

BNK Financial Group Inc. and its subsidiaries

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

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Independent auditor's report

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Independent auditor's report

(English Translation of a Report Originally Issued in Korean)

The Shareholders and Board of Directors BNK Financial Group Inc.

Opinion

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

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

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

Basis for opinion

We conducted our audit in accordance with KSA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit 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 opinion.

Key audit matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

- Measurement of the allowances for loss for loans measured at amortized cost

As mentioned in Note 3 (Material Accounting Estimates and Assumptions) to the consolidated financial statements, the Group recognizes an allowance for loss for loans measured at amortized cost by evaluating the expected credit loss impairment model.

The expected credit loss model requires an entity to subsequently measure the allowance for loss for a financial asset at either 12-month expected credit loss or lifetime expected credit loss i.e., expected

credit loss for the entire loan period, considering whether credit risk has increased significantly after the initial recognition of the financial asset.

The assumptions used in measuring the allowance for loss, including the extent of increase in credit risk, estimation on risk factors such as default rate and default loss rate, estimation on forward-looking information and inputs used for the individual evaluation, such as future cash flows and discount rates, are items that involve significant judgment by management. In this regard, we determined the allowance for loss for loan at amortized cost as a key audit matter that draws our significant attention.

As described in Note 12 to the consolidated financial statements, as of December 31, 2023, the Group's loan receivables at amortized cost subject to the expected credit loss model amount to KRW 110,686,026 million, and the allowance for loss related thereto is KRW 1,471,567 million. The primary audit procedures we have performed regarding management's assertion on the measurement of allowance for loss for loan receivables at amortized cost are as follows.

- Perform analytical procedures for stage classification adequacy, and inspection of methodology document and testing;
- Involve internal specialists to perform inspection on document and test for the estimation method used in estimating the Probability of Default (PD) and Loss Given Default(LGD);
- Involve internal specialists to perform inspection on document for the estimation method used in estimating forward-looking information; and
- Make inquiries and perform inspection on document and test regarding the estimated future cash flow and appropriateness of discount rate used in relation to calculation of allowance for loss for individual loan receivable.

Other matter

The consolidated financial statements of the Group as of and for the year ended December 31, 2022 were audited by Deloitte Anjin Accounting Corp. whose report dated March 7, 2023 expressed an unqualified opinion thereon. Meanwhile, the consolidated financial statements on which the aforementioned auditor expressed an opinion present the amounts before restated to reflect adjustments described in Note 45, and the consolidated financial statements for the year ended on December 31, 2022, presented herein for comparative purposes, reflect the adjustments.

As part of our audit on the consolidated financial statements as of and for the year ended December 31, 2023, we also audited the adjustments applied to restate the consolidated financial statements as of and for the year ended December 31, 2022, as described in Note 45 to the consolidated financial statements. In our opinion, the adjustments are presented and reflected fairly.

Except for the adjustments described above, we have not concluded any other audit or review contracts with respect to the Group's consolidated financial statements as of and for the year ended December 31, 2022. Therefore, we do not express a separate audit opinion or any other form of assurance regarding the entire consolidated financial statements as of and for the year ended December 31, 2022.

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

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

- Identify and assess the risks of material misstatement of the 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



March 13, 2024

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

BNK Financial Group Inc. and its subsidiaries

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

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

Dae In Bin
Chief Executive Officer
BNK Financial Group Inc.

BNK Financial Group Inc. and its subsidiaries
Consolidated statements of financial position
as of December 31, 2023, 2022 and 2021

(In millions of Korean won)

	Notes	2023	2022	2021
Assets				
Cash and due from banks	4,6,7,42 W	5,359,110 W	6,212,882 W	5,349,248
Financial assets at fair value through profit or loss	4,6,8,11	7,223,889	4,954,903	5,640,558
Financial assets at fair value through other comprehensive income	4,6,9,11,13	7,187,862	5,093,086	5,150,489
Financial assets at amortized cost	4,6,10,11,13	9,220,251	9,234,752	8,734,540
Loans and receivables	4,6,12,13,14	110,857,874	106,279,112	98,684,337
Derivative assets	4,6,15	133,688	168,679	33,905
Investments in associates and joint venture	16	1,558,015	1,106,662	1,116,386
Property and equipment	17	1,291,369	1,210,905	1,160,271
Intangible assets	18	267,779	281,573	293,035
Investment properties	19	617,039	647,642	661,799
Net defined benefit assets	25	162,105	194,064	18,718
Deferred tax assets	38	-	24,587	-
Current tax assets	38	-	2,703	-
Other assets	20	1,904,653	1,521,057	1,428,832
Total assets		W 145,783,634	W 136,932,607	W 128,272,118
Liabilities				
Deposit liabilities	4,6,21 W	106,761,234 W	101,470,361 W	93,282,006
Financial liabilities at fair value through profit or loss	4,6,22	1,108,862	850,662	341,286
Borrowings	4,6,23	8,815,876	7,716,089	7,641,218
Debentures	4,6,24	13,035,410	12,145,457	13,442,860
Derivative liabilities	4,6,15	122,132	194,189	34,431
Net defined benefit liabilities	25	3,488	421	-
Provisions	26,40	191,746	122,411	107,502
Current tax liabilities	38	37,921	180,601	153,480
Deferred tax liabilities	38	45,508	-	20,616
Other liabilities	4,6,27	4,987,755	3,462,533	3,042,798
Total liabilities		135,109,932	126,142,724	118,066,197
Equity				
Equity attributable to owners of the Parent Company				
Share capital	28	1,629,676	1,629,676	1,629,676
Hybrid equity securities	28	727,636	827,392	827,392
Other paid-in capital	28	785,126	778,905	780,000
Other components of equity	28	(39,099)	(160,374)	(122,162)
Retained earnings	28	7,121,661	6,766,697	6,193,558
		10,225,000	9,842,296	9,308,464
Non-controlling interest		448,702	947,587	897,457
Total equity		10,673,702	10,789,883	10,205,921
Total liabilities and equity		W 145,783,634	W 136,932,607	W 128,272,118

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

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

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

	Notes	2023	2022
Net interest income	29		
Interest income			
Financial assets at fair value through profit or loss		₩ 143,075	₩ 77,008
Financial asset at fair value through other comprehensive income		144,655	72,565
Financial assets at amortized cost		<u>6,403,991</u>	<u>4,629,389</u>
		6,691,721	4,778,962
Interest expenses		<u>(3,786,267)</u>	<u>(1,857,856)</u>
		<u>2,905,454</u>	<u>2,921,106</u>
Net fee and commission income	30		
Commission income		410,371	552,739
Commission expenses		<u>(169,092)</u>	<u>(163,899)</u>
		<u>241,279</u>	<u>388,840</u>
Gain (loss) on financial assets at fair value through profit or loss	31	161,584	(4,287)
Gain on financial assets at fair value through other comprehensive income	32	4,798	2,809
Gain (loss) on financial assets at amortized cost	33	(246)	284
Contribution to allowance for credit loss and others	34		
Contribution to allowance for credit loss		(868,112)	(548,471)
Gain on disposal of loans		108,737	70,016
General and administrative expenses	35	(1,475,965)	(1,521,183)
Other operating income (expenses)	15,36		
Gain on foreign currency transaction		32,841	12,778
Gain from derivatives		77,179	532
Other operating income		583,302	591,778
Other operating expenses		<u>(969,677)</u>	<u>(758,061)</u>
Operating profit		<u>801,174</u>	<u>1,156,141</u>
Non-operating income (expenses)	37		
Share of profit of associates		54,170	1,053
Other income		76,200	64,608
Other expenses		<u>(55,984)</u>	<u>(96,600)</u>
		<u>74,386</u>	<u>(30,939)</u>
Profit before income tax expense		875,560	1,125,202
Income tax expense	38	<u>(196,655)</u>	<u>(292,052)</u>
Profit for the year	5,39	<u>₩ 678,905</u>	<u>₩ 833,150</u>
Profit is attributable to:			
Owners of the Parent Company		639,780	784,980
Non-controlling interest		39,125	48,170
(Continued)			

BNK Financial Group Inc. and its subsidiaries
Consolidated statements of comprehensive income
for each of the two years in the period ended December 31, 2023, continued

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

	Notes	2023	2022
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	₩	(24,897)	₩ 79,674
Gain (loss) on valuation of equity instruments at fair value through other comprehensive income		6,186	(12,195)
Change in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the credit risk		(172)	(79)
<i>Items that may be subsequently reclassified to profit or loss</i>			
Gain (loss) on valuation of debt instruments at fair value through other comprehensive income		141,166	(106,165)
Gain on foreign currency translation of overseas operations		2,973	13,878
Loss on valuation of hedges of net investments in foreign operations		(4,106)	(14,915)
Share of other comprehensive income (loss) of associates		(839)	1,615
Impairment loss of debt instruments at fair value through other comprehensive income		898	3
Other comprehensive income (loss) for the year, net of tax		121,209	(38,184)
Total comprehensive income for the year		₩ 800,114	₩ 794,966
Total comprehensive income for the year is attributable to:			
Owners of the Parent Company	₩	760,989	₩ 746,796
Non-controlling interests		39,125	48,170
Earnings per share (in Korean won)			
Basic and diluted earnings per share	39 ₩	1,905	₩ 2,327

