

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2022 and 2021**

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 8, 2023

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 (collectively, the "Group"), which comprise the consolidated statements of financial position as of December 31, 2022 and December 31, 2021, respectively, and the related 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, 2022 and December 31, 2021, respectively, and its consolidated financial performance and its consolidated 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 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 require determining whether significant increases in credit risk reflect forward-looking information when measuring expected credit losses.

The Group calculates the 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 obligor's credit rating, whether there is a 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 the 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 a 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 of loans as a key audit matter, as the management's significant judgments are involved in reflecting forward-looking information on collective assessment and estimating future recoverable cash flows on individual assessment.

The Group's loan measured at amortized cost is ₩105,616,912 million, and related loan loss allowance is ₩1,042,862 million.

How we addressed the Key Audit Matter in our audit procedures

(1) Measurement of 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-IFRSs, and for such internal control as they determine 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 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 and 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 audits 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 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 audits resulting in this independent auditors' report is Jae Chul Park.

March 8, 2023

Notice to Readers

This report is effective as of March 8, 2023, 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, 2022 AND 2021

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

Seong-Jae Jeong
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, 2022 and 2021

(In millions of Korean won)

	Notes	2022	2021
Assets			
Cash and due from banks	4,6,7,42	₩ 6,212,882	₩ 5,349,248
Financial assets at fair value through profit or loss	4,6,8,11	4,954,903	5,640,558
Financial assets at fair value through other comprehensive income	4,6,9,13	5,093,086	5,150,489
Financial assets at amortized cost	4,6,10,13	9,234,752	8,734,540
Loans and receivables	4,6,12,13,14	106,327,189	98,699,253
Derivative assets	4,6,15	168,679	33,905
Investments in associates and joint venture	16	1,106,662	1,116,386
Property and equipment	17	1,210,905	1,160,271
Intangible assets	18	281,573	293,035
Investment properties	19	647,642	661,799
Net defined benefit assets	25	194,064	18,718
Deferred tax assets	38	10,291	-
Current tax assets	38	2,703	-
Other assets	20	1,521,057	1,428,832
Total assets		₩ 136,966,388	₩ 128,287,034
Liabilities			
Deposit liabilities	4,6,21	₩ 101,470,361	₩ 93,282,006
Financial liabilities designated at fair value through profit or loss	4,6,22	584,160	203,255
Borrowings	4,6,23	7,982,591	7,779,249
Debentures	4,6,24	12,145,457	13,442,860
Derivative liabilities	4,6,15	194,189	34,431
Net defined benefit liabilities	25	421	-
Provisions	26,40	113,758	99,155
Current tax liabilities	38	180,601	153,480
Deferred tax liabilities	38	-	26,618
Other liabilities	4,6,27	3,462,534	3,042,797
Total liabilities		126,134,072	118,063,851
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	778,904	780,000
Other components of equity	28	(160,374)	(122,162)
Retained earnings	28	6,809,131	6,210,820
		9,884,729	9,325,726
Non-controlling interest		947,587	897,457
Total equity		10,832,316	10,223,183
Total liabilities and equity		₩ 136,966,388	₩ 128,287,034

See notes to consolidated financial statements.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

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

	Notes	2022	2021
Net interest income	29		
Interest income			
Financial assets at fair value through profit or loss		₩ 77,008	₩ 58,416
Financial asset at fair value through other comprehensive income and amortized cost		4,704,732	3,493,595
		4,781,740	3,552,011
Interest expenses		(1,857,856)	(980,184)
		2,923,884	2,571,827
Net fee and commission income	30		
Commission income		552,739	616,034
Commission expenses		(163,899)	(155,634)
		388,840	460,400
Gain (loss) on financial assets at fair value through profit or loss	31	(4,287)	176,282
Gain on financial assets at fair value through other comprehensive income	32	2,809	12,719
Gain on financial assets at amortized cost	33	284	2,443
Contribution to provision for credit loss and others	34		
Contribution to provision for credit loss		(548,471)	(397,231)
Gain on disposal of loans		70,016	56,734
General and administrative expenses	35	(1,521,183)	(1,597,667)
Other operating income (expenses)	15,36		
Gain (loss) on foreign currency transaction		12,778	(4,189)
Gain (loss) from derivatives		531	(5,488)
Other operating income		591,778	484,961
Other operating expenses		(758,060)	(668,772)
Operating profit		1,158,919	1,092,019
Non-operating income (expenses)	37		
Share of profit of associates		1,053	28,098
Other income		61,830	66,116
Other expenses		(63,134)	(63,051)
		(251)	31,163
Profit before income tax expense		1,158,668	1,123,182
Income tax expense	38	(300,346)	(288,933)
Profit for the year	5,39	₩ 858,322	₩ 834,249
Profit is attributable to:			
Owners of the Parent Company		810,152	791,009
Non-controlling interest		48,170	43,240

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

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

	Notes	2022	2021
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	₩	79,674	₩ (11,456)
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		(12,195)	6,358
Change in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the credit risk		(79)	24
<i>Items that may be subsequently reclassified to profit or loss</i>			
Loss on valuation of debt instruments at fair value through other comprehensive income		(106,165)	(58,852)
Exchange differences on translation of foreign operations		13,878	15,250
Loss on valuation of hedges of net investments in foreign operations		(14,915)	(11,227)
Share of other comprehensive income of associates		1,615	1,274
Impairment loss of debt instruments at fair value through other comprehensive income		3	(266)
Other comprehensive loss for the year, net of tax		(38,184)	(58,895)
Total comprehensive income for the year	₩	820,138	₩ 775,354
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company	₩	771,968	₩ 732,114
Non-controlling interests		48,170	43,240

Earnings per share (in Korean won)

Basic and diluted earnings per share	39	₩	2,404	₩	2,341
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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, 2022 and 2021**

	Attributable to owners of the Parent Company															
(In millions of Korean won)	Share capital		Hybrid equity securities		Other paid-in capital		Other components of equity		Retained earnings		Total	Non-controlling interests		Total equity		
Balance at January 1, 2021	₩	1,629,676	₩	827,392	₩	779,263	₩	(68,532)	₩	5,561,026	₩	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	₩	(122,162)	₩	6,210,820	₩	9,325,726	₩	897,457	₩	10,223,183
Balance at January 1, 2022	₩	1,629,676	₩	827,392	₩	780,000	₩	(122,162)	₩	6,210,820	₩	9,325,726	₩	897,457	₩	10,223,183
Dividends		-		-		-		-		(181,682)		(181,682)		-		(181,682)
Issuance of hybrid equity securities		-		-		-		-		-		-		349,035		349,035
Repayment of hybrid equity securities		-		-		(1,095)		-		-		(1,095)		(298,905)		(300,000)
Dividends on hybrid equity securities		-		-		-		-		(30,188)		(30,188)		(48,170)		(78,358)
Total comprehensive income																
Profit for the year		-		-		-		-		810,152		810,152		48,170		858,322
Other comprehensive income																
Remeasurements of net defined benefit liabilities		-		-		-		79,674		-		79,674		-		79,674
Loss on valuation of financial assets at fair value through other comprehensive income		-		-		-		(118,359)		-		(118,359)		-		(118,359)
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income		-		-		-		(28)		28		-		-		-
Gain on overseas operations translation		-		-		-		13,878		-		13,878		-		13,878
Loss on valuation of hedges of net investments in foreign operations		-		-		-		(14,915)		-		(14,915)		-		(14,915)
Share of other comprehensive income of associates		-		-		-		1,615		-		1,615		-		1,615
Impairment loss of debt instruments at fair value through other comprehensive income		-		-		-		2		-		2		-		2
Change in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the credit risk		-		-		-		(79)		-		(79)		-		(79)
Balance at December 31, 2022	₩	1,629,676	₩	827,392	₩	778,905	₩	(160,374)	₩	6,809,130	₩	9,884,729	₩	947,587	₩	10,832,316

See notes to consolidated financial statements.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

(In millions of Korean won)

	2022	2021
Cash flows from operating activities		
Profit for the year	₩ 858,322	₩ 834,249
Adjustments to profit for the year:		
Interest income	(4,781,741)	(3,552,011)
Interest expense	1,857,856	980,184
Loss (gain) on financial assets at fair value through profit or loss, net	76,891	(11,351)
Gain on financial assets at fair value through other comprehensive income, net	(2,809)	(12,719)
Gain on financial assets at amortized cost, net	(284)	(2,443)
Loss on financial liabilities designated at fair value through profit or loss	2,928	157
Contribution to provision for credit loss	548,471	397,231
Loss on foreign currency translation	576	21,371
Loss on valuation of derivatives, net	56,816	19,737
Depreciation	107,551	99,103
Amortization	79,911	74,870
Post-employment benefits	60,484	61,140
Other operating expenses, net	224,609	238,887
Share of profit of associates	(1,053)	(28,098)
Loss (gain) on property and equipment, and intangible assets	961	(3,490)
Other non-operating expenses, net	9,077	10,286
Income tax expense	300,346	288,933
	<u>(1,459,410)</u>	<u>(1,418,213)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in due from banks	84,254	(184,120)
Decrease (increase) in financial assets at fair value through profit or loss	905,996	(912,383)
Increase in loans and receivables	(7,925,120)	(11,411,747)
Increase in derivative assets and liabilities	(31,825)	(10,094)
Increase in other assets	(388,631)	(402,988)
Increase in deposit liabilities	8,180,995	10,193,576
Increase in financial liabilities designated at fair value through profit or loss	377,871	203,130
Increase in securities sold	150,354	129,678
Increase (decrease) in provisions	(2,790)	5,307
Increase in other liabilities	3,396	42,896
Decrease in defined benefit obligation	(167,459)	(55,143)
Decrease (increase) in plan assets	39,035	(97,389)
	<u>1,226,076</u>	<u>(2,499,277)</u>
Interest received	4,708,647	3,612,662
Dividend received	16,377	24,104
Interest paid	(1,444,001)	(1,008,945)
Income tax paid	<u>(296,769)</u>	<u>(202,165)</u>
Net cash inflow from (outflow for) operating activities	<u>3,609,242</u>	<u>(657,585)</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

(In millions of Korean won)

	2022	2021
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	4,720,537	5,070,670
Payments for financial assets at fair value through profit or loss	(4,997,030)	(5,260,433)
Proceeds from disposal of financial assets at fair value through other comprehensive income	553,468	2,433,099
Payments for financial assets at fair value through other comprehensive income	(652,674)	(2,289,312)
Proceeds from disposal of financial assets at amortized cost	2,062,373	1,862,944
Payments for financial assets at amortized cost	(2,528,943)	(2,691,965)
Proceeds from disposal of investments in associates	618,042	301,385
Payments for investments in associates	(628,976)	(688,992)
Proceeds from disposal of property and equipment	8,855	35,202
Payments for property and equipment	(96,534)	(99,590)
Proceeds from disposal of intangible assets	292	616
Payments for intangible assets	(79,519)	(67,178)
Payments for investment properties	(1,462)	(1,847)
Decrease in leasehold deposits provided	5,932	16,042
Net cash outflow for investing activities	(1,015,639)	(1,379,359)
Cash flows from financing activities		
Increase in borrowings	23,173,155	20,462,462
Decrease in borrowings	(23,293,530)	(19,653,590)
Issuance of debentures	3,894,843	6,172,060
Repayment of debentures	(5,202,212)	(4,019,048)
Payments of lease liabilities	(31,817)	(25,708)
Dividends paid to shareholders	(181,682)	(103,818)
Dividends paid on hybrid equity securities	(30,188)	(31,395)
Increase in non-controlling interest	49,034	-
Dividends paid to non-controlling interest	(48,170)	(43,240)
Increase (decrease) in other liabilities	22,504	(66,646)
Net cash inflow from (outflow for) financing activities	(1,648,063)	2,691,077
Net increase in cash and cash equivalents	945,540	654,133
Cash and cash equivalents at the beginning of the year	4,947,248	4,287,036
Effects of exchange rate changes on cash and cash equivalents	1,944	6,079
Cash and cash equivalents at the end of the year	₩ 5,894,732	₩ 4,947,248

See notes to consolidated financial statements.

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of and for the Years Ended December 31, 2022 and 2021

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 the 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 a 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, 2022, 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, 2022 and 2021, are as follows:

Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2022	2021
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

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Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2022	2021
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	September 30	99.99	99.99
BNK Capital Lao Leasing Co., Ltd. ¹	Leases	Laos	December 31	96.71	96.71
MFO BNK Finance Kazakhstan LLP	Specialized credit financial business	Kazakhstan	December 31	100.00	100.00
BNK Capital Lao NDTMFI Co., Ltd.	Specialized credit financial business	Laos	December 31	99.99	99.99
MCC BNK Finance LLC	Specialized credit financial business	Kyrgyzstan	December 31	100.00	-

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% ownership 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	BNK Luxembourg private equity and 28 others	As a structured company for the 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 Jeju Global Co., Ltd. and 67 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 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, 2022 and 2021, is as follows:

(In millions of Korean won)

Name of subsidiary	2022						
	Assets	Liabilities	Equity	Operating income	Operating profit	Profit for the year	Total comprehensive income
Busan Bank Co., Ltd. and its Subsidiaries	₩73,236,530	₩67,566,260	₩5,670,270	₩3,510,822	₩601,227	₩455,792	₩433,558
Kyongnam Bank Co., Ltd. and its Subsidiaries	48,891,750	45,224,282	3,667,468	1,921,020	371,575	279,026	259,968
BNK Capital Co., Ltd. and its Subsidiaries	8,605,180	7,405,935	1,199,245	1,128,656	230,451	171,048	168,383
BNK Securities Co., Ltd. and its Subsidiaries	3,914,295	2,849,953	1,064,342	885,123	79,079	57,320	58,862
BNK Savings Bank Co., Ltd.	1,704,240	1,468,504	235,736	100,863	(6,112)	(3,771)	(3,771)
BNK Asset Management Co., Ltd. and its Subsidiaries	208,133	49,287	158,846	27,415	(17,455)	(13,766)	(14,548)
BNK Credit Information Co., Ltd.	25,477	2,382	23,095	11,532	3,264	2,449	2,449
BNK System Co., Ltd.	32,386	8,982	23,404	92,527	4,594	3,064	3,064
BNK Venture Capital Co., Ltd.	54,614	1,367	53,247	6,597	1,366	1,057	1,057

(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

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1.5 Changes in Scope for Consolidation

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

Subsidiary	Purpose
MCC BNK Finance LLC	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.	

Subsidiaries newly included in the consolidation for the year ended December 31, 2021:

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.	

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 Consolidation

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 the accounting policies below, the accompanying consolidated financial statements have been prepared on a historical cost basis, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair value. 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 has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going-concern basis of accounting in preparing the consolidated financial statements.

2.2 Changes in Accounting Policies and Disclosures

(a) New and amended standards adopted by the Group

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

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

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

The consolidated statement of financial position as of December 31, 2021 and cash flows for the year ended December 31, 2021 has been restated in accordance with this change in accounting policy. The significant impact of the amendment is as follows:

i) Impact on consolidated statements of financial position

(In millions of Korean won)	December 31, 2022	December 31, 2021	January 1, 2021
Increase in cash and cash equivalents	₩ 4,488,016	₩ 3,593,196	₩ 3,134,246
Decrease in due from bank	(4,488,016)	(3,593,196)	(3,134,246)

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ii) Impact on consolidated statements of cash flows

<i>(In millions of Korean won)</i>		2022		2021
Increase in cash flows from operating activities	₩	894,820	₩	458,950
Increase in net increase in cash and cash equivalents		894,820		458,950
Increase in cash and cash equivalents at the beginning of the period		3,593,196		3,134,246
Increase in cash and cash equivalents at the end of the period		4,488,016		3,593,196

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

The amendments update K-IFRS 1103 so that it refers to the Conceptual Framework (2018) instead of the Framework (2007). They also add 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 amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments had no significant impact on the consolidated financial statements.

- 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*.

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 amendments had no significant impact on the consolidated financial statements.

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

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

- Annual Improvements to K-IFRSs 2018-2020

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

(i) K-IFRS 1109 *Financial Instruments*

The amendment clarifies that in applying the '10 percent' 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.

(ii) K-IFRS 1116 *Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements.

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

(b) The K-IFRS that have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

- K-IFRS 1001 *Presentation of Financial Statements* and International Financial Reporting Standards ("IFRS") Practice Statement 2 *Making Materiality Judgements - Disclosure of Accounting Policies* (Amendment)

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

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The supporting paragraphs in 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 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.

