ -	₩ 1,840
Decrease in provision from sales	(728)	-	-	(728)
Contribution to provision for impairment	372	-	-	372
Ending balance	₩ 1,484	₩ -	₩ -	₩ 1,484

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,115	₩ -	₩ -	₩ 1,115
Decrease in provision from sales	(540)	-	-	(540)
Contribution to provision for impairment	1,265	-	-	1,265
Ending balance	₩ 1,840	₩ -	₩ -	₩ 1,840

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Changes in provision for impairment for securities at amortized cost for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 2,524	₩ -	₩ -	₩ 2,524
Decrease due to sale	(66)			(66)
Contribution to provision for impairment	868	-	-	868
Ending balance	₩ 3,326	₩ -	₩ -	₩ 3,326

(In millions of Korean won)

	2020			
	Twelve months expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,120	₩ -	₩ -	₩ 1,120
Contribution to provision for impairment	1,404	-	-	1,404
Ending balance	₩ 2,524	₩ -	₩ -	₩ 2,524

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14. FINANCIAL LEASE RECEIVABLES:

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

<i>(In millions of Korean won)</i>	2021		2020	
Lease receivables	₩	615,568	₩	657,618
Provision for impairment		(4,018)		(6,661)
Deferred origination fees		(808)		(719)
Deferred origination costs		519		944
	₩	<u>611,261</u>	₩	<u>651,182</u>

The total investment of finance leases and present value of minimum lease payments as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
	Total investment of finance leases	Present value of minimum lease payments	Total investment of finance leases	Present value of minimum lease payments
One year or less	₩ 268,010	₩ 285,516	₩ 299,556	₩ 281,729
1 year-5 years	344,515	324,347	396,005	370,127
More than 5 years	6,060	5,705	6,165	5,762
	₩ <u>618,585</u>	₩ <u>615,568</u>	₩ <u>701,726</u>	₩ <u>657,618</u>

The difference between net investment in finance leases and total investment as of December 31, 2021 and 2020, is as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Total investment of leases	₩	618,585	₩	701,726
Net investment in finance leases:				
Present value of minimum lease payments		<u>615,568</u>		<u>657,618</u>
Unrealized interest	₩	<u>3,017</u>	₩	<u>44,108</u>

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING:

The notional amounts outstanding for derivative contracts as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			2020		
	Trading	Hedging	Total	Trading	Hedging	Total
Currency:						
Currency forwards ¹	₩ 1,528,927	₩ -	₩ 1,528,927	₩ 1,744,571	₩ -	₩ 1,744,571
Long currency swaps	(39,197)	84,806	45,609	140,248	-	140,248
Short currency swaps	-	-	-	12,339	-	12,339
Long currency futures ²	-	-	-	228,382	-	228,382
Short currency futures ²	36,395	-	36,395	-	-	-
Long currency options	1,629,333	-	1,629,333	920,747	-	920,747
Short currency options	1,641,188	-	1,641,188	920,747	-	920,747
	<u>4,796,646</u>	<u>84,806</u>	<u>4,881,452</u>	<u>3,967,034</u>	<u>-</u>	<u>3,967,034</u>
Interest rate:						
Long interest rate swaps ¹	409,620	279,525	689,145	352,270	342,000	694,270
Short interest rate swaps ¹	472,900	-	472,900	509,900	-	509,900
Short interest rate futures	60,045	-	60,045	15,170	-	920,747
	<u>942,565</u>	<u>279,525</u>	<u>1,222,090</u>	<u>877,340</u>	<u>342,000-</u>	<u>1,219,340</u>
Stock:						
Long stock futures	1	-	1	-	-	-
Short stock options	926	-	926	-	-	-
	<u>927</u>	<u>-</u>	<u>927</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>₩ 5,740,138</u>	<u>₩ 364,331</u>	<u>₩ 6,104,469</u>	<u>₩ 4,844,374</u>	<u>₩ 342,000</u>	<u>₩ 5,186,374</u>

¹ For transactions between local currency and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate on the contract amount in foreign currencies. For foreign currency-to-foreign currency transactions, unsettled amount is presented using the basic foreign exchange rate on the contract amount in foreign currencies purchased.

² Daily settlement of futures transactions is reflected in due from banks.

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The valuation of derivatives for trading as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

	2021			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 29,870	₩ 27,411	₩ 17,028	₩ 16,502
Currency swaps	-	1,027	572	-
Currency options	6,199	5,910	13,345	13,642
	<u>36,069</u>	<u>34,348</u>	<u>30,945</u>	<u>30,144</u>
Interest rate:				
Interest rate forwards	-	12	-	-
Interest rate swaps	1,959	6,566	1,362	177
Provision for interest rate-related credit risk adjustment	-	-	(9)	(3)
	<u>1,959</u>	<u>6,578</u>	<u>1,353</u>	<u>174</u>
Stock:				
Stock forwards	-	5	-	-
Stock options	189	237	1,124	251
	<u>189</u>	<u>242</u>	<u>1,124</u>	<u>251</u>
	<u>₩ 38,217</u>	<u>₩ 41,168</u>	<u>₩ 33,422</u>	<u>₩ 30,569</u>

(In millions of Korean won)

	2020			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 51,572	₩ 57,239	₩ 45,753	₩ 52,137
Currency swaps	6,884	40	4,003	750
Currency options	5,998	4,918	10,027	10,109
	<u>64,454</u>	<u>62,197</u>	<u>59,783</u>	<u>62,996</u>
Interest rate:				
Interest rate forwards	-	12	-	-
Interest rate swaps	558	110	6,129	542
	<u>558</u>	<u>122</u>	<u>6,129</u>	<u>542</u>
	<u>₩ 65,012</u>	<u>₩ 62,319</u>	<u>₩ 65,912</u>	<u>₩ 63,538</u>

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Hedge

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

The valuation of derivatives designated as a hedging instrument as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)

		2021			
		Valuation gain	Valuation loss	Assets	Liabilities
Interest rate:					
Interest rate swaps	₩	-	₩ -	₩ 483	₩ 3,862
	₩	-	₩ 16,785	₩ 483	₩ 3,862

(In millions of Korean won)

		2020			
		Valuation gain	Valuation loss	Assets	Liabilities
Interest rate:					
Interest rate swaps	₩	18,149	₩ 1,222	₩ 13,114	₩ 1,004
	₩	18,149	₩ 1,222	₩ 13,114	₩ 1,004

Gain (loss) on valuation of hedged items and hedging instrument for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

		2021	2020
(Loss) gain on valuation of hedging instrument	₩	(16,785)	₩ 16,927
Gain (loss) on valuation of hedged items		16,558	(16,905)
	₩	(227)	₩ 22

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Amount, timing and uncertainty of future cash flows for the years ended December 31, 2021 and 2020, are as follows:

	2021													
(In millions of Korean won)	Less than 1 year		Between 1 year – 2 years		Between 2 – 3 years		Between 3 – 4 years		Between 4 – 5 year		More than 5 years		Total	
Fair value risk hedges														
Nominal amount of risk hedge instrument	₩	-	₩	-	₩	-	₩	-	₩	296,375	₩	70,000	₩	366,375
Average hedge ratio (%)		-		-		-		-		100%		100%		100%
Risk hedges for net investments in foreign operation														
Nominal amount of risk hedge instrument	₩	59,275	₩	70,537	₩	68,166	₩	-	₩	-	₩	-	₩	197,979
Average hedge ratio (%)		100%		100%		100%		-		-		-		100%
	2020													
(In millions of Korean won)	Less than 1 year		Between 1 year – 2 years		Between 2 – 3 years		Between 3 – 4 years		Between 4 – 5 year		More than 5 years		Total	
Fair value risk hedges														
Nominal amount of risk hedge instrument	₩	-	₩	-	₩	-	₩	-	₩	-	₩	342,000	₩	342,000
Average hedge ratio (%)		-		-		-		-		-		100%		100%
Risk hedges for net investments in foreign operation														
Nominal amount of risk hedge instrument	₩	4,896	₩	54,400	₩	-	₩	84,320	₩	-	₩	-	₩	143,616
Average hedge ratio (%)		100%		100%		-		100%		-		-		100%

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Impacts of hedge accountings on the statements of financial position, the statements of comprehensive income and the statements of changes in equity.

Impacts of risk hedge instruments on the statements of financial position, the statements of comprehensive income and the statements of changes in equity as of December 31, 2021 and 2020, are as follows:

2021									
(In millions of Korean won)	Statement of financial position						Statement of comprehensive income and statements of changes in equity		
	Nominal amount	Changes in fair value	Derivative assets	Derivative liabilities	Borrowings		Profit or loss	Other comprehensive income ¹	
Fair value risk hedges:									
Interest rate risk hedge	₩ 366,375	₩ (16,785)	₩ 483	₩ 3,862	₩ -	₩ (16,785)	₩ -		
Hedges for net investments in foreign operations:									
Currency risk hedge	197,979	(15,131)	-	-	197,979	-	(11,227)		
	₩ 564,354	₩ (31,916)	₩ 483	₩ 3,862	₩ 197,979	₩ (16,785)	₩ (11,227)		

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

2020									
(In millions of Korean won)	Statement of financial position						Statement of comprehensive income and statements of changes in equity		
	Nominal amount	Changes in fair value	Derivative assets	Derivative liabilities	Borrowings		Profit or loss	Other Comprehensive income ¹	
Fair value risk hedges:									
Interest rate risk hedge	₩ 342,000	₩ 16,927	₩ 13,114	₩ 1,004	₩ -	₩ 16,927	₩ -		
Hedges for net investments in foreign operations:									
Currency risk hedge	143,616	11,517	-	-	143,616	-	8,557		
	₩ 485,616	₩ 28,444	₩ 13,114	₩ 1,004	₩ 143,616	₩ 16,927	₩ 8,557		

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

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Impacts of the hedged items on the statements of financial position, the statements of comprehensive income and the statements of changes in equity as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021							
	Statement of financial position				Statement of comprehensive income and statements of changes in equity			Reserve for foreign currency translation
	Nominal amount	Changes in fair value	Deposits received	Debentures	Profit or loss	Other comprehensive -ve income ¹		
Fair value risk hedges:								
Interest rate risk hedge	₩ 366,375	₩ 16,558	₩ 66,239	₩ 296,851	₩ 16,558	₩ -	₩ -	-
Hedges for net investments in foreign operations:								
Currency risk hedge	197,979	16,499	-	-	-	12,251		6,206
	₩ 564,354	₩ 33,057	₩ 66,239	₩ 296,851	₩ 16,558	₩ 12,251	₩	6,206

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

(In millions of Korean won)	2020							
	Statement of financial position				Statement of comprehensive income and statements of changes in equity			Reserve for foreign currency translation
	Nominal amount	Changes in fair value	Deposits received	Debentures	Profit or loss	Other Comprehensive -ve income ¹		
Fair value risk hedges:								
Interest rate risk hedge	₩ 342,000	₩ (16,905)	₩ 69,139	₩ 284,971	₩ (16,905)	₩ -	₩ -	-
Hedges for net investments in foreign operations:								
Currency risk hedge	143,616	(12,497)	-	-	-	(9,285)		6,572
	₩ 485,616	₩ (29,402)	₩ 69,139	₩ 284,971	₩ (16,905)	₩ (9,285)	₩	6,572

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

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The amounts and items recognized as profit or loss due to ineffective portion in fair value risk hedges for the year ended December 31, 2021, are as follows:

(In millions of Korean won)	Ineffective portion of risk hedges recognized as profit or loss		Items
	2021	2020	
Fair value risk hedges:			
Interest rate risk hedge	₩ (227)	₩ 22	Gain (loss) on valuation of derivatives

There is no amount recognized in profit or loss and other comprehensive income as an ineffective portion of cash flow hedges and hedges for net investments in foreign operations for the years ended December 31, 2021 and 2020.

Hedge relationships affected by interest rate indicator reform

The hedging relationship in which the group applies fair value hedge accounting is influenced by interest rate indicators associated with interest rate indicator reform. The connecting entity is responding to this by forming a TF (Taskforce Team) and establishing a transition and alternative plan.

The uncertainty arising from the reform of interest rate indicators is no longer expected when contracts referencing LIBOR are replaced by applicable interest rates. The revised standard applies exceptions until existing interest rate indicators are replaced by replacement indicator interest rates, allowing hedge accounting to continue to be applied during the uncertainty of interest rate indicator reform. The exception assumes that the rate indicator on which the hedged cash flow is based does not change as a result of the reform in determining whether the expected transaction is very likely to occur, and that the rate indicator on which the hedged item, hedged risk/ or hedging instrument is based does not change.

As of the end of the current term, the nominal amount of the hedging instrument exposed to the hedging relationship affected by the interest rate indicator reform is as follows:

(In millions of Korean won)	Interest rate indicator	Nominal amount ¹
	USD 3M LIBOR	₩ 296,375

¹ The nominal amount of the contract expiring after the end of June 2023 for USD LIBOR.