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

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

	Attributable to owners of the Parent Company								
	Share capital	Hybrid equity securities	Other paid-in capital	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity	
<i>(In millions of Korean won)</i>									
Balance as of January 1, 2022	W 1,629,676	W 827,392	W 780,000	W (122,162)	W 6,193,558	W 9,308,464	W 897,457	W 10,205,921	
Dividends	-	-	-	-	(181,682)	(181,682)	-	(181,682)	
Issuance of hybrid equity securities	-	-	-	-	-	-	-	-	
Repayment of hybrid equity securities	-	-	(1,095)	-	-	(1,095)	349,035	349,035	
Dividends on hybrid equity securities	-	-	-	-	(30,187)	(30,187)	(298,905)	(300,000)	
Total comprehensive income (loss):	-	-	-	-	-	-	(48,171)	(78,358)	
Profit for the year	-	-	-	-	784,980	784,980	48,171	833,151	
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 foreign currency translation of overseas operations	-	-	-	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 as of December 31, 2022	W 1,629,676	W 827,392	W 778,905	W (160,374)	W 6,766,697	W 9,842,296	W 947,587	W 10,789,883	
Balance as of January 1, 2023	W 1,629,676	W 827,392	W 778,905	W (160,374)	W 6,766,697	W 9,842,296	W 947,587	W 10,789,883	
Dividends	-	-	-	-	(202,770)	(202,770)	-	(202,770)	
Interim dividends	-	-	-	-	(32,209)	(32,209)	-	(32,209)	
Issuance of hybrid equity securities	-	149,488	-	-	-	149,488	-	149,488	
Repayment of hybrid equity securities	-	(249,244)	(1,871)	-	-	(251,115)	-	(750,000)	
Dividends on hybrid equity securities	-	-	-	-	(25,678)	(25,678)	(498,885)	(64,803)	
Acquisition of treasury stocks	-	-	(16,000)	-	-	(16,000)	-	(16,000)	
Retirement of treasury stocks	-	-	22,997	-	(22,998)	(1)	-	(1)	
Change in capital adjustments	-	-	1,095	-	(1,095)	-	-	-	
Total comprehensive income	-	-	-	-	-	-	-	-	
Profit for the year	-	-	-	-	639,780	639,780	39,125	678,905	
Other comprehensive income	-	-	-	-	-	-	-	-	
Remeasurements of net defined benefit liabilities	-	-	-	(24,897)	-	(24,897)	-	(24,897)	
Gain on valuation of financial assets at fair value through other comprehensive income	-	-	-	147,352	-	147,352	-	147,352	
Gain (loss) on disposal of equity instruments at fair value through other comprehensive income	-	-	-	66	(66)	-	-	-	
Gain on foreign currency translation of overseas operations	-	-	-	2,973	-	2,973	-	2,973	
Loss on valuation of hedges of net investments in foreign operations	-	-	-	(4,106)	-	(4,106)	-	(4,106)	
Share of other comprehensive loss of associates	-	-	-	(839)	-	(839)	-	(839)	
Impairment loss of debt instruments at fair value through other comprehensive income	-	-	-	898	-	898	-	898	
Change in the fair value of the financial liabilities designated at fair value through profit or loss attributable to changes in the credit risk	-	-	-	(172)	-	(172)	-	(172)	
Balance as of December 31, 2023	W 1,629,676	W 727,636	W 785,126	W (39,099)	W 7,121,661	W 10,225,000	W 448,702	W 10,673,702	

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

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

(In millions of Korean won)

	2023	2022
Cash flows from operating activities		
Profit for the year	₩ 678,905	₩ 833,150
Adjustments to profit for the year:		
Interest income	(6,691,721)	(4,778,962)
Interest expense	3,786,267	1,857,856
Loss (gain) on financial assets at fair value through profit or loss, net	(142,475)	76,891
Gain on financial assets at fair value through other comprehensive income, net	(4,798)	(2,809)
Loss (gain) on financial assets at amortized cost, net	246	(284)
Loss on financial liabilities designated at fair value through profit or loss	9,340	2,928
Contribution to provision for credit loss	868,112	548,471
Loss (gain) on foreign currency translation	(3,673)	575
Loss (gain) on valuation of derivatives, net	(17,056)	56,816
Depreciation	115,086	107,551
Amortization	90,296	79,911
Post-employment benefits	40,056	60,484
Other operating expenses, net	408,666	224,609
Share of profit of associates	(54,170)	(1,053)
Loss on property and equipment, and intangible assets	1,844	961
Other non-operating expenses, net	(9,844)	39,765
Income tax expense	196,655	292,052
	<u>(1,407,169)</u>	<u>(1,434,238)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in due from banks	(70,409)	84,254
Decrease (increase) in financial assets at fair value through profit or loss	(2,222,354)	905,996
Increase in loans and receivables	(5,155,574)	(7,922,342)
Increase in derivative assets and liabilities	(20,533)	(31,825)
Increase in other assets	(691,449)	(388,632)
Increase in deposit liabilities	5,252,176	8,180,995
Increase in financial liabilities at fair value through profit or loss	237,927	528,226
Decrease in provisions	(17,463)	(2,790)
Increase in other liabilities	395,231	3,396
Decrease in defined benefit obligation	(25,161)	(167,459)
Decrease (increase) in plan assets	(12,948)	39,035
	<u>(2,330,557)</u>	<u>1,228,854</u>
Interest received	6,488,867	4,705,868
Dividend received	38,451	16,377
Interest paid	(3,168,171)	(1,444,000)
Income tax paid	(306,128)	(296,769)
Net cash flows provided by (used in) operating activities	<u>(5,802)</u>	<u>3,609,242</u>

(Continued)

BNK Financial Group Inc. and its subsidiaries

Consolidated statements of cash flows

for each of the two years in the period ended December 31, 2023, continued

(In millions of Korean won)

	2023	2022
Cash flows from investing activities		
Proceeds from disposal of financial assets at fair value through profit or loss	5,720,324	4,720,537
Payments for financial assets at fair value through profit or loss	(5,653,644)	(4,997,030)
Proceeds from disposal of financial assets at fair value through other comprehensive income	2,016,503	553,468
Payments for financial assets at fair value through other comprehensive income	(3,902,905)	(652,674)
Proceeds from disposal of financial assets at amortized cost	1,432,382	2,062,373
Payments for financial assets at amortized cost	(1,372,245)	(2,528,943)
Proceeds from disposal of investments in associates	835,171	618,042
Payments for investments in associates	(1,231,598)	(628,976)
Proceeds from disposal of property and equipment	5,152	8,856
Payments for property and equipment	(115,183)	(96,534)
Proceeds from disposal of intangible assets	37	292
Payments for intangible assets	(66,542)	(79,519)
Payments for investment properties	(1,809)	(1,462)
Decrease (increase) in leasehold deposits provided	(4,261)	5,931
Net cash flows used in investing activities	(2,338,618)	(1,015,639)
Cash flows from financing activities		
Increase in borrowings	33,858,615	23,173,155
Decrease in borrowings	(32,801,670)	(23,293,530)
Issuance of debentures	6,974,147	3,894,843
Repayment of debentures	(6,160,858)	(5,202,212)
Payments of lease liabilities	(31,838)	(31,817)
Dividends paid to shareholders	(234,979)	(181,682)
Issuance of hybrid equity securities	149,488	-
Repayment of hybrid equity securities	(250,000)	-
Dividends paid on hybrid equity securities	(25,678)	(30,187)
Acquisition of treasury stocks	(16,000)	-
Cost of treasury stock retirement	(1)	-
Increase (decrease) in non-controlling interest	(500,000)	49,034
Dividends paid to non-controlling interest	(39,125)	(48,171)
Increase (decrease) in other liabilities	493,502	22,504
Net cash flows provided by (used in) financing activities	1,415,603	(1,648,063)
Net increase (decrease) in cash and cash equivalents	(928,817)	945,540
Cash and cash equivalents at the beginning of the year	5,894,732	4,947,248
Effects of exchange rate changes on cash and cash equivalents	4,545	1,944
Cash and cash equivalents at the end of the year	₩ 4,970,460	₩ 5,894,732

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

BNK Financial Group INC. and its subsidiaries

Notes to the consolidated financial statements

December 31, 2023 and 2022

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 KIFRS 1110 *Consolidated Financial Statements* and its subsidiaries (collectively, the "Group"), is as follows:

1.1 BNK Financial Group

BNK Financial Group was incorporated on March 15, 2011, in accordance with the provisions of the *Financial Holding Companies 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, 2023, amounts to ₩1,629,676 million with 322,088,438 outstanding shares.

BNK Financial Group INC. and its subsidiaries
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1. GENERAL INFORMATION: (cont'd)

1.2 Consolidated Subsidiaries

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

Name of subsidiary	Industry	Location	Closing month	Ownership interests (%)	
				2023	2022
BNK Financial Group:					
Busan Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
Kyongnam Bank Co., Ltd.	Banking	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.	Specialized credit financial business	Korea	December 31	100.00	100.00
BNK Securities Co., Ltd.	Investment brokerage and trading	Korea	December 31	100.00	100.00
BNK Savings Bank Co., Ltd.	Saving bank services	Korea	December 31	100.00	100.00
BNK Asset Management Co., Ltd.	Financial advisory and collective investment	Korea	December 31	100.00	100.00
BNK Credit Information Co., Ltd.	Credit investigation and collection agency	Korea	December 31	100.00	100.00
BNK System Co., Ltd.	System software developing and supply	Korea	December 31	100.00	100.00
BNK Venture Capital Co., Ltd.	Start-up venture capital advisory	Korea	December 31	100.00	100.00
BNK Capital Co., Ltd.:					
BNKC (Cambodia) MFI PLC	Specialized credit financial business	Cambodia	December 31	100.00	100.00
BNK Capital Myanmar Co., Ltd. ¹	Specialized credit financial business	Myanmar	March 31	99.99	99.99
BNK Capital Lao Leasing Co., Ltd. ¹	Leases	Laos	December 31	96.71	96.71
MFO BNK Finance Kazakhstan LLP	Specialized credit financial business	Kazakhstan	December 31	100.00	100.00
BNK Capital Lao NDTMFI Co., Ltd. ¹	Specialized credit financial business	Laos	December 31	99.99	99.99
MCC BNK Finance LLC	Specialized credit financial business	Kyrgyzstan	December 31	100.00	100.00

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

BNK Financial Group INC. and its subsidiaries
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1. GENERAL INFORMATION: (cont'd)

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 31 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 54 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.