The board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

These amendments to K-IFRS 1001 are effective for annual periods beginning on or after January 1, 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

- K-IFRS 1001 Presentation of Financial Statements – Disclosure of financial liabilities with condition to adjust exercise price (Amendments)

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

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

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

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

The definition of change in accounting estimates was deleted. However, the International Accounting Standards Board ("IASB") retained the concept of change in accounting estimates in the Standard with the following clarifications:

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

The amendments are effective for annual periods beginning on or after January 1, 2023, to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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- K-IFRS 1012 *Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (Amendment)

The amendments reduce the scope of application of the initial recognition exception. According to the amendments, the exception to initial recognition does not apply to transactions in which the equal taxable temporary difference and deductible temporary difference give rise.

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

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

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

- A deferred tax asset (to the extent it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences are associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

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

The Group does not expect that these amendments will have 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 has 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 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 an 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 are 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 (the "foreign currencies") are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 currencies; 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 that are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- **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 are held for long-term investment or strategic purpose, in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividend income from such investments continues to be recognized in profit or loss when the right to receive payments is established.

Changes in the fair value of financial assets at 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 a 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 recognize 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 from 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 in 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 the 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 the 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 is reported in the consolidated 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 ("IRSs") 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 a 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 are 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 the 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.
- 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.

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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 related 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 'Impairment of Non-Financial Assets' policy (see Note 2.17).

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.

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.

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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 economic feasibility and measure reliably the resources attributable to the intangible asset during its development. The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

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

(c) Intangible assets acquired in a business combination

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

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

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	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 decisions 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.

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

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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 an 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 in 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 of 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.

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.

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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.

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.

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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 of time 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.

(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.

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(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 cards and unused credit lines 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.

The effective interest rate reconciles the expected future cash in and out through the expected life of financial instruments or, if appropriate, through shorter periods 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 follows:

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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 a 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.

The Group arranges a syndicated loan, but does not participate in the syndicate or has the same effective gains and losses as 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 an 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.

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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.

(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.

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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.

(d) Share-based payments

i) Share-based payment

Equity-settled share-based payments 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.

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Equity-settled share-based payments granted to parties other than employees 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 a 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 1102 *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 measures of the replacement awards are recognized as remuneration costs in the postcombination services.

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's 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.

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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 that 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 it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred income tax assets and liabilities are not recognized if the taxable or deductible temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit (taxable deficit) nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the 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.

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The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that 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 an investment property that is measured using the fair value model in K-IFRS 1040 *Investment Property* there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale. Accordingly, unless the presumption is rebutted, the measurement of the deferred tax liability or deferred tax asset shall reflect the tax consequences of recovering the carrying amount of the investment property entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model, whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

(c) Current and deferred taxes for the year

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

2.23 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.

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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 fees 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 expenses 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*.

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.

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2.26 Reform of Interest Rate Index

In relation to the reform of interest rate index, the amendments provide exceptions, including adjusting effective interest rates 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.

As of December 31, 2022, the conversion to a replaced interest rate benchmark has been completed for currencies other than USD, and the ISDA protocol was adopted for derivatives.

The financial instruments that have not been converted to replaced interest rate benchmark among the London Inter-Bank Offered Rate ("LIBOR") interest rates as of December 31, 2022, are as follows:

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

<i>(In millions of Korean won)</i>	2022⁽¹⁾
Non-derivative financial assets	
Financial instruments at amortized costs	440,514
Non-derivative financial liabilities	
Financial liabilities at amortized costs	142,571
Derivatives	
Interest rate related (Hedge)	316,825
Guarantees and loan commitments	212

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

2.27 Approval of Issuance of the Consolidated Financial Statements

The consolidated financial statements for the 2022 reporting period of the Group were approved for issue by the board of directors on February 2, 2023, and are planned for the approval of Shareholders' Meeting on March 17, 2023.

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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 types of financial instruments. Note 6 provides detailed information about key assumptions used in the determination of the fair value of financial instruments as well as the detailed sensitivity analysis for these assumptions. 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 methods to estimate the relationship between modeling macroeconomic variables, expected credit loss and risk components.

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

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Forward looking information used to measure expected credit losses is calculated by comprehensively reviewing the possibility of occurrence of each scenario of the economic outlook based on forecasts from the government and public institutions such as the Bank of Korea and the Korea Development Institute.

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

In order to reflect the potential default risk of this increase in uncertainty, some of the borrowers from industries that are highly influenced by COVID-19 and others 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 as of December 31, 2022 and 2021 are as follows:

<i>(In millions of Korean won)</i>		2022		2021
Exposure	₩	5,493,823	₩	3,498,195
Credit loss allowance		279,322		120,295

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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. There has not been a significant change in the Group's purpose of financial risk management and risk management policy since December 31, 2021.

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.

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(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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
On balance		
Cash and due from banks	₩ 318,151	₩ 402,000
Financial assets at FVTPL	4,709,581	5,310,074
Financial assets at fair value through other comprehensive income	4,927,027	4,968,436
Financial assets at amortized cost	9,234,752	8,734,540
Loans	104,809,514	97,293,360
Receivables	1,517,675	1,405,893
Derivative assets	168,679	33,905
	<u>125,685,379</u>	<u>118,148,208</u>
Off balance		
Guarantees and acceptances	1,161,773	1,280,474
Loan commitments	23,818,047	23,019,015
	<u>24,979,820</u>	<u>24,299,489</u>
	<u>₩ 150,665,199</u>	<u>₩ 142,447,697</u>

(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

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

(In millions of Korean won)											
2022											
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	Subtotal		Twelve months expected credit losses	Twelve months expected credit losses	months expected credit losses	Subtotal
Grade 1	₩ 49,613,309	₩ 1,174,918	₩ -	₩ 224,942	₩ 7,219	₩ -	₩ 51,020,388	₩ 4,927,027	₩ 9,235,792	₩ 14,162,819	
Grade 2	29,258,585	5,206,632	-	120,987	14,005	-	34,600,209	-	2,002	2,002	
Grade 3	7,242,252	6,405,297	-	26,861	22,131	-	13,696,541	-	-	-	
Grade 4	313,083	2,813,197	504,669	2,038	10,543	1,681	3,645,211	-	-	-	
Non-graded	3,086,261	150,399	21,669	1,094,062	-	1,310	4,353,701	-	-	-	
	₩ 89,513,490	₩ 15,750,443	₩ 526,338	₩ 1,468,890	₩ 53,898	₩ 2,991	₩ 107,316,050	₩ 4,927,027	₩ 9,237,794	₩ 14,164,821	

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

(In millions of Korean won)									
2022									
Loan commitments					Guarantees and acceptances				
Twelve months expected credit losses	Lifetime expected credit losses				twelve months expected credit losses	Lifetime expected credit losses			
	Unrecognized impairment	Recognized impairment	Subtotal			Unrecognized impairment	Recognized impairment	Subtotal	
Grade 1	₩ 16,350,815	₩ 138,696	₩ -	₩ 16,489,511	₩ 302,759	₩ 2,233	₩ -	₩ 304,992	
Grade 2	4,193,078	644,902	-	4,837,980	471,234	142,621	-	613,855	
Grade 3	767,882	461,596	-	1,229,478	93,804	68,774	-	162,578	
Grade 4	30,461	138,217	-	168,678	-	77,427	2,922	80,349	
Non-graded	350,477	9,513	-	359,990	-	-	-	-	
	₩ 21,692,713	₩ 1,392,924	₩ -	₩ 23,085,637	₩ 867,797	₩ 291,055	₩ 2,922	₩ 1,161,774	

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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								
												Fair value through other comprehensive income		Amortized cost						
		Loans			Receivables															
		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	Subtotal		Twelve months expected credit losses		Twelve months expected credit losses		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		Lifetime expected credit losses		Subtotal	Twelve months expected credit losses		Lifetime expected credit losses		Subtotal					
				Unrecognized impairment	Recognized impairment				Unrecognized impairment	Recognized impairment						
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		8,616		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	₩	8,616	₩	1,280,474

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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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Loans	Debt securities		
		Fair value through other comprehensive income	Amortized cost	Subtotal
Country:				
The Republic of Korea	₩ 104,225,828	₩ 4,882,040	₩ 9,183,643	₩ 14,065,683
China	276,025	-	-	-
Others	1,288,418	44,987	54,151	99,138
	<u>₩ 105,790,271</u>	<u>₩ 4,927,027</u>	<u>₩ 9,237,794</u>	<u>₩ 14,164,821</u>
Industry:				
Mining	₩ 31,286	₩ 78,388	₩ -	₩ 78,388
Manufacturing	20,225,586	-	-	-
Electricity, gas, steam and water service	670,652	197,790	392,428	590,218
Construction	3,072,555	130,325	338,093	468,418
Wholesale and retail	9,627,191	-	-	-
Transportation	2,130,075	96,500	310,730	407,230
Lodging and restaurant business	4,398,773	-	-	-
Publishing, visual entertainment, broadcasting and information	434,120	-	2,002	2,002
Financial and insurance business	3,091,119	1,479,250	3,039,869	4,519,119
Real estates and lease business	18,926,600	300,981	798,321	1,099,302
Business facility management and business support services	635,251	19,612	40,000	59,612
Public, national defense and social security system	514,540	2,555,405	4,226,222	6,781,627
Associations, organizations and household	4,668,282	68,776	89,820	158,596
Others	37,364,241	-	309	309
	<u>₩ 105,790,271</u>	<u>₩ 4,927,027</u>	<u>₩ 9,237,794</u>	<u>₩ 14,164,821</u>

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(In millions of Korean won)

	2021			
	Debt securities			Subtotal
	Loans	Fair value through other comprehensive income	Amortized cost	
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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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 risks, 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 ("DCF") 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, 2022 and 2021, are summarized by remaining contractual maturity as follows:

(In millions of Korean won)

		2022					
		Less than one month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than five years	Total
Financial liabilities ¹:							
Deposits	₩	42,344,768	₩ 13,816,483	₩ 41,381,305	₩ 5,882,292	₩ 202,079	₩ 103,626,927
Financial liabilities designated as at FVTPL		58,527	225,712	298,781	11,325	55,403	649,748
Borrowings		2,380,775	732,236	1,645,413	2,949,949	501,613	8,209,986
Debentures		710,964	1,759,141	3,924,890	6,109,798	309,625	12,814,418
Other financial liabilities ²		2,395,185	38,185	171,669	401,327	352,370	3,358,736
	₩	<u>47,890,219</u>	₩ <u>16,571,757</u>	₩ <u>47,422,058</u>	₩ <u>15,354,691</u>	₩ <u>1,421,090</u>	₩ <u>128,659,815</u>
Derivative liabilities:							
Derivatives for hedging ³	₩	-	₩ -	₩ -	₩ 29,250	₩ 15,922	₩ 45,172
Derivatives for trading ³		21,733	17,607	35,871	25,085	55,404	155,700
	₩	<u>21,733</u>	₩ <u>17,607</u>	₩ <u>35,871</u>	₩ <u>54,335</u>	₩ <u>71,326</u>	₩ <u>200,872</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)

		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>3,862</u>	₩ <u>34,431</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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
Guarantees	₩	1,161,774	₩	1,280,474
Loan commitments		<u>23,818,047</u>		<u>23,019,015</u>
	₩	<u>24,979,821</u>	₩	<u>24,299,489</u>

4.4 Market Risk

(a) General

Market risk is the risk to the Group's earnings arising from changes in interest rates, stock prices, 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, which 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, 2022 and 2021, 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)	2022			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 1,115	₩ 313	₩ 758	₩ 1,020
Equity price risk	11	91	67	11
Foreign exchange rate risk	1,735	118	662	912
Diversification	(540)	(163)	(558)	(568)
Total VaR	₩ 2,321	₩ 359	₩ 929	₩ 1,375

(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

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ii) Kyongnam Bank

The following table shows VaR as of December 31, 2022 and 2021, 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)	2022			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 284	₩ 143	₩ 193	₩ 140
Equity price risk	424	-	187	-
Foreign exchange rate risk	20	13	35	73
Diversification	(33)	(13)	(29)	(61)
Total VaR	₩ 695	₩ 143	₩ 386	₩ 152

(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

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 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.

		2022											
		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	304	₩ 385,685	14,422	₩ 137,469	79	₩ 55,280	233	₩ 69,117	₩ 52,865			
	Financial assets at FVTPL	20	24,841	-	-	-	-	-	-	-			
	Financial assets at fair value through other comprehensive income	84	106,377	-	-	-	-	-	-	-			
	Financial assets at amortized cost	93	117,853	-	-	-	-	-	-	-			
	Loans and receivables	1,796	2,276,438	12,377	117,977	52	62,816	648	138,754	70,150			
	Other assets	753	933,641	11,119	105,985	50	9,124	40	55,510	11,543			
		3,050	3,844,835	37,918	361,431	181	127,220	921	263,331	134,558			
Liabilities	Deposit liabilities	862	1,092,313	17,003	162,099	67	43,502	376	83,675	49,578			
	Borrowings	1,119	1,417,926	12,151	115,819	6	7,895	188	64,592	33,831			
	Other liabilities	568	719,508	1,302	12,412	14	6,449	5	2,976	561			
		2,549	₩ 3,229,747	30,456	₩ 290,330	87	₩ 57,846	569	₩ 151,243	₩ 83,970			
		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			

(d) Market risk management for non-trading activities

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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 of 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 the 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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
Share capital - common (A)	₩	8,363,943	₩	7,908,727
Other basic capital (B)		1,192,616		1,194,486
Tier 2 capital (C)		627,179		664,404
Total capital (D)	₩	10,183,738	₩	9,767,617
Credit risk-weighted assets	₩	67,684,184	₩	65,166,763
Market risk-weighted assets		989,542		1,110,013
Operational risk-weighted assets		5,922,533		5,491,154
Total risk-weighted assets (E)	₩	74,596,259	₩	71,767,930
Share capital - common ratio (A/E) (%)		11.21		11.02
Tier 1 capital ratio ((A+B)/E) (%)		12.81		12.68
Total capital ratio (D/E) (%)		13.65		13.61

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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, 2022 and 2021, are as follows:

(In millions of Korean won)	2022								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)	₩ 1,506,803	₩ 991,536	₩ 355,085	₩ 52,359	₩ 56,556	₩ (28,071)	₩ 2,934,268	₩ (10,384)	₩ 2,923,884
Net commission income	78,651	54,069	52,411	179,139	3,093	36,491	403,854	(15,014)	388,840
Net gain (loss) on financial assets at FVTPL	(13,668)	34,006	16,180	(13,234)	(6,602)	(17,656)	(974)	(3,313)	(4,287)
Net gain (loss) on financial assets at fair value through other comprehensive income	3,302	(895)	-	402	-	-	2,809	-	2,809
Net gain on financial assets at amortized cost	12	272	-	-	-	-	284	-	284
Contribution to provision for credit loss and others	(146,437)	(129,995)	(134,710)	(33,974)	(33,379)	(103)	(478,598)	143	(478,455)
General and administrative expenses	(702,692)	(468,280)	(104,531)	(142,790)	(21,724)	(93,424)	(1,533,441)	12,258	(1,521,183)
Other operating income (expenses), net	(124,744)	(109,138)	46,016	37,177	(4,056)	400,441	245,696	(398,669)	(152,973)
Operating profit (loss)	601,227	371,575	230,451	79,079	(6,112)	297,678	1,573,898	(414,979)	1,158,919
Non-operating income (expenses), net	881	(7,843)	2,099	834	743	(744)	(4,030)	3,779	(251)
Profit (loss) before income tax	602,108	363,732	232,550	79,913	(5,369)	296,934	1,569,868	(411,200)	1,158,668
Income tax income (expense)	(146,316)	(84,706)	(61,502)	(22,593)	1,598	1,126	(312,393)	12,047	(300,346)
Profit (loss) for the year	₩ 455,792	₩ 279,026	₩ 171,048	₩ 57,320	₩ (3,771)	₩ 298,060	₩ 1,257,475	₩ (399,153)	₩ 858,322
Total assets	₩ 73,236,530	₩ 48,891,750	₩ 8,605,180	₩ 3,914,295	₩ 1,704,240	₩ 7,236,397	₩ 143,588,392	₩ (6,622,004)	₩ 136,966,388
Total liabilities	₩ 67,566,260	₩ 45,224,282	₩ 7,405,935	₩ 2,849,953	₩ 1,468,504	₩ 1,630,261	₩ 126,145,195	₩ (11,123)	₩ 126,134,072

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(In millions of Korean won)	2021							Adjustment	Consolidated financial statements
	Busan Bank	Kyongnam Bank	BNK Capital Co., Ltd.	BNK Securities Co., Ltd.	BNK Savings Bank	Others	Total		
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	-	290	-	-	12,721	(2)	12,719
Net gain (loss) on financial assets at amortized cost	3,554	(1,111)	-	-	-	-	2,443	-	2,443
Reversal of (contribution to) provision for credit loss and others	(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

(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, 2022 and 2021.