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE:

Details of investments in associates and joint venture as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

(In millions of Korean won)				2021				
	Main business	Location	Closing month	Percentage of ownership (%)		Acquisition cost		Carrying amount
Investments in associates:								
BNK-INTERVALUE Technology Financing Fund	Investment association	The Republic of Korea	December	34.32	₩	12,700	₩	12,386
ANDA H Mezzanine Private Investment Trust 11th	Financial investment	The Republic of Korea	December	24.67		14,000		14,052
Hana UBS Professional Investment Private Security Investment Trust No. 7	Financial investment	The Republic of Korea	December	36.52		40,000		40,763
HI Private Investment Trust 28th	Financial investment	The Republic of Korea	December	50.27		30,000		30,351
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	Financial investment	The Republic of Korea	December	37.81		30,000		30,335
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	Financial investment	The Republic of Korea	December	50		30,000		30,146
NH-Amundi Enhanced Bond Private Securities Investment Trust 1st	Financial investment	The Republic of Korea	December	24		30,000		31,236
Samsung Rafael Professional Investment Private Security Investment Trust No. 3	Financial investment	The Republic of Korea	December	50		50,000		50,029
KB Leaders Professional Investment Private Security Investment Trust No. 12	Financial investment	The Republic of Korea	December	36.67		40,000		40,864
KB Leaders Professional Investment Private Security Investment Trust No. 15	Financial investment	The Republic of Korea	December	49.64		30,000		30,353
IBK Private Securities Investment Trust 15th	Financial investment	The Republic of Korea	December	42.86		30,000		29,847
Shinhan IPO Maturity Matching Private Investment Trust	Financial investment	The Republic of Korea	December	28.56		50,000		51,765
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	Financial investment	The Republic of Korea	December	50		13,464		14,362
Samsung Rafael Professional Investment Private Security Investment Trust No. 1	Financial investment	The Republic of Korea	December	50		50,000		49,741
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50		50,000		49,692
Consus_Clean Water_Private Special Asset Fund-1	Financial investment	The Republic of Korea	December	50		10,011		10,018
Kiwoom Frontier Private Securities Investment Trust 11th	Financial investment	The Republic of Korea	December	50		50,000		49,644
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	26.34		39,194		39,614
Petra 7 alpha Private Equity	Financial	The Republic	December	21.79		10,938		10,447

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				2021		
				Closing month	Percentage of ownership (%)	Acquisition cost
	Main business	Location				Carrying amount
Partnership	investment	of Korea				
Hana UBS Professional Investment Private Security Investment Trust No. 6	Financial investment	The Republic of Korea	December	45.57	30,000	30,918
HDC Presto Private Securities Investment Trust 9th	Financial investment	The Republic of Korea	December	49.02	50,000	50,019
KB Leaders ESG Private Securities Investment Trust 1st	Financial investment	The Republic of Korea	December	29.41	50,166	49,852
Shinhan Corporation Private Securities Investment Trust 13th	Financial investment	The Republic of Korea	December	27.33	30,000	29,944
Hana UBS Professional Investment Private Security Investment Trust No. 10	Financial investment	The Republic of Korea	December	42.86	30,000	29,987
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	Financial investment	The Republic of Korea	December	20	10,945	10,997
IGIS Private Securities Investment Trust 331th	Financial investment	The Republic of Korea	December	33.76	10,000	10,776
BNK Teunteun Short-Term Bond	Financial investment	The Republic of Korea	December	34.63	14,640	14,728
KTB IPO 10 Securities Investment Trust	Financial investment	The Republic of Korea	December	49.21	20,000	19,986
KB New Wave Ordinary Private Securities Trust 1st	Financial investment	The Republic of Korea	December	99.44	30,000	30,020
Kyobo-Axa ESG Alpha Plus Private Securities Investment Trust – J 6th	Financial investment	The Republic of Korea	December	30.05	30,000	30,218
Hyundai Dual Strategies Private Securities Investment Trust 1st	Financial investment	The Republic of Korea	December	20	10,000	10,056
Others	Financial investment	The Republic of Korea	December	3.00 – 54.55	173,078	183,240
					<u>₩ 1,099,136</u>	<u>₩ 1,116,386</u>

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(In millions of Korean won)	2020							
	Main business	Location	Closing month	Percentage of ownership (%)		Acquisition cost		Carrying amount
Investments in associates:								
Orion Mezzanine Multi-strategy Professional Private Fund	Financial investment	The Republic of Korea	December	38.16	₩	5,000	₩	5,783
ANDA Mezzanine Professional Security Investment Trust No. 7	Financial investment	The Republic of Korea	December	32.98		9,288		11,496
BNK Ocean Business	Financial investment	The Republic of Korea	December	34.19		2,650		2,577
BSK No. 9 Youth Startup Investment Association	Financial investment	The Republic of Korea	December	29.94		4,000		3,895
BNK Inter-Value Technology Finance Investment Association No. 1	Financial investment	The Republic of Korea	December	34.32		2,540		2,527
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	Financial investment	The Republic of Korea	December	27.23		30,000		30,269
NH-Amundi Enhanced Bond Private Securities Investment Trust	Financial investment	The Republic of Korea	December	23.49		30,000		31,410
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)	Financial investment	The Republic of Korea	December	30.00		30,000		30,791
KB Leaders Professional Investment Private Security Investment Trust No. 12	Financial investment	The Republic of Korea	December	30.00		30,000		30,817
KB Leaders Professional Investment Private Security Investment Trust No. 15	Financial investment	The Republic of Korea	December	20.00		30,000		30,362
DGB Professional Investment Private Security Investment Trust No. 28	Financial investment	The Republic of Korea	December	37.50		30,000		30,441
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	Financial investment	The Republic of Korea	December	50.00		6,023		5,185
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	Financial investment	The Republic of Korea	December	50.00		16,642		14,322
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	Financial investment	The Republic of Korea	December	46.15		5,547		5,622
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	49.41		30,000		30,566
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	50.00		50,000		51,452
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	Financial investment	The Republic of Korea	December	50.00		50,000		50,197
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	Financial investment	The Republic of Korea	December	50.00		50,000		51,122
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	Financial investment	The Republic of Korea	December	25.00		8,295		8,293
Consus_Clean Water_Private Special Asset Fund-1	Financial investment	The Republic of Korea	December	50.00		10,743		10,877
Kiwoom Frontier Private Securities Investment Trust	Financial investment	The Republic of Korea	December	50.00		50,000		50,853

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(In millions of Korean won)	2020					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
11th						
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	26.00	39,194	39,566
Petra 7 alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	21.79	10,938	10,579
Hana UBS Professional Investment Private Security Investment Trust No. 6	Financial investment	The Republic of Korea	December	49.18	30,000	30,933
Heungkuk Discretionary Investment Specialized Private Equity Type 2	Financial investment	The Republic of Korea	December	22.15	40,000	40,214
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	Financial investment	The Republic of Korea	December	20.00	10,945	11,164
VI Holding Company Plus Securities Fund No. 1	Financial investment	The Republic of Korea	December	20.05	3,000	3,133
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	Financial investment	The Republic of Korea	December	50.00	30,000	30,122
UQIP Future Generation Investment Fund Partnership No. 1	Financial investment	The Republic of Korea	December	5.00	100	499
UQIP Energy Fusion Investment Fund Partnership	Financial investment	The Republic of Korea	December	3.00	1,500	1,158
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	Fund Partnership	The Republic of Korea	December	15.00	525	219
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Fund Partnership	The Republic of Korea	December	7.14	1,000	965
2019 UQIP Innovative Growth Follow-on Fund Partnership	Fund Partnership	The Republic of Korea	December	15.63	3,000	2,952
BNK Fisheries Investment Association No. 1	Fund Partnership	The Republic of Korea	December	10.00	700	685
BNK Winning Target Convertible Securities Investment Trust No. 1	Fund Partnership	The Republic of Korea	December	31.42	200	211
Investments in joint venture:						
M-park Capital Co., Ltd. ¹	Specialized credit financial business	The Republic of Korea	December	30.00	6,000	3,175
					₩ 657,830	₩ 664,432

¹ All of the joint arrangements, which the Group holds joint control of that arrangements, were structured through other entities. However, there are no contractual terms and/or conditions stating that the parties have rights to the assets and obligations for the liabilities relating to the arrangements. Since the parties having joint control of the arrangements believe that they have rights to the net assets of the joint arrangements, such parties are classified as joint ventures. Additionally, the net assets of the joint venture are incorporated in the Group's financial statements using the equity method of accounting.

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

(In millions of Korean won)

(In millions of Korean won)

		2021											
		Beginning balance	Acquisition/disposal		Share of profit or loss of associates and joint venture		Dividends received		Others		Ending balance		
Investments in associates:													
BNK Inter-Value Technology Finance Investment Association		₩	2,527	₩	10,160	₩	(301)	₩	-	₩	-	₩	12,386
ANDA H Mezzanine Private Investment Trust 11th			-		14,000		52		-		-		14,052
Hana UBS Professional Investment Private Security Investment Trust No. 7			30,791		10,000		(28)		-		-		40,763
HI Private Investment Trust 28th			30,441		-		(90)		-		-		30,351
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st			30,269		-		66		-		-		30,335
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th			30,122		-		24		-		-		30,146
NH-Amundi Enhanced Bond Private Securities Investment Trust 1st			31,410		-		(174)		-		-		31,236
Samsung Rafael Professional Investment Private Security Investment Trust No. 3			50,197		-		327		(495)		-		50,029
KB Leaders Professional Investment Private Security Investment Trust No. 12			30,817		10,000		47		-		-		40,864
KB Leaders Professional Investment Private Security Investment Trust No. 15			30,362		-		(9)		-		-		30,353
IBK Private Securities Investment Trust 15th			-		30,000		(153)		-		-		29,847
Shinhan IPO Maturity Matching Private Investment Trust,			-		50,000		1,765		-		-		51,765
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15			14,322		(1,222)		375		(371)		1,258		14,362
Samsung Rafael Professional Investment Private Security Investment Trust No. 1			51,452		-		-		(1,711)		-		49,741
SHBNPP Corporate Private Security Investment Trust 8th			51,122		-		106		(1,536)		-		49,692
Consus_Clean Water_Private Special Asset Fund-1			10,877		(732)		1,117		(1,244)		-		10,018
Kiwoom Frontier Private Securities Investment Trust 11th			50,853		-		20		(1,229)		-		49,644
Kiwoom Frontier Private Securities Investment Trust 12th			39,566		-		196		(148)		-		39,614
Petra 7 alpha Private Equity Partnership			10,579		-		3		(135)		-		10,447
Hana UBS Professional Investment Private Security Investment Trust No. 6			30,933		-		(15)		-		-		30,918

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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As of and for the Years Ended December 31, 2021 and 2020

(In millions of Korean won)

	2021					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
HDC Presto Private Securities Investment Trust 9th	-	50,000	19	-	-	50,019
KB New Wave Ordinary Private Securities Trust 1st	-	50,166	(314)	-	-	49,852
Shinhan Corporation Private Securities Investment Trust 13th	-	30,000	(56)	-	-	29,944
Hana UBS Professional Investment Private Security Investment Trust No. 10	-	30,000	(13)	-	-	29,987
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	11,164	-	556	(723)	-	10,997
IGIS Private Securities Investment Trust 331th	-	10,000	1,137	(361)	-	10,776
BNK Teunteun Short-Term Bond	-	14,640	88	-	-	14,728
KTB IPO 10 Securities Investment Trust	-	20,000	(14)	-	-	19,986
KB New Wave Ordinary Private Securities Trust 1st	-	30,000	20	-	-	30,020
Kyobo-Axa ESG Alpha Plus Private Securities Investment Trust – J 6th	-	30,043	175	-	-	30,218
Hyundai Dual Strategies Private Securities Investment Trust 1st	-	10,000	56	-	-	10,056
Others	123,453	51,993	16,751	(9,722)	765	183,240
Investments in joint venture:						
M-park Capital Co., Ltd.	3,175	(3,175)	-	-	-	-
	<u>₩ 664,432</u>	<u>₩ 445,873</u>	<u>₩ 21,733</u>	<u>₩ (17,675)</u>	<u>₩ 2,023</u>	<u>₩ 1,116,386</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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(In millions of Korean won)

	2020					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Investments in associates:						
BNK Winning Securities Investment Trust 1	₩ 9,355	₩ (9,355)	₩ -	₩ -	₩ -	₩ -
HDC Presto Private Securities Investment Trust 8th	40,759	(40,759)	-	-	-	-
Orion Mezzanine Multi-strategy Professional Private Fund	4,996	-	787	-	-	5,783
ANDA Mezzanine Professional Security Investment Trust No. 7	14,054	(4,950)	3,503	(1,111)	-	11,496
BNK Yeoido Core Office Professional Private Real Estate Investment Type No. 2	29,993	(29,993)	-	-	-	-
BNK Ocean Business	-	2,650	(73)	-	-	2,577
BSK No. 9 Youth Startup Investment Association	-	4,000	(105)	-	-	3,895
BNK Inter-Value Technology Finance Investment Association No. 1	-	2,540	(13)	-	-	2,527
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	30,128	-	832	(691)	-	30,269
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 6th	30,092	(30,090)	-	-	(2)	-
NH-Amundi Enhanced Bond Private Securities Investment Trust	30,588	-	822	-	-	31,410
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)	-	30,000	791	-	-	30,791
KB Leaders Professional Investment Private Security Investment Trust No. 12	-	30,000	817	-	-	30,817
KB Leaders Professional Investment Private Security Investment Trust No. 15	-	30,000	362	-	-	30,362
DGB Professional Investment Private Security Investment Trust No. 28	-	30,000	441	-	-	30,441
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12	6,193	(681)	235	(246)	(316)	5,185

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(In millions of Korean won)

	2020					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	16,760	(1,531)	740	(728)	(919)	14,322
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2	1,364	4,170	153	(65)	-	5,622
IBK Private Securities Investment Trust S2	30,511	(30,932)	-	-	421	-
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 13	16,898	(17,657)	-	-	759	-
Samsung Repo Professional Investment Private Security Investment Trust No. 1	50,321	(51,145)	-	-	824	-
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)	-	30,000	566	-	-	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)	-	50,000	1,452	-	-	51,452
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	-	50,000	197	-	-	50,197
Shinhan BNPP Specialized Private Equity Investment Trust No. 8 for Specialized Investment SG rail	51,071	-	1,616	(1,565)	-	51,122
Yuri Repo Alpha Private Securities Investment Trust 1st	40,853	(41,308)	661	(206)	-	-
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	2,142	6,153	209	(211)	-	8,293
Consus_Clean Water_Private Special Asset Fund-1	11,695	(808)	511	(521)	-	10,877
Kiwoom Frontier Private Securities Investment Trust 11th	51,380	-	1,509	(2,036)	-	50,853
Kiwoom Frontier Private Securities Investment Trust 12th	50,627	(10,806)	1,306	(1,561)	-	39,566
Petra 7 alpha Private Equity Partnership	10,661	-	(82)	-	-	10,579

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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(In millions of Korean won)

	2020					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Hana UBS Professional Investment Private Security Investment Trust No. 6	-	30,000	933	-	-	30,933
Heungkuk Discretionary Investment Specialized Private Equity Type 2	-	40,000	214	-	-	40,214
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	10,575	258	985	(654)	-	11,164
BNK Smart Korea Private investment Trust	2,224	(2,224)	-	-	-	-
BNK GO Professional Private Investment No. 1 C-S	1,367	(1,367)	-	-	-	-
BNK Teun Mid to Long-term Securities Investment Trust 1	-	112	(112)	-	-	-
VI Holding Company Plus Securities Fund No. 1	-	3,000	133	-	-	3,133
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	-	30,000	122	-	-	30,122
UQIP Future Generation Investment Fund Partnership No. 1	672	(362)	274	-	(85)	499
UQIP Energy Fusion Investment Fund Partnership	1,189	-	(12)	-	(19)	1,158
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	308	-	(89)	-	-	219
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	595	300	49	-	21	965
2019 UQIP Innovative Growth Follow-on Fund Partnership	851	2,100	1	-	-	2,952
BNK Fisheries Investment Association No. 1	-	700	(15)	-	-	685
BNK Winning Target Convertible Securities Investment Trust No. 1	-	212	(1)	-	-	211
Investments in joint venture:						
M-park Capital Co., Ltd.	2,886	-	289	-	-	3,175
	₩ 551,108	₩ 102,227	₩ 20,008	₩ (9,595)	₩ 684	₩ 664,432