BNK Financial Group INC. and its subsidiaries
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1. GENERAL INFORMATION: (cont'd)

1.4 Summarized Financial Information

Summarized financial information for consolidated subsidiaries as of December 31, 2023 and 2022 and for each of the two years in the period ended December 31, 2023 is as follows:

(In millions of Korean won)

Name of subsidiary	2023						
	Assets	Liabilities	Equity	Operating income	Operating profit	Profit for the year	Total comprehensive income
Busan Bank Co., Ltd. and its Subsidiaries	₩77,271,486	₩71,622,886	₩5,648,600	₩4,716,914	₩ 434,711	₩ 379,120	₩ 443,216
Kyongnam Bank Co., Ltd. and its Subsidiaries	50,933,014	47,470,883	3,462,131	2,578,968	293,181	257,124	304,344
BNK Capital Co., Ltd. and its Subsidiaries	8,972,818	7,663,670	1,309,148	1,241,374	154,454	111,836	109,903
BNK Securities Co., Ltd. and its Subsidiaries	5,807,547	4,620,653	1,186,894	939,380	23,644	12,365	24,355
BNK Savings Bank Co., Ltd.	1,785,620	1,546,750	238,870	139,762	215	3,133	3,133
BNK Asset Management Co., Ltd. and its Subsidiaries	211,719	46,015	165,704	45,485	7,427	6,858	6,858
BNK Venture Capital Co., Ltd.	56,539	1,761	54,778	9,804	4,443	1,570	1,570
BNK Credit Information Co., Ltd.	28,818	2,554	26,264	13,113	4,078	3,170	3,170
BNK System Co., Ltd.	41,507	14,058	27,449	103,546	5,111	4,046	4,046

(In millions of Korean won)

Name of subsidiary	2022						
	Assets	Liabilities	Equity	Operating income	Operating profit(loss)	Profit(loss) for the year	Total comprehensive income(loss)
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	48,857,968	45,232,933	3,625,035	1,918,241	368,797	253,854	234,796
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)	(13,766)
BNK Venture Capital Co., Ltd.	54,614	1,367	53,247	6,597	1,366	1,057	1,057
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 Financial Group INC. and its subsidiaries
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1. GENERAL INFORMATION: (cont'd)

1.5 Changes in Scope for Consolidation

None of key subsidiary has newly included in the scope of consolidation for financial reporting purposes for the year ended December 31, 2023.

However, subsidiaries that do not perform in-substance business activities, such as trusts, beneficiary certificates, securitization companies, unions, and private equity investment companies, are not considered as key subsidiaries.

Details of key subsidiary newly included in the scope of consolidation for the year ended December 31, 2022 are as follows:

Subsidiary	Purpose
MCC BNK Finance LLC	New investment

However, subsidiaries that do not perform in-substance business activities, such as trusts, beneficiary certificates, securitization companies, unions, and private equity investment companies, are not considered as key subsidiaries.

1.6 Risks and Financial Support for Structured Entities in the Scope of Consolidation

Structured entities in the scope of consolidation are established for securitizing assets such as non-performing loan (NPL) receivables or investing in beneficiary securities like real estate. The Group engages with structured entities in its consolidation scope by acquiring subordinated bonds issued by them or providing agreements to acquire asset-backed commercial papers (ABCPs) or bonds issued by them, thereby being exposed to the risk of failure to recover the amount of investments (or, acquisition compensation) depending on the investment performance.

Details and purpose of contractual agreements through which the Group provides financial support to key structured entities in the consolidation scope are as follows.

Company Name	Contractual details	Purpose
BNK Osan First Co., Ltd.	The Group provided an agreement to acquire bonds issued by BNK Osan First Co., Ltd. for 30.5 billion Korean won.	Granting of credit
BEM Securitization Specialty 1st CO.,LTD.	The Group provided an agreement to acquire bonds issued by BEM Securitization Specialty 1st CO.,LTD. for 100 billion Korean won.	Granting of credit
BNK Jeju First Co., Ltd.	The Group provided an agreement to acquire bonds issued by BNK Jeju First Co., Ltd. for 19.6 billion Korean won.	Granting of credit
BNK Hangdong Co., Ltd.	The Group provided an agreement to acquire bonds issued by BNK Hangdong Co., Ltd. for 5.1 billion Korean won.	Granting of credit
BNK Nongsung Co., Ltd.	The Group provided an agreement to acquire bonds issued by BNK Nongsung Co., Ltd. for 13.8 billion Korean won.	Granting of credit
Roy K Sejong Co., Ltd.	The Group provided an agreement to acquire bonds issued by Roy K. Sejong Corporation for 2 billion Korean won.	Granting of credit
BNK Jeju Global Co.,	The Group provided an agreement to acquire	Granting of credit

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Ltd.	bonds issued by BNK Jeju Global Co., Ltd. for 13 billion Korean won.	
HK Yangdong First Co., Ltd.	The Group provided an agreement to acquire bonds issued by HK Yangdong No. 1 Co., Ltd. for 15 billion Korean won.	Granting of credit
High End House No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by High End House No. 1 Co., Ltd. for 22 billion Korean won.	Granting of credit
YJLF Seocho Co., Ltd.	The Group provided an agreement to acquire bonds issued by YJLF Seocho Co., Ltd. for 5 billion Korean won.	Granting of credit
BNK Geumnam B Co., Ltd.	The Group provided an agreement to acquire bonds issued by BNK Geumnam B for 15 billion Korean won.	Granting of credit
BNK Geumnam C Co., Ltd.	The Group provided an agreement to acquire bonds issued by BNK Geumnam C for 20 billion Korean won.	Granting of credit
Summer Rally No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Summer Rally No. 1 Co., Ltd. for 30 billion Korean won.	Granting of credit
Double S Dongin The 2nd Co., Ltd.	The Group provided an agreement to acquire bonds issued by Double S Dongin The 2nd Co., Ltd. for 14 billion Korean won.	Granting of credit
Roy K Soon Chun No. 2 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Roy K Soon Chun No. 2 Co., Ltd. for 8 billion Korean won.	Granting of credit
TW Seocho No. 3 Co., Ltd.	The Group provided an agreement to acquire bonds issued by TW Seocho No. 3 Co., Ltd. for 20 billion Korean won.	Granting of credit
BKW No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by BKW No. 1 Co., Ltd. for 10 billion Korean won.	Granting of credit
KW Blue No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by KW Blue No. 1 Co., Ltd. for 14 billion Korean won.	Granting of credit
Consus Hwado Co., Ltd.	The Group provided an agreement to acquire bonds issued by Consus Hwado Co., Ltd. for 10 billion Korean won.	Granting of credit
BBM Liquidation No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by BBM Liquidation No. 1 Co., Ltd. for 20.2 billion Korean won.	Granting of credit
Silver Star No. 2 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Silver Star No. 2 Co., Ltd. for 5 billion Korean won.	Granting of credit
Silver Star No. 3 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Silver Star No. 3 Co., Ltd. for 3 billion Korean won.	Granting of credit
Portra No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Portra No. 1 Co., Ltd. for 5 billion Korean won.	Granting of credit
TW Kwangcheon No. 3 Co., Ltd.	The Group provided an agreement to acquire bonds issued by TW Kwangcheon No. 3 Co., Ltd. for 15 billion Korean won.	Granting of credit
PT Gold No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by PT Gold No. 1 Co., Ltd. for 30 billion Korean won.	Granting of credit
Roy K Sanjeong Co., Ltd.	The Group provided an agreement to acquire bonds issued by Roy K. Sanjeong Co., Ltd.	Granting of credit