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6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

(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, 2022 and 2021, are as follows:

(In millions of Korean won)	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from bank	₩ 6,212,882	₩ 6,212,882	₩ 5,349,248	₩ 5,349,248
Financial assets at FVTPL	4,954,903	4,954,903	5,640,559	5,640,559
Financial assets at fair value through other comprehensive income	5,093,086	5,093,086	5,150,489	5,150,489
Financial assets at amortized cost	9,234,752	8,783,170	8,734,540	8,686,996
Loans and receivables	106,327,189	107,062,351	98,699,253	99,246,216
Derivative assets	168,679	168,679	33,904	33,904
	₩ 131,991,491	₩ 132,275,071	₩ 123,607,993	₩ 124,107,412
Financial liabilities:				
Deposit liabilities	₩ 101,470,361	₩ 101,419,465	₩ 93,282,006	₩ 93,212,651
Financial liabilities designated as at FVTPL	584,160	584,160	203,255	203,255
Borrowings	7,982,591	7,892,598	7,779,249	7,730,685
Debentures	12,145,457	12,032,936	13,442,859	13,155,365
Derivative liabilities	194,189	194,189	34,430	34,430
Other financial liabilities ¹	3,264,680	3,262,217	2,869,284	2,869,268
	₩ 125,641,438	₩ 125,385,565	₩ 117,611,083	₩ 117,205,654

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 approximations 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 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 derivatives, a quoted price in an active market is used to determine fair value, and for over-the-counter ("OTC") derivatives, fair value is determined using valuation techniques. The consolidated entity uses internally developed valuation models that are widely used by market participants to determine the fair value of plain OTC derivatives, including options, IRSs and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using an 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 solutions in its valuation are valued using the appropriate model. Complex derivative instruments whose 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 an appropriate discount rate to calculate fair value. For those loans and receivables with residual maturities of less than three months as of the closing date and the ones with a 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 the 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 the prepayment rate taken into account. For those deposits with 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 an appropriate discount rate. However, for those borrowings with 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 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, 2022 and 2021, are as follows:

(In millions of Korean won)

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

(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	₩ 141,373	₩ 96,063	₩ 375,717

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The valuation techniques and input variables of Level 2 financial instruments, subsequently measured at fair value, as of December 31, 2022 and 2021, are as follows:

2022			
(In millions of Korean won)	Fair value	Valuation techniques	Input variables
Financial assets:			
Financial assets at fair value through profit or loss			
Debt securities	₩ 2,412,629	DCF Model	Discount rate
Other securities	851,068	DCF Model and Net Asset Value Method	Discount rate, value of underlying assets
Financial assets at fair value through other comprehensive income			
Debt securities	2,673,126	DCF Model	Discount rate
Derivative assets	167,424	DCF Model	Discount rate and exchange rate
Financial liabilities:			
Derivative liabilities	₩ 148,027	DCF Model	Discount rate and exchange rate
2021			
(In millions of Korean won)	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	Discount rate, etc.
Derivative liabilities	₩ 30,318	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, 2022 and 2021, are as follows:

(In millions of Korean won)			Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	Fair value				
	2022				
Financial assets					
Financial assets at FVTPL	₩	1,514,228			
Equity securities		192,384	Net Asset Value Method, DCF Model, Binomial Trees and others	Value of underlying assets Discount rate: 9.33% Volatility: 23.07%-38.37% Price multiple: 0.69	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases), volatility increases (decreases) or price multiple increases (decreases)
Debt securities		171,307	Least Square Monte Carlo Simulation ("LSMC")	Volatility: 18.32%-36.39%	Fair value increases (decreases) when volatility increases (decreases)
Other securities		1,150,537	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model and Binomial Trees	Value of underlying assets Discount rate: 2.35%-77.60% Volatility: 13.61%-59.30% Growth rate: 0.00% Liquidation value: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or liquidation value increases (decreases)
Financial assets at fair value through other comprehensive income		157,313			
Equity securities		157,313	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: 3.48%-76.75% Volatility: 15.87%-59.30% Growth rate: 0.00%-1.00% Liquidation value: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), volatility increases (decreases), growth rate increases (decreases) or liquidation value increases (decreases)
Loans receivables at FVTPL		62,105			

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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
	2022			
Hybrid (combined) instruments	62,105	Binomial Trees, LSMC and DCF Model	Volatility: 3.46%-45.09% Discount rate: 4.72%-20.12%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)
Derivative assets	955	Binomial Trees and LSMC	Volatility: 0.00%-99.00% Correlation coefficient:- 0.99%-0.99%	Fair value increases (decreases) when volatility increases (decreases), discount rate decreases (increases) or correlation coefficient increases (decreases)
Financial liability				
Financial liabilities designated as at FVTPL	584,160	Hull & White Model and LSMC	Volatility: 0.00%-99.00% Correlation coefficient: -0.99- 0.99	Fair value increases (decreases) when volatility increases (decreases) or correlation coefficient increases (decreases)
Derivative liabilities	45,855	Binomial Trees and LSMC	Volatility: 0.00%-99.00% Discount rate: 2.90%-3.20% Correlation coefficient: -0.99- 0.99	Fair value increases (decreases) when volatility increases (decreases), discount rate decreases (increases) or correlation coefficient increases (decreases)
(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 and Binomial Trees	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	LSMC	Volatility: 14.82%-41.37%	Fair value increases (decreases) when volatility increases (decreases)
Other securities	1,063,408	Net Asset Value Method, Dividend Discount Model,	Value of underlying assets Discount rate: 1.76%-29.48% Volatility: 1.00%-27.73% Growth rate: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate

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(In millions of Korean won)		Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	Fair value			
	2021			
		Comparable Company Analysis, DCF Model, Binomial Trees and others	Liquidation value: -1.00%-1.00%	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	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) instruments	66,565	Binomial Trees, LSMC and DCF Model	Discount rate: 2.18%-17.72% Volatility: 25.49%-27.74%	Fair value increases (decreases) when discount rate decreases (increases) or volatility increases (decreases)
Derivative assets	1,346	Binomial Trees and LSMC	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 LSMC	Discount rate: 0.57%-0.96% Volatility: 0.54%	Fair value increases (decreases) when discount rate decreases (increases) or volatility increases (decreases)

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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, 2022 and 2021:

(In millions of Korean won)

	2022			
	Profit (loss) for the year		Other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable changes
Financial assets:				
Financial assets at FVTPL ^{1, 5}	₩ 7,074	₩ (5,859)	₩ -	₩ -
Financial assets at fair value through other comprehensive income ¹	-	-	6,558	(3,240)
Loans receivables at FVTPL ²	849	(709)	-	-
Derivative assets ³	3	(4)	-	-
Financial liabilities:				
Financial liabilities designated as at FVTPL ⁴	25	(18)	-	-
Derivative liabilities ³	6,277	(6,282)	-	-
	₩ 14,228	₩ (12,872)	₩ 6,558	₩ (3,240)

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

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

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

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

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

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(In millions of Korean won)

	2021			
	Profit (loss) for the year		Other comprehensive income	
	Favourable changes	Unfavourable changes	Favourable changes	Unfavourable 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.

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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Changes in Level 3 financial instruments subsequently measured at fair value for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

2022

	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	₩ 1,393,898	₩ 169,597	₩ 66,565	₩ 1,346	₩ 3,862	₩ 92,201
Total profit or loss						
Amount recognized in profit or loss ¹	(27,946)	-	(11,641)	(382)	41,147	9,535
Amount recognized in other comprehensive income	-	(10,026)	-	-	-	102
Purchases	471,921	2,775	7,495	-	855	928,281
Sales	(324,759)	(33)	(314)	-	-	(445,959)
Other changes:						
Transfer into other levels ²	(3,537)	-	-	-	-	-
Reclassification	4,651	(5,000)	-	(9)	(9)	-
Ending balance	₩ 1,514,228	₩ 157,313	₩ 62,105	₩ 955	₩ 45,855	₩ 584,160

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, 2022, are as follows:

(In millions of Korean won)	Financial assets at FVTPL	Loans receivables at FVTPL	Derivatives	Financial liabilities designated at FVTPL	Total
Profit for the year	₩ (27,946)	₩ (11,641)	₩ (41,529)	₩ (9,535)	₩ (90,651)
Change in unrealized gain	(20,632)	(11,641)	(41,529)	2,928	(70,874)

² It moved from Level 3 to Level 1 due to listing of equity securities during the year ended December 31, 2022.

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2021

	Financial assets at FVTPL	Financial assets at fair value through other comprehen sive 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:

(In millions of Korean won)	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)	₩ 28,279
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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(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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 644,249	₩ 5,568,633	₩ -	₩ 6,212,882
Loans and receivables	-	3,260	106,996,986	107,000,246
Financial assets at amortized cost	381,246	8,401,924	-	8,783,170
	₩ 1,025,495	₩ 13,973,817	₩ 106,996,986	₩ 121,996,298
Financial liabilities:				
Deposit liabilities	₩ -	₩ 18,167,248	₩ 83,252,217	₩ 101,419,465
Borrowings	358,924	1,134,360	6,132,812	7,626,096
Debentures	-	12,032,936	-	12,032,936
Other financial liabilities	-	448	3,261,769	3,262,217
	₩ 358,924	₩ 31,334,992	₩ 92,646,798	₩ 124,340,714

(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

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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, 2022 and 2021, 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
	2022	2021		
Financial assets:				
Debt securities	₩ 8,401,924	₩ 8,502,012	DCF Model	Discount rate
Financial liabilities:				
Deposit liabilities	₩ 18,167,248	₩ 19,996,333	DCF Model	Discount rate
Borrowings	1,134,360	1,069,377	DCF Model	Discount rate
Debentures	12,032,936	12,801,375	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, 2022 and 2021, are as follows:

(In millions of Korean won)	Fair value		Valuation techniques	Input variables
	2022	2021		
Financial assets:				
Loans and receivables	₩ 106,996,986	₩ 99,179,651	DCF Model	Discount rate and early repayment rate
Financial liabilities:				
Deposit liabilities	₩ 83,252,217	₩ 73,216,318	DCF Model	Discount rate
Borrowings	6,132,812	5,672,284	DCF Model	Discount rate
Other financial liabilities	3,261,769	2,869,268	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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
	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	₩ 878,290	₩ 726,761	₩ 1,520,961	₩ 1,363,145
Loaned securities	1,638,116	-	984,964	-
Liquidated financial assets	633,047	683,932	705,467	809,741
	<u>₩ 3,149,453</u>	<u>₩ 1,410,693</u>	<u>₩ 3,211,392</u>	<u>₩ 2,172,886</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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022					
	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		
				Financial instruments	Cash collateral received	Net amount
Derivatives assets	₩ 168,378	₩ -	₩ 168,378	₩ 400,388	₩ 5,400	₩ 134,674
Receivable spot exchanges	372,084	-	372,084			
Bonds purchased under resale agreement	360,000	-	360,000	360,000	-	-
Domestic exchange uncollected	2,230,556	1,904,689	325,867	-	-	325,867
Securities-related receivable	82,454	7,982	74,472	-	-	74,472
	<u>₩ 3,213,472</u>	<u>₩ 1,912,671</u>	<u>₩ 1,300,801</u>	<u>₩ 760,388</u>	<u>₩ 5,400</u>	<u>₩ 535,013</u>

(In millions of Korean won)

	2022					
	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		
				Financial instruments	Cash collateral received	Net amount
Derivatives liabilities	₩ 193,980	₩ -	₩ 193,980	₩ 335,046	₩ 16,363	₩ 190,731
Payable spot exchanges	348,160	-	348,160			
Bonds sold under repurchase agreement	726,761	-	726,761	726,761	-	-
Securities sold	266,502	-	266,502	266,502	-	-
Domestic currency exchange payables	2,050,161	1,904,689	145,472	-	-	145,472
Securities-related payables	57,815	7,982	49,833	-	-	49,833
	<u>₩ 3,643,379</u>	<u>₩ 1,912,671</u>	<u>₩ 1,730,708</u>	<u>₩ 1,328,309</u>	<u>₩ 16,363</u>	<u>₩ 386,036</u>

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		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
	₩	2,669,927	₩ 1,617,848	₩ 1,052,079	₩ 594,781	₩ 141	₩ 457,157

(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
	₩	3,606,548	₩ 1,617,848	₩ 1,988,700	₩ 1,846,301	₩ 245	₩ 142,154

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7. CASH AND DUE FROM BANKS:

Cash and cash equivalents as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>		2022		2021
Cash and cash equivalents:				
Cash	₩	490,733	₩	484,016
Foreign currencies		153,516		96,793
Due from the Bank of Korea		4,484,111		3,577,925
Time deposits		224,446		352,442
Other deposits		114,045		82,205
Deposits in foreign currencies		427,880		353,867
	₩	<u>5,894,731</u>	₩	<u>4,947,248</u>

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

Due from banks in local currency and foreign currencies as of December 31, 2022 and 2021, consists of the following:

<i>(In millions of Korean won)</i>	Financial institution		2022		2021
Due from banks in local currency:					
Due from consigned transaction	Korea Exchange ("KRX")	₩	57,030	₩	37,074
Others	Woori Bank and others		<u>206,303</u>		<u>291,970</u>
			<u>263,333</u>		<u>329,044</u>
Due from banks in foreign currencies:					
Offshore due from banks	Wells Fargo		1,266		-
Others	The People's Bank of China and others		<u>53,552</u>		<u>72,956</u>
			<u>54,818</u>		<u>72,956</u>
		₩	<u>318,151</u>	₩	<u>402,000</u>

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Restricted cash and due from banks as of December 31, 2022 and 2021, consist of the following:

<i>(In millions of Korean won)</i>	Financial institution	2022	2021	Reason for restriction
Cash and cash equivalents				
Reserve deposits in Korean won	The BOK	₩ 4,399,794	₩ 3,470,147	Article 55 of the Bank of Korea Act
Reserve deposits in foreign currencies	The BOK	84,317	107,778	Article 55 of the Bank of Korea Act
Demand deposits in foreign currencies	The State Bank of Vietnam	3,463	6,462	Payment reserves
Other deposits in Foreign Currencies	The State Bank of Vietnam	442	809	Payment reserves
		<u>4,488,016</u>	<u>3,585,196</u>	
Due from banks				
Due from banks in Korean won	The Korea Securities Finance Corporation	67,110	793	Deposits from investors and others
	Korea Federation of Savings Banks and others	10,095	54,954	Reserve deposits and others
	Korea Securities Depository and others	44,453	-	Deposits to performance guarantees
	KRX and others	44,002	38,947	Collective fund for default losses and others
		<u>165,660</u>	<u>94,694</u>	
Due from banks in foreign currencies	KRX and others	5,092	4,539	Reserve deposits and others
	The People's Bank of China and others	13,112	17,304	Reserve deposits for overseas affiliates and others
		<u>18,204</u>	<u>21,843</u>	
		<u>₩ 4,671,880</u>	<u>₩ 3,701,733</u>	

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8. FINANCIAL ASSETS AT FVTPL:

Financial assets at FVTPL as of December 31, 2022 and 2021, consist of the following:

<i>(In millions of Korean won)</i>	2022	2021
Equity securities	₩ 245,322	₩ 330,484
Government and public bonds	181,384	220,213
Finance bonds	210,501	405,801
Corporate bonds	1,655,601	1,961,331
Other debt securities	636,812	835,679
Beneficiary certificates	1,304,083	1,221,121
Others	721,200	665,929
	<u>₩ 4,954,903</u>	<u>₩ 5,640,558</u>

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

Financial assets at fair value through other comprehensive income as of December 31, 2022 and 2021, consist of the following:

<i>(In millions of Korean won)</i>	2022	2021
Equity securities	<u>₩ 166,059</u>	<u>₩ 182,053</u>
Debt securities:		
Government and public bonds	1,063,015	1,413,009
Finance bonds	650,308	687,040
Corporate bonds	1,837,042	1,989,583
Loans in securities	1,376,662	878,804
	<u>4,927,027</u>	<u>4,968,436</u>
	<u>₩ 5,093,086</u>	<u>₩ 5,150,489</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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 4,968,436	₩ -	₩ -	₩ 4,968,436
Changes in financial instruments recognized at the beginning	-	-	-	-
Acquisition	646,604	-	-	646,604
Repayment/Disposal	(551,908)	-	-	(551,908)
Loss on valuation of fair value	(143,449)	-	-	(143,449)
Amortization of effective interest	1,073	-	-	1,073
Exchange differences	7,371	-	-	7,371
Others	(1,100)	-	-	(1,100)
Ending balance	₩ 4,927,027	₩ -	₩ -	₩ 4,927,027

(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)
Loss 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

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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, 2022 and 2021, is as follows:

(In millions of Korean won)

	2022		2021	
	Derecognized equity securities	Equity securities on hand	Derecognized equity securities	Equity securities on hand
General stocks:				
Marketable stocks	₩ -	₩ -	₩ -	₩ 24
Non-marketable stocks	3,442	877	-	3,062
	₩ 3,442	₩ 877	₩ -	₩ 3,086

Derecognized equity securities at fair value through other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		2021	
	Disposal	Accumulated gain (loss) on valuation at disposal date	Disposal	Accumulated gain (loss) on valuation at disposal date
General stocks:				
Marketable stocks	₩ -	₩ -	₩ 8,452	₩ (7,905)
Non-marketable stocks	38	38	-	-
	₩ 38	₩ 38	₩ 8,452	₩ (7,905)

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10. FINANCIAL ASSETS AT AMORTIZED COST:

Financial assets at amortized cost as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
Debt securities:				
Government and public bonds	₩	3,784,460	₩	3,870,021
Finance bonds		1,014,863		729,284
Corporate bonds		4,177,017		4,032,401
Loans in securities		261,454		106,160
Provision for impairment		(3,042)		(3,326)
	₩	<u>9,234,752</u>	₩	<u>8,734,540</u>

Changes in the carrying amounts of financial assets at amortized cost for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 8,737,865	₩ -	₩ -	₩ 8,737,865
Acquisition	2,528,943	-	-	2,528,943
Repayment/Disposal	(2,063,350)	-	-	(2,063,350)
Amortization of effective interest	29,338	-	-	29,338
Exchange differences	5,318	-	-	5,318
Others	(320)	-	-	(320)
Ending balance	<u>₩ 9,237,794</u>	<u>₩ -</u>	<u>₩ -</u>	<u>₩ 9,237,794</u>

<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>

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11. ASSETS PROVIDED AS COLLATERAL:

The investments in financial assets provided as collateral as of December 31, 2022 and 2021, consist of the following:

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

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(In millions of Korean won)

		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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Details of the land and building provided by the Group as collateral for the leasehold deposits as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

(In millions of Korean won)		2022		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	11,365	₩ 1,460
	Building		10,650	
		₩	22,015	
Investment properties	Land	₩	28,997	
	Building		4,389	
		₩	33,386	

(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	

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Details of the land and building provided by the Group as collateral for the loans as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

(In millions of Korean won)		2022		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	97,672	₩ 482,760
	Building		41,218	
		₩	138,890	
Investment properties	Land	₩	372,780	
	Building		134,347	
		₩	507,127	

(In millions of Korean won)

(In millions of Korean won)		2021		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	84,481	₩ 482,760
	Building		37,115	
		₩	121,596	
Investment properties	Land	₩	385,971	
	Building		149,176	
		₩	535,147	

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12. LOANS AND RECEIVABLES:

Loans and receivables as of December 31, 2022 and 2021, consist of the following:

(In millions of Korean won)

	2022			2021		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Loans receivable:						
Loans in Korean won:						
Corporates	₩ 65,697,474	₩ -	₩ 65,697,474	₩ 60,330,234	₩ -	₩ 60,330,234
Household	32,075,684	-	32,075,684	30,965,263	-	30,965,263
Public sector and others	1,954,155	-	1,954,155	1,942,459	-	1,942,459
Interbank loans	96,573	-	96,573	102,212	-	102,212
	<u>99,823,886</u>	<u>-</u>	<u>99,823,886</u>	<u>93,340,168</u>	<u>-</u>	<u>93,340,168</u>
Loans in foreign currencies	1,824,291	-	1,824,291	1,563,484	-	1,563,484
Call loans	824,373	-	824,373	219,318	-	219,318
Bills bought in local currency	31,639	-	31,639	2,181	-	2,181
Bills bought in foreign currencies	195,690	-	195,690	204,598	-	204,598
Advances for customers	1,020	-	1,020	769	-	769
Credit card receivables	842,558	-	842,558	823,380	-	823,380
Bonds purchased under repurchase agreement	360,000	-	360,000	265,100	-	265,100
Privately placed bonds	806,468	62,105	868,573	463,649	66,565	530,214
Finance lease receivables	489,573	-	489,573	615,590	-	615,590
Installment financing receivables	417,414	-	417,414	350,637	-	350,637
	<u>105,616,912</u>	<u>62,105</u>	<u>105,679,017</u>	<u>97,848,874</u>	<u>66,565</u>	<u>97,915,439</u>
Provision for impairment of loans receivable ¹	(1,042,862)	-	(1,042,862)	(795,154)	-	(795,154)
Deferred loan origination fees	(11,211)	-	(11,211)	(6,621)	-	(6,621)
Deferred loan origination costs	184,570	-	184,570	179,696	-	179,696
	<u>104,747,409</u>	<u>62,105</u>	<u>104,809,514</u>	<u>97,226,795</u>	<u>66,565</u>	<u>97,293,360</u>
Receivables:						
Suspense payments	1,331	-	1,331	1,465	-	1,465
Non-trade receivable	468,951	-	468,951	435,444	-	435,444
Domestic exchange settlement debits	325,867	-	325,867	360,290	-	360,290
Guarantee deposits provided	255,056	-	255,056	261,661	-	261,661
Accrued income	485,441	-	485,441	360,085	-	360,085
Deposits under regulation	616	-	616	1,022	-	1,022
Bills unsettled	104	-	104	22	-	22
Other	110	-	110	16	-	16
	<u>1,537,476</u>	<u>-</u>	<u>1,537,476</u>	<u>1,420,005</u>	<u>-</u>	<u>1,420,005</u>
Provision for impairment of receivables	(8,104)	-	(8,104)	(4,902)	-	(4,902)
Present value discounts (leasehold deposits provided)	(11,697)	-	(11,697)	(9,210)	-	(9,210)
	<u>1,517,675</u>	<u>-</u>	<u>1,517,675</u>	<u>1,405,893</u>	<u>-</u>	<u>1,405,893</u>
Loans and receivables	<u>₩ 106,265,084</u>	<u>₩ 62,105</u>	<u>₩ 106,327,189</u>	<u>₩ 98,699,253</u>	<u>₩ 66,565</u>	<u>₩ 98,699,253</u>

¹ Present value discounts of ₩6 million and ₩518 million are included as of December 31, 2022, and present value discounts of ₩13 million and ₩1,822 million are included as of December 31, 2021.

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The changes in the carrying amounts of loans and receivables for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 85,371,525	₩ 13,560,548	₩ 500,671	₩ 99,432,744
Transfer to 12 months' expected credit losses of financial assets	3,132,533	(3,130,107)	(2,426)	-
Transfer to expected lifetime credit losses ¹	(4,865,702)	4,894,522	(28,820)	-
Transfer to credit-impaired financial assets	(261,734)	(148,033)	409,767	-
Amortization	-	-	(253,051)	(253,051)
Disposal	-	(1,369)	(290,341)	(291,710)
Exchange differences	(6,236)	-	-	(6,236)
Net increase	7,611,996	628,779	193,528	8,434,303
Ending balance	₩ 90,982,382	₩ 15,804,340	₩ 529,328	₩ 107,316,050

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

(In millions of Korean won)

	2021			
	Twelve months' expected credit losses	Lifetime expected credit losses		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 ¹	(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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The changes in deferred loan origination fees and costs for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (6,621)	₩ (12,108)	₩ 7,518	₩ (11,211)
Deferred loan origination costs	179,697	114,569	(109,696)	184,570
	<u>₩ 173,076</u>	<u>₩ 102,461</u>	<u>₩ (102,178)</u>	<u>₩ 173,359</u>

(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
	<u>₩ 145,088</u>	<u>₩ 143,661</u>	<u>₩ (115,674)</u>	<u>₩ 173,075</u>

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13. PROVISION FOR IMPAIRMENT:

Changes in provision for impairment of loans and receivables for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 305,766	₩ 303,769	₩ 190,521	₩ 800,056
Transfer to 12 months' expected credit losses of financial assets	47,841	(47,283)	(558)	-
Transfer to expected lifetime credit losses	(34,652)	48,090	(13,438)	-
Transfer to credit-impaired financial assets	(33,600)	(52,984)	86,584	-
Written off during the year as uncollectible	-	-	(253,051)	(253,051)
Decrease in provision due to sales of loans	-	(91)	(103,521)	(103,612)
Financial assets issued or acquired	-	-	68,691	68,691
Changes from adjustments to receivables and payables	-	-	(176)	(176)
Exchange differences	177	66	42	285
Other	(1,372)	-	(4,500)	(5,872)
	<u>284,160</u>	<u>251,567</u>	<u>(29,406)</u>	<u>506,321</u>
Additional provision for impaired receivables during the year	53,966	204,944	285,735	544,645
Ending balance	₩ 338,126	₩ 456,511	₩ 256,329	₩ 1,050,966

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(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	₩ <u>305,766</u>	₩ <u>303,769</u>	₩ <u>190,521</u>	₩ <u>800,056</u>

The percentage of provision for impairment of loans and receivables as of December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

	2022	2021
Loans and receivables	₩ 107,316,050	₩ 99,432,744
Provision for impairment	<u>1,050,966</u>	<u>800,056</u>
Percentage of provision for impairment (%)	₩ <u>0.98%</u>	₩ <u>0.80%</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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 1,484	₩ -	₩ -	₩ 1,484
Decrease in provision from sales	(65)	-	-	(65)
Contribution to provision for impairment	57	-	-	57
Ending balance	₩ 1,476	₩ -	₩ -	₩ 1,476

(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

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Changes in provision for impairment for securities at amortized cost for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 3,326	₩ -	₩ -	₩ 3,326
Decrease due to sale	-			-
Contribution to provision for impairment	(284)	-	-	(284)
Ending balance	₩ 3,042	₩ -	₩ -	₩ 3,042

(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

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14. FINANCIAL LEASE RECEIVABLES:

Financial lease receivables as of December 31, 2022 and 2021, consist of the following:

<i>(In millions of Korean won)</i>		2022		2021
Lease receivables	₩	489,552	₩	615,568
Provision for impairment		(2,451)		(4,018)
Deferred origination fees		(561)		(808)
Deferred origination costs		316		519
	₩	<u>486,856</u>	₩	<u>611,261</u>

The total investment of finance leases and present value of minimum lease payments as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
	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	₩ 260,620	₩ 247,378	₩ 268,010	₩ 285,516
1 year-5 years	251,818	236,953	344,515	324,347
More than 5 years	5,548	5,221	6,060	5,705
	<u>₩ 517,986</u>	<u>₩ 489,552</u>	<u>₩ 618,585</u>	<u>₩ 615,568</u>

The difference between net investment in finance leases and total investment as of December 31, 2022 and 2021, is as follows:

<i>(In millions of Korean won)</i>	2022	2021
Total investment of leases	₩ 517,986	₩ 618,585
Net investment in finance leases:		
Present value of minimum lease payments	<u>489,552</u>	<u>615,568</u>
Unrealized interest	<u>₩ 28,434</u>	<u>₩ 3,017</u>

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING:

The notional amounts outstanding for derivative contracts as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022			2021		
		Trading	Hedging	Total	Trading	Hedging	Total
Currency:							
Currency forwards ¹	₩	3,901,577	₩ -	₩ 3,901,577	₩ 1,528,927	₩ -	₩ 1,528,927
Currency swaps ¹		-	-	-	45,609	-	45,609
Long currency futures ²		48,930	-	48,930	-	-	-
Short currency futures ²		268,097	-	268,097	36,395	-	36,395
Long currency options		1,155,886	-	1,155,886	1,629,333	-	1,629,333
Short currency options		1,257,270	-	1,257,270	1,641,188	-	1,641,188
		<u>6,631,760</u>	<u>-</u>	<u>6,631,760</u>	<u>4,881,452</u>	<u>-</u>	<u>4,881,452</u>
Interest rate:							
Interest rate swaps ¹		1,559,578	386,825	1,946,403	795,670	366,375	1,162,045
Interest rate futures ²		173,416	-	173,416	60,045	-	60,045
		<u>1,732,994</u>	<u>386,825</u>	<u>2,119,819</u>	<u>855,715</u>	<u>366,375</u>	<u>1,222,090</u>
Stock:							
Stock futures ²		272,427	-	272,427	1	-	1
Stock options		1,881,358	-	1,881,358	926	-	926
Stock Swaps		6,971	-	6,971	-	-	-
		<u>2,160,756</u>	<u>-</u>	<u>2,160,756</u>	<u>927</u>	<u>-</u>	<u>927</u>
Credit derivatives:							
Credit Swaps		1,333,650	-	1,333,650	-	-	-
	₩	<u>11,859,160</u>	₩ <u>386,825</u>	₩ <u>12,245,985</u>	₩ <u>5,738,094</u>	₩ <u>366,375</u>	₩ <u>6,104,469</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 Exchange-traded futures transactions are settled daily and are not recognized as derivative assets and derivative liabilities.

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The valuation of derivatives for trading as of December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

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

(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
	36,069	34,348	30,945	30,144
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)
	1,959	6,578	1,353	174
Stock:				
Stock forwards	-	5	-	-
Stock options	189	237	1,124	251
	189	242	1,124	251
	₩ 38,217	₩ 41,168	₩ 33,422	₩ 30,569

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Hedge

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

The valuation of derivatives designated as a hedging instrument as of December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

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

(In millions of Korean won)

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

Gain (loss) on valuation of hedged items and hedging instrument for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022	2021
Loss on valuation of hedging instrument	₩ (41,944)	₩ (16,785)
Gain on valuation of hedged items	41,603	16,558
	₩ (341)	₩ (227)

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Amount, timing and uncertainty of future cash flows for the years ended December 31, 2022 and 2021, are as follows:

	2022													
(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	₩	-	₩	-	₩	-	₩	316,825	₩	-	₩	70,000	₩	386,825
Average hedge ratio (%)		-		-		-		100%		-		100%		100%
Risk hedges for net investments in foreign operation														
Nominal amount of risk hedge instrument	₩	179,323	₩	72,870	₩	-	₩	-	₩	96,315	₩	-	₩	348,508
Average hedge ratio (%)		100%		100%		-		-		100%		-		100%
	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%

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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, 2022 and 2021, are as follows:

(In millions of Korean won)	2022							
	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	₩ 386,825	₩ (41,944)	₩ -	₩ 45,172	₩ -	₩ (41,944)	₩ -	
Hedges for net investments in foreign operations:								
Currency risk hedge	348,508	(19,940)	-	-	348,508	-	(14,915)	
	₩ 735,333	₩ (61,884)	₩ -	₩ 45,172	₩ 348,508	₩ (41,944)	₩ (14,915)	

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

(In millions of Korean won)	2021							
	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:								
Currency 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.

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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, 2022 and 2021, are as follows:

		2022							
		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 income ¹		
(In millions of Korean won)									
Fair value risk hedges:									
Interest rate risk hedge	₩	386,825	₩ 41,603	₩ 54,309	₩ 287,660	₩ 41,603	₩ -	₩	-
Hedges for net investments in foreign operations:									
Currency risk hedge ²		348,508	23,776	-	-	-	17,842		18,218
	₩	735,333	₩ 65,379	₩ 54,309	₩ 287,660	₩ 41,603	₩ 17,842	₩	18,218

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

² Changes in other comprehensive income related to currency risk hedge include ₩6,627 million

		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 income ¹		
(In millions of Korean won)									
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.