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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As of and for the Years Ended December 31, 2021 and 2020

Financial information of associates and joint venture as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Investments in associates:						
BNK Inter-Value Technology Finance Investment Association	₩ 36,305	₩ 220	₩ 36,085	₩ 16	₩ (877)	₩ (877)
ANDA H Mezzanine Private Investment Trust 11th	56,973	5	56,968	341	213	213
Hana UBS Professional Investment Private Security Investment Trust No. 7	209,533	97,927	111,606	2,693	(83)	(83)
HI Private Investment Trust 28th	119,383	59,012	60,371	2,645	(152)	(152)
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	149,138	68,915	80,223	3,056	51	51
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	117,206	56,915	60,291	2,356	320	320
NH-Amundi Enhanced Bond Private Securities Investment Trust 1st	242,725	112,550	130,175	3,492	(818)	(818)
Samsung Rafael Professional Investment Private Security Investment Trust No. 3	170,189	70,130	100,059	2,452	333	333
KB Leaders Professional Investment Private Security Investment Trust No. 12	159,656	48,229	111,427	2,524	(37)	(37)
KB Leaders Professional Investment Private Security Investment Trust No. 15	97,359	36,211	61,148	3,687	132	132
IBK Private Securities Investment Trust 15th	137,676	68,033	69,643	1,368	(357)	(357)
Shinhan IPO Maturity Matching Private Investment Trust,	307,729	126,470	181,259	12,069	7,404	7,404
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	28,724	1	28,723	749	749	749
Samsung Rafael Professional Investment Private Security Investment Trust No. 1	239,528	140,045	99,483	1,559	-	-
SHBNPP Corporate Private Security Investment Trust 8th	179,103	79,720	99,383	6,826	211	211
Consus_Clean Water_Private Special Asset Fund-1	20,288	253	20,035	2,235	2,235	2,235
Kiwoom Frontier Private Securities Investment Trust 11th	199,314	100,027	99,287	2,562	38	38
Kiwoom Frontier Private Securities Investment Trust 12th	244,794	94,627	150,167	1,966	743	743
Petra 7 alpha Private Equity Partnership	48,073	129	47,944	5,129	11	11
Hana UBS Professional Investment Private Security Investment Trust No. 6	176,965	109,122	67,843	2,093	(34)	(34)

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Notes to the Consolidated Financial Statements
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(In millions of Korean won)

	2021					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
HDC Presto Private Securities Investment Trust 9th	195,864	93,825	102,039	2,383	39	39
KB Leaders ESG Private Securities Investment Trust 1st	259,946	90,449	169,497	4,867	(1,067)	(1,067)
Shinhan Corporation Private Securities Investment Trust 13th	223,196	113,630	109,566	2,343	(207)	(207)
Hana UBS Professional Investment Private Security Investment Trust No. 10	134,876	64,906	69,970	1,016	(30)	(30)
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	55,011	28	54,983	74,418	2,563	2,563
IGIS Private Securities Investment Trust 331th	72,813	41,965	30,848	3,901	3,198	3,198
BNK Teunteun Short-Term Bond	45,511	2,977	42,534	1,054	402	402
KTB IPO 10 Securities Investment Trust	40,633	19	40,614	650	540	540
KB New Wave Ordinary Private Securities Trust 1st	30,191	1	30,190	20	20	20
Kyobo-Axa ESG Alpha Plus Private Securities Investment Trust – J 6th	194,368	93,818	100,550	471	352	352
Hyundai Dual Strategies Private Securities Investment Trust 1st	90,304	40,025	50,279	2,145	279	279
Others	802,658	170,128	632,530	70,010	51,157	51,157
	<u>₩ 5,086,032</u>	<u>₩1,980,312</u>	<u>₩ 3,105,720</u>	<u>₩ 223,096</u>	<u>₩ 67,328</u>	<u>₩ 67,328</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of Korean won)

	2020											
	Current assets		Current liabilities		Equity		Operating income		Operating profit (loss) from continuing operations		Total comprehensive income (loss)	
Investments in associates:												
Orion Mezzanine Multi-strategy Professional Private Fund	₩	15,195	₩	39	₩	15,156	₩	2,261	₩	1,917	₩	1,917
ANDA Mezzanine Professional Security Investment Trust No. 7		34,855		-		34,855		10,244		4,488		4,488
BNK Ocean Business		7,538		-		7,538		4		(212)		(212)
BSK No. 9 Youth Startup Investment Association		13,013		4		13,009		3		(351)		(351)
BNK Inter-Value Technology Finance Investment Association No. 1		7,400		37		7,363		-		(37)		(37)
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st		191,481		80,316		111,165		5,258		2,827		2,827
NH-Amundi Enhanced Bond Private Securities Investment Trust		288,532		154,819		133,713		6,339		3,452		3,452
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)		156,157		53,521		102,636		3,689		2,635		2,635
KB Leaders Professional Investment Private Security Investment Trust No. 12		135,843		33,120		102,723		3,599		2,723		2,723
KB Leaders Professional Investment Private Security Investment Trust No. 15		208,728		56,920		151,808		2,702		1,808		1,808
DGB Professional Investment Private Security Investment Trust No. 28		158,791		77,614		81,177		1,907		1,177		1,177
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12		10,377		7		10,370		492		492		492
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15		28,644		1		28,643		1,455		1,455		1,455
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2		12,668		488		12,180		204		202		202
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)		91,318		29,457		61,861		3,782		1,346		1,346
Samsung Rafael		272,932		170,029		102,903		4,892		2,904		2,904

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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(In millions of Korean won)

	2020					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)						
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)	246,826	146,431	100,395	1,598	397	397
Shinhan BNPP Specialized Private Equity Investment Trust No. 8 for Specialized Investment SG rail	211,958	109,714	102,244	10,131	2,244	2,244
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	33,536	363	33,173	-	-	-
Consus_Clean Water_Private Special Asset Fund-1	21,778	25	21,753	274	250	250
Kiwoom Frontier Private Securities Investment Trust 11th	201,629	99,922	101,707	2,541	1,707	1,707
Kiwoom Frontier Private Securities Investment Trust 12th	272,405	120,229	152,176	1,068	833	833
Petra 7 alpha Private Equity Partnership	48,561	10	48,551	3	(366)	(366)
Hana UBS Professional Investment Private Security Investment Trust No. 6	139,214	76,316	62,898	2,676	1,898	1,898
Heungkuk Discretionary Investment Specialized Private Equity Type 2	426,934	245,421	181,513	7,019	668	668
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	55,847	29	55,818	372	326	326
VI Holding Company Plus Securities Fund No. 1	15,645	16	15,629	3,142	3,122	3,122
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	115,456	55,213	60,243	350	244	244
UQIP Future Generation Investment Fund Partnership No. 1	10,298	292	10,006	4,091	3,725	3,727
UQIP Energy Fusion Investment Fund Partnership	39,279	692	38,587	1,790	(430)	(403)
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	2,260	801	1,459	-	(604)	(594)

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(In millions of Korean won)

	2020					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	13,630	115	13,515	1,024	759	761
2019 UQIP Innovative Growth Follow-on Fund Partnership	18,984	92	18,892	361	(3)	6
BNK Fisheries Investment Association No. 1	6,942	95	6,847	3	(159)	(153)
BNK Winning Target Convertible Securities Investment Trust No. 1	672	-	672	1,168	789	379
KC Co., Ltd.	2,084	1,839	(2,282)	6,151	(368)	(712)
Investments in joint venture:						
M-park Capital Co., Ltd.	16,460	521	15,939	6,459	(2,132)	(2,125)
	<u>₩ 3,533,870</u>	<u>₩ 1,514,508</u>	<u>₩ 2,016,835</u>	<u>₩ 97,052</u>	<u>₩ 39,726</u>	<u>₩ 39,035</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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The reconciliations from the net assets of associates and joint venture based on the ownership ratio of the Group to its corresponding book amount of investments in associates and joint venture as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Investments in associates:				
BNK Inter-Value Technology Finance Investment Association	₩ 36,085	34	₩ 12,386	₩ 12,386
ANDA H Mezzanine Private Investment Trust 11th	56,968	25	14,052	14,052
Hana UBS Professional Investment Private Security Investment Trust No. 7	111,606	37	40,763	40,763
HI Private Investment Trust 28 th	60,371	50	30,351	30,351
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st	80,223	38	30,335	30,335
Kyobo-Axa Investment Alpha PlusPrivate Securities Investment Trust - J 8th	60,291	50	30,146	30,146
NH-Amundi Enhanced Bond Private Securities Investment Trust 1st	130,175	24	31,236	31,236
Samsung Rafael Professional Investment Private Security Investment Trust No. 3	100,059	50	50,029	50,029
KB Leaders Professional Investment Private Security Investment Trust No. 12	111,427	37	40,864	40,864
KB Leaders Professional Investment Private Security Investment Trust No. 15	61,148	50	30,353	30,353
IBK Private Securities Investment Trust 15th	69,643	43	29,847	29,847
Shinhan IPO Maturity Matching Private Investment Trust,	181,259	29	51,765	51,765
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15	28,723	50	14,362	14,362
Samsung Rafael Professional Investment Private Security Investment Trust No. 1	99,483	50	49,741	49,741
SHBNPP Corporate Private Security Investment Trust 8th	99,383	50	49,692	49,692
Consus_Clean Water_Private Special Asset Fund-1	20,035	50	10,018	10,018
Kiwoom Frontier Private Securities Investment Trust 11th	99,287	50	49,644	49,644

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(In millions of Korean won)

	2021			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Kiwoom Frontier Private Securities Investment Trust 12th	150,167	26	39,614	39,614
Petra 7 alpha Private Equity Partnership	47,944	22	10,447	10,447
Hana UBS Professional Investment Private Security Investment Trust No. 6	67,843	46	30,918	30,918
HDC Presto Private Securities Investment Trust	102,039	49	50,019	50,019
KB Leaders ESG Private Securities Investment Trust 1st	169,497	29	49,852	49,852
Shinhan Corporation Private Securities Investment Trust 13th	109,566	27	29,944	29,944
Hana UBS Professional Investment Private Security Investment Trust No. 10	69,970	43	29,987	29,987
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	54,983	20	10,997	10,997
IGIS Private Securities Investment Trust 331th	30,848	34	10,776	10,776
BNK Teunteun Short-Term Bond	42,534	35	14,728	14,728
KTB IPO 10 Securities Investment Trust	40,614	49	19,986	19,986
KB New Wave Ordinary Private Securities Trust 1st	30,190	99	30,020	30,020
Kyobo-Axa ESG Alpha Plus Private Securities Investment Trust – J 6th	100,550	30	30,218	30,218
Hyundai Dual Strategies Private Securities Investment Trust 1st	50,279	20	10,056	10,056
Others	632,530		183,240	183,240

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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As of and for the Years Ended December 31, 2021 and 2020

(In millions of Korean won)

		2020			
		Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Investments in associates:					
Orion Mezzanine Multi-strategy Professional Private Fund	₩	15,156	38.16	₩ 5,783	₩ 5,783
ANDA Mezzanine Professional Security Investment Trust No. 7		34,855	32.98	11,496	11,496
BNK Ocean Business		7,538	34.19	2,577	2,577
BSK No. 9 Youth Startup Investment Association		13,009	29.94	3,895	3,895
BNK Inter-Value Technology Finance Investment Association No. 1		7,363	34.32	2,527	2,527
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 1st		111,165	27.23	30,269	30,269
NH-Amundi Enhanced Bond Private Securities Investment Trust		133,713	23.49	31,410	31,410
Hana UBS Professional Investment Private Security Investment Trust No. 7 (Bond)		102,636	30.00	30,791	30,791
KB Leaders Professional Investment Private Security Investment Trust No. 12		102,723	30.00	30,817	30,817
KB Leaders Professional Investment Private Security Investment Trust No. 15		151,808	20.00	30,362	30,362
DGB Professional Investment Private Security Investment Trust No. 28		81,177	37.50	30,441	30,441
KIAMCO KDB Ocean Value-up Professional Private Special Asset Fund No. 12		10,370	50.00	5,185	5,185
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No. 15		28,643	50.00	14,322	14,322
Shinhan BNPP GS Retail Professional Private Special Asset Fund No. 1-2		12,180	46.15	5,622	5,622
Mirae Asset Triumph Professional Investment Private Security Investment Trust No. 4 (Bond/Derivatives)		61,861	49.41	30,566	30,566
Samsung Rafael Professional Investment Private Security Investment Trust No. 1 (Bond/Derivatives)		102,903	50.00	51,452	51,452
Samsung Rafael Professional Investment Private Security Investment Trust No. 3 (Bond/Derivatives)		100,395	50.00	50,197	50,197

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(In millions of Korean won)

	2020			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Shinhan BNPP Specialized Private Equity Investment Trust No. 8 for Specialized Investment SG rail	102,244	50.00	51,122	51,122
Aegis Real Asset Solar Professional Investment Private Asset Fund No. 1	33,173	25.00	8,293	8,293
Consus_Clean Water_Private Special Asset Fund-1	21,753	50.00	10,877	10,877
Kiwoom Frontier Private Securities Investment Trust 11th	101,707	50.00	50,853	50,853
Kiwoom Frontier Private Securities Investment Trust 12th	152,176	26.00	39,566	39,566
Petra 7 alpha Private Equity Partnership	48,551	21.79	10,579	10,579
Hana UBS Professional Investment Private Security Investment Trust No. 6	62,898	49.18	30,933	30,933
Heungkuk Discretionary Investment Specialized Private Equity Type 2	181,513	22.15	40,214	40,214
KIAMCO Aviation Specialized Investment Type Private Equity Trust No. 1	55,818	20.00	11,164	11,164
VI Holding Company Plus Securities Fund No. 1	15,629	20.05	3,133	3,133
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust - J 8th	60,243	50.00	30,122	30,122
UQIP Future Generation Investment Fund Partnership No. 1	10,006	5.00	499	499
UQIP Energy Fusion Investment Fund Partnership	38,587	3.00	1,158	1,158
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 1	1,459	15.00	219	219
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	13,515	7.14	965	965
2019 UQIP Innovative Growth Follow- on Fund Partnership	18,892	15.63	2,952	2,952
BNK Fisheries Investment Association No. 1	6,847	10.00	685	685
BNK Winning Target Convertible Securities Investment Trust No. 1	672	31.42	211	211
KC Co., Ltd.	(2,282)	41.69	-	-
Investments in joint venture:				
M-park Capital Co., Ltd.	15,939	30.00	4,782	3,175