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	for 15 billion Korean won.	
Imachi Brothers No. 4 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Imachi Brothers No. 4 Co., Ltd. for 9.8 billion Korean won.	Granting of credit
Victory Cheongdang No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Victory Cheongdang No. 1 Co., Ltd. for 2.7 billion Korean won.	Granting of credit
Gimhae Stone No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Gimhae Stone No. 1 Co., Ltd. for 30 billion Korean won.	Granting of credit
Roy K Bundang Co., Ltd.	The Group provided an agreement to acquire bonds issued by Roy K Bundang Co., Ltd. for 2.7 billion Korean won.	Granting of credit
Smart Pyeongtaek Seokjeong No. 3 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Smart Pyeongtaek Seokjeong No. 3 Co., Ltd. for 10 billion Korean won.	Granting of credit
Kyongnam Bank Principal and Interest Preservation Trust	The Group provided an agreement for principal and interest protection to the consolidated trust. This principal protection agreement requires the Group to cover any shortfall if the agreed principal or interest in the trust product's operation results is insufficient.	Credit enhancement for cash management of trust accounts
Kyongnam Bank Principal Preservation Trust	The Group provided an agreement for principal and interest protection to the consolidated trust. This principal protection agreement requires the Group to cover any shortfall if the agreed principal or interest in the trust product's operation results is insufficient.	Credit enhancement for cash management of trust accounts
Sandcastle No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Sandcastle No. 1 Co., Ltd. for 17.742 billion Korean won.	Granting of credit
Ash-blue No. 1	The Group provided an agreement to acquire bonds issued by Ash-blue No. 1 for 20.1 billion Korean won.	Granting of credit
SL No. 2 Co., Ltd.	The Group provided an agreement to acquire bonds issued by SL No. 2 Co., Ltd. for 40 billion Korean won.	Granting of credit
SL No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by SL No. 1 Co., Ltd. for 16.5 billion Korean won.	Granting of credit
SL No. 4 Co., Ltd.	The Group provided an agreement to acquire bonds issued by SL No. 4 Co., Ltd. for 30 billion Korean won.	Granting of credit
Westwood No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Westwood No. 1 Co., Ltd. for 44.4 billion Korean won.	Granting of credit
Crane the Ocean No. 1 Co., Ltd.	The Group provided an agreement to acquire bonds issued by Crane the Ocean No. 1 Co., Ltd. for 11.5 billion Korean won.	Granting of credit
SL No. 3 Co., Ltd.	The Group provided an agreement to acquire bonds issued by SL No. 3 Co., Ltd. for 40 billion Korean won.	Granting of credit

BNK Financial Group INC. and its subsidiaries
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2. MATERIAL ACCOUNTING POLICIES:

The material 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 ("KIFRS"). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the 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 KIFRS.

The preparation of consolidated financial statements requires the use of material 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 material to the consolidated financial statements are disclosed in Note 3.

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 KIFRS 1102 *Share-Based Payment* leasing transactions that are within the scope of KIFRS 1116 *Leases* and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in KIFRS 1002 *Inventories* or value in use in KIFRS 1036 *Impairment of Assets*.

BNK Financial Group INC. and its subsidiaries
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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

- KIFRS 1117 Insurance Contracts

KIFRS 1117 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. KIFRS 1117 replaces KIFRS 1104 *Insurance Contracts*. KIFRS 1117 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of KIFRS 1117 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. KIFRS 1117 is based on a general model, supplemented by:

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

The new standard had no impact on the Group's consolidated financial statements.

- Definition of Accounting Estimates - Amendments to KIFRS 1008

The amendments to KIFRS 1008 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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

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

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

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

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

The amendments had no impact on the Group's consolidated financial statements

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

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

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

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

The amendments had no impact on the Group's consolidated financial statements

(b) Standards issued but not yet effective

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

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

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

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

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

The Group does not expect that these amendments have a material impact on the consolidated financial statements.

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.

BNK Financial Group INC. and its subsidiaries
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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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.

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 KIFRS 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 KIFRS 1012 *Income Taxes* and KIFRS 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 KIFRS 1102 *Share-Based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with KIFRS 1105 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree i) at fair value or ii) at the proportionate share of the acquiree's identifiable net assets, if non-controlling interest components upon the acquisition present ownership interests as-is and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interest components are measured at fair value, unless otherwise required in KIFRS.

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 KIFRS 1109 *Financial Instruments* or KIFRS 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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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.

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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

- exchange differences on foreign currency borrowings related to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign 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.

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 ("FVOCI"), 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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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.

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. Changes in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income and foreign exchange gains and losses that are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- **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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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.

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

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(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.

(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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 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).

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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 1109 *Financial Instruments* and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with KIFRS 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.

(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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 consolidated 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.

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:

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

- 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.

(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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 consolidated 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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 consolidated lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under KIFRS 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 KIFRS 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 consolidated contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 1109, recognizing an allowance for expected credit losses on the lease receivables.

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

When a contract includes both lease and non-lease components, the Group applies KIFRS 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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

(c) Intangible assets acquired in a business combination

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

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

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

(d) Derecognition of intangible assets

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

2.16 Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in making 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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 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 KIFRS 1109. The Group recognized differences between the carrying amount and fair value in profit or loss, and it is included in determination of the gain or loss on disposal of joint ventures and associates. The Group accounts for all amounts recognized in other comprehensive income in relation to the joint ventures and associates on the same basis as would be required if the joint ventures and associates had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by an associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity profit or loss as a reclassification adjustment.

When the Group's ownership of 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 KIFRS 1105.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

The requirements of KIFRS 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 KIFRS 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 KIFRS 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.

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.

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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 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. MATERIAL ACCOUNTING POLICIES: (cont'd)

2.19 Provisions

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

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

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

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

(a) Onerous contracts

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

(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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

(c) Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with KIFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognized, less, where applicable, the cumulative amount of income recognized in accordance with KIFRS 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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 1109, those services will be recognized on a straight-line basis as the work is performed.

③ Commission from significant act performed

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

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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 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 post-combination 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 KIFRS 1102. All of the market-based measures of the replacement awards are recognized as remuneration costs in the post-combination 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. MATERIAL ACCOUNTING POLICIES: (cont'd)

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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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

(c) Current and deferred taxes for the year

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

2.23 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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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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 KIFRS 1102 *Share-Based Payment* leasing transactions that are within the scope of KIFRS 1017 *Leases* and measurements that have some similarities to fair value, but are not fair value, such as net realizable value in KIFRS 1002 *Inventories* or value in use in KIFRS 1036 *Impairment of Assets*.

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.

BNK Financial Group INC. and its subsidiaries
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2. MATERIAL ACCOUNTING POLICIES: (cont'd)

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, 2023, 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>		2023
Non-derivative financial liabilities		
Financial liabilities at amortized costs	₩	74,785

2.27 Correction of Errors

The Group corrects any potential errors from the consolidated financial statements for current period before the date of approval for the issuance of financial statements if such errors are discovered during the current period. However, if material errors are discovered in subsequent periods, such errors are corrected by restating the comparative information presented in the financial statements for that subsequent period. When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Group restates the beginning balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

2.28 Approval of Issuance of the Consolidated Financial Statements

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

BNK Financial Group INC. and its subsidiaries
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3. MATERIAL 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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3. MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS: (cont'd)

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, and, inflation, 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 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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		2023		2022
Exposure	₩	11,376,582	₩	5,493,823
Credit loss allowance		432,856		279,322

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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, 2023.

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.

BNK Financial Group INC. and its subsidiaries
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4. FINANCIAL RISK MANAGEMENT: (cont'd)

(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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
On balance:		
Cash and due from banks	₩ 388,650	₩ 318,151
Financial assets at FVTPL	6,867,900	4,709,581
Financial assets at fair value through other comprehensive income	7,028,690	4,927,027
Financial assets at amortized cost	9,220,251	9,234,752
Loans	109,382,964	104,761,437
Receivables	1,474,910	1,517,675
Derivative assets	133,689	168,679
	<u>134,497,054</u>	<u>125,637,302</u>
Off balance:		
Guarantees and acceptances	1,359,921	1,161,773
Loan commitments	23,553,296	23,817,428
	<u>24,913,217</u>	<u>24,979,201</u>
	<u>₩ 159,410,271</u>	<u>₩ 150,616,503</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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4. FINANCIAL RISK MANAGEMENT: (cont'd)

The gross carrying amount of loans, receivables and debt securities by credit risk grade as of December 31, 2023, is as follows:

(In millions of Korean won)		2023									
		Loans and receivables							Debt securities		
								Fair value through other comprehensive income		Amortized cost	
		Loans			Receivables					Twelve months expected credit losses	Subtotal
		Lifetime expected credit losses			Lifetime expected credit losses						
		Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Twelve months expected credit losses		
Grade 1	₩	49,224,082	₩ 2,433,691	₩ -	₩ 195,396	₩ 10,720	₩ -	₩ 51,863,889	₩ 7,028,690	₩ 9,218,538	₩ 16,247,228
Grade 2		27,847,506	7,800,955	-	143,404	17,614	-	35,809,479	-	5,000	5,000
Grade 3		7,267,729	8,363,627	5,000	44,287	28,847	-	15,709,490	-	-	-
Grade 4		248,798	3,781,167	728,658	2,225	27,746	5,996	4,794,590	-	-	-
Non-graded		2,377,910	657,755	66,403	993,578	4,691	65,866	4,166,203	-	-	-
	₩	86,966,025	₩ 23,037,195	₩ 800,061	₩ 1,378,890	₩ 89,618	₩ 71,862	₩ 112,343,651	₩ 7,028,690	₩ 9,223,538	₩ 16,252,228

Exposure to credit risk for loan commitments and guarantees and acceptances by credit risk grade as of December 31, 2023, is as follows:

(In millions of Korean won)		2023							
		Loan commitments				Guarantees and acceptances			
		Twelve months		Lifetime expected credit losses		twelve months		Lifetime expected credit losses	
		expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal	expected credit losses	Unrecognized impairment	Recognized impairment	Subtotal
Grade 1	₩	15,917,762	₩ 194,641	₩ -	₩ 16,112,403	₩ 308,134	₩ 1,360	₩ -	₩ 309,494
Grade 2		4,301,921	692,076	-	4,993,997	483,993	239,730	-	723,723
Grade 3		802,625	575,937	-	1,378,562	115,380	160,956	-	276,336
Grade 4		15,600	152,379	291	168,270	96	45,710	4,562	50,368
Non-graded		142,385	28,186	-	170,571	-	-	-	-
	₩	21,180,293	₩ 1,643,219	₩ 291	₩ 22,823,803	₩ 907,603	₩ 447,756	₩ 4,562	₩ 1,359,921