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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, 2022, are as follows:

(In millions of Korean won)	Ineffective portion of risk hedges recognized as profit or loss		Items
	2022	2021	
Fair value risk hedges:			
Interest rate risk hedge	₩ (341)	₩ (227)	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, 2022 and 2021.

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	₩ 316,825

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, 2022 and 2021, are as follows:

(In millions of Korean won)

(In millions of Korean won)	2022							
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount		
Investments in associates:								
BNK Intervalue Technology Finance Investment Association	Investment association	The Republic of Korea	December	34.32	₩ 12,700	₩ 12,096		
ANDA H Mezzanine Private Investment Trust 11th	Financial investment	The Republic of Korea	December	24.99	14,000	14,048		
Hana UBS Professional Investment Private Security Investment Trust No.7	Financial investment	The Republic of Korea	December	20.32	30,000	31,184		
Shinhan Corporation General Private Securities Investment Trust 14th	Financial investment	The Republic of Korea	December	50.00	50,000	50,677		
BNKREPOPLUS Professional Investment Private Trust No.1	Financial investment	The Republic of Korea	December	36.10	25,000	26,227		
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st	Financial investment	The Republic of Korea	December	39.92	20,000	20,156		
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 6st	Financial investment	The Republic of Korea	December	36.58	30,000	30,289		
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8th	Financial investment	The Republic of Korea	December	50.00	30,000	30,083		
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	Financial investment	The Republic of Korea	December	50.00	30,000	30,445		
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	Financial investment	The Republic of Korea	December	50.27	30,000	31,038		
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	Financial investment	The Republic of Korea	December	30.43	30,000	31,014		
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	Financial investment	The Republic of Korea	December	49.64	30,000	30,371		

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(In millions of Korean won)

	2022					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Samsung Rafael Professional Investment Private Security Investment Trust No.3	Financial investment	The Republic of Korea	December	50.00	50,000	50,708
NH-Amundi General Private Equity Investment Trust No.18	Financial investment	The Republic of Korea	December	50.00	30,000	30,482
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	Financial investment	The Republic of Korea	December	30.29	50,000	52,133
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	Financial investment	The Republic of Korea	December	46.15	12,423	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	Financial investment	The Republic of Korea	December	66.67	25,318	25,462
Igis Ulsan New Port Infrastructure Private Investment Trust	Financial investment	The Republic of Korea	December	31.96	26,456	27,168
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	Financial investment	The Republic of Korea	December	50.00	11,943	14,023
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	Financial investment	The Republic of Korea	December	25.21	12,633	12,978
Samsung Rafael Professional Investment Private Security Investment Trust No.1	Financial investment	The Republic of Korea	December	50.00	50,000	50,473
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50.00	40,050	40,400
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	39.41	39,194	39,829
Petra7alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	21.79	10,938	10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	Financial investment	The Republic of Korea	December	49.28	20,434	19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	Financial investment	The Republic of Korea	December	50.00	50,000	50,573

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(In millions of Korean won)

	2022					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
VI Repo General Private Securities Investment Trust No.8	Financial investment	The Republic of Korea	December	50.00	50,000	50,609
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	Financial investment	The Republic of Korea	December	49.91	50,000	50,642
Shinhan Corporation Private Securities Investment Trust 15th	Financial investment	The Republic of Korea	December	50.00	50,000	50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	Financial investment	The Republic of Korea	December	20.01	10,943	11,153
igis housing platform no.1 professional investors' private real estate fund	Financial investment	The Republic of Korea	December	20.00	12,060	12,540
Others	Financial investment	The Republic of Korea	December	3.00 - 62.21	167,631	157,044
					<u>₩ 1,101,723</u>	<u>₩ 1,106,662</u>

(In millions of Korean won)

	2021					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Investments in associates:						
BNK Intervalue Technology Finance Investment Association	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	24.59	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
Shinhan Corporation General Private Securities Investment Trust 14th	Financial investment	The Republic of Korea	December	-	-	-
BNKREPOPLUS Professional Investment Private Trust No.1	Financial investment	The Republic of Korea	December	-	-	-
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 6st	Financial investment	The Republic of Korea	December	30.05	30,000	30,218

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	2021					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8st	Financial investment	The Republic of Korea	December	50.00	30,000	30,146
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	Financial investment	The Republic of Korea	December	-	-	-
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	Financial investment	The Republic of Korea	December	50.27	30,000	30,351
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	Financial investment	The Republic of Korea	December	36.67	40,000	40,864
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	Financial investment	The Republic of Korea	December	49.64	30,000	30,353
Samsung Rafael Professional Investment Private Security Investment Trust No.3	Financial investment	The Republic of Korea	December	50.00	50,000	50,029
NH-Amundi General Private Equity Investment Trust No.18	Financial investment	The Republic of Korea	December	-	-	-
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	Financial investment	The Republic of Korea	December	28.56	50,000	51,765
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	Financial investment	The Republic of Korea	December	46.15	8,778	8,847
Multi-Asset LNG General Private Equity Investment Trust No.5	Financial investment	The Republic of Korea	December	-	-	-
Igis Ulsan New Port Infrastructure Private Investment Trust	Financial investment	The Republic of Korea	December	-	-	-
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	Financial investment	The Republic of Korea	December	50.00	13,464	14,362
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	Financial investment	The Republic of Korea	December	-	-	-

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(In millions of Korean won)

(In millions of Korean won)	2021					
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount
Samsung Rafael Professional Investment Private Security Investment Trust No.1	Financial investment	The Republic of Korea	December	50.00	50,000	49,741
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50.00	50,000	49,692
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	26.34	39,194	39,614
Petra7alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	21.79	10,938	10,447
KB Leaders ESG Professional Private Securities Investment Trust No.1	Financial investment	The Republic of Korea	December	29.41	50,166	49,852
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	Financial investment	The Republic of Korea	December	-	-	-
VI Repo General Private Securities Investment Trust No.8	Financial investment	The Republic of Korea	December	-	-	-
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	Financial investment	The Republic of Korea	December	-	-	-
Shinhan Corporation Private Securities Investment Trust 15th	Financial investment	The Republic of Korea	December	-	-	-
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	Financial investment	The Republic of Korea	December	20.00	10,945	10,997
igis housing platform no.1 professional investors' private real estate fund	Financial investment	The Republic of Korea	December	20.00	2,880	2,880
Others	Financial investment	The Republic of Korea	December	3.00 - 54.55	632,705	518,692
					₩ 1,225,770	₩ 1,116,386

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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(In millions of Korean won)

	2022					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Investments in associates:						
BNK Interval Technology Finance Investment Association	₩ 12,386	₩ -	₩ (290)	₩ -	₩ -	₩ 12,096
ANDA H Mezzanine Private Investment Trust 11th	14,052	-	(4)	-	-	14,048
Hana UBS Professional Investment Private Security Investment Trust No.7	40,763	(10,028)	405	-	44	31,184
Shinhan Corporation General Private Securities Investment Trust 14th	-	50,000	677	-	-	50,677
BNKREPOPLUS Professional Investment Private Trust No.1	-	25,814	358	(31)	86	26,227
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st	30,335	(10,032)	(68)	-	(79)	20,156
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 6st	30,218	-	508	(437)	-	30,289
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8st	30,146	-	(63)	-	-	30,083
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	-	30,000	445	-	-	30,445
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	30,351	-	687	-	-	31,038
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	40,864	(9,984)	146	-	(12)	31,014
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	30,353	-	18	-	-	30,371
Samsung Rafael Professional Investment Private Security Investment Trust No.3	50,029	-	1,041	(362)	-	50,708

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	2022					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
NH-Amundi General Private Equity Investment Trust No.18	-	30,000	482	-	-	30,482
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	51,765	-	368	-	-	52,133
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	8,847	3,646	449	(377)	-	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	-	25,310	1,057	(913)	8	25,462
Igis Ulsan New Port Infrastructure Private Investment Trust	-	26,473	1,014	(302)	(17)	27,168
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	14,362	(1,463)	606	(535)	1,053	14,023
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	-	12,633	321	-	24	12,978
Samsung Rafael Professional Investment Private Security Investment Trust No.1	49,741	-	732	-	-	50,473
SHBNPP Corporate Private Security Investment Trust 8th	49,692	(9,950)	658	-	-	40,400
Kiwoom Frontier Private Securities Investment Trust 12th	39,614	-	686	(471)	-	39,829
Petra7alpha Private Equity Partnership	10,447	-	(81)	-	-	10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	49,852	(29,732)	(260)	-	-	19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	-	50,000	573	-	-	50,573
VI Repo General Private Securities Investment Trust No.8	-	50,000	609	-	-	50,609

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(In millions of Korean won)

	2022					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	-	50,000	642	-	-	50,642
Shinhan Corporation Private Securities Investment Trust 15th	-	50,000	26	-	-	50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	10,997	-	(5,165)	(689)	6,010	11,153
igis housing platform no.1 professional investors' private real estate fund	2,880	9,180	480	-	-	12,540
Others	518,692	(357,525)	612	(5,149)	414	157,044
	<u>₩ 1,116,386</u>	<u>₩ (15,658)</u>	<u>₩ 7,669</u>	<u>₩ (9,266)</u>	<u>₩ 7,531</u>	<u>₩ 1,106,662</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
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(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			
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			

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	2021					
	Beginning balance	Acquisition/ disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
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>

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Financial information of associates and joint venture as of December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

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

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES
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(In millions of Korean won)

	2022					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
Samsung Rafael Professional Investment Private Security Investment Trust No.3	101,439	21	101,418	3,401	2,083	2,083
NH-Amundi General Private Equity Investment Trust No.18	83,376	22,412	60,964	1,596	964	964
Shinhan IPO Maturity Matching Private Investment Trust [WithBonds]	346,553	174,469	172,084	5,999	1,215	1,215
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	27,717	492	27,225	1,029	975	975
Multi-Asset LNG General Private Equity Investment Trust No.5	38,203	12	38,191	1,625	1,575	1,575
Igis Ulsan New Port Infrastructure Private Investment Trust	85,040	30	85,010	3,678	3,173	3,173
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	28,046	1	28,045	1,214	1,212	1,212
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	51,472	2	51,470	3,424	1,274	1,274
Samsung Rafael Professional Investment Private Security Investment Trust No.1	112,460	11,514	100,946	2,504	1,464	1,464
SHBNPP Corporate Private Security Investment Trust 8th	80,806	6	80,800	2,143	1,317	1,317
Kiwoom Frontier Private Securities Investment Trust 12th	104,075	3,014	101,061	384	1,742	1,742
Petra7alpha Private Equity Partnership	47,816	241	47,575	-	(369)	(369)
KB Leaders ESG Professional Private Securities Investment Trust No.1	40,310	8	40,302	2,595	(529)	(529)
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	155,185	54,039	101,146	4,264	1,146	1,146

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(In millions of Korean won)

	2022					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
VI Repo General Private Securities Investment Trust No.8	190,561	89,343	101,218	3,641	1,218	1,218
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	194,591	93,130	101,461	5,070	1,287	1,287
Shinhan Corporation Private Securities Investment Trust 15th	100,053	2	100,051	53	51	51
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	55,785	28	55,757	4,622	783	783
igis housing platform no.1 professional investors' private real estate fund	62,756	57	62,699	2,083	2,025	2,025
Others	828,158	238,683	589,475	29,043	19,636	19,636
	<u>₩ 3,963,948</u>	<u>₩ 1,018,940</u>	<u>₩ 2,945,008</u>	<u>₩ 113,359</u>	<u>₩ 49,599</u>	<u>₩ 49,599</u>

BNK FINANCIAL GROUP INC. AND ITS SUBSIDIARIES

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(In millions of Korean won)

	2021					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehen- sive 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)
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)

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	2021					
	Current assets	Current liabilities	Equity	Operating income	Operating profit (loss) from continuing operations	Total comprehensive income (loss)
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>

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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, 2022 and 2021, are as follows:

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

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	2022			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1- 2	27,225	46.15	12,565	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	38,191	66.67	25,462	25,462
Igis Ulsan New Port Infrastructure Private Investment Trust	85,010	31.96	27,168	27,168
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	28,045	50.00	14,023	14,023
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	51,470	25.21	12,978	12,978
Samsung Rafael Professional Investment Private Security Investment Trust No.1	100,946	50.00	50,473	50,473
SHBNPP Corporate Private Security Investment Trust 8th	80,800	50.00	40,400	40,400
Kiwoom Frontier Private Securities Investment Trust 12th	101,061	39.41	39,829	39,829
Petra7alpha Private Equity Partnership	47,575	21.79	10,366	10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	40,302	49.28	19,860	19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	101,146	50.00	50,573	50,573
VI Repo General Private Securities Investment Trust No.8	101,218	50.00	50,609	50,609
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	101,461	49.91	50,642	50,642
Shinhan Corporation Private Securities Investment Trust 15th	100,051	50.00	50,026	50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	55,757	20.01	11,153	11,153
igis housing platform no.1 professional investors' private real estate fund	62,699	20.00	12,540	12,540
Others	589,475		157,044	157,044

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	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 Plus Private 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
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

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	2021			
	Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
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

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17. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 416,829	₩ -	₩ -	₩ 416,829
Building	705,549	(130,619)	-	574,930
Leasehold improvements	126,576	(101,831)	-	24,745
Equipment and vehicles	547,840	(429,824)	-	118,016
Construction in progress	32,982	-	-	32,982
Right-of-use assets	139,146	(95,743)	-	43,403
	<u>₩ 1,968,922</u>	<u>₩ (758,017)</u>	<u>₩ -</u>	<u>₩ 1,210,905</u>

(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>

Changes in property and equipment for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022						
	Beginning balance	Acquisition	Disposal	Reclassifi- cation	Depreciation	Others	Ending balance
Land	₩ 403,300	₩ 45	₩ (2,426)	₩ 15,910	₩ -	₩ -	₩ 416,829
Building	582,125	5,191	(4,924)	8,156	(15,600)	(18)	574,930
Leasehold improvements	23,009	7,582	(542)	5,416	(10,711)	(9)	24,745
Equipment and vehicles	99,220	39,408	(373)	18,743	(37,887)	(1,095)	118,016
Construction in progress	13,865	44,308	-	(25,191)	-	-	32,982
Right-of-use assets	38,752	45,893	(4,115)	-	(37,159)	32	43,403
	<u>₩1,160,271</u>	<u>₩ 142,427</u>	<u>₩ (12,380)</u>	<u>₩ 23,034</u>	<u>₩ (101,357)</u>	<u>₩ (1,090)</u>	<u>₩1,210,905</u>

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(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>

Details of right-to-use assets as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

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

(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>

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18. INTANGIBLE ASSETS:

Intangible assets as of December 31, 2022 and 2021, consisted of the following:

(In millions of Korean won)

	2022			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 110,567	₩ (82,674)	₩ -	₩ 27,893
Goodwill	50,398	-	(22,057)	28,341
Core deposits	167,297	(138,020)	-	29,277
Development costs	249,288	(145,025)	-	104,263
Others	149,117	(56,957)	(361)	91,799
	<u>₩ 726,667</u>	<u>₩ (422,676)</u>	<u>₩ (22,418)</u>	<u>₩ 281,573</u>

(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
Development costs	240,867	(154,638)	-	86,229
Others	108,288	(3,590)	(361)	104,337
	<u>₩ 667,707</u>	<u>₩ (350,363)</u>	<u>₩ (24,309)</u>	<u>₩ 293,035</u>

Changes in intangible assets for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022						
	Beginning balance	Acquisition	Disposal	Reclassifi- cation	Amortization	Others	Ending balance
Software	₩ 28,121	₩ 11,726	₩ (2)	₩ 758	₩ (12,546)	₩ (164)	₩ 27,893
Goodwill	28,341	-	-	-	-	-	28,341
Core deposits	46,007	-	-	-	(16,730)	-	29,277
Development costs	86,228	4,992	-	43,030	(29,982)	(5)	104,263
Others	104,338	52,178	(286)	(43,788)	(20,653)	10	91,799
	<u>₩ 293,035</u>	<u>₩ 68,896</u>	<u>₩ (288)</u>	<u>₩ -</u>	<u>₩ (79,911)</u>	<u>₩ (159)</u>	<u>₩ 281,573</u>

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(In millions or Korean won)

2021

	Beginning balance	Acquisition	Disposal	Reclassifi- cation	Amortization	Changes in foreign currency and 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
Development costs	62,763	6,062	-	42,519	(25,115)	-	86,229
Others	91,796	76,216	(552)	(42,581)	(20,549)	7	104,337
	<u>₩ 278,636</u>	<u>₩ 89,913</u>	<u>₩ (552)</u>	<u>₩ -</u>	<u>₩ (74,870)</u>	<u>₩ (92)</u>	<u>₩ 293,035</u>

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	3.11%	Average of one year from the valuation date
Corporate Beta	0.35	Reflecting capital structure of similar companies
Market rate premium ("MRP")	11.27%	Average MRP of one year from the valuation date
Cost of capital	7.00%	

BNK Asset Management Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	2.96%	Average of one year from the valuation date
Corporate Beta	0.33	Reflecting capital structure of similar companies
MRP	13.67%	Average MRP of one year from the valuation date
Cost of capital	10.66%	

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BNK Venture Capital Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	2.96%	Average of one year from the valuation date
Corporate Beta	1.11	Reflecting capital structure of similar companies
MRP	13.67%	Average MRP of one year from the valuation date
Cost of capital	15.96%	

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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 465,954	₩ -	₩ -	₩ 465,954
Building	210,130	(28,443)	-	181,687
	<u>₩ 676,084</u>	<u>₩ (28,443)</u>	<u>₩ -</u>	<u>₩ 647,641</u>

(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>

Rental income from investment properties is ₩17,777 million and ₩17,787 million for the years ended December 31, 2022 and 2021, 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 ₩3,232 million and ₩2,757 million for the years ended December 31, 2022 and 2021, respectively.