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17. PROPERTY AND EQUIPMENT:

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

(In millions of Korean won)

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 403,300	₩ -	₩ -	₩ 403,300
Building	700,568	(118,443)	-	582,125
Leasehold improvements	122,565	(99,556)	-	23,009
Equipment and vehicles	506,045	(406,825)	-	99,220
Construction in progress	13,865	-	-	13,865
Right-of-use assets	111,522	(72,770)	-	38,752
	<u>₩ 1,857,865</u>	<u>₩ (697,594)-</u>	<u>₩ -</u>	<u>₩ 1,160,271</u>

(In millions of Korean won)

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 379,490	₩ -	₩ -	₩ 379,490
Building	660,864	(96,769)	-	564,095
Leasehold improvements	125,131	(97,741)	-	27,390
Equipment and vehicles	500,145	(407,821)	-	92,324
Construction in progress	31,425	-	-	31,425
Right-of-use assets	119,120	(60,428)	-	58,692
Others	26,171	-	(6,912)	19,259
	<u>₩ 1,842,346</u>	<u>₩ (662,759)</u>	<u>₩ (6,912)</u>	<u>₩ 1,172,675</u>

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

(In millions of Korean won)

	2021						
	Beginning balance	Acquisition	Disposal	Reclassifi- cation	Depreciation	Others	Ending balance
Land	₩ 379,490	₩ 2,358	₩ (4,398)	₩ 25,850	₩ -	₩ -	₩ 403,300
Building	564,095	4,643	(6,343)	34,254	(14,552)	28	582,125
Leasehold improvements	27,390	2,311	(584)	3,795	(9,921)	18	23,009
Equipment and vehicles	92,324	34,988	(329)	7,624	(34,478)	(909)	99,220
Construction in progress	31,425	55,290	(267)	(72,583)	-	-	13,865
Right-of-use assets	58,691	38,881	(25,168)	321	(34,016)	43	38,752
Others	19,260	-	(19,260)	-	-	-	-
	<u>₩1,172,675</u>	<u>₩ 138,471</u>	<u>₩ (56,349)</u>	<u>₩ (739)</u>	<u>₩ (92,967)</u>	<u>₩ (820)</u>	<u>₩1,160,271</u>

(In millions of Korean won)

	2020						
	Beginning balance	Acquisition	Disposal	Reclassifi- cation	Depreciation	Others	Ending balance
Land	₩ 283,344	₩ 683	₩ (621)	₩ 96,084	₩ -	₩ -	₩ 379,490
Building	444,227	3,595	(1,572)	133,233	(13,012)	(2,376)	564,095
Leasehold improvements	29,218	4,912	(585)	5,495	(11,145)	(505)	27,390
Equipment and vehicles	87,805	26,814	(408)	9,877	(34,817)	3,053	92,324
Construction in progress	33,246	50,384	-	(52,205)	-	-	31,425
Right-of-use assets	80,529	42,007	(8,514)	-	(33,639)	(21,691)	58,692
Others	19,259	-	-	-	-	-	19,259
	<u>₩ 977,628</u>	<u>₩ 128,395</u>	<u>₩ (11,700)</u>	<u>₩ 192,484</u>	<u>₩ (92,613)</u>	<u>₩ (21,519)</u>	<u>₩1,172,675</u>

Details of right-to-use assets as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 103,179	₩ 3,713	₩ 4,630	₩ 111,522
Accumulated depreciation	(67,761)	(1,555)	(3,454)	(72,770)
Book amount of right-of-use asset	<u>₩ 35,418</u>	<u>₩ 2,158</u>	<u>₩ 1,176</u>	<u>₩ 38,752</u>

(In millions of Korean won)

	2020			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 102,973	₩ 2,221	₩ 4,024	₩ 109,218
Accumulated depreciation	(47,457)	(731)	(2,338)	(50,526)
Book amount of right-of-use asset	<u>₩ 55,516</u>	<u>₩ 1,490</u>	<u>₩ 1,686</u>	<u>₩ 58,692</u>

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18. INTANGIBLE ASSETS:

Intangible assets as of December 31, 2021 and 2020, consisted of the following:

(In millions of Korean won)

	2021			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 90,684	₩ (62,563)	₩ -	₩ 28,121
Goodwill	50,398	-	(22,057)	28,341
Core deposits	177,470	(129,572)	(1,891)	46,007
Others	349,155	(158,241)	(348)	190,566
	<u>₩ 667,707</u>	<u>₩ (350,376)</u>	<u>₩ (24,296)</u>	<u>₩ 293,035</u>

(In millions of Korean won)

	2020			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 93,472	₩ (61,260)	₩ -	₩ 32,212
Goodwill	50,398	-	(22,057)	28,341
Core deposits	177,470	(112,055)	(1,891)	63,524
Others	428,303	(273,383)	(361)	154,559
	<u>₩ 749,643</u>	<u>₩ (446,698)</u>	<u>₩ (24,309)</u>	<u>₩ 278,636</u>

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

(In millions of Korean won)

	2021						
	Beginning balance	Acquisition	Disposal	Reclassification	Amortization	Others	Ending balance
Software	₩ 32,212	₩ 7,635	₩ -	₩ 62	₩ (11,689)	₩ (99)	₩ 28,121
Goodwill	28,341	-	-	-	-	-	28,341
Core deposits	63,524	-	-	-	(17,517)	-	46,007
Others	154,559	82,278	(552)	(62)	(45,664)	7	190,566
	<u>₩ 278,636</u>	<u>₩ 89,913</u>	<u>₩ (552)</u>	<u>₩ -</u>	<u>₩ (74,870)</u>	<u>₩ (92)</u>	<u>₩ 293,035</u>

(In millions of Korean won)

	2020						
	Beginning balance	Acquisition	Disposal	Reclassification	Amortization	Changes in foreign currency and others	Ending balance
Software	₩ 50,606	₩ 8,706	₩ -	₩ (15,802)	₩ (11,203)	₩ (95)	₩ 32,212
Goodwill	28,461	-	-	-	-	(120)	28,341
Core deposits	81,042	-	-	-	(17,518)	-	63,524
Others	106,268	49,706	(412)	36,405	(37,522)	114	154,559
	<u>₩ 266,377</u>	<u>₩ 58,412</u>	<u>₩ (412)</u>	<u>₩ 20,603</u>	<u>₩ (66,243)</u>	<u>₩ (101)</u>	<u>₩ 278,636</u>

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Impairment test on goodwill is based on value-in-use calculated by the recoverable amount of a CGU, and these calculations use pretax cash flow projections based on financial budgets covering a five-year period. The cost of capital reflected in discounting estimated cash flows is determined as follows:

BNK Savings Bank Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	1.96%	Average of one year from the valuation date
Corporate Beta	0.205	Reflecting capital structure of similar companies
Market rate premium ("MRP")	11.06%	Average MRP of one year from the valuation date
Cost of capital	4.23%	

BNK Asset Management Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	1.89%	Average of one year from the valuation date
Corporate Beta	0.33	Reflecting capital structure of similar companies
MRP	13.32%	Average MRP of one year from the valuation date
Cost of capital	9.88%	

BNK Venture Capital Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	1.89%	Average of one year from the valuation date
Corporate Beta	1.17	Reflecting capital structure of similar companies
MRP	13.32%	Average MRP of one year from the valuation date
Cost of capital	17.83%	

As a result of the impairment test of goodwill, it is determined that the book amount of the CGU does not exceed the recoverable amount.

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19. INVESTMENT PROPERTIES:

Investment properties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 478,167	₩ -	₩ -	₩ 478,167
Building	204,462	(20,830)	-	183,632
	<u>₩ 682,629</u>	<u>₩ (20,830)</u>	<u>₩ -</u>	<u>₩ 661,799</u>

(In millions of Korean won)

	2020			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 489,998	₩ -	₩ -	₩ 489,998
Building	207,368	(32,018)	-	175,350
	<u>₩ 697,366</u>	<u>₩ (32,018)</u>	<u>₩ -</u>	<u>₩ 665,348</u>

Rental income from investment properties is ₩17,787 million and ₩14,811 million for the years ended December 31, 2021 and 2020, respectively.

Expenses (including repairs and maintenance) directly related to the investment properties of which rental income was generated and no rental income was generated are ₩2,757 million and ₩329 million for the years ended December 31, 2021 and 2020, respectively.

The fair value and assessment method of investment properties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020	Valuation techniques	Input variables
Land	₩ 588,073	₩ 522,983	- The evaluation method of using officially assessed land pricing - Sales comparison approach	- Officially assessed land pricing - Sales history - Discount rate
Building	162,206	212,588	- Evaluation by the prime cost - Evaluation by the standard land cost - Sales comparison approach	- Rent increase rate, etc. - Repurchase cost - Durable years - Rent increase rate, etc.
	<u>₩ 750,279</u>	<u>₩ 735,571</u>		

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

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

(In millions of Korean won)

	2021				
	Beginning balance	Acquisition	Reclassificat- ion	Depreciation	Ending balance
Land	₩ 489,998	₩ -	₩ (11,832)	₩ -	₩ 478,166
Building	175,350	1,848	12,571	(6,136)	183,633
	<u>₩ 665,348</u>	<u>₩ 1,848</u>	<u>₩ 739</u>	<u>₩ (6,136)</u>	<u>₩ 661,799</u>

(In millions of Korean won)

	2020				
	Beginning balance	Acquisition	Reclassificat- ion	Depreciation	Ending balance
Land	₩ 113,749	₩ 470,453	₩ (94,204)	₩ -	₩ 489,998
Building	110,433	186,281	(118,884)	(2,480)	175,350
	<u>₩ 224,182</u>	<u>₩ 656,734</u>	<u>₩ (213,088)</u>	<u>₩ (2,480)</u>	<u>₩ 665,348</u>

Operating lease

The Group entered into various operating lease agreements for land and buildings, which are classified as investment properties. The remaining periods of non-cancellable operating lease are within five years. The lease payments can be increased annually depending on the market condition under all operating lease agreements. The future minimum lease payments expected to be received in relation to the non-cancellable operating lease agreement for investment properties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Within one year	₩ 8,427	₩ 19,962
Later than one year, but not later than five years	30,416	36,381
Later than five years	<u>1,460</u>	<u>2,389</u>
	<u>₩ 40,303</u>	<u>₩ 58,732</u>

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20. OTHER ASSETS:

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

<i>(In millions of Korean won)</i>	2021	2020
Guarantee deposits	₩ 2,829	₩ 1,828
Articles for consumption	1,525	1,513
Prepaid expenses	103,776	60,672
Operating lease assets	1,269,111	1,167,801
Prepaid lease assets	14,035	19,620
Others	37,556	28,993
	<u>₩ 1,428,832</u>	<u>₩ 1,280,427</u>

Details of prepaid lease assets as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Operating lease assets:		
Operating lease assets	₩ 1,739,158	₩ 1,533,570
Accumulated depreciation	(520,838)	(411,451)
Accumulated impairment loss	(649)	(1,081)
	<u>1,217,671</u>	<u>1,121,038</u>
Hedge lease assets:		
Hedge lease assets	12,412	12,412
Accumulated depreciation	(1,472)	(1,472)
Accumulated impairment loss	(10,940)	(10,940)
	<u>-</u>	<u>-</u>
Initial direct costs	51,440	46,763
Prepaid lease assets	14,035	19,620
	<u>₩ 1,283,146</u>	<u>₩ 1,187,421</u>

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Operating lease assets

Lessee of operating lease assets by industry based on the acquisition cost as of December 31, 2021 and 2020, is as follows:

<i>(In millions of Korean won)</i>	2021			2020		
	Transport equipment	General industrial equipment	Total	Transport equipment	General industrial equipment	Total
Cost	₩ 1,726,713	₩ 24,857	₩ 1,751,570	₩ 1,517,763	₩ 28,219	₩ 1,545,982
Accumulated depreciation	(511,207)	(11,103)	(522,310)	(399,843)	(13,080)	(412,923)
Accumulated impairment losses	-	(11,589)	(11,589)	-	(12,021)	(12,021)
Book amount	₩ 1,215,506	₩ 2,165	₩ 1,217,671	₩ 1,117,920	₩ 3,118	₩ 1,121,038

The total of future minimum lease payments to the lessor at the end of the reporting period are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Within one year	₩ 307,979	₩ 285,877
Later than one year, but not later than five years	490,215	498,155
Later than five years	131	207
	₩ 798,325	₩ 784,239

21. DEPOSITS:

Deposits as of December 31, 2021 and 2020, consist of the followings:

<i>(In millions of Korean won)</i>	2021	2020
Deposits in Korean won:		
Demand deposits	₩ 13,645,910	₩ 12,604,889
Term deposits	73,348,043	65,371,021
Mutual installment deposits	1,703	2,072
Mutual installment for housing	3,603	4,373
Others	692	369
	86,999,951	77,982,724
Deposits in foreign currencies	1,198,337	1,329,266
Negotiable certificates of deposit	5,083,718	3,720,727
	₩ 93,282,006	₩ 83,032,717

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22. FINANCIAL LIABILITIES DESIGNATED AT FVTPL:

Financial liabilities designated at FVTPL as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Equity-linked securities sold	₩	111,058	₩	-
Securities sold with embedded derivatives		92,198		-
Credit risk assessment adjustment		(32)		-
Adjustment of gain and losses on valuation at transaction date		31		-
	₩	<u>203,255</u>	₩	<u>-</u>

23. BORROWINGS:

Borrowings at amortized cost as of December 31, 2021 and 2020, consist of:

<i>(In millions of Korean won)</i>	Annual interest rate (%)		2021	2020
	Minimum	Maximum		
Borrowings in Korean won:				
The BOK	0.25	0.25	₩ 1,058,749	₩ 1,053,041
Others	0.90	3.62	<u>3,880,444</u>	<u>3,227,962</u>
			<u>4,939,193</u>	<u>4,281,003</u>
Borrowings in foreign currencies:				
Overdraft on our account	-	-	7,513	12,092
Banks	0.15	12.00	842,125	490,466
Relending loans	-	-	-	17,843
Others	1.52	1.72	<u>409,551</u>	<u>311,700</u>
			<u>1,259,189</u>	<u>832,101</u>
Call money	0.13	0.85	45,035	64,421
Bonds sold under repurchase agreement:				
Korean won	0.25	3.00	1,342,541	1,595,736
Foreign currencies	0.55	0.55	<u>20,604</u>	<u>27,411</u>
			<u>1,363,145</u>	<u>1,623,147</u>
Bills sold	0.25	0.72	34,657	24,967
Deferred expenses from borrowings			<u>(1)</u>	<u>(118)</u>
			₩ <u>7,641,218</u>	₩ <u>6,825,521</u>

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Borrowings at FVTPL as of December 31, 2021 and 2020, consist of:

<i>(In millions of Korean won)</i>	Annual interest rate (%)			2021		2020
	Minimum	Maximum				
Securities sold	0.55	1.88	₩	138,031	₩	10,222

Details of borrowings of financial institution as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 1,058,749	₩ 1,320,850	₩ 1,803,182	₩ 4,182,781
Borrowings in foreign currencies	-	1,059,493	199,696	1,259,189
Call money	-	45,035	-	45,035
Bonds sold under repurchase agreement	-	-	744,378	744,378
	<u>₩ 1,058,749</u>	<u>₩ 2,425,378</u>	<u>₩ 2,747,256</u>	<u>₩ 6,231,383</u>

<i>(In millions of Korean won)</i>	2020			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 1,053,041	₩ 721,377	₩ 1,281,272	₩ 3,055,690
Borrowings in foreign currencies	-	814,258	17,843	832,101
Call money	-	64,421	-	64,421
Bonds sold under repurchase agreement	-	68,099	846,134	914,233
	<u>₩ 1,053,041</u>	<u>₩ 1,668,155</u>	<u>₩ 2,145,249</u>	<u>₩ 4,866,445</u>

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24. DEBENTURES:

Debentures issued by the Group as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>			2021		2020
	Minimum	Maximum				
Debentures in Korean won:						
Unsecured coupon bond	0.90	3.43	₩	11,479,627	₩	9,145,000
Subordinated bond	3.05	4.18		1,500,000		1,500,000
Present value discounts				(11,249)		(10,116)
				<u>12,968,378</u>		<u>10,634,884</u>
Debentures in foreign currencies:						
Senior bond	2.51	3.68		178,978		329,753
Subordinated bond	3.63	3.63		296,375		272,000
Loss on fair value hedge				476		12,971
Present value discounts				(1,348)		(1,618)
				<u>474,481</u>		<u>613,106</u>
			₩	<u>13,442,859</u>	₩	<u>11,247,990</u>

25. NET DEFINED BENEFIT LIABILITIES (ASSETS):

Defined benefit plan

The Group operates a retirement benefit plan, which is an arrangement, whereby the Group provides benefits as a lump sum, based on current salary and tenure of employment provided to employees on or after termination of their service. The retirement benefit plan is normally described as a defined benefit plan and its own characteristics are as follows:

- The obligation of the Group is to pay existing and previous employees promised retirement benefits.
- The Group will have the actuarial risk due to the fact that actual retirement benefits exceed expected retirement benefits and investment risk.

The defined benefit obligation recognized in the consolidated financial statements is measured by an independent actuary. The Group uses the projected unit credit method in order to determine defined benefit obligation.

Actuarial assumptions and variables, such as market rate risk, wage rate risk, death rate risk, consumer price index, expected rate of return and others, are based on market information and historical data, and are renewed annually. Profit or loss incurred from the change in actuarial assumptions and the difference between assumptions and actual results are recognized for the year.

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As of December 31, 2021 and 2020, the amounts recognized in the consolidated statements of financial position related to postemployment benefits are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Present value of funded defined benefit obligations	₩	658,021	₩	629,414
Fair value of plan assets		(676,739)		(571,952)
Net defined benefit liabilities	₩	(18,718)	₩	57,462

Movements in the net defined benefit liabilities for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 629,414	₩ (571,952)	₩ 57,462
Current service cost	60,653	(6)	60,647
Interest expenses (interest revenues)	16,820	(16,345)	475
Settlement expense	18	-	18
	<u>77,491</u>	<u>(16,351)</u>	<u>61,140</u>
Remeasurements:			
Expected return on plan assets	-	9,554	9,554
Actuarial losses arising from changes in demographic assumptions	2,769	-	2,769
Actuarial gains arising from changes in financial assumptions	(10,043)	-	(10,043)
Others	12,267	5	12,272
	<u>4,993</u>	<u>9,559</u>	<u>14,552</u>
	-	(140,693)	(140,693)
Contributions from the employer	(54,836)	43,657	(11,179)
Benefits paid	959	(959)	-
Ending balance	₩ 658,021	₩ (676,739)	₩ (18,718)

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	2020		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 581,943	₩ (497,407)	₩ 84,536
Current service cost	67,345	-	67,345
Interest expenses (interest revenues)	15,205	(13,159)	2,046
	<u>82,550</u>	<u>(13,159)</u>	<u>69,391</u>
Remeasurements:			
Expected return on plan assets	-	6,135	6,135
Actuarial losses arising from changes in demographic assumptions	3,130	-	3,130
Actuarial gains arising from changes in financial assumptions	(5,441)	-	(5,441)
Others	<u>(6,860)</u>	<u>2</u>	<u>(6,858)</u>
	<u>(9,171)</u>	<u>6,137</u>	<u>(3,034)</u>
Contributions from the employer	-	(91,310)	(91,310)
Benefits paid	<u>(25,908)</u>	<u>23,787</u>	<u>(2,121)</u>
Ending balance	₩ <u>629,414</u>	₩ <u>(571,952)</u>	₩ <u>57,462</u>

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

*(In millions of Korean won and
in percentage, %)*

	2021		2020	
	Amount	Ratio (%)	Amount	Ratio (%)
Time deposits	₩ 676,610	99.98	₩ 571,331	99.89
Others	129	0.02	621	0.11
	<u>₩ 676,739</u>	<u>100.00</u>	<u>₩ 571,952</u>	<u>100.00</u>

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

(In percentage, %)

	2021	2020
Discount rate	2.51 – 4.07	1.89 – 3.05
Salary growth rate (including inflation)	2.00 – 5.54	1.42 – 6.31

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Assuming that all the other assumptions remain as they are at the end of the reporting period, the effect of the defined benefit obligation to changes in the principal assumptions is as follows:

<i>(In millions of Korean won)</i>	1% increase		1% decrease	
Change in discount rate	₩	(36,522)	₩	103,200
Change in salary growth rate		103,496		(37,906)

The Group 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 is 11.27 years and 11.32 years for the years ended December 31, 2021 and 2020, respectively.

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

<i>(In millions of Korean won)</i>	2021				
	Less than 1 year	Between 1 year – 2 years	Between 2 – 5 years	More than 5 years	Total
Pension benefits	₩ 17,118	₩ 28,594	₩ 100,244	₩ 825,053	₩ 971,009

<i>(In millions of Korean won)</i>	2020				
	Less than 1 year	Between 1 year – 2 years	Between 2 – 5 years	More than 5 years	Total
Pension benefits	₩ 18,546	₩ 21,321	₩ 94,011	₩ 691,852	₩ 825,730

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26. PROVISIONS:

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

<i>(In millions of Korean won)</i>	2021		2020	
Provision for acceptances and guarantees	₩	6,640	₩	5,408
Provision for unused credit limit		36,343		33,458
Financial guarantee contract liabilities		4,730		12,633
Provision for restoration costs		10,984		10,068
Provision for credit card point		838		1,374
Provision for litigation		471		312
Others		39,148		20,591
	₩	<u>99,154</u>	₩	<u>83,844</u>

Changes in provision for acceptances and guarantees and provision for unused credit limit for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021							
	Twelve months expected credit losses		Expected lifetime credit losses			Total		
			Unrecognized impairment		Recognized impairment			
Beginning balance	₩	27,205	₩	14,687	₩	9,607	₩	51,499
Transfer to 12 months expected credit loss		5,624		(5,265)		(359)		-
Transfer to expected lifetime credit losses		(1,654)		1,655		(1)		-
Transfer to credit-impaired financial liabilities		(54)		(15)		69		-
Foreign currency translation and others		186		38		5		229
Others		(1,845)		-		-		(1,845)
		29,462		11,100		9,321		49,883
Provision		(768)		3,736		(5,138)		(2,170)
Ending balance	₩	28,694	₩	14,836	₩	4,183	₩	47,713

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	2020					
	Twelve months expected credit losses		Expected lifetime credit losses		Total	
			Unrecognized impairment	Recognized impairment		
Beginning balance	₩	20,684	₩ 11,999	₩ 2,138	₩	34,821
Transfer to 12 months expected credit loss		3,704	(3,688)	(16)		-
Transfer to expected lifetime credit losses		(2,587)	2,587	-		-
Transfer to credit-impaired financial liabilities		(15)	(793)	808		-
Foreign currency translation and others		(12)	(3)	(46)		(61)
Others		1,327	1,138	2,448		4,913
		23,101	11,240	5,332		39,673
Provision		4,104	3,447	4,275		11,826
Ending balance	₩	27,205	₩ 14,687	₩ 9,607	₩	51,499

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

(In millions of Korean won)

	2021				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 10,068	₩ 1,831	₩ (906)	₩ (9)	₩ 10,984
Provision for credit card point	1,374	-	(536)	-	838
Provision for litigation	312	359	(200)	-	471
Others ¹	20,591	18,870	(313)	-	39,148
	₩ 32,345	₩ 21,060	₩ (1,955)	₩ (9)	₩ 51,441

¹ As for the provisions related to the Lime Asset Management redemption deferral period, the Bank's sales of Lime Asset Management redemption deferral fund were ₩64,476 million as of December 31, 2021, and ₩29,306 million was recognized as provision.

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(In millions of Korean won)

	2020				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 7,372	₩ 2,607	₩ (228)	₩ 317	₩ 10,068
Provision for credit card point	1,689	-	(315)	-	1,374
Provision for litigation	458	100	(458)	212	312
Others ¹	918	19,954	(2)	(279)	20,591
	₩ 10,437	₩ 22,661	₩ (1,003)	₩ 250	₩ 32,345

¹ As for the provisions related to the Lime Asset Management redemption deferral period, the Bank's sales of Lime Asset Management redemption deferral fund were ₩55,705 million as of December 31, 2020, and ₩19,282 million was recognized as provision.

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

27. OTHER LIABILITIES:

Other liabilities as of December 31, 2021 and 2020, consist of the followings:

(In millions of Korean won)

	2021	2020
Other financial liabilities:		
Due to trust accounts	₩ 343,159	₩ 442,187
Due to fund accounts	777	602
Foreign exchange remittances pending	50,941	33,754
Prepaid card liabilities	60,193	12,667
Debit card liabilities	13,831	12,991
Deposits for letter of guarantees and others	390,068	353,655
Present value discounts	(17,274)	(15,607)
Accounts payable	573,844	639,232
Accrued expenses	736,602	655,445
Agency business accounts	173,762	224,622
Unsettled domestic exchange liabilities	89,898	123,809
Deposits held by agency relationship	163,972	115,492
Guarantee deposits for securities subscription	14,788	14,251
Lease liabilities	30,404	53,055
Accrued marketable securities	612	581
Remittance pending	-	32
Others	274,111	340,805

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(In millions of Korean won)

	2021	2020
	2,899,688	3,007,573
Other non-financial liabilities:		
Withholding taxes	26,235	17,871
Unearned revenues	86,647	57,182
Others	30,229	12,397
	143,111	87,450
	₩ 3,042,799	₩ 3,095,023

Lease liabilities by term structures as of December 31, 2021 and 2020, are as follows:

(In millions 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	₩ 1,593	₩ 2,800	₩ 9,439	₩ 15,262	₩ 2,260	₩ 31,354

(In millions 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	₩ 2,162	₩ 3,983	₩ 14,751	₩ 32,259	₩ 1,083	₩ 54,238

Cash outflow due to lease contracts entered in to as of December 31, 2021 and 2020, is ₩29,608 million (including low-value assets of ₩3,900 million) and ₩28,409 million (including low-value assets of ₩1,366 million), respectively.

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28. EQUITY:

(a) Share capital

As of December 31, 2021, the Group has 700 million shares authorized with a par value of ₩5,000 and 325,935,246 shares have been issued. The Parent Company's share capital as of December 31, 2021, amounts to ₩1,629,676 million.