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4. FINANCIAL RISK MANAGEMENT: (cont'd)

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		
								Fair value through other comprehensive income		Amortized cost	
		Loans			Receivables					Twelve months expected credit losses	Subtotal
		Lifetime expected credit losses			Lifetime expected credit losses					Twelve months expected credit losses	Subtotal
		Twelve months expected credit losses	Unrecognized impairment	Recognized impairment	Twelve months expected credit losses	Unrecognized impairment	Recognized impairment			Twelve months expected credit losses	Subtotal
Grade 1	₩	49,613,309	₩ 1,174,918	₩ -	₩ 224,942	₩ 7,219	₩ -	₩ 51,020,388	₩ 4,927,027	₩ 9,235,792	₩ 14,162,819
Grade 2		29,210,204	5,206,632	-	120,987	14,005	-	34,551,828	-	2,002	2,002
Grade 3		7,242,252	6,405,297	-	26,861	22,131	-	13,696,541	-	-	-
Grade 4		313,083	2,813,197	504,669	2,038	10,543	1,681	3,645,211	-	-	-
Non-graded		3,086,261	150,399	21,669	1,094,061	-	66,961	4,419,351	-	-	-
	₩	89,465,109	₩ 15,750,443	₩ 526,338	₩ 1,468,889	₩ 53,898	₩ 68,642	₩ 107,333,319	₩ 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			
		Lifetime expected credit losses			Subtotal	Lifetime expected credit losses			Subtotal
		Twelve months expected credit losses	Unrecognized impairment	Recognized impairment		twelve months expected credit losses	Unrecognized impairment	Recognized impairment	
Grade 1	₩	16,350,815	₩ 138,696	₩ -	₩ 16,489,511	₩ 302,759	₩ 2,233	₩ -	₩ 304,992
Grade 2		4,187,459	644,902	-	4,832,361	471,234	142,621	-	613,855
Grade 3		772,882	461,596	-	1,234,478	93,804	68,774	-	162,578
Grade 4		30,461	138,217	-	168,678	-	77,427	2,922	80,349
Non-graded		350,477	9,513	-	359,990	-	-	-	-
	₩	21,692,094	₩ 1,392,924	₩ -	₩ 23,085,018	₩ 867,797	₩ 291,055	₩ 2,922	₩ 1,161,774

BNK Financial Group INC. and its subsidiaries
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4. FINANCIAL RISK MANAGEMENT: (cont'd)

(e) Concentration analysis of credit risk

Details of loans and debt securities by borrower's country and industry as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			
	Loans	Debt securities		
		Fair value through other comprehensive income	Amortized cost	Subtotal
Country:				
The Republic of Korea	₩ 109,545,470	₩ 6,955,928	₩ 9,174,588	₩ 16,130,516
China	178,826	-	-	-
Others	1,078,985	72,762	48,950	121,712
	<u>₩ 110,803,281</u>	<u>₩ 7,028,690</u>	<u>₩ 9,223,538</u>	<u>₩ 16,252,228</u>
Industry:				
Mining	₩ 28,673	₩ 39,948	₩ -	₩ 39,948
Manufacturing	20,488,304	-	-	-
Electricity, gas, steam and water service	618,868	488,622	382,493	871,115
Construction	3,720,689	277,150	302,090	579,240
Wholesale and retail	10,099,021	-	-	-
Transportation	1,936,978	138,273	295,025	433,298
Lodging and restaurant business	4,758,493	-	-	-
Publishing, visual entertainment, broadcasting and information	479,769	-	-	-
Financial and insurance business	2,578,888	1,809,811	3,047,259	4,857,070
Real estates and lease business	20,066,205	319,585	747,827	1,067,412
Business facility management and business support services	618,763	20,312	40,000	60,312
Public, national defense and social security system	119,831	3,894,312	4,328,914	8,223,226
Associations, organizations and household	4,838,006	40,677	79,867	120,544
Others	40,450,793	-	63	63
	<u>₩ 110,803,281</u>	<u>₩ 7,028,690</u>	<u>₩ 9,223,538</u>	<u>₩ 16,252,228</u>

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4. FINANCIAL RISK MANAGEMENT: (cont'd)

(In millions of Korean won)

	2022			
			Debt securities	
	Loans	Fair value through other comprehensive income	Amortized cost	Subtotal
Country:				
The Republic of Korea	₩ 104,177,447	₩ 4,882,040	₩ 9,183,643	₩ 14,065,683
China	276,025	-	-	-
Others	1,288,418	44,987	54,151	99,138
	₩ 105,741,890	₩ 4,927,027	₩ 9,237,794	₩ 14,164,821
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	3,042,738	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
	₩ 105,741,890	₩ 4,927,027	₩ 9,237,794	₩ 14,164,821

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4. FINANCIAL RISK MANAGEMENT: (cont'd)

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.

(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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4. FINANCIAL RISK MANAGEMENT: (cont'd)

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

The Group's non-derivative financial liabilities as of December 31, 2023 and 2022 are summarized by remaining contractual maturity as follows:

(In millions of Korean won)

		2023					
		Less than one month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than five years	Total
Financial liabilities ¹:							
Deposits	₩	42,276,426	₩ 15,592,687	₩ 46,659,878	₩ 4,514,201	₩ 195,468	₩ 109,238,660
Financial liabilities at							
FVTPL		249,793	269,880	394,481	191,566	-	1,105,720
Borrowings		3,497,537	1,199,424	1,304,533	2,668,298	483,714	9,153,506
Debentures		534,655	1,880,268	4,990,049	6,206,989	174,687	13,786,648
Other financial liabilities ²		3,563,286	47,691	135,635	587,938	539,578	4,874,128
	₩	50,121,697	₩ 18,989,950	₩ 53,484,576	₩ 14,168,992	₩ 1,393,447	₩ 138,158,662
Derivative liabilities:							
Derivatives for hedging ³	₩	-	₩ -	₩ -	₩ 20,556	₩ 12,023	₩ 32,579
Derivatives for trading ³		9,016	8,929	18,912	19,549	38,772	95,178
	₩	9,016	₩ 8,929	₩ 18,912	₩ 40,105	₩ 50,795	₩ 127,757

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)

		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 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
	₩	47,890,219	₩ 16,571,757	₩ 47,422,058	₩ 15,354,691	₩ 1,421,090	₩ 128,659,815
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
	₩	21,733	₩ 17,607	₩ 35,871	₩ 54,335	₩ 71,326	₩ 200,872

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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4. FINANCIAL RISK MANAGEMENT: (cont'd)

(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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Guarantees	₩ 1,359,921	₩ 1,161,774
Loan commitments	<u>23,553,297</u>	<u>23,817,428</u>
	<u>₩ 24,913,218</u>	<u>₩ 24,979,202</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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4. FINANCIAL RISK MANAGEMENT: (cont'd)

(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 consolidated 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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4. FINANCIAL RISK MANAGEMENT: (cont'd)

The VaR measures the potential loss in value of a risky asset or portfolio based on historical market changes over a defined period for a given confidence interval. However, it is not always possible in practice that the historical market changes 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%.

② 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.

The following table shows VaR as of December 31, 2023 and 2022 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:

i) Busan Bank

(In millions of
Korean won)

	2023			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 987	₩ 735	₩ 791	₩ 720
Equity price risk	7	441	338	163
Foreign exchange rate risk	1,757	946	1,148	932
Diversification	(932)	(1,462)	(1,261)	(1,012)
Total VaR	₩ 1,819	₩ 660	₩ 1,016	₩ 803

(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

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4. FINANCIAL RISK MANAGEMENT: (cont'd)

ii) Kyongnam Bank

(In millions of Korean won)	2023			
	Maximum	Minimum	Average	Ending
Interest rate risk	₩ 376	₩ 21	₩ 188	₩ 18
Equity price risk	49	-	27	-
Foreign exchange rate risk	207	10	69	17
Diversification	(137)	(7)	(53)	(7)
Total VaR	₩ 495	₩ 24	₩ 231	₩ 28

(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

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 changes 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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4. FINANCIAL RISK MANAGEMENT: (cont'd)

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.

		2023									
		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	276	₩ 355,570	21,311	₩ 194,494	58	₩ 83,328	216	₩ 39,013	₩ 91,557	
	Financial assets at FVTPL	11	14,428	-	-	-	-	-	-	-	
	Financial assets at fair value through other comprehensive income	76	97,365	-	-	-	-	-	-	-	
	Financial assets at amortized cost	110	142,216	-	-	-	-	-	-	32,296	
	Loans and receivables	1,390	1,792,213	13,862	126,517	58	82,468	1,073	194,041	205,725	
	Other assets	163	209,610	152	1,390	-	77	-	2	163	
		<u>2,026</u>	<u>2,611,402</u>	<u>35,325</u>	<u>322,401</u>	<u>116</u>	<u>165,873</u>	<u>1,289</u>	<u>233,056</u>	<u>329,741</u>	
Liabilities	Deposit liabilities	844	1,088,427	30,386	277,322	26	37,800	335	60,497	24,033	
	Borrowings	835	1,076,739	8,685	79,261	32	45,937	797	144,155	189,810	
	Other liabilities	490	631,567	2,307	21,055	8	10,987	31	5,528	5,392	
		<u>2,169</u>	<u>₩ 2,796,733</u>	<u>41,378</u>	<u>₩ 377,638</u>	<u>66</u>	<u>₩ 94,724</u>	<u>1,163</u>	<u>₩ 210,180</u>	<u>₩ 219,235</u>	

BNK Financial Group INC. and its subsidiaries
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4. FINANCIAL RISK MANAGEMENT: (cont'd)

		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	263,381	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	

(d) Market risk management for non-trading activities

a. Definition of non-trading position

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

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

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

BNK Financial Group INC. and its subsidiaries
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4. FINANCIAL RISK MANAGEMENT: (cont'd)

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, 2023.