The fair value and assessment method of investment properties as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022	2021	Valuation techniques	Input variables
Land	₩ 561,774	₩ 588,073	- The evaluation method of using officially assessed land pricing - Sales comparison approach	- Officially assessed land pricing - Sales history - Discount rate - Rent increase rate, etc.
Building	198,906	162,206	- Evaluation by the prime cost - Evaluation by the standard land cost - Sales comparison approach	- Repurchase cost - Durable years - Rent increase rate, etc.
	<u>₩ 760,680</u>	<u>₩ 750,279</u>		

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.

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Changes in investment properties for the years ended December 31, 2022 and 2021, are as follows:

(In millions of
Korean won)

		2022						
		Beginning balance	Acquisition	Disposal	Reclassifi- cation	Deprecia- tion	Others	Ending balance
Land	₩	478,167	₩ -	₩ -	₩ (12,213)	₩ -	₩ -	₩ 465,954
Building		<u>183,632</u>	<u>1,546</u>	<u>(84)</u>	<u>2,808</u>	<u>(6,194)</u>	<u>(21)</u>	<u>181,687</u>
	₩	<u>661,799</u>	₩ <u>1,546</u>	₩ <u>(84)</u>	₩ <u>(9,405)</u>	₩ <u>(6,194)</u>	₩ <u>(21)</u>	₩ <u>647,641</u>

(In millions of Korean won)

		2021					
		Beginning balance	Acquisition	Reclassificat- ion	Depreciation		Ending balance
Land	₩	489,998	₩ -	₩ (11,832)	₩ -	₩	478,166
Building		<u>175,350</u>	<u>1,848</u>	<u>12,571</u>	<u>(6,136)</u>		<u>183,633</u>
	₩	<u>665,348</u>	₩ <u>1,848</u>	₩ <u>739</u>	₩ <u>(6,136)</u>	₩	<u>661,799</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, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022	2021
Within one year	₩ 4,183	₩ 8,427
Later than one year, but not later than five years	42,046	30,416
Later than five years	<u>818</u>	<u>1,460</u>
	<u>₩ 47,047</u>	<u>₩ 40,303</u>

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20. OTHER ASSETS:

Other assets as of December 31, 2022 and 2021, consist of:

<i>(In millions of Korean won)</i>	2022	2021
Guarantee deposits	₩ 748	₩ 2,829
Articles for consumption	1,451	1,525
Prepaid expenses	114,466	103,776
Operating lease assets	1,353,327	1,269,111
Prepaid lease assets	13,780	14,035
Others	37,285	37,556
	<u>₩ 1,521,057</u>	<u>₩ 1,428,832</u>

Details of prepaid lease assets as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Operating lease assets:		
Operating lease assets	₩ 1,890,764	₩ 1,739,158
Accumulated depreciation	(593,163)	(520,838)
Accumulated impairment loss	(512)	(649)
	<u>1,297,089</u>	<u>1,217,671</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	59,764	51,440
Prepaid lease assets	10,253	14,035
	<u>₩ 1,367,106</u>	<u>₩ 1,283,146</u>

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Operating lease assets

Lessee of operating lease assets by industry based on the acquisition cost as of December 31, 2022 and 2021, is as follows:

	2022			2021		
	Transport equipment	General industrial equipment	Total	Transport equipment	General industrial equipment	Total
Cost	₩ 1,880,930	₩ 22,246	₩ 1,903,176	₩ 1,726,713	₩ 24,857	₩ 1,751,570
Accumulated depreciation	(585,355)	(9,280)	(594,635)	(511,207)	(11,103)	(522,310)
Accumulated impairment losses	-	(11,452)	(11,452)	-	(11,589)	(11,589)
Book amount	₩ 1,295,575	₩ 1,514	₩ 1,297,089	₩ 1,215,506	₩ 2,165	₩ 1,217,671

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

	2022	2021
Within one year	₩ 329,203	₩ 307,979
Later than one year, but not later than five years	503,910	490,215
Later than five years	56	131
	₩ 833,169	₩ 798,325

21. DEPOSITS:

Deposits as of December 31, 2022 and 2021, consist of the followings:

	2022	2021
Deposits in Korean won:		
Demand deposits	₩ 12,860,635	₩ 13,645,910
Term deposits	80,459,024	73,348,043
Mutual installment deposits	2,941	1,703
Mutual installment for housing	3,116	3,603
Others	3,400	692
	93,329,116	86,999,951
Deposits in foreign currencies	1,431,364	1,198,337
Negotiable certificates of deposit	6,709,881	5,083,718
	₩ 101,470,361	₩ 93,282,006

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22. FINANCIAL LIABILITIES DESIGNATED AT FVTPL:

Financial liabilities designated at FVTPL as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
Equity-linked securities sold	₩	328,597	₩	111,058
Securities sold with embedded derivatives		259,689		92,198
Credit risk assessment adjustment		73		(32)
Adjustment of gain and losses on valuation at transaction date		(4,199)		31
	₩	<u>584,160</u>	₩	<u>203,255</u>

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

23. BORROWINGS:

Borrowings at amortized cost as of December 31, 2022 and 2021, consist of:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>		2022	2021
	Minimum	Maximum		
Borrowings in Korean won:				
The BOK	0.25	1.75	₩ 973,374	₩ 1,058,749
Others	-	9.70	<u>4,286,526</u>	<u>3,880,444</u>
			<u>5,259,900</u>	<u>4,939,193</u>
Borrowings in foreign currencies:				
Overdraft on our account	-	-	2,948	7,513
Banks	0.15	19.00	1,215,726	842,125
Others	0.40	6.37	<u>456,502</u>	<u>409,551</u>
			<u>1,675,176</u>	<u>1,259,189</u>
Call money	1.93	5.50	37,468	45,035
Bonds sold under repurchase agreement:				
Korean won	0.55	5.83	707,697	1,342,541
Foreign currencies	0.58	0.58	<u>19,064</u>	<u>20,604</u>
			<u>726,761</u>	<u>1,363,145</u>
Bills sold	1.59	4.42	19,196	34,657
Deferred expenses from borrowings			<u>(2,412)</u>	<u>(1)</u>
			₩ <u>7,716,089</u>	₩ <u>7,641,218</u>

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Borrowings at FVTPL as of December 31, 2022 and 2021, consist of:

<i>(In millions of Korean won)</i>	Annual interest rate (%)			2022		2021
	Minimum	Maximum				
Securities sold	1.50	5.25	₩	266,502	₩	138,031

Details of borrowings of financial institution as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	₩ 973,374	₩ 397,196	₩ 1,867,892	₩ 3,238,462
Borrowings in foreign currencies	-	1,675,176	-	1,675,176
Call money	-	37,468	-	37,468
Bonds sold under repurchase agreement	-	-	107,663	107,663
	₩ 973,374	₩ 2,109,840	₩ 1,975,555	₩ 5,058,769

<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
	₩ 1,058,749	₩ 2,425,378	₩ 2,747,256	₩ 6,231,383

24. DEBENTURES:

Debentures issued by the Group as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	Annual interest rate (%)			2022		2021
	Minimum	Maximum				
Debentures in Korean won:						
Unsecured coupon bond	1.01	9.29	₩	10,888,455	₩	11,479,627
Subordinated bond	3.05	4.06		800,000		1,500,000
Present value discounts				(9,614)		(11,249)
				11,678,841		12,968,378
Debentures in foreign currencies:						
Senior bond	2.51	3.68		180,590		178,978
Subordinated bond	3.63	3.63		316,825		296,375
Loss on fair value hedge				(29,165)		476
Present value discounts				(1,634)		(1,348)
				466,616		474,481
			₩	12,145,457	₩	13,442,859

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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.

As of December 31, 2022 and 2021, the amounts recognized in the consolidated statements of financial position related to postemployment benefits are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
Present value of funded defined benefit obligations	₩	569,699	₩	658,021
Fair value of plan assets		(763,342)		(676,739)
Net defined benefit liabilities	₩	<u>(193,643)</u>	₩	<u>(18,718)</u>

¹ As of December 31, 2022, the amounts recognized under the defined benefit plan of ₩193,643 million represent the net defined benefit assets of ₩194,064 million less net defined benefit liabilities of ₩421 million.

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Movements in the net defined benefit liabilities for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 658,021	₩ (676,739)	₩ (18,718)
Current service cost	61,774	-	61,774
Interest expenses (interest revenues)	20,813	(22,103)	(1,290)
	<u>82,587</u>	<u>(22,103)</u>	<u>60,484</u>
Remeasurements:			
Expected return on plan assets	-	11,900	11,900
Actuarial losses arising from changes in demographic assumptions	(125)	-	(125)
Actuarial gains arising from changes in financial assumptions	(145,405)	-	(145,405)
Others	26,420	2	26,422
	<u>(119,110)</u>	<u>11,902</u>	<u>(107,208)</u>
	(471)	(127,012)	(127,483)
Contributions from the employer	(51,551)	50,592	(959)
Benefits paid	223	18	241
Ending balance	<u>₩ 569,699</u>	<u>₩ (763,342)</u>	<u>₩ (193,643)</u>

(In millions of Korean won)

	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	<u>₩ 658,021</u>	<u>₩ (676,739)</u>	<u>₩ (18,718)</u>

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Details of fair values of plan assets as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won and in percentage, %)</i>	2022		2021	
	Amount	Ratio (%)	Amount	Ratio (%)
Time deposits	₩ 763,244	99.99	₩ 676,610	99.98
Others	98	0.01	129	0.02
	<u>₩ 763,342</u>	<u>100.00</u>	<u>₩ 676,739</u>	<u>100.00</u>

The significant actuarial assumptions as of December 31, 2022 and 2021, are as follows:

<i>(In percentage, %)</i>	2022	2021
Discount rate	5.20 – 6.41	2.51 – 4.07
Salary growth rate (including inflation)	1.83 – 7.30	2.00 – 5.54

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	₩ (37,109)	₩ 71,162
Change in salary growth rate	72,795	(39,258)

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 10.01 years and 11.27 years for the years ended December 31, 2022 and 2021, respectively.

The expected maturity analysis of undiscounted pension benefits as of December 31, 2022 and 2021, is as follows:

<i>(In millions of Korean won)</i>	2022				
	Less than 1 year	Between 1 year – 2 years	Between 2 – 5 years	More than 5 years	Total
Pension benefits	₩ 20,811	₩ 27,511	₩ 123,671	₩ 902,553	₩ 1,074,546

<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

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26. PROVISIONS:

Details of provisions for other liabilities and charges for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>		2022	2021
Provision for acceptances and guarantees	₩	12,669	₩ 6,640
Provision for unused credit limit		37,695	36,343
Financial guarantee contract liabilities		1,661	4,730
Provision for restoration costs		13,444	10,984
Provision for credit card point		739	838
Provision for litigation		-	471
Others		47,550	39,148
	₩	<u>113,758</u>	<u>₩ 99,154</u>

Changes in provision for acceptances and guarantees and provision for unused credit limit for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)	2022							
	Twelve months expected credit losses		Expected lifetime credit losses				Total	
			Unrecognized impairment		Recognized impairment			
Beginning balance	₩	28,694	₩	14,836	₩	4,183	₩	47,713
Transfer to 12 months expected credit loss		3,812		(3,757)		(55)		-
Transfer to expected lifetime credit losses		(2,609)		2,617		(8)		-
Transfer to credit-impaired financial liabilities		(10)		(17)		27		-
Foreign currency translation and others		48		137		-		185
Others		213		(349)		(5)		(141)
		30,148		13,467		4,142		47,757
Provision		(2,901)		10,118		(2,949)		4,268
Ending balance	₩	27,247	₩	23,585	₩	1,193	₩	52,025

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	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

Changes in other provisions for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

	2022			
	Beginning balance	Increase	Decrease	Ending balance
Provision for restoration costs	₩ 10,984	₩ 2,821	₩ (398)	₩ 13,444
Provision for credit card point	838	56	(155)	739
Provision for litigation	471	-	(471)	-
Others ¹	39,148	16,030	(7,628)	47,550
	₩ 51,441	₩ 18,907	₩ (8,652)	₩ 61,733

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 ₩62,545 million as of December 31, 2022, and ₩44,047 million was recognized as provision.

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	2021					Ending balance
	Beginning balance	Increase	Decrease	Others		
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.

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.

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27. OTHER LIABILITIES:

Other liabilities as of December 31, 2022 and 2021, consist of the followings:

<i>(In millions of Korean won)</i>	2022		2021	
Other financial liabilities:				
Due to trust accounts	₩	423,461	₩	343,159
Due to fund accounts		1,670		777
Foreign exchange remittances pending		37,960		50,941
Prepaid card liabilities		13,984		60,193
Debit card liabilities		13,673		13,831
Deposits for letter of guarantees and others		440,116		390,068
Present value discounts		(28,665)		(17,274)
Accounts payable		588,271		573,844
Accrued expenses		1,100,470		736,602
Agency business accounts		135,795		173,762
Unsettled domestic exchange liabilities		145,472		89,898
Deposits held by agency relationship		103,642		163,972
Guarantee deposits for securities subscription		8,087		14,788
Lease liabilities		33,566		30,404
Accrued marketable securities		-		612
Remittance pending		210		-
Others		280,534		274,111
		<u>3,298,246</u>		<u>2,899,688</u>
Other non-financial liabilities:				
Withholding taxes		36,247		26,235
Unearned revenues		104,299		86,647
Others		23,742		30,229
		<u>164,288</u>		<u>143,111</u>
	₩	<u>3,462,534</u>	₩	<u>3,042,799</u>

Lease liabilities by term structures as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)		2022										
		Less than 1 month		1 month – 3 months		3 – 12 months		1 year – 5 years		More than 5 years		Total
Lease liabilities	₩	1,594	₩	2,871	₩	9,461	₩	18,407	₩	2,415	₩	34,748

(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

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The amounts recognized in the consolidated statement of comprehensive income related to leases as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>		2022	2021
Depreciation in right-of-use assets			
Properties	₩	33,536 ₩	30,476
Constructions		3,015	2,864
Vehicles		608	676
	₩	<u>37,159 ₩</u>	<u>34,016</u>
Interest rate of lease liabilities (included in financial cost)	₩	822 ₩	510
Leases of low-value assets that are not short-term leases (included in administrative expense)		1,501	3,900

Cash outflows from lease contract were ₩ 33,318 million (Low-value leases ₩ 1,501 million included) as of December 31, 2022, and ₩ 29,608 million (Low-value leases ₩ 3,900 million included) as of December 31, 2021.