(b) Other paid-in capital

Other paid-in capital as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)	2021		2020	
Share premium	₩	678,953	₩	678,953
Other reserves		102,340		102,339
Treasury shares		(6,997)		(6,997)
Gain on disposal of treasury share		5,826		5,826
Loss on disposal of treasury share		(123)		(266)
Capital adjustment-other		-		(593)
	₩	<u>779,999</u>	₩	<u>779,262</u>

(c) Hybrid equity securities

Details of hybrid equity securities issued by the Parent Company as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	Issue date	Maturity	Interest rate (%)	2021		2020	
Hybrid equity securities in Korean won	2015.06.24	2045.06.24	5.10	₩	30,000	₩	30,000
	2018.02.13	-	4.83		100,000		100,000
	2018.03.02	-	4.26		150,000		150,000
	2019.02.20	-	3.74		100,000		100,000
	2019.08.29	-	3.20		100,000		100,000
	2020.02.19	-	3.35		150,000		150,000
	2020.06.23	-	3.30		100,000		100,000
	2020.08.04	-	3.38		100,000		100,000
Issuance cost					(2,608)		(2,608)
				₩	<u>827,392</u>	₩	<u>827,392</u>

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

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)		2021		2020
Hybrid equity securities in Korean won	2013.04.25	2043.04.25	4.75	₩	60,000	₩	60,000
	2013.05.27	2043.05.27	4.83		40,000		40,000
	2013.10.25	2043.10.25	5.55		90,000		90,000
	2013.11.07	2043.11.07	5.72		10,000		10,000
	2013.11.11	2043.11.11	6.00		37,000		37,000
	2013.11.28	2043.11.28	6.14		63,000		63,000
	2017.07.24	-	4.58		150,000		150,000
	2017.09.19	2047.09.19	4.79		150,000		150,000
	2018.05.04	-	4.50		100,000		100,000
	2018.06.26	-	4.65		100,000		100,000
	2019.04.29	-	3.60		100,000		100,000
Issuance cost					(2,543)		(2,543)
				₩	897,457	₩	897,457

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

(d) Other components of equity

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

<i>(In millions of Korean won)</i>		2021		2020
Gain on valuation of financial instruments at fair value through other comprehensive income	₩	24,968	₩	90,266
Exchange differences on translation of foreign operations		(3,468)		(21,687)
Remeasurements of net defined benefit liabilities		(180,129)		(168,502)
Gain (loss) on valuation of hedges of net investments in foreign operations		(6,275)		8,730
Share of other comprehensive income of associates		233		(3,283)
Others		33		-
Tax effects		42,477		25,945
	₩	(122,161)	₩	(68,531)

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Changes in accumulated other comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

	2021					
	Beginning balance	Changes (excluded from reclassification)	Reclassification ¹	Tax effects	Ending balance	
Gain on valuation of financial instruments at fair value through other comprehensive income	₩ 66,021	₩ (58,506)	₩ (5,377)	₩ 16,388	₩ 18,526	
Exchange differences on translation of foreign operations	(17,823)	18,314	-	(3,064)	(2,573)	
Remeasurements of net defined benefit liabilities	(122,200)	(15,211)	-	3,755	(133,656)	
Gain (loss) on valuation of hedges of net investments in foreign operations	6,572	(15,131)	-	3,904	(4,655)	
Share of other comprehensive income (loss) of associates	(1,101)	2,979	-	(1,705)	173	
Changes of credit risk of financial liabilities designated as at FVTPL	-	32	-	(8)	24	
	₩ (68,531)	₩ (67,523)	₩ (5,377)	₩ 19,270	₩ (122,161)	

¹ The increase and decrease of financial asset valuation profit or loss at fair value through other comprehensive income is a change due to the period evaluation and the reclassification adjustments. The reclassification adjustments are changes in disposal and impairment losses during the current year.

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	2020					
	Beginning balance	Changes (excluded from reclassification)	Reclassification 1	Tax effects	Ending balance	
Gain on valuation of financial instruments at fair value through other comprehensive income	₩ 92,980	₩ (29,161)	₩ (7,296)	₩ 9,498	₩ 66,021	
Exchange differences on translation of foreign operations	613	(21,648)	-	3,212	(17,823)	
Remeasurements of net defined benefit liabilities	(124,032)	3,490	-	(1,658)	(122,200)	
Gain (loss) on valuation of hedges of net investments in foreign operations	(1,985)	11,517	-	(2,960)	6,572	
Share of other comprehensive income (loss) of associates	(100)	(2,768)	-	1,767	(1,101)	
	₩ (32,524)	₩ (38,570)	₩ (7,296)	₩ 9,859	₩ (68,531)	

¹ The increase and decrease of financial asset valuation profit or loss at fair value through other comprehensive income is a change due to the period evaluation and the reclassification adjustments. The reclassification adjustments are changes in disposal and impairment losses during the current year.

(e) Retained earnings

Retained earnings as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Reserve:		
Earned profit reserves ¹	₩ 737,569	₩ 663,825
Regulatory reserve for credit loss	467,892	543,903
Discretionary reserves	2,926,740	2,717,243
	4,132,201	3,924,971
Retained earnings before appropriation	2,078,619	1,636,054
	₩ 6,210,820	₩ 5,561,025

¹ 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.

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Regulatory reserve for credit loss

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

Regulatory reserve for credit loss as of December 31, 2021 and 2020, is as follows:

<i>(In millions of Korean won)</i>	2021		2020	
Provided reserve for credit loss ¹	₩	467,892	₩	543,903
Expected provision (reversal) of reserve for credit loss		101,000		(76,011)
Regulatory reserve for credit loss:	₩	568,892	₩	467,892
Owners of the Parent Company	₩	568,892	₩	467,892
Non-controlling interests		-		-

¹ Provided reserve for credit loss as of December 31, 2021 and 2020, is the amount after appropriations of retained earnings.

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

<i>(In millions of Korean won)</i>	2021		2020	
Profit for the year of owners of the Parent Company	₩	791,009	₩	519,315
Reversal (provision) of reserve for credit losses		(101,000)		76,011
Adjusted profit after the provision of regulatory reserve ¹	₩	690,009	₩	595,326
Adjusted earnings per share after the provision of regulatory reserve ¹ <i>(in Korean won)</i>	₩	2,030	₩	1,732

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

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<i>(In millions of Korean won)</i>	2021		2020	
Dividends on hybrid equity securities	₩	(31,395)	₩	(32,834)
Adjusted profit after reflecting dividend effect		658,614		562,492
Weighted-average number of ordinary shares outstanding		324,431,669 shares		324,723,957 shares
Adjusted earnings per share after the provision of regulatory reserve <i>(in Korean won)</i>	₩	2,030	₩	1,732

Treasury shares

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

<i>(In millions of Korean won)</i>	2021		2020	
	Number of shares	Book amount	Number of shares	Book amount
Beginning balance	1,503,577	₩ 6,997	14,855	₩ 213
Acquisition ¹	-	-	1,503,577	6,997
Disposal	-	-	(14,855)	(213)
Ending balance	<u>1,503,577</u>	<u>₩ 6,997</u>	<u>1,503,577</u>	<u>₩ 6,997</u>

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

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29. NET INTEREST INCOME:

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

<i>(In millions of Korean won)</i>	2021	2020
Interest income:		
Due from banks	₩ 5,718	₩ 9,387
Financial instruments at fair value through profit or loss	58,416	56,152
Financial instruments at fair value through other comprehensive income	64,851	77,793
Financial assets at amortized cost	159,024	159,914
Loans receivable	3,264,002	3,000,307
	<u>3,552,011</u>	<u>3,303,553</u>
Interest expense:		
Deposit liabilities	(639,470)	(774,888)
Borrowings	(72,230)	(67,268)
Debentures	(255,656)	(262,740)
Others	(12,828)	(14,116)
	<u>(980,184)</u>	<u>(1,119,012)</u>
Net interest income	<u>₩ 2,571,827</u>	<u>₩ 2,184,541</u>

30. NET COMMISSION INCOME:

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

<i>(In millions of Korean won)</i>	2021	2020
Commission income:		
Commission received	₩ 591,785	₩ 478,273
Guarantees	14,319	15,760
Credit card	8,837	10,214
Others	1,093	489
	<u>616,034</u>	<u>504,736</u>
Commission expenses:		
Commission paid	(98,825)	(80,994)
Credit card	(56,809)	(60,009)
	<u>(155,634)</u>	<u>(141,003)</u>
Net commission income	<u>₩ 460,400</u>	<u>₩ 363,733</u>

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31. GAIN OR LOSS ON FINANCIAL ASSETS AT FVTPL:

Gain or loss on financial assets at FVTPL for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Gain on financial assets at FVTPL:		
Gain on disposal of financial assets at FVTPL	₩ 232	₩ 239
Gain on sale of financial assets at FVTPL	218,158	106,620
Gain on valuation of financial assets at FVTPL	72,219	63,515
Dividend income	56,522	37,265
	<u>347,131</u>	<u>207,639</u>
Loss on financial assets at FVTPL:		
Loss on disposal of financial assets at FVTPL	(4,815)	(2,895)
Loss on sale of financial assets at FVTPL	(109,470)	(44,084)
Loss on valuation of financial assets at FVTPL	(56,520)	(37,061)
Purchase expenses of financial assets at FVTPL	(44)	(1)
	<u>(170,849)</u>	<u>(84,041)</u>
Net gain on financial assets at FVTPL	<u>₩ 176,282</u>	<u>₩ 123,598</u>

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32. GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

Gain or loss on financial assets at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, is as follows:

<i>(In millions of Korean won)</i>	2021	2020
Gain on financial assets at fair value through other comprehensive income:		
Gain on sale of financial assets at fair value through other comprehensive income	₩ 10,384	₩ 35,396
Reversal of impairment loss	131	86
Dividend income	3,086	4,676
	<u>13,601</u>	<u>40,158</u>
Loss on financial assets at fair value through other comprehensive income:		
Loss on sale of financial assets at fair value through other comprehensive income	(378)	(9)
Impairment loss on financial assets at fair value through other comprehensive income	(504)	(1,350)
	<u>(882)</u>	<u>(1,359)</u>
Net gain on financial assets at fair value through other comprehensive income	₩ <u>12,719</u>	₩ <u>38,799</u>

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

Gain or loss on financial assets at amortized cost for the years ended December 31, 2021 and 2020, is as follows:

<i>(In millions of Korean won)</i>	2021	2020
Gain on financial assets at amortized cost:		
Gain on sale of financial assets at amortized cost	₩ 3,486	₩ -
Reversal of impairment loss on financial assets at amortized cost	324	266
	<u>3,810</u>	<u>266</u>
Loss on financial assets at amortized cost:		
Loss on sale of financial assets at amortized cost	(176)	-
Impairment loss on financial assets at amortized cost	(1,191)	(1,669)
	<u>(1,367)</u>	<u>(1,669)</u>
Net gain (loss) on financial assets at amortized cost	₩ <u>2,443</u>	₩ <u>(1,403)</u>

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34. PROVISION FOR CREDIT LOSS:

Provision for credit loss for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Reversal of provision for credit loss and others:		
Reversal of provisions:		
Reversal of provision for impairment	₩ 810	₩ 2,666
Reversal of provision for credit loss on acceptances and guarantees	771	1,614
Reversal of provision for credit loss on financial guarantee contract	7,461	164
Reversal of provision for credit loss on unused credit limits	-	477
	<u>9,042</u>	<u>4,921</u>
Gain on disposal of loans receivable	73,262	108,205
Gain on loans receivable at FVTPL	<u>15,653</u>	<u>129</u>
	<u>97,957</u>	<u>113,255</u>
Contribution to provision for credit loss and others:		
Contribution to provisions:		
Impairment loss	(415,860)	(439,559)
Contribution to provision for credit loss on acceptances and guarantees	(1,775)	(935)
Contribution to provision for credit loss on unused credit limits	(4,287)	(5,262)
Contribution to provision for credit loss on financial guarantee contract	-	(7,884)
	<u>(421,922)</u>	<u>(453,640)</u>
Loss on disposal of loans receivable	(13,764)	(27,207)
Loss on loans receivable at FVTPL	<u>(2,768)</u>	<u>-</u>
	<u>(438,454)</u>	<u>(480,847)</u>
Contribution to provision for credit loss	₩ <u>(340,497)</u>	₩ <u>(367,592)</u>

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35. GENERAL AND ADMINISTRATIVE EXPENSES:

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

<i>(In millions of Korean won)</i>	2021	2020
Employee benefits:		
Salaries	₩ 772,023	₩ 655,854
Employee benefit expenses	171,578	159,717
Postemployment benefits	68,812	70,481
Termination benefits	104,767	93,232
	<u>1,117,180</u>	<u>979,284</u>
Rent	10,930	12,820
Business promotion expenses	24,191	20,161
Depreciation	99,104	95,093
Amortization	74,870	66,243
Taxes and dues	46,764	45,975
Other administrative expenses	<u>224,629</u>	<u>217,152</u>
	<u>₩ 1,597,668</u>	<u>₩ 1,436,728</u>

(a) Share-based payments

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

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

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

i) Linked to short-term performance

<i>(In shares)</i>	2015	2016	2017	2018	2019	2020	2021
Number of shares granted	63,195	60,774	156,399	248,706	344,048	536,826	103,177
Residual shares	5,217	7,692	16,515	7,365	114,712	357,918	103,177
Date of grant	2015-03-02	2016-03-03	2017-03-03	2018-02-28	2019-03-05	2020-02-27	2021-02-28
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Vesting conditions	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash	Cash
Service period	1 year	1 year	1 year	1 year	1 year	1 year	1 year

ii) Linked to long-term performance

<i>(In shares)</i>	2014	2015	2016	2017	2018	2019	2020	2021
Number of shares granted	22,349	88,300	75,260	169,605	112,430	33,620	1,218,133	3,139,606
Residual shares	669	213	6,424	57,329	43,750	25,813	1,050,835	3,127,665
Date of granted	2014-01-01	2015-01-01	2016-01-01	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	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Vesting conditions	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash	Cash	Cash
Service period	3 years	3 years	3 years	3 years	3 years	3 years	1 year	1 year

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<i>(In shares)</i>	Deferred grant in 2022	Deferred grant in 2023	Deferred grant in 2024	Deferred grant in 2025	Deferred grant in 2026
Residual shares ¹	44,519	258,311	498,466	433,708	231,923
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	₩-	₩-	₩-	₩-	₩-
Settlement method	Cash	Cash	Cash	Cash	Cash
Vesting conditions	Vested	Vested	Vested	Vested	Vested

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

<i>(In shares)</i>	2021	2020
Beginning balance	894,181	665,883
Granted	103,177	536,826
Exercised	(384,762)	(264,019)
Others	-	(44,509)
Ending balance	<u>612,596</u>	<u>894,181</u>

ii) Linked to long-term performance

<i>(In shares)</i>	2021	2020
Beginning balance	1,447,693	391,077
Granted	3,139,606	1,218,133
Exercised	(222,452)	(91,352)
Others	(52,149)	(70,165)
Ending balance	<u>4,312,698</u>	<u>1,447,693</u>

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<i>(In shares)</i>	Deferred grant	
	2021	2020
Beginning balance	91,194	95,508
Granted	1,411,085	43,529
Exercised	(35,352)	(38,144)
Others	-	(9,699)
Ending balance	<u>1,466,927</u>	<u>91,194</u>

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

<i>(In Korean won)</i>	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 option granted for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Linked to short-term performance (reversal)	₩ 12,177	₩ (1,302)
Linked to long-term performance	15,279	4,107

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

<i>(In millions of Korean won)</i>	2021	2020
Accrued expenses (short-term performance)	₩ 14,082	₩ 5,621
Accrued expenses (long-term performance)	20,700	5,929

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36. OTHER OPERATING INCOME AND EXPENSES:

Gains and losses on foreign currency transactions for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Gains on foreign currency transactions:		
Gain on foreign currency transactions	₩ 125,485	₩ 310,699
Foreign currency translation gains	131,032	81,283
	<u>256,517</u>	<u>391,982</u>
Losses on foreign currency transactions:		
Loss on foreign currency transactions	(108,303)	(296,013)
Foreign currency translation losses	(152,403)	(41,170)
	<u>(260,706)</u>	<u>(337,183)</u>
	<u>₩ (4,189)</u>	<u>₩ 54,799</u>

Net income and loss related to derivatives for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Gains on financial derivatives:		
Gains on derivative transactions	₩ 170,461	₩ 181,053
Gains on valuation of derivatives	38,027	83,161
Gains on settlement of derivatives	189	156
	<u>208,677</u>	<u>264,370</u>
Losses on financial derivatives:		
Losses on derivative transactions	(156,212)	(202,981)
Losses on valuation of derivatives	(57,716)	(63,541)
Losses on settlement of derivatives	(237)	(32)
	<u>(214,165)</u>	<u>(266,554)</u>
	<u>₩ (5,488)</u>	<u>₩ (2,184)</u>

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Other operating revenues and expenses for the years ended December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Other operating revenue:		
Gain on fair value hedged items	₩ 16,558	₩ 2,593
Trust fees and commissions received from trust account	29,324	25,023
Reversal of other provisions	540	330
Operating lease income	422,260	351,804
Others	16,280	6,720
	<u>484,962</u>	<u>386,470</u>
Other operating expenses:		
Loss on fair value hedged items	-	(24,117)
Trust management fees	(86)	(91)
Credit card charges	(17)	(21)
Contribution to credit guarantee fund	(103,325)	(97,328)
Contribution to housing credit guarantee fund	(37,099)	(29,007)
Insurance fees on deposits	(113,569)	(102,711)
Other provisions	(1,059)	(2,596)
Operating lease expense	(376,807)	(316,826)
Others	(36,810)	(23,145)
	<u>(668,772)</u>	<u>(595,842)</u>
	<u>₩ (183,810)</u>	<u>₩ (209,372)</u>

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37. NON-OPERATING INCOME AND EXPENSES:

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

(In millions of Korean won)

	2021	2020
Income from investments in associates:		
Share of profit of associates	₩ 24,151	₩ 20,291
Gain on disposal of investments in associates	7,153	2,803
Share of loss of associates	(2,418)	(283)
Loss on disposal of investments in associates	(788)	(1,305)
	<u>28,098</u>	<u>21,506</u>
Non-operating income:		
Gain on disposal of property and equipment	7,978	804
Reversal of impairment loss on intangible assets	84	-
Rental income	27,161	15,252
Restoration income	167	173
Gain on collection of charge-offs	1,014	516
Gain on changes in leases	572	496
Other non-operating income	29,140	28,974
	<u>66,116</u>	<u>46,215</u>
Non-operating expenses:		
Expenses on collection of charge-offs	(572)	(411)
Loss on disposal of property and equipment	(3,830)	(665)
Loss on retirement of property and equipment	(353)	(677)
Loss on disposal of intangible assets	(20)	-
Donations	(17,259)	(37,597)
Loss on changes in leases	(147)	(120)
Restoration loss	(559)	(760)
Other non-operating expenses	(40,311)	(41,264)
	<u>(63,051)</u>	<u>(81,494)</u>
	<u>₩ 31,163</u>	<u>₩ (13,773)</u>

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38. INCOME TAX EXPENSE:

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

<i>(In millions of Korean won)</i>	2021	2020
Current tax	₩ 267,927	₩ 194,895
Changes in deferred tax liabilities by temporary difference:	(412)	(34,405)
Opening balance of deferred tax liabilities	(27,030)	(61,435)
Ending balance of deferred tax liabilities	(26,618)	(27,030)
Tax effect	267,515	160,490
Changes in deferred tax liabilities reflected directly in equity	21,418	11,373
Income tax expense	₩ 288,933	₩ 171,863

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

<i>(In millions of Korean won)</i>	2021		2020	
	Accumulated temporary difference	Deferred tax assets (liabilities)	Accumulated temporary difference	Deferred tax assets (liabilities)
Temporary difference to be deducted:				
Loss on valuation of financial assets	₩ 80,459	₩ 20,758	₩ 79,692	₩ 20,481
Accrued expenses	139,001	35,862	90,463	23,249
Adjustment of acquisition value for debt-to-equity swap	57,250	14,771	74,337	19,104
Deferred loan origination fees	6,615	1,707	3,558	914
Provision for losses on unused credit limits	62,436	16,109	42,937	11,035
Honorary retirement benefits	63,441	16,368	42,137	10,829
Loss on valuation of derivative instruments	20,493	5,287	47,378	12,176
Deposits that the statute of limitation expired	17,806	4,594	16,168	4,155
Guarantee deposits for leases (discounted present value)	2,765	713	3,049	783
Unearned point revenues	12,701	3,277	12,572	3,231
Other provision	34,825	8,985	22,295	5,730
Loss on valuation of unsettled spot transactions	94	24	219	56
Provision for possible losses on acceptances and guarantees	7,600	1,961	5,902	1,517
Provision for retirement benefits disallowance	479,565	123,728	467,325	120,102
Unearned revenues (leasehold deposits provided)	46,160	11,909	67,910	17,453

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	2021		2020	
	Accumulated temporary difference	Deferred tax assets (liabilities)	Accumulated temporary difference	Deferred tax assets (liabilities)
Impairment of AFS(Available- For-Sale) financial assets	1,237	319	1,056	271
Claim for reimbursement	2,000	516	66,924	17,200
Others	213,935	55,153	218,439	56,139
Tax deficit	1	-	1,812	466
	<u>1,248,384</u>	<u>322,041</u>	<u>1,264,173</u>	<u>324,891</u>
Temporary difference to be added:				
Interest receivables on securities	(135,965)	(35,079)	(154,630)	(39,740)
Revaluation of excess of land	(48,963)	(12,632)	(49,116)	(12,623)
Gain on valuation of debentures invested (adjustment of book amount)	(102,620)	(26,476)	(226,078)	(58,102)
Gain on valuation of derivative instruments	(26,952)	(6,954)	(59,642)	(15,328)
Investments in credit rehabilitation fund	(24,470)	(6,313)	(22,401)	(5,757)
Deferred loan origination costs	(177,615)	(45,825)	(146,055)	(37,536)
Guarantee deposits for leases (prepaid rent)	(762)	(196)	(2)	-
Discounted present value	(16,575)	(4,276)	(16,061)	(4,128)
Initial direct costs of lease	(86,328)	(22,273)	(106,202)	(27,294)
Remeasurements of defined benefit plan	(139,637)	(36,026)	(111,360)	(28,619)
Fair value adjustment by business combination	(61,482)	(15,862)	(81,094)	(20,841)
Others	<u>(531,423)</u>	<u>(136,747)</u>	<u>(396,582)</u>	<u>(101,953)</u>
	<u>(1,352,792)</u>	<u>(348,659)</u>	<u>(1,369,223)</u>	<u>(351,921)</u>
Net of temporary difference	<u>₩ (104,408)</u>	<u>₩ (26,618)</u>	<u>₩ (105,050)</u>	<u>₩ (27,030)</u>

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Details of temporary difference reflected directly in equity as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021		2020	
	Other comprehensive income	Tax effect	Other comprehensive income	Tax effect
Temporary difference reflected directly in equity:				
Loss on valuation of securities at fair value through other comprehensive income	₩ (24,899)	₩ (7,474)	₩ (90,266)	₩ (24,245)
Provision for debt securities through other comprehensive income	(1,484)	(383)	-	-
Foreign currency translation gains (losses) on overseas operations	3,374	801	21,688	3,865
Remeasurements of defined benefit plan	183,714	50,058	168,502	46,302
Gain (loss) on valuation of hedges of net investments in foreign operations	6,401	1,746	(8,730)	(2,158)
Share of other comprehensive income (loss) of associates	(340)	(167)	3,283	2,182
Others (credit risk adjustments)	(32)	(8)	-	-
	₩ 166,734	₩ 44,573	₩ 94,477	₩ 25,946

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

(In millions of Korean won)	2021	2020
Profit before income tax	₩ 1,123,182	₩ 734,418
Taxes payable ¹	298,513	191,603
Tax effect of:		
Non-taxable income (₩75,734 million in 2021 and ₩79,391 million in 2020)	(20,128)	(20,712)
Non-deductible expenses (₩28,582 million in 2021 and ₩19,867 million in 2020)	7,596	5,183
Consolidated tax	(3,177)	(9,381)
Others	6,129	5,170
Income tax expense	₩ 288,933	₩ 171,863
Effective tax rate (income tax expense/profit before income tax)	25.72%	23.40%

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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.

Details of current tax liabilities (income tax payable) and current tax assets (income tax refundable) before offsetting as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Income tax refundable prior to offsetting	₩ 110,488	₩ 107,922
Tax payables prior to offsetting	263,968	194,160
Deferred tax liabilities	<u>₩ 153,480</u>	<u>₩ 86,238</u>

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39. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing profit attributable to owners of Parent Company by weighted-average number of ordinary shares outstanding for the years ended December 31, 2021 and 2020.

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

<i>(In shares)</i>	2021	2020
Number of ordinary shares outstanding	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	<u>324,431,669</u>	<u>324,728,812</u>

Basic earnings per share attributable to owners of the Parent Company for the years ended December 31, 2021 and 2020, are as follows:

<i>(In Korean million won and in shares)</i>	2021	2020
Profit for the year attributable to owners of the Parent Company	₩ 791,009	₩ 519,315
Dividends on hybrid equity securities	<u>(31,395)</u>	<u>(32,834)</u>
Profit attributable to the ordinary equity holders	759,614	486,481
Weighted-average number of ordinary shares outstanding	<u>324,431,669</u>	<u>324,738,812</u>
Basic earnings per share	<u>₩ 2,341</u>	<u>₩ 1,498</u>

Diluted earnings per share for the years ended December 31, 2021 and 2020, are equal to the basic earnings per share because the Group did not have any potentially dilutive ordinary shares during the year.

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40. CONTINGENCIES AND COMMITMENTS:

Payment guarantees as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	Type	2021	2020
Confirmed acceptances and guarantees:			
Confirmed acceptances and guarantees in Korean won	Payment guarantee for loans	₩ 107,039	₩ 138,499
	Others	504,602	449,777
		<u>611,641</u>	<u>588,276</u>
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit	51,700	5,627
	Acceptances on letters of guarantee for importers	34,807	15,424
	Others	279,612	284,182
		<u>366,119</u>	<u>305,233</u>
		<u>977,760</u>	<u>893,509</u>
Unconfirmed acceptances and guarantees:	Letters of credit	293,922	239,018
	Others	8,771	5,215
		<u>302,693</u>	<u>244,233</u>
Others:	Endorsed bill	21	19
		<u>₩ 1,280,474</u>	<u>₩ 1,137,761</u>

Confirmed and unconfirmed acceptances and guarantees by customer as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Large corporate	₩ 341,582	34.94	₩ 275,269	30.81
Small- and medium-sized corporate ¹	564,222	57.71	594,135	66.49
Household	71,956	7.35	24,105	2.70
	<u>₩ 977,760</u>	<u>100</u>	<u>₩ 893,509</u>	<u>100.00</u>
Unconfirmed acceptances and guarantees:				
Large corporate	₩ 119,691	39.54	₩ 81,817	33.50
Small- and medium-sized corporate ¹	183,002	60.46	162,416	66.50
	<u>₩ 302,693</u>	<u>100</u>	<u>₩ 244,233</u>	<u>100.00</u>

¹ Small- and medium-sized corporate indicates SME (Small and Medium-sized Enterprises) in Article 2, Section 1, of small- and medium-sized Enterprise Basic Law.

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Confirmed and unconfirmed acceptances and guarantees by country as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Korea	₩ 952,715	97.44	₩ 893,442	99.99
Others	25,045	2.56	67	0.01
	₩ 977,760	100.00	₩ 893,509	100.00
Unconfirmed acceptances and guarantees:				
Korea	₩ 296,212	97.86	₩ 243,694	99.78
China	-	-	268	0.11
Others	6,481	2.14	271	0.11
	₩ 302,693	100.00	₩ 244,233	100.00

Unused commitments as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

	2021	2020
Corporates	₩ 7,844,610	₩ 8,834,039
Households	9,196,331	7,105,400
Credit card	5,017,027	5,001,109
Securities purchase agreement	961,047	1,026,759
	₩ 23,019,015	₩ 21,967,307

The Group has entered into loan agreement of ₩720,000 million with KDB Development Bank and borrowing agreements in foreign currencies, including CNY 350,000,000, JPY 3,000,000,000, USD 203,800,000 and KZT 3,400,000,000 with Sumitomo Mitsui Trust Bank and Shinhan Bank, etc., to secure liquidity and diversify financing channels in preparation for the domestic bond market crunch.

Lawsuits

As of December 31, 2021 and 2020, the Group's major lawsuits are as follows:

(In millions of Korean won)

	2021		2020	
	As a plaintiff	As a defendant	As a plaintiff	As a defendant
Number (cases)	46 cases	77 cases	50 cases	65 cases
Amount	₩ 138,562	₩ 117,023	₩ 194,781	₩ 101,375
Provisions related to these lawsuits		₩ 471		₩ 312

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The Group filed a lawsuit against Korea Deposit Insurance Corporation to seek compensation for loss (litigation value: ₩52.6 billion) as of the end of the reporting period. On December 15, 2017, the court ordered Korea Deposit Insurance Corporation to pay ₩52.6 billion to the Group in the first trial. In respect of the first court decision, Korea Deposit Insurance Corporation paid ₩53.2 billion in advance and the Group recognized the corresponding amount as other liabilities. As per the second trial held on January 24, 2019, the Group returned back certain amount to Korea Deposit Insurance Corporation, which is the case after the reporting period that requires amendment, and the amount of the liability has been revised, including the interest paid after the end of the reporting period. In addition, although the Group 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 at the end of the reporting period.

Others

BNK Financial Group, Busan Bank, 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 (BNK Financial Group Inc. second capital increase) by Busan District Public Prosecutor's Office on May 1, 2017. First court decision was made for the violation of certain former employees on January 9, 2018, and January 29, 2019. Second court decision was made on November 20, 2020, and February 5, 2021. Then, 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 Group, 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 Group paid a ₩100 million fine.