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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Share capital - common (A)	₩ 8,935,573	₩ 8,307,214
Other basic capital (B)	982,347	1,194,596
Tier 2 capital (C)	659,439	628,343
Total capital (D)	₩ 10,577,359	₩ 10,130,153
Credit risk-weighted assets	₩ 67,927,522	₩ 67,611,241
Market risk-weighted assets	2,769,413	989,542
Operational risk-weighted assets	5,753,961	5,922,533
Total risk-weighted assets (E)	₩ 76,450,896	₩ 74,523,316
Share capital - common ratio (A/E) (%)	11.69	11.15
Tier 1 capital ratio ((A+B)/E) (%)	12.97	12.75
Total capital ratio (D/E) (%)	13.84	13.59

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

(In millions of Korean won)	2023								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)	₩ 1,497,808	₩ 990,443	₩ 325,741	₩ 76,631	₩ 52,828	₩ (28,220)	₩ 2,915,231	₩ (9,777)	₩ 2,905,454
Net commission income	61,750	41,826	24,060	80,570	8,588	26,846	243,640	(2,361)	241,279
Net gain on financial assets at FVTPL	56,835	56,078	6,535	39,300	1,137	25,255	185,140	(23,556)	161,584
Net gain on financial assets at fair value through other comprehensive income	2,392	2,001	-	402	-	-	4,795	3	4,798
Net gain(loss) on financial assets at amortized cost	(256)	10	-	-	-	-	(246)	-	(246)
Contribution to provision for credit loss and others	(314,936)	(173,178)	(147,123)	(93,467)	(30,452)	(364)	(759,520)	145	(759,375)
General and administrative expenses	(688,468)	(481,792)	(104,497)	(89,587)	(23,870)	(114,015)	(1,502,229)	26,264	(1,475,965)
Other operating income (expenses), net	(180,415)	(142,206)	49,738	9,795	(8,016)	418,796	147,692	(424,047)	(276,355)
Operating profit	434,710	293,182	154,454	23,644	215	328,298	1,234,503	(433,329)	801,174
Non-operating income (expenses), net	31,196	33,835	(9,396)	(17)	844	32,849	89,311	(14,925)	74,386
Profit before income tax	465,906	327,017	145,058	23,627	1,059	361,147	1,323,814	(448,254)	875,560
Income tax income (expense)	(86,786)	(69,893)	(33,223)	(11,262)	2,074	(4,948)	(204,038)	7,383	(196,655)
Profit for the year	₩ 379,120	₩ 257,124	₩ 111,835	₩ 12,365	₩ 3,133	₩ 356,199	₩ 1,119,776	₩ (440,871)	₩ 678,905
Total assets	₩ 77,271,486	₩ 50,933,014	₩ 8,972,818	₩ 5,807,547	₩ 1,785,620	₩ 9,018,975	₩ 153,789,460	₩ (8,005,825)	₩ 145,783,635
Total liabilities	₩ 71,622,886	₩ 47,470,883	₩ 7,663,670	₩ 4,620,653	₩ 1,546,750	₩ 2,409,450	₩ 135,334,292	₩ (224,359)	₩ 135,109,933

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5. OPERATING SEGMENT INFORMATION: (cont'd)

(In millions of Korean won)	2022								Consolidate d 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	₩ 988,758	₩ 355,085	₩ 52,359	₩ 56,556	₩ (32,029)	₩ 2,927,532	₩ (6,426)	₩ 2,921,106
Net commission income	78,651	54,069	52,411	179,139	3,093	23,551	390,914	(2,074)	388,840
Net gain(loss) on financial assets at FVTPL	(13,668)	34,006	16,180	(13,234)	(6,602)	(8,220)	8,462	(12,749)	(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)	(100,639)	(1,540,656)	19,473	(1,521,183)
Other operating income (expenses), net	(124,744)	(109,138)	46,016	37,178	(4,056)	403,438	248,694	(401,667)	(152,973)
Operating profit(loss)	601,227	368,797	230,451	79,080	(6,112)	285,998	1,559,441	(403,300)	1,156,141
Non-operating income (expenses), net	882	(38,531)	2,098	833	743	29,988	(3,987)	(26,952)	(30,939)
Profit(loss) before income tax	602,109	330,266	232,549	79,913	(5,369)	315,986	1,555,454	(430,252)	1,125,202
Income tax income (expense)	(146,317)	(76,412)	(61,502)	(22,593)	1,598	1,126	(304,100)	12,048	(292,052)
Profit(loss) for the year	₩ 455,792	₩ 253,854	₩ 171,047	₩ 57,320	₩ (3,771)	₩ 317,112	₩ 1,251,354	₩ (418,204)	₩ 833,150
Total assets	₩ 73,236,530	₩ 48,857,968	₩ 8,605,180	₩ 3,914,295	₩ 1,704,240	₩ 8,287,508	₩ 144,605,721	₩ (7,673,114)	₩ 136,932,607
Total liabilities	₩ 67,566,260	₩ 45,232,933	₩ 7,405,935	₩ 2,849,952	₩ 1,468,504	₩ 2,040,720	₩ 126,564,304	₩ (421,579)	₩ 126,142,725

(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.

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5. OPERATING SEGMENT INFORMATION: (cont'd)

(c) Information on main customers

The information regarding the revenue and non-current assets of the Group by geographical areas is as follows.

<i>(In millions of Korean won)</i>	Revenue		Non-current assets	
	2023	2022	2023	2022
Domestic portion	₩ 9,589,846	₩ 7,501,364	₩ 2,165,954	₩ 2,130,127
Foreign portion	74,101	58,687	10,232	9,993
	<u>₩ 9,663,947</u>	<u>₩ 7,560,051</u>	<u>₩ 2,176,186</u>	<u>₩ 2,140,120</u>

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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, 2023 and 2022 are as follows:

(In millions of Korean won)	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and due from bank	₩ 5,359,110 ₩	5,359,110 ₩	6,212,882 ₩	6,212,882
Financial assets at FVTPL	7,223,889	7,223,889	4,954,903	4,954,903
Financial assets at fair value through other comprehensive income	7,187,862	7,187,862	5,093,086	5,093,086
Financial assets at amortized cost	9,220,251	9,056,373	9,234,752	8,783,170
Loans and receivables	110,857,874	112,829,785	106,279,112	107,014,684
Derivative assets	133,689	133,689	168,679	168,679
	₩ 139,982,675 ₩	141,790,708 ₩	131,943,414 ₩	132,227,404
Financial liabilities:				
Deposit liabilities	₩ 106,761,234 ₩	106,808,602 ₩	101,470,361 ₩	101,419,465
Financial liabilities at FVTPL	1,108,862	1,108,862	850,662	850,662
Borrowings	8,815,876	8,771,491	7,716,089	7,626,096
Debentures	13,035,410	13,026,872	12,145,457	12,032,936
Derivative liabilities	122,132	122,132	194,189	194,189
Other financial liabilities ¹	4,742,453	4,744,441 ₩	3,264,680 ₩	3,262,217
	₩ 134,585,967 ₩	134,582,400 ₩	125,641,438 ₩	125,385,565

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

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

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

(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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 343,910	₩ 5,436,502	₩ 1,443,477	₩ 7,223,889
Financial assets at fair value through other comprehensive income	3,497,596	3,541,810	148,456	7,187,862
Loans receivables at FVTPL	-	-	51,250	51,250
Derivative assets	-	123,843	9,846	133,689
	<u>₩ 3,841,506</u>	<u>₩ 9,102,155</u>	<u>₩ 1,653,029</u>	<u>₩ 14,596,690</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ 178,149	₩ -	₩ 930,713	₩ 1,108,862
Derivative liabilities	-	83,798	38,334	122,132
	<u>₩ 178,149</u>	<u>₩ 83,798</u>	<u>₩ 969,047</u>	<u>₩ 1,230,994</u>
<i>(In millions of Korean won)</i>	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
	<u>₩ 2,439,925</u>	<u>₩ 6,104,247</u>	<u>₩ 1,734,601</u>	<u>₩ 10,278,773</u>
Financial liabilities:				
Financial liabilities at FVTPL	₩ 266,502	₩ -	₩ 584,160	₩ 850,662
Derivative liabilities	307	148,027	45,855	194,189
	<u>₩ 266,809</u>	<u>₩ 148,027</u>	<u>₩ 630,015</u>	<u>₩ 1,044,851</u>