The Group applied a practical simple method for not to assess whether the real estate rent discount, directly caused by Covid-19, falls under lease change. The amount recognized in gain or loss were ₩ 4,668 million as of December 31, 2022 and ₩ 5,007 million as of December 31, 2021

28. EQUITY:

(a) Share capital

As of December 31, 2022, 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, 2022 and 2021, is as follows:

<i>(In millions of Korean won)</i>		2022	2021
Share premium	₩	678,953	₩ 678,953
Other reserves		102,340	102,340
Treasury shares		(6,997)	(6,997)
Gain on disposal of treasury share		5,826	5,826
Loss on disposal of treasury share		(123)	(123)
Capital adjustment-other		(1,095)	-
	₩	<u>778,904</u>	<u>₩ 779,999</u>

(c) Hybrid equity securities

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Details of hybrid equity securities issued by the Parent Company as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)		2022		2021
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)
				₩	827,392	₩	827,392

Hybrid equity securities classified as non-controlling equity as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)		2022		2021
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
	2017.09.19	2047.09.19	4.79		-		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
	2022.04.07	-	4.30		150,000		-
	2022.05.10	-	5.20		200,000		-
Issuance cost					(2,413)		(2,543)
				₩	947,587	₩	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.

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(d) Other components of equity

Other components of equity as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
Gain on valuation of financial instruments at fair value through other comprehensive income	₩	(135,310)	₩	24,968
Exchange differences on translation of foreign operations		15,318		(3,468)
Remeasurements of net defined benefit liabilities		(73,146)		(180,129)
Loss on valuation of hedges of net investments in foreign operations		(26,519)		(6,275)
Share of other comprehensive income of associates		2,422		233
Others		(74)		33
Tax effects		56,935		42,477
	₩	<u>(160,374)</u>	₩	<u>(122,161)</u>

Changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022					
	Beginning balance	Changes (excluded from reclassification)	Reclassification¹	Tax effects	Ending balance	
Gain on valuation of financial instruments at fair value through other comprehensive income	₩ 18,526	₩ (159,280)	₩ 768	₩ 40,128	₩ (99,858)	
Exchange differences on translation of foreign operations	(2,573)	17,589	-	(3,711)	11,305	
Remeasurements of net defined benefit liabilities	(133,656)	106,443	-	(26,769)	(53,982)	
Gain (loss) on valuation of hedges of net investments in foreign operations	(4,655)	(19,941)	-	5,025	(19,571)	
Share of other comprehensive income (loss) of associates	173	4,092	-	(2,478)	1,787	
Changes of credit risk of financial liabilities designated as at FVTPL	24	(106)	-	27	(55)	
	₩ <u>(122,161)</u>	₩ <u>(51,203)</u>	₩ <u>768</u>	₩ <u>12,222</u>	₩ <u>(160,374)</u>	

¹ The increase and decrease in 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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	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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(e) Retained earnings

Retained earnings as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Reserve:		
Earned profit reserves ¹	₩ 827,329	₩ 737,569
Regulatory reserve for credit loss	568,892	467,892
Discretionary reserves	3,028,104	2,926,740
	<u>4,424,325</u>	<u>4,132,201</u>
Retained earnings before appropriation	2,384,806	2,078,619
	<u>₩ 6,809,131</u>	<u>₩ 6,210,820</u>

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.

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, 2022 and 2021, is as follows:

<i>(In millions of Korean won)</i>	2022	2021
Provided reserve for credit loss ¹	₩ 568,892	₩ 467,892
Expected provision (reversal) of reserve for credit loss	(127,329)	101,000
Regulatory reserve for credit loss:	<u>₩ 441,563</u>	<u>₩ 568,892</u>
Owners of the Parent Company	₩ 441,563	₩ 568,892
Non-controlling interests	-	-

¹ Provided reserve for credit loss as of December 31, 2022 and 2021, is the amount after appropriations of retained earnings.

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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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Profit for the year of owners of the Parent Company	₩ 810,151	₩ 791,009
Reversal (provision) of reserve for credit losses	<u>127,329</u>	<u>(101,000)</u>
Adjusted profit after the provision of regulatory reserve ¹	<u>₩ 937,480</u>	<u>₩ 690,009</u>
Adjusted earnings per share after the provision of regulatory reserve ¹ <i>(in Korean won)</i>	₩ 2,797	₩ 2,030

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.

<i>(In millions of Korean won)</i>	2022	2021
Dividends on hybrid equity securities	₩ (30,188)	₩ (31,395)
Adjusted profit after reflecting dividend effect	907,292	658,614
Weighted-average number of ordinary shares outstanding	324,431,669 shares	324,431,669 shares
Adjusted earnings per share after the provision of regulatory reserve <i>(in Korean won)</i>	₩ 2,797	₩ 2,030

Treasury shares

There is no treasury stock acquisition or disposal as of December 31, 2022 and 2021.

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29. NET INTEREST INCOME:

Net interest income, interest income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Interest income:		
Due from banks	₩ 16,291	₩ 5,718
Financial instruments at fair value through profit or loss	77,008	58,416
Financial instruments at fair value through other comprehensive income	72,565	64,851
Financial assets at amortized cost	189,660	159,024
Loans receivable	4,426,216	3,264,002
	<u>4,781,740</u>	<u>3,552,011</u>
Interest expense:		
Deposit liabilities	(1,366,297)	(639,470)
Borrowings	(154,788)	(72,230)
Debentures	(311,882)	(255,656)
Others	(24,889)	(12,828)
	<u>(1,857,856)</u>	<u>(980,184)</u>
Net interest income	<u>₩ 2,923,884</u>	<u>₩ 2,571,827</u>

30. NET COMMISSION INCOME:

Net commission income, commission income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Commission income:		
Commission received	₩ 530,071	₩ 591,785
Guarantees	13,055	14,319
Credit card	8,176	8,837
Others	1,437	1,093
	<u>552,739</u>	<u>616,034</u>
Commission expenses:		
Commission paid	(101,957)	(98,825)
Credit card	(61,942)	(56,809)
	<u>(163,899)</u>	<u>(155,634)</u>
Net commission income	<u>₩ 388,840</u>	<u>₩ 460,400</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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Gain on financial assets at FVTPL:		
Gain on disposal of financial assets at FVTPL	₩ 1,170	₩ 232
Gain on sale of financial assets at FVTPL	210,202	218,158
Gain on valuation of financial assets at FVTPL	93,626	72,219
Dividend income	58,360	56,522
	<u>363,358</u>	<u>347,131</u>
Loss on financial assets at FVTPL:		
Loss on disposal of financial assets at FVTPL	(1,699)	(4,815)
Loss on sale of financial assets at FVTPL	(220,000)	(109,470)
Loss on valuation of financial assets at FVTPL	(145,930)	(56,520)
Purchase expenses of financial assets at FVTPL	(16)	(44)
	<u>(367,645)</u>	<u>(170,849)</u>
Net gain on financial assets at FVTPL	<u>₩ (4,287)</u>	<u>₩ 176,282</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, 2022 and 2021, is as follows:

<i>(In millions of Korean won)</i>	2022	2021
Gain on financial assets at fair value through other comprehensive income:		
Gain on sale of financial assets at fair value through other comprehensive income	₩ 27	₩ 10,384
Reversal of impairment loss	298	131
Dividend income	4,320	3,086
	<u>4,645</u>	<u>13,601</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	(1,482)	(378)
Impairment loss on financial assets at fair value through other comprehensive income	(354)	(504)
	<u>(1,836)</u>	<u>(882)</u>
Net gain on financial assets at fair value through other comprehensive income	₩ <u>2,809</u>	₩ <u>12,719</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, 2022 and 2021, is as follows:

<i>(In millions of Korean won)</i>	2022	2021
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	1,067	324
	<u>1,067</u>	<u>3,810</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	(783)	(1,191)
	<u>(783)</u>	<u>(1,367)</u>
Net gain on financial assets at amortized cost	₩ <u>284</u>	₩ <u>2,443</u>

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34. PROVISION FOR CREDIT LOSS:

Provision for credit loss for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Reversal of provision for credit loss and others:		
Reversal of provisions:		
Reversal of provision for impairment	₩ 12	₩ 810
Reversal of provision for credit loss on acceptances and guarantees	59	771
Reversal of provision for credit loss on financial guarantee contract	2,773	7,461
Reversal of provision for credit loss on unused credit limits	2,715	-
	5,559	9,042
Gain on disposal of loans receivable	78,933	73,262
Gain on loans receivable at FVTPL	482	15,653
	84,974	97,957
Contribution to provision for credit loss and others:		
Contribution to provisions:		
Impairment loss	(544,657)	(415,860)
Contribution to provision for credit loss on acceptances and guarantees	(5,667)	(1,775)
Contribution to provision for credit loss on unused credit limits	(4,123)	(4,287)
Contribution to provision for credit loss on financial guarantee contract	(25)	-
	(554,472)	(421,922)
Loss on disposal of loans receivable	(8,916)	(13,764)
Loss on loans receivable at FVTPL	(41)	(2,768)
	(563,429)	(438,454)
Contribution to provision for credit loss	₩ (478,455)	₩ (340,497)

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35. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Employee benefits:		
Salaries	₩ 679,589	₩ 772,023
Employee benefit expenses	176,900	171,578
Postemployment benefits	82,942	68,812
Termination benefits	48,447	104,767
	<u>987,878</u>	<u>1,117,180</u>
Rent	12,229	10,930
Business promotion expenses	29,637	24,191
Depreciation	107,551	99,104
Amortization	79,911	74,870
Taxes and dues	56,542	46,764
Other administrative expenses	<u>247,435</u>	<u>224,629</u>
	<u>₩ 1,521,183</u>	<u>₩ 1,597,668</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, 2022, are as follows:

i) Linked to short-term performance

<i>(In shares)</i>	2020	2021	2022
Number of shares granted	536,826	103,177	649,857
Residual shares	178,972	85,916	649,857
Date of grant	2020-02-27	2021-02-28	2022-02-25
Grant method	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
Settlement method	Cash	Cash	Cash
Service period	1 year	1 year	1 year

ii) Linked to long-term performance

<i>(In shares)</i>	2017	2018	2019	2020	2021	2022
Number of shares granted	169,605	112,430	33,620	1,218,132	3,133,767	1,834,519
Residual shares	34,413	17,920	5,752	1,098,331	2,191,417	1,541,369
Date of grant	2017-01-01	2018-01-01	2019-01-01	2020-01-01	2021-01-01	2022-01-01
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-	₩-	₩-	₩-	₩-
Vesting conditions	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash
Service period	3 years	3 years	3 years	1 year	1 year	1 year

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<i>(In shares)</i>	Deferred grant in 2023	Deferred grant in 2024	Deferred grant in 2025	Deferred grant in 2026	Deferred grant in 2027
Residual shares ¹	271,037	723,172	889,364	653,170	187,326
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, 2022 and 2021, are as follows:

i) Linked to short-term performance

<i>(In shares)</i>	2022	2021
Beginning balance	612,596	894,181
Granted	649,857	103,177
Exercised	(347,708)	(384,762)
Ending balance	<u>914,745</u>	<u>612,596</u>

ii) Linked to long-term performance

<i>(In shares)</i>	2022	2021
Beginning balance	4,312,698	1,447,693
Granted	1,834,519	3,133,767
Exercised	(132,424)	(222,452)
Others	(1,125,591)	(46,310)
Ending balance	<u>4,889,202</u>	<u>4,312,698</u>

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(In shares)	Deferred grant	
	2022	2021
Beginning balance	1,420,221	75,315
Granted	1,225,297	1,380,258
Exercised	(44,082)	(35,352)
Others	137,622	-
Ending balance	2,739,058	1,420,221

The fair value of share options and the significant inputs into the option-pricing model as of December 31, 2022, are as follows:

(In Korean won)	2022							
	Option pricing model	Share price	Exercise price	Price volatility	Expected option life	Risk-free interest rate	Fair value	
Grant expected in 2023	Black-Scholes Model	₩ 6,500	-	24.88%	1 year	3.75%	₩ 6,155	
Grant expected in 2024	Black-Scholes Model	6,500	-	25.58%	2 years	3.79%	5,828	
Grant expected in 2025	Black-Scholes Model	6,500	-	33.32%	3 years	3.73%	5,519	

Expenses recognized related to the share option granted for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)	2022	2021
Linked to short-term performance	₩ 1,108	₩ 12,177
Linked to long-term performance	6,697	15,279

Liabilities recognized related to the share-option granted for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)	2022	2021
Accrued expenses (short-term performance)	₩ 7,992	₩ 14,082
Accrued expenses (long-term performance)	27,081	20,700

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36. OTHER OPERATING INCOME AND EXPENSES:

Gains and losses on foreign currency transactions for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Gains on foreign currency transactions:		
Gain on foreign currency transactions	₩ 378,378	₩ 125,485
Foreign currency translation gains	174,642	131,032
	<u>553,020</u>	<u>256,517</u>
Losses on foreign currency transactions:		
Loss on foreign currency transactions	(365,024)	(108,303)
Foreign currency translation losses	(175,218)	(152,403)
	<u>(540,242)</u>	<u>(260,706)</u>
	₩ <u>12,778</u>	₩ <u>(4,189)</u>

Net income and loss related to derivatives for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Gains on financial derivatives:		
Gains on derivative transactions	₩ 507,524	₩ 170,461
Gains on valuation of derivatives	134,753	38,027
Gains on settlement of derivatives	-	189
	<u>642,277</u>	<u>208,677</u>
Losses on financial derivatives:		
Losses on derivative transactions	(450,176)	(156,212)
Losses on valuation of derivatives	(191,569)	(57,716)
Losses on settlement of derivatives	-	(237)
	<u>(641,745)</u>	<u>(214,165)</u>
	₩ <u>532</u>	₩ <u>(5,488)</u>

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Other operating revenues and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Other operating revenue:		
Gain on fair value hedged items ₩	41,603 ₩	16,558
Trust fees and commissions received from trust account	23,589	29,324
Reversal of other provisions	584	540
Operating lease income	496,237	422,260
Others	29,765	16,280
	<u>591,778</u>	<u>484,962</u>
Other operating expenses:		
Trust management fees	(88)	(86)
Credit card charges	(29)	(17)
Contribution to credit guarantee fund	(112,333)	(103,325)
Contribution to housing credit guarantee fund	(45,471)	(37,099)
Insurance fees on deposits	(122,565)	(113,569)
Other provisions	(2,967)	(1,059)
Operating lease expense	(435,395)	(376,807)
Others	(39,213)	(36,810)
	<u>(758,061)</u>	<u>(668,772)</u>
₩	<u>(166,283) ₩</u>	<u>₩ (183,810)</u>

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37. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022	2021
Income from investments in associates:		
Share of profit of associates	₩ 19,255	₩ 24,151
Gain on disposal of investments in associates	1,303	7,153
Share of loss of associates	(11,586)	(2,418)
Loss on disposal of investments in associates	(7,919)	(788)
	<u>1,053</u>	<u>28,098</u>
Non-operating income:		
Gain on disposal of property and equipment	2,696	7,978
Reversal of impairment loss on intangible assets	7	84
Rental income	27,875	27,161
Restoration income	146	167
Gain on collection of charge-offs	1,494	1,014
Gain on changes in leases	300	572
Other non-operating income	29,312	29,140
	<u>61,830</u>	<u>66,116</u>
Non-operating expenses:		
Expenses on collection of charge-offs	(544)	(572)
Loss on disposal of property and equipment	(1,709)	(3,830)
Loss on retirement of property and equipment	(472)	(353)
Loss on disposal of intangible assets	(4)	(20)
Donations	(17,699)	(17,259)
Loss on changes in leases	(37)	(147)
Restoration loss	(790)	(559)
Other non-operating expenses	(41,879)	(40,311)
	<u>(63,134)</u>	<u>(63,051)</u>
	₩ <u>(251)</u>	₩ <u>31,163</u>

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38. INCOME TAX EXPENSE:

Income tax expense for the years ended December 31, 2022 and 2021, consists of the following:

<i>(In millions of Korean won)</i>	2022	2021
Current tax	₩ 324,223	₩ 267,927
Changes in deferred tax liabilities by temporary difference:	(36,909)	(412)
Opening balance of deferred tax liabilities	(26,618)	(27,030)
Ending balance of deferred tax liabilities	10,291	(26,618)
Tax effect	287,314	267,515
Changes in deferred tax liabilities reflected directly in equity	13,032	21,418
Income tax expense	₩ 300,346	₩ 288,933