Four former directors of the Busan Bank were charged with an allegation of violating Capital Market and Financial Investment Business Act by Busan District Prosecutor's office (suspicion of malpractice in unfair loan practices) on February 8, 2019. However, all of the charges were found not guilty on February 7, 2020. The prosecution appealed, but the Supreme Court confirmed the final acquittal on October 14, 2021.

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41. TRUST ACCOUNT (NOT AUDITED BY INDEPENDENT AUDITOR):

Financial information of trust account is prepared in accordance with K-IFRS 5004 *Trust Account of Trust Vendor* based on the Financial Investment Services and Capital Markets Act and Financial Industry Detailed Regulatory.

Financial summary of trust accounts for which the Group provides the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2021 and 2020, is as follows:

(In millions of Korean won)	2021		2020	
	Total assets	Operating income	Total assets	Operating income
Trust accounts guaranteeing a fixed rate of return and the repayment of principal ¹	₩ 2,239	₩ 34	₩ 2,221	₩ 29
Trust accounts guaranteeing the repayment of principal ²	551,565	11,945	548,570	16,366
Mixed trust accounts ³	3,855	77	4,050	109
Performance-based trust account ⁴	21,478,072	145,256	22,782,673	153,957
	<u>₩ 22,035,731</u>	<u>₩ 157,312</u>	<u>₩ 23,337,514</u>	<u>₩ 170,461</u>

¹ Unspecified money trust and development money trust

² Elderly living pension trust, personal pension trust, retirement trust, new personal pension trust and pension trust

³ Installment money in trust, household money in trust and corporate money in trust

⁴ Long-term household trust, new reserving trust, national stock trust, specified money trust, unit money trust, open-type money trust, workers' preferential trust and retirement pension trust

The transactions between the Group and trust accounts for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021	2020
Revenues:		
Gain on trust account	₩ 28,919	₩ 24,958
Retirement pension management fee	7,908	7,750
	<u>36,827</u>	<u>32,708</u>
Expenses:		
Interest expense related to borrowings from trust account	₩ 2,776	₩ 3,690

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Assets and liabilities of trust accounts as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Assets:		
Accrued income	₩ 6,271	₩ 6,335
Retirement pension management fee	3,882	3,647
	<u>₩ 10,153</u>	<u>₩ 9,982</u>
Liabilities:		
Borrowings from trust account	₩ 343,159	₩ 442,187
Accrued expenses	401	315
Unearned revenue	80	102
	<u>₩ 343,640</u>	<u>₩ 442,604</u>

Details of trust accounts for which the Group provides the guarantees for a fixed rate of return and the repayment of principal as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Trust accounts guaranteeing the repayment of principal:		
Elderly living pension trust	₩ 729	₩ 725
Personnel pension trust	164,506	169,684
Retirement trust	3,287	3,489
New personnel pension trust	5,093	5,079
Pension trust	368,589	360,008
	<u>542,204</u>	<u>538,985</u>
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:		
Unspecified monetary trust	21	21
Borrowings from trust account	13	21
Interest payable - borrowings from trust account	1	1
	<u>₩ 35</u>	<u>₩ 43</u>

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42. TRANSACTIONS WITH RELATED PARTIES:

All intercompany transactions, including intercompany receivables and payables, are eliminated while preparing consolidated financial statements.

Outstanding balances arising from sales/purchases of goods and services as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>		2021	2020
Associate/Associate of entities under common control			
Heungkuk Discretionary Investment Specialized Private Equity Type 2	Other assets	₩	₩
UQIP Future Generation Investment Fund	Other assets	-	2
Partnership		495	291
UQIP Energy Fusion Investment Fund Partnership	Other assets	617	679
UQIP Agricultural and Fishery Food Investment Fund	Other assets		
Partnership No. 2		278	112
2019 UQIP Innovative Growth Follow-on Fund Partnership	Other assets	439	88
BNK Fisheries Investment Association	Other assets	95	94
BNK Intervalue Technology Finance Investment Association	Other assets	131	21
BNK Teunteun Dividend Securities Investment Trust No. 1	Other assets	95	-
Anda H Mezzanine Private Investment Private Fund No. 11	Other assets	1	-
Key management ¹	Loans receivable	130	364
	Credit card receivable	2	2
	Deposit liabilities	973	909

¹ Key management includes the main management of the Group and major subsidiaries, including Busan Bank, Kyongnam Bank, BNK Capital and BNK Securities.

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

<i>(In millions of Korean won)</i>		2021	2020
Associate			
DGB Professional Investment			
Private Security Investment Trust No. 28	Commission revenues	2	2
BNK Ocean Business	Commission revenues	-	150
Kyobo-Axa Investment Alpha Plus			
Private Securities Investment Trust - J 6th	Commission revenues	-	2
Future Creation UQIP Investment Association	Commission revenues	190	360
UQIP Energy Fusion Investment Fund Partnership	Commission revenues	617	679
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Commission revenues	278	324
2019 UQIP Innovative Growth Follow-on Fund Partnership	Commission revenues	351	351
BNK Fisheries Investment Association	Commission revenues	375	160
BNK Inter-value Technology Finance Investment Association	Commission revenues	524	21
ANDA Mezzanine Professional Security Investment Trust No. 7	Commission revenues	6	16
Orion Mezzanine Multi-strategy Professional Private Fund	Commission revenues	1	1
Anda H Mezzanine Private Investment Private Fund No. 11	Commission revenues	3	-
HY Professional Investment Detective Private Equity Trust No. 28	Commission revenues	3	-
BNK Agricultural Food Investment Association No. 3	Commission revenues	125	-
Heungkuk Discretionary Private No. 2	Commission revenues	5	-
BNK Teunteun Short-Term Bond	Commission revenues	11	-
BNK K200 Index Securities	Commission revenues	8	-
Key management	Commission revenues	1	1
	Interest expenses	4	6
	Interest income	4	14
	Other income	4	6
	Other expenses	1	1

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

(In millions of Korean won)

		2021			
		Beginning balance	Increase	Decrease	Ending balance
Key management	Loans receivable	₩ 364	₩ 535	₩ 769	₩ 130
	Deposit liabilities	909	3,692	3,628	973

(In millions of Korean won)

		2020			
		Beginning balance	Increase	Decrease	Ending balance
Key management	Loans receivable	₩ 299	₩ 727	₩ 662	₩ 364
	Deposit liabilities	740	2,154	1,985	909

Details of payment guarantees provided by the Group to the related parties as of December 31, 2021 and 2020, are as follows:

(In millions of Korean won)

Provided by	Provided to	2021	2020	Remark
BNK Capital	M-park Capital Co., Ltd.	₩ -	₩ 5,000	General loan and credit grants ¹

¹ BNK Capital, a subsidiary of the Group, grants general loan limits amounting to ₩5,000 million to its joint venture, M-park Capital Co., Ltd. (formerly, Dongwha Capital), for the year ended December 31, 2020.

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

(In millions of Korean won)

		2021		2020	
		Loan limit	Credit card	Loan limit	Credit card
Key management	₩	67	₩ 121	₩ 34	₩ 87

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

(In millions of Korean won)

	2021	2020
Short-term employee benefits	₩ 4,120	₩ 4,025
Share-based payment	5,457	2,273
Postemployment benefits	835	960
	₩ 10,412	₩ 7,258

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The Group purchased loans receivable of ₩143,939 million from M-park Capital Co., Ltd., a joint venture, for the six-month period ended December 31, 2020.

43. STATEMENTS OF CASH FLOWS:

The Group's cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2021 and 2020, are as follows:

<i>(In millions of Korean won)</i>	2021	2020
Bank deposit	₩ 484,016	₩ 482,578
Foreign currencies	96,793	85,935
Deposits in local currency	4,184,910	3,369,601
Deposits in foreign currencies	583,529	566,139
Offshore due from banks in foreign currencies	-	816
	<u>5,349,248</u>	<u>4,505,069</u>
Due from banks (Note 7)	<u>(3,995,197)</u>	<u>(3,352,279)</u>
	<u>₩ 1,354,051</u>	<u>₩ 1,152,790</u>

Cash and cash equivalents in the consolidated statements of cash flows include cash, cash in other branches, deposits in the BOK and deposits in other financial institutions, and are subtracted from deposits with maturity within three months at acquisition and restricted deposits.

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

<i>(In millions of Korean won)</i>	2021	2020
Reclassification between property and equipment, investment properties and intangible assets	₩ 739	₩ 192,485
Acquisition of right-of-use assets	14,920	9,383

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

<i>(In millions of Korean won)</i>	At January 1, 2021	Cash flows	Exchange differences	Fair value hedge	Others	At December 31, 2021
Borrowings	₩ 6,825,521	₩ 808,872	₩ 35,407	₩ -	₩ (28,582)	₩ 7,641,218
Debentures	11,247,990	2,153,012	48,681	(13,658)	6,834	13,442,859
Lease liabilities	53,055	(25,708)	-	-	3,057	30,404
	<u>₩18,126,566</u>	<u>₩2,936,176</u>	<u>₩ 84,088</u>	<u>₩ (13,658)</u>	<u>₩ (18,691)</u>	<u>₩21,114,481</u>

<i>(In millions of Korean won)</i>	At January 1, 2020	Cash flows	Exchange differences	Fair value hedge	Others	At December 31, 2020
Borrowings	₩ 5,079,228	₩ 1,968,509	₩ (8,368)	₩ -	₩ (213,848)	₩ 6,825,521
Debentures	10,185,756	1,066,961	(32,054)	21,950	5,377	11,247,990
Lease liabilities	68,399	(27,043)	-	-	11,699	53,055
	<u>₩ 15,333,383</u>	<u>₩ 3,008,427</u>	<u>₩ (40,422)</u>	<u>₩ 21,950</u>	<u>₩ (196,772)</u>	<u>₩ 18,126,566</u>

44. DIVIDENDS:

Dividends to be paid in 2021 is ₩181,682 million (₩560 per share), and the dividend paid in 2020 is ₩103,818 million (₩320 per share).

A dividend in respect of the year ended December 31, 2021, of ₩560 per share, amounting to a total dividend of ₩181,682 million, is to be proposed to shareholders at the annual general meeting on March 25, 2022. These consolidated financial statements do not reflect this dividend payable.

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45. UNCONSOLIDATED STRUCTURED ENTITIES:

The Group owns interests in unconsolidated structured entities where the Group does not have control in accordance with K-IFRS 1110. The natures of interests and risks are as follows:

Interests owned by the Group in unconsolidated structured entities has been classified per nature and purpose of each structured entity into structured financing and investment fund.

Unconsolidated structured entities classified as 'structured financing' include real estate project financing investment entity, infrastructure development entity and special-purpose entity for shipping and aviation financing. Each entity was incorporated as a separate entity to efficiently carry out the Group's business. The funds are raised through channels, such as equity investments, loans from financial institutions and participating organizations. Structured financing is a way of funding large-scale businesses with risks. The structured financing invests in qualifying companies not based on credit or physical collateral of the Group leading the project, but the economic feasibilities of the specific project. Investors of the entity benefit from the income arising from the ongoing projects, and the Group recognizes interest income, income from valuation of equity investments and dividend income. Although an entity that provides funds, joint guarantees, unsubordinated credit offerings and others exists prior to the Group's financial support, if the funds are not collected by the predetermined schedule or if circumstances, such as cessation of a project occur, the Group could be exposed to principal losses due to decrease in value of equity investments or losses arising from uncollectible loans.

Unconsolidated structured entities classified as 'investment fund' include investment trust company and private equity firm. The investment trust company delegates investment and management to fund managers according to the trust agreement and distributes operating profit to the investors. The private equity firm invests in equity securities through private placement in order to participate in management, enhance governance and others. The income from the investment is distributed to the investors. The Group, an investor to the investment fund, recognizes income from valuation of equity investments and dividend income in proportion to its share ratio. If the value of the private equity fund decreases, the Group will be exposed to the risk of principal losses.

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Total asset size of the unconsolidated structured entities, book amount for the line items as recognized in the consolidated financial statements, maximum exposure to loss and loss incurred for the years ended December 31, 2021 and 2020, are as follows:

(In millions of Korean won)	2021		
	Investment fund	Structured financing	Asset-backed securitization
Total assets of unconsolidated structured entity	₩ 30,010,312	₩ 536,933,944	₩ 61,387,192
Recognized assets related to unconsolidated structured entities:			
Financial assets at FVTPL	1,119,982	255,769	-
Financial assets at amortized cost	-	-	600,134
Equity method investments	1,300,327	-	-
Loans and receivables	326	6,364,762	1,263
(Provision for impairment)	-	(76,316)	-
	2,420,635	6,544,215	601,397
Recognized liabilities related to unconsolidated structured entities:			
Financial guarantee contract	-	267	-
Maximum exposure to loss ¹			
Investments	2,420,635	6,544,215	601,397
Investment commitments	561,843	32,695	-
Loan commitments	-	956,961	-
Financial guarantee contract	-	1,347,525	-
Credit offer	-	487,155	-
Purchase commitment	-	43,000	70,000
	2,982,478	9,411,818	671,397
Loss on unconsolidated structured entity	₩ 8,655	₩ 36,404	₩ 177

¹ Maximum exposure to loss includes the amount of investment assets recognized in the statements of financial position, and the amount readily determinable when specific criteria of contracts, including purchase agreement or credit grants, are met.

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(In millions of Korean won)	2020		
	Investment fund	Structured financing	Asset-backed securitization
Total assets of unconsolidated structured entity	₩ 32,162,612	₩ 101,235,343	₩ 52,830,685
Recognized assets related to unconsolidated structured entities:			
Financial assets at FVTPL	1,040,129	217,681	-
Financial assets at amortized cost	-	-	633,769
Equity method investments	821,056	-	-
Loans and receivables	-	6,122,993	1,263
(Provision for impairment)	-	(46,249)	-
	1,861,185	6,294,425	635,032
Recognized liabilities related to unconsolidated structured entities:			
Financial guarantee contract	-	802	-
Provisions for debt guarantees	-	40	-
Maximum exposure to loss ¹			
Investments	1,861,185	6,294,425	635,032
Investment commitments	523,976	57,449	-
Loan commitments	-	1,656,950	-
Financial guarantee contract	-	202,614	-
Purchase commitment	-	135,000	365,000
	2,385,161	8,347,280	1,000,032
Loss on unconsolidated structured entity	₩ 9,070	₩ 33,631	₩ -

¹ Maximum exposure to loss includes the amount of investment assets recognized in the statement of financial position, and the amount readily determinable when specific criteria of contracts, including purchase agreement or credit grants, are met.