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

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

		2023		
<i>(In millions of Korean won)</i>		Fair value	Valuation techniques	Input variables
Financial assets:				
Financial assets at fair value through profit or loss				
Debt securities	₩	4,522,848	DCF Model	Discount rate
Other securities		913,654	DCF Model, Net Asset Value Method and Monte Carlo Simulation	Discount rate, value of underlying assets, volatility
Financial assets at fair value through other comprehensive income				
Debt securities		3,541,810	DCF Model	Discount rate
Derivative assets		123,843	DCF Model and 1-factor Gaussian Copular model	Interest rate, discount rate, exchange rate, credit spread of reference entity, etc.
Financial liabilities:				
Derivative liabilities	₩	83,798	DCF Model and 1-factor Gaussian Copular model	Interest rate, discount rate, exchange rate, credit spread of reference entity, etc.
		2022		
<i>(In millions of Korean won)</i>		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 and 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

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

The valuation techniques, input variables and range of significant unobservable input variables of Level 3 financial instruments, which are subsequently measured at fair value, as of December 31, 2023 and 2022 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				
	2023				
Financial assets					
Financial assets at FVTPL	₩ 1,443,477				
Equity securities	217,781	Net Asset Value Method, DCF Model, Binomial Trees, Hull & White / G2++ and Least Square Monte Carlo Simulation ("LSMC")	Value of underlying assets Discount rate: 16.17% Volatility: 0.61%-76.22% Growth rate: 0.00%	Fair value increases (decreases) when value of underlying assets increases (decreases), discount rate decreases (increases), growth rate increases (decreases) or volatility increases (decreases)	
Debt securities	114,761	LSMC	Volatility: 14.23%-53.75%	Fair value increases (decreases) when volatility increases (decreases)	
Other securities	1,110,935	Net Asset Value Method, Dividend Discount Model, Free Cash Flow Equity Model, Binomial Trees, Market Value Approach and LSMC	Value of underlying assets Discount rate: 3.07%-125.11% Volatility: 0.54%-52.74% Growth rate: 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)	
Financial assets at fair value through other comprehensive income	148,456				
Equity securities	148,456	Net Asset Value Method, Free Cash Flow Equity Model, Dividend Discount Model, Comparable Company Analysis and DCF Model	Value of underlying assets Discount rate: 9.25%-17.54% Growth rate: 0.00%-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	51,250				

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<i>(In millions of Korean won)</i>	Fair value	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and fair value
	2023			
Hybrid (combined) instruments	51,250	Binomial Trees	Volatility: 19.99%-61.28% Discount rate: 5.33%-21.21%	Fair value increases (decreases) when volatility increases (decreases) or discount rate decreases (increases)
Derivative assets	9,846	Binomial Trees and LSMC	Volatility: 0.00%-99.00% Discount rate : 3.70%-3.80% Correlation coefficient:-0.99-0.99	Fair value increases (decreases) when volatility increases (decreases) or correlation coefficient increases (decreases)
Financial liability				
Financial liabilities at FVTPL	930,713	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	38,334	Binomial Trees and LSMC	Volatility: 0.00%-99.00% Discount rate: 3.70%-3.80% Correlation coefficient: -0.99-0.99	Fair value increases (decreases) when volatility increases (decreases), discount rate decreases (increases) or correlation coefficient increases (decreases)
<i>(In millions of Korean won)</i>	Fair value	Valuation techniques	Range of significant unobservable inputs	Relationship between significant unobservable inputs and 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	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),

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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			
		Discount Model and Binomial Trees		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			
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 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)

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

The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of Level 3 financial instruments for each of the two years in the period ended December 31, 2023:

(In millions of Korean won)		2023							
		Profit (loss) for the year				Other comprehensive income			
		Favourable changes		Unfavourable changes		Favourable changes		Unfavourable changes	
Financial assets:									
Financial assets at FVTPL ^{1, 5}	₩	4,842	₩	(3,974)	₩	-	₩	-	
Financial assets at fair value through other comprehensive income ¹		-		-		3,334		(1,928)	
Loans receivables at FVTPL ²		351		(347)		-		-	
Derivative assets ³		39		(53)		-		-	
Financial liabilities:									
Financial liabilities at FVTPL ⁴		(144)		202		-		-	
Derivative liabilities ³		6,872		(6,917)		-		-	
	₩	11,960	₩	(11,089)	₩	3,334	₩	(1,928)	

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

(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 at FVTPL ⁴	25	(18)	-	-
Derivative liabilities ³	6,277	(6,282)	-	-
	₩ 14,228	₩ (12,864)	₩ 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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6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

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

<i>(In millions of Korean won)</i>	2023					
	Financial assets at FVTPL	Financial assets at fair value through other comprehensive income	Loans receivables at FVTPL	Derivative assets	Derivative liabilities	Financial liabilities at FVTPL
Beginning balance	₩ 1,514,228	₩ 157,313	₩ 62,105	₩ 955	₩ 45,855	₩ 584,160
Total profit or loss:						
Amount recognized in profit or loss ¹	24,409	-	(2,903)	6,239	(13,707)	38,313
Amount recognized in other comprehensive income	-	(9,100)	-	-	-	303
Purchases	539,817	276	-	3,541	7,603	1,894,978
Sales	(342,521)	(33)	(7,952)	(889)	(1,417)	(1,587,041)
Other changes:						
Transfer into other levels ²	(8,535)	-	-	-	-	-
Reclassification	(283,921)	-	-	-	-	-
Ending balance	₩ 1,443,477	₩ 148,456	₩ 51,250	₩ 9,846	₩ 38,334	₩ 930,713

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, 2023, are as follows:

<i>(In millions of Korean won)</i>	Financial assets at FVTPL	Loans receivables at FVTPL	Derivatives	Financial liabilities at FVTPL	Total
Profit(loss) for the year	₩ 24,409	₩ (2,903)	₩ 19,946	₩ (38,313)	₩ 3,139
Change in unrealized gain(loss)	27,882	(1,289)	19,933	(9,266)	37,260

² It moved from Level 3 to Level 1 due to listing of equity securities during the year ended December 31, 2023.

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

(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 at FVTPL
Beginning balance	₩ 1,393,898	₩ 169,597	₩ 66,565	₩ 1,346	₩ 3,862	₩ 92,201
Total profit or loss:						
Amount recognized in profit or loss ¹	(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 at FVTPL	Total
Loss for the year	₩ (27,946)	₩ (11,641)	₩ (41,529)	₩ (9,535)	₩ (90,651)
Change in unrealized gain(loss)	(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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6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

(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, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and deposits	₩ 512,895	₩ 4,846,215	₩ -	₩ 5,359,110
Loans and receivables	-	124,561	112,653,974	112,778,535
Financial assets at amortized cost	1,115,554	7,940,819	-	9,056,373
	<u>₩ 1,628,449</u>	<u>₩ 12,911,595</u>	<u>₩ 112,653,974</u>	<u>₩ 127,194,018</u>
Financial liabilities:				
Deposit liabilities	₩ -	₩ 17,605,094	₩ 89,203,508	₩ 106,808,602
Borrowings	1,465,285	1,732,782	5,573,424	8,771,491
Debentures	-	13,026,872	-	13,026,872
Other financial liabilities	-	-	4,744,441	4,744,441
	<u>₩ 1,465,285</u>	<u>₩ 32,364,748</u>	<u>₩ 99,521,373</u>	<u>₩ 133,351,406</u>

(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	106,949,319	106,952,579
Financial assets at amortized cost	381,246	8,401,924	-	8,783,170
	<u>₩ 1,025,495</u>	<u>₩ 13,973,817</u>	<u>₩ 106,949,319</u>	<u>₩ 121,948,631</u>
Financial liabilities:				
Deposit liabilities	₩ -	₩ 18,167,248	₩ 83,252,217	₩ 101,419,465
Borrowings	358,924	1,134,360	6,132,812	7,626,096
Debentures	-	12,032,936	-	12,032,936
Other financial liabilities	-	448	3,261,769	3,262,217
	<u>₩ 358,924</u>	<u>₩ 31,334,992</u>	<u>₩ 92,646,798</u>	<u>₩ 124,340,714</u>

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

The valuation techniques and input variables of Level 2 financial instruments, subsequently not measured at fair value, as of December 31, 2023 and 2022 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.

<i>(In millions of Korean won)</i>	Fair value		Valuation techniques	Input variables
	2023	2022		
Financial assets:				
Debt securities	₩ 7,940,819	₩ 8,401,924	DCF Model	Discount rate
Financial liabilities:				
Deposit liabilities	₩ 17,605,094	₩ 18,167,248	DCF Model	Discount rate
Borrowings	1,732,782	1,134,360	DCF Model	Discount rate
Debentures	13,026,872	12,032,936	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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	Fair value		Valuation techniques	Input variables
	2023	2022		
Financial assets:				
Loans and receivables	₩ 112,645,193	₩ 106,949,319	DCF Model	Discount rate and early repayment rate
Financial liabilities:				
Deposit liabilities	₩ 89,203,508	₩ 83,252,217	DCF Model	Discount rate
Borrowings	5,573,424	6,132,812	DCF Model	Discount rate
Other financial liabilities	4,744,441	3,261,769	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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6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES: (cont'd)

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

(In millions of Korean won)

	2023		2022	
	Book amount of transferred assets	Book amount of related liabilities	Book amount of transferred assets	Book amount of related liabilities
Securities sold under repurchase agreement	₩ 2,352,065	₩ 2,468,344	₩ 878,290	₩ 726,761
Loaned securities	1,520,342	-	1,638,116	-
Liquidated financial assets	642,590	683,434	633,047	683,932
	<u>₩ 4,514,997</u>	<u>₩ 3,151,778</u>	<u>₩ 3,149,453</u>	<u>₩ 1,410,693</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, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023					
	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	₩ 133,689	₩ -	₩ 133,689	₩ 327,574	₩ -	₩ 146,787
Receivable spot exchanges	340,672	-	340,672			
Bonds purchased under resale agreement	30,000	-	30,000	30,000	-	-
Domestic exchange uncollected	2,146,139	1,951,143	194,996	-	-	194,996
Securities-related receivable	77,148	17,427	59,720	-	-	59,721
	<u>₩ 2,727,648</u>	<u>₩ 1,968,570</u>	<u>₩ 759,077</u>	<u>₩ 357,574</u>	<u>₩ -</u>	<u>₩ 401,503</u>