Changes in accumulated temporary differences as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
	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	₩ 35,746	₩ 9,008	₩ 80,459	₩ 20,758
Accrued expenses	153,650	38,729	139,001	35,862
Adjustment of acquisition value for debt-to-equity swap	57,727	14,547	57,250	14,771
Deferred loan origination fees	11,173	2,816	6,615	1,707
Provision for losses on unused credit limits	42,710	10,763	62,436	16,109
Honorary retirement benefits	26,735	6,737	63,441	16,368
Loss on valuation of derivative instruments	114,787	28,926	20,493	5,287
Deposits that the statute of limitation expired	19,414	4,892	17,806	4,594
Guarantee deposits for leases (discounted present value)	4,525	1,140	2,765	713
Unearned point revenues	14,157	3,567	12,701	3,277
Other provision	81,663	20,582	34,825	8,985
Loss on valuation of unsettled spot transactions	272	69	94	24
Provision for possible losses on acceptances and guarantees	13,549	3,414	7,600	1,961
Provision for retirement benefits disallowance	464,446	117,078	479,565	123,728
Unearned revenues (leasehold deposits provided)	55,061	13,875	46,160	11,909

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(In millions of Korean won)

	2022		2021	
	Accumulated temporary difference	Deferred tax assets (liabilities)	Accumulated temporary difference	Deferred tax assets (liabilities)
Impairment of available-for-sale financial assets	1,237	312	1,237	319
Claim for reimbursement	2,000	504	2,000	516
Others	568,209	143,111	213,935	55,153
Tax deficit	619	156	1	-
	<u>1,667,680</u>	<u>420,226</u>	<u>1,248,384</u>	<u>322,041</u>
Temporary difference to be added:				
Interest receivables on securities	(141,392)	(35,632)	(135,965)	(35,079)
Revaluation of excess of land	(48,886)	(12,319)	(48,963)	(12,632)
Gain on valuation of debentures invested (adjustment of book amount)	(140,082)	(35,301)	(102,620)	(26,476)
Gain on valuation of derivative instruments	(81,788)	(20,611)	(26,952)	(6,954)
Investments in credit rehabilitation fund	(24,503)	(6,175)	(24,470)	(6,313)
Deferred loan origination costs	(180,238)	(45,420)	(177,615)	(45,825)
Guarantee deposits for leases (prepaid rent)	(3,214)	(810)	(762)	(196)
Discounted present value	(26,635)	(6,712)	(16,575)	(4,276)
Initial direct costs of lease	(97,019)	(24,449)	(86,328)	(22,273)
Remeasurements of defined benefit plan	(664,910)	(167,595)	(139,637)	(36,026)
Fair value adjustment by business combination	(61,482)	(15,862)	(61,482)	(15,862)
Others	<u>(172,692)</u>	<u>(39,049)</u>	<u>(531,423)</u>	<u>(136,747)</u>
	<u>(1,642,841)</u>	<u>(409,935)</u>	<u>(1,352,792)</u>	<u>(348,659)</u>
Net of temporary difference	<u>₩ 24,839</u>	<u>₩ 10,291</u>	<u>₩ (104,408)</u>	<u>₩ (26,618)</u>

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Details of temporary difference reflected directly in equity as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)	2022		2021	
	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	₩ 133,605	₩ 32,643	₩ (24,899)	₩ (7,474)
Provision for debt securities through other comprehensive income	(1,476)	(372)	(1,484)	(383)
Foreign currency translation gains (losses) on overseas operations	(12,711)	(1,406)	3,374	801
Remeasurements of defined benefit plan	76,469	22,487	183,714	50,058
Gain on valuation of hedges of net investments in foreign operations	26,164	6,593	6,401	1,746
Share of other comprehensive income (loss) of associates	(4,433)	(2,646)	(340)	(167)
Others (credit risk adjustments)	73	18	(32)	(8)
	₩ 217,691	₩ 57,317	₩ 166,734	₩ 44,573

Reconciliation between profit before income tax and income tax expense for the years ended December 31, 2022 and 2021, is as follows:

(In millions of Korean won)	2022	2021
Profit before income tax	₩ 1,158,668	₩ 1,123,182
Taxes payable ¹	308,272	298,513
Tax effect of:		
Non-taxable income (₩80,336 million in 2022 and ₩75,734 million in 2021)	(21,374)	(20,128)
Non-deductible expenses (₩32,144 million in 2022 and ₩28,582 million in 2021)	8,552	7,596
Consolidated tax	(838)	(3,177)
Others	5,734	6,129
Income tax expense	₩ 300,346	₩ 288,933
Effective tax rate (income tax expense/profit before income tax)	25.92%	25.72%

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.

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Details of current tax liabilities (income tax payable) and current tax assets (income tax refundable) before offsetting as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>		2022	2021
Income tax refundable prior to offsetting	₩	145,221 ₩	110,488
Tax payables prior to offsetting		<u>325,822</u>	<u>263,968</u>
Deferred tax liabilities	₩	<u>180,601 ₩</u>	<u>153,480</u>

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, 2022 and 2021.

Weighted-average number of ordinary shares for the years ended December 31, 2022 and 2021, are as follows:

<i>(In shares)</i>		2022	2021
Number of ordinary shares outstanding		<u>324,431,669</u>	<u>324,431,669</u>
Weighted-average number of ordinary shares outstanding		<u>324,431,669</u>	<u>324,431,669</u>

Basic earnings per share attributable to owners of the Parent Company for the years ended December 31, 2022 and 2021, are as follows:

<i>(In Korean million won and in shares)</i>		2022	2021
Profit for the year attributable to owners of the Parent Company	₩	810,151 ₩	791,009
Dividends on hybrid equity securities		<u>(30,188)</u>	<u>(31,395)</u>
Profit attributable to the ordinary equity holders		779,963	759,614
Weighted-average number of ordinary shares outstanding		<u>324,431,669</u>	<u>324,431,669</u>
Basic earnings per share	₩	<u>2,404 ₩</u>	<u>2,341</u>

Diluted earnings per share for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	Type	2022		2021	
Confirmed acceptances and guarantees:					
Confirmed acceptances and guarantees in Korean won	Payment guarantee for loans	₩	50,224	₩	107,039
	Others		502,994		504,602
			<u>553,218</u>		<u>611,641</u>
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit		19,504		51,700
	Acceptances on letters of guarantee for importers		28,045		34,807
	Others		298,801		279,612
			<u>346,350</u>		<u>366,119</u>
			<u>899,568</u>		<u>977,760</u>
Unconfirmed acceptances and guarantees:	Letters of credit		258,611		293,922
	Others		3,573		8,771
			<u>262,184</u>		<u>302,693</u>
Others	Endorsed bill		22		21
		₩	<u>1,161,774</u>	₩	<u>1,280,474</u>

Confirmed and unconfirmed acceptances and guarantees by customer as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Large corporate	₩ 330,705	36.76	₩ 341,582	34.94
Small- and medium-sized corporate ¹	509,868	56.68	564,222	57.71
Household	58,995	6.56	71,956	7.35
	<u>₩ 899,568</u>	<u>100.00</u>	<u>₩ 977,760</u>	<u>100</u>
Unconfirmed acceptances and guarantees:				
Large corporate	₩ 87,646	33.43	₩ 119,691	39.54
Small- and medium-sized corporate ¹	174,538	66.57	183,002	60.46
	<u>₩ 262,184</u>	<u>100.00</u>	<u>₩ 302,693</u>	<u>100</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, 2022 and 2021, are as follows:

(In millions of Korean won)	2022		2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Korea	₩ 857,981	95.38	₩ 952,715	97.44
Others	41,587	4.62	25,045	2.56
	<u>₩ 899,568</u>	<u>100.00</u>	<u>₩ 977,760</u>	<u>100.00</u>
Unconfirmed acceptances and guarantees:				
Korea	₩ 260,568	99.38	₩ 296,212	97.86
China	151	0.06	-	-
Others	1,465	0.56	6,481	2.14
	<u>₩ 262,184</u>	<u>100.00</u>	<u>₩ 302,693</u>	<u>100.00</u>

Unused commitments as of December 31, 2022 and 2021, are as follows:

(In millions of Korean won)	2022	2021
Corporates	₩ 8,733,720	₩ 7,844,610
Households	9,319,394	9,196,331
Credit card	5,032,524	5,017,027
Securities purchase agreement	732,409	961,047
	<u>₩ 23,818,047</u>	<u>₩ 23,019,015</u>

The Group has entered into loan agreement of ₩900,000 million with KDB Development Bank and borrowing agreements in foreign currencies, including CNY 350,000,000, JPY 2,000,100,000, USD 214,950,000 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.

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Lawsuits

As of December 31, 2022 and 2021, the Group's major lawsuits are as follows:

<i>(In millions of Korean won)</i>	2022		2021	
	As a plaintiff	As a defendant	As a plaintiff	As a defendant
Number of cases	33 cases	61 cases	46 cases	77 cases
Amount	₩ 133,614	₩ 52,597	₩ 138,562	₩ 117,023
Provisions related to these lawsuits		₩ -		₩ 471

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.

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41. 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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>			2022		2021
Associate/Associate of entities under common control					
BNK Shareholder Value Active Securities Exchange Traded Fund	Other assets	₩	10	₩	-
BNK Winning Securities Investment Trust 1	Other assets		6		-
BNK Teunteun Korea Securities Investment Trust No. 1	Other assets		8		-
UQIP Future Generation Investment Fund Partnership	Other assets		291		495
UQIP Energy Fusion Investment Fund Partnership	Other assets		463		617
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Other assets		242		278
2019 UQIP Innovative Growth Follow-on Fund Partnership	Other assets		195		439
BNK Fisheries Investment Association	Other assets		95		95
BNK Intervalue Technology Finance Investment Association	Other assets		108		131
BNK Agricultural Food Investment Association No. 3	Other assets		75		-
BNK Teunteun Dividend Securities Investment Trust No. 1	Other assets		-		95
Anda H Mezzanine Private Investment Private Fund No. 11	Other assets		1		1
BNK-K& Creating jobs No.1 Fund	Other assets		317		-
BNK Cape ESG New Renewable Energy No. 1 New Technology Association	Other assets		16		-
BNK Eastsouthern Digital New Deal 1st New Technology Business Investment Fund	Other assets		54		-
Key management¹	Loans receivable		925		130
	Credit card receivable		16		2
	Deposit liabilities		730		973

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, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>		2022	2021
Associate			
BNK Shareholder Value Active Securities Exchange Traded Fund	Commission revenues	10	-
BNK Winning Securities Investment Trust 1	Commission revenues	37	-
BNK Teunteun Korea Securities Investment Trust No. 1	Commission revenues	138	-
UQIP Energy Fusion Investment Fund Partnership	Commission revenues	463	617
UQIP Agricultural and Fishery Food Investment Fund Partnership No. 2	Commission revenues	242	278
2019 UQIP Innovative Growth Follow-on Fund Partnership	Commission revenues	286	351
BNK Fisheries Investment Association	Commission revenues	375	375
BNK Inter-value Technology Finance Investment Association	Commission revenues	502	524
ANDA Mezzanine Professional Security Investment Trust No. 7	Commission revenues	1	6
BNK Teunteun Short-Term Bond	Commission revenues	-	11
BNK K200 Index Securities	Commission revenues	-	8
BNK Agricultural Food Investment Association No. 3	Commission revenues	338	125
Heungkuk Discretionary Private No. 2	Commission revenues	-	5
Orion KOSDAQ venture fund #52	Commission revenues	2	-
HI Private Investment Trust 28th	Commission revenues	3	2
Anda H Mezzanine Private Investment Private Fund No. 11	Commission revenues	4	3
BNK-K& Creating jobs No.1 Fund	Commission revenues	317	-
BNKKN Eastsouthern Digital New Deal 1st New Technology Business Investment Fund	Commission revenues	54	-
BNK Cape ESG New Renewable Energy No. 1 New Technology Association	Commission revenues	62	-
BNK-T2021 Korea Support Venture Investment Association No. 1	Commission revenues	430	-
BNKKN Younghonam Special Zone Venture Investment Associate No. 1	Commission revenues	285	-
BNK-Kiwoom New Technology Investment Fund 1st	Commission revenues	52	-
BNK-K& New Marine Industry No.1 Fund	Commission revenues	217	-
Future Creation UQIP Investment Association	Commission revenues	-	190

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		2022	2021
Orion Mezzanine Multi Professional Trust	Commission revenues	-	1
Key management	Commission revenues	-	1
	Interest expenses	8	4
	Interest income	27	4
	Other income	5	4
	Other expenses	1	1

Fund transactions with related parties for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

				2022					
				Beginning balance		Increase		Decrease	Ending balance
Key management	Loans receivable	₩	130	₩	1,266	₩	(435)	₩	961
	Deposit liabilities		967		2,837		(3,072)		732

(In millions of Korean won)

				2020					
				Beginning balance		Increase		Decrease	Ending balance
Key management	Loans receivable	₩	364	₩	535	₩	(769)	₩	130
	Deposit liabilities		909		3,692		(3,628)		973

Unused commitments for related parties for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)

		2022		2021		
		Loan limit	Credit card	Loan limit	Credit card	
Key management	₩	108	₩	145	₩	67
					₩	121

Compensation for key management for the years ended December 31, 2022 and 2021, is as follows:

(In millions of Korean won)

	2022	2021
Short-term employee benefits	₩ 4,319	₩ 4,120
Share-based payment	3,644	5,457
Postemployment benefits	277	835
	<u>₩ 8,240</u>	<u>₩ 10,412</u>

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42. STATEMENTS OF CASH FLOWS:

Details of material transactions without cash inflows and outflows as of December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>		2022	2021
Reclassification between property and equipment, investment properties and intangible assets	₩	9,405 ₩	739
Acquisition of right-of-use assets		41,877	14,920

Changes in net debt for the years ended December 31, 2022 and 2021, are as follows:

<i>(In millions of Korean won)</i>	At January 1, 2022	Cash flows	Exchange differences	Fair value hedge	Others	At December 31, 2022
Borrowings	₩ 7,641,218	₩ (120,375)	₩ (1,808)	₩ -	₩ 197,054	₩ 7,716,089
Debentures	13,442,859	(1,307,369)	23,637	(29,674)	16,004	12,145,457
Lease liabilities	30,404	(31,817)	-	-	34,978	33,565
	<u>₩ 21,114,481</u>	<u>₩ (1,459,561)</u>	<u>₩ 21,829</u>	<u>₩ (29,674)</u>	<u>₩ 248,036</u>	<u>₩ 19,895,111</u>

<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>

43. DIVIDENDS:

Dividend to be paid in 2022 is ₩202,770 million (₩625 per share) and the dividend paid in 2021 is ₩181,682 million (₩560 per share).

A dividend in respect of the year ended December 31, 2022, of ₩625 per share, amounting to a total dividend of ₩202,770 million, is to be proposed to shareholders at the annual general meeting on March 17, 2023. These consolidated financial statements do not reflect this dividend payable.

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44. 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 nature of interests and risks are as follows:

Interests owned by the Group in unconsolidated structured entities have 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, as 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 and maximum exposure to loss and loss incurred for the years ended December 31, 2022 and 2021, are as follows:

(In millions of Korean won)	2022		
	Investment fund	Structured financing	Asset-backed securitization
Total assets of unconsolidated structured entity	₩ 58,783,147	₩ 545,281,271	₩ 60,210,100
Recognized assets related to unconsolidated structured entities:			
Financial assets at FVTPL	2,194,205	319,409	-
Financial assets at amortized cost	-	-	513,200
Equity method investments	1,224,247	-	-
Loans and receivables	40	7,783,039	1,333
(Provision for impairment)	-	(148,162)	-
	3,418,492	7,954,286	514,533
Recognized liabilities related to unconsolidated structured entities:			
Provision of debt guarantee	-	309	-
Maximum exposure to loss ¹			
Investments	3,418,492	7,954,286	514,533
Investment commitments	671,891	48,042	-
Loan commitments	-	896,436	-
Credit offer	-	447,043	-
Purchase commitment	-	36,000	70,000
	4,090,383	9,382,116	584,533
Loss on unconsolidated structured entity	₩ 18,341	₩ 14,834	₩ -

¹ Maximum exposure to loss includes the amount of investment assets recognized in the consolidated 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)	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)	-
	<u>2,420,635</u>	<u>6,544,215</u>	<u>601,397</u>
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
	<u>2,982,478</u>	<u>9,411,818</u>	<u>671,397</u>
Loss on unconsolidated structured entity	₩ 8,655	₩ 36,404	₩ 177

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