(In millions of Korean won)

	2023					
	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	₩ 122,132	₩ -	₩ 122,132	₩ 271,051	₩ -	₩ 167,375
Payable spot exchanges	316,294	-	316,294			
Bonds sold under repurchase agreement	2,468,344	-	2,468,344	2,468,344	-	-
Securities sold	178,149	-	178,149	178,149	-	-
Domestic currency exchange payables	2,209,221	1,951,143	258,078	-	-	258,078
Securities-related payables	75,861	17,427	58,434	-	-	58,434
	<u>₩ 5,370,001</u>	<u>₩ 1,968,570</u>	<u>₩ 3,401,431</u>	<u>₩ 2,917,544</u>	<u>₩ -</u>	<u>₩ 483,887</u>

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

(In millions of Korean won)

(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
	₩	3,213,472	₩	1,912,671	₩	1,300,801	₩	760,388	₩	5,400	₩	535,013

(In millions of Korean won)

(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
	₩	3,643,379	₩	1,912,671	₩	1,730,708	₩	1,328,309	₩	16,363	₩	386,036

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

(g) Financial instruments by category

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

(In millions of Korean won)

	2023				
	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortized cost	Derivative assets as hedges	Net amount
Financial assets:					
Cash and deposits	₩ -	₩ -	₩ 5,359,110	₩ -	₩ 5,359,110
Securities at FVTPL	7,223,889	-	-	-	7,223,889
Derivatives assets	-	-	-	133,689	133,689
Loans receivables at FVTPL	51,250	-	-	-	51,250
Loans receivables at amortized cost	-	-	110,806,624	-	110,806,624
Securities at FVOCI	-	7,187,862	-	-	7,187,862
Securities at amortized cost	-	-	9,220,251	-	9,220,251
	₩ 7,275,139	₩ 7,187,862	₩ 125,385,985	₩ 133,689	₩139,982,675

(In millions of Korean won)

	2023				
	Financial liabilities at FVTPL	Financial liabilities at FVOCI	Financial liabilities at amortized cost	Derivative liabilities as hedges	Net amount
Financial Liabilities:					
Deposit liabilities	₩ -	₩ -	₩ 106,761,234	₩ -	₩106,761,234
Financial liabilities at FVTPL	178,149	930,713	-	-	1,108,862
Borrowings	-	-	8,815,876	-	8,815,876
Debentures	-	-	13,035,410	-	13,035,410
Derivative liabilities	-	-	-	122,132	122,132
Others ¹	-	-	4,742,453	-	4,742,453
	₩ 178,149	₩ 930,713	₩ 133,354,973	₩ 122,132	₩134,585,967

¹ Other financial liabilities include accounts payables and accrued expenses.

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

(In millions of Korean won)

	2022				
	Financial assets at FVTPL	Financial assets at FVOCI	Financial assets at amortized cost	Derivative assets as hedges	Net amount
Financial Assets:					
Cash and deposits	₩ -	₩ -	₩ 6,212,882	₩ -	₩ 6,212,882
Securities at FVTPL	4,954,903	-	-	-	4,954,903
Derivatives assets	-	-	-	168,679	168,679
Loans receivables at FVTPL	62,105	-	-	-	62,105
Loans receivables at amortized cost	-	-	106,217,007	-	106,217,007
Securities at fair value through other comprehensive income	-	5,093,086	-	-	5,093,086
Securities at amortized cost	-	-	9,234,752	-	9,234,752
	<u>₩ 5,017,008</u>	<u>₩ 5,093,086</u>	<u>₩ 121,664,641</u>	<u>₩ 168,679</u>	<u>₩131,943,414</u>

(In millions of Korean won)

	2022				
	Financial liabilities at FVTPL	Financial liabilities at FVOCI	Financial liabilities at amortized cost	Derivative liabilities as hedges	Net amount
Financial Liabilities:					
Deposit liabilities	₩ -	₩ -	₩ 101,470,361	₩ -	₩101,470,361
Financial liabilities at FVTPL	266,502	584,160	-	-	850,662
Borrowings	-	-	7,716,089	-	7,716,089
Debentures	-	-	12,145,457	-	12,145,457
Derivative liabilities	-	-	-	194,189	194,189
Others ¹	-	-	3,264,680	-	3,264,680
	<u>₩ 266,502</u>	<u>₩ 584,160</u>	<u>₩ 124,596,587</u>	<u>₩ 194,189</u>	<u>₩125,641,438</u>

¹ Other financial liabilities include accounts payables and accrued expenses.

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7. CASH AND DUE FROM BANKS:

Cash and cash equivalents as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		2023		2022
Cash and cash equivalents:				
Cash	₩	404,308	₩	490,733
Foreign currencies		108,587		153,516
Due from the Bank of Korea		3,191,639		4,484,111
Time deposits		372,487		224,446
Other deposits		310,735		114,045
Deposits in foreign currencies		582,704		427,880
	₩	<u>4,970,460</u>	₩	<u>5,894,731</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, 2023 and 2022 consists of the following:

<i>(In millions of Korean won)</i>	Financial institution		2023		2022
Due from banks in local currency:					
Due from consigned transaction	Korea Exchange ("KRX")	₩	41,259	₩	57,030
Others	Woori Bank and others		<u>274,523</u>		<u>206,303</u>
			<u>315,782</u>		<u>263,333</u>
Due from banks in foreign currencies:					
Offshore due from banks	Wells Fargo		1,286		1,266
Others	The People's Bank of China and others		<u>71,582</u>		<u>53,552</u>
			<u>72,868</u>		<u>54,818</u>
		₩	<u>388,650</u>	₩	<u>318,151</u>

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7. CASH AND DUE FROM BANKS: (cont'd)

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

<i>(In millions of Korean won)</i>	Financial institution	2023	2022	Reason for restriction
Cash and cash equivalents				
Reserve deposits in Korean won	The BOK	₩ 3,514,050	₩ 4,399,794	Article 55 of the Bank of Korea Act
Reserve deposits in foreign currencies	The BOK	82,881	84,317	Article 55 of the Bank of Korea Act
Demand deposits in foreign currencies	The State Bank of Vietnam	8,724	3,463	Payment reserves
Other deposits in Foreign Currencies	The State Bank of Vietnam	517	442	Payment reserves
		<u>3,606,172</u>	<u>4,488,016</u>	
Due from banks				
Due from banks in Korean won	The Korea Securities Finance Corporation	157,463	67,110	Deposits from investors and others
	Korea Federation of Savings Banks and others	55,696	10,095	Reserve deposits and others
	Korea Securities Depository and others	140	44,453	Deposits to performance guarantees
	KRX and others	56,192	44,002	Collective fund for default losses and others
	Seoul Guarantee Insurance Company	66	-	Collateral for provisional attachment
		<u>269,557</u>	<u>165,660</u>	
Due from banks in foreign currencies	KRX and others	8,617	5,092	Reserve deposits and others
	The People's Bank of China and others	6,169	13,112	Reserve deposits for overseas affiliates and others
		<u>14,786</u>	<u>18,204</u>	
		<u>₩ 3,890,515</u>	<u>₩ 4,671,880</u>	

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8. FINANCIAL ASSETS AT FVTPL:

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

<i>(In millions of Korean won)</i>	2023		2022	
Equity securities	₩	355,989	₩	245,322
Government and public bonds		405,953		181,384
Finance bonds		747,157		210,501
Corporate bonds		3,060,065		1,655,601
Other debt securities		553,250		636,812
Beneficiary certificates		1,322,524		1,304,083
Others		778,951		721,200
	₩	<u>7,223,889</u>	₩	<u>4,954,903</u>

9. FINANCIAL ASSETS AT FVOCI:

Financial assets at fair value through other comprehensive income as of December 31, 2023 and 2022 consist of the following:

(In millions of Korean won)	2023		2022	
Equity securities ¹:				
Stock	₩	158,192	₩	165,079
Investment and others		980		980
		<u>159,172</u>		<u>166,059</u>
Debt securities:				
Government and public bonds		2,219,638		1,063,015
Finance bonds		942,839		650,308
Corporate bonds		2,442,873		1,837,042
Loans in securities		1,423,340		1,376,662
		<u>7,028,690</u>		<u>4,927,027</u>
	₩	7,187,862	₩	5,093,086

¹ The above equity securities are held for strategic purposes rather than short-term trading and designated as financial assets at fair value through other comprehensive income, accordingly.

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9. FINANCIAL ASSETS AT FVOCI: (cont'd)

Changes in the carrying amounts of debt securities among financial assets at fair value through other comprehensive income for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 4,927,027	₩ -	₩ -	₩ 4,927,027
Acquisition	3,902,629	-	-	3,902,629
Repayment/Disposal	(1,984,789)	-	-	(1,984,789)
Loss on valuation of fair value	174,317	-	-	174,317
Amortization of effective interest	7,315	-	-	7,315
Exchange differences	2,191	-	-	2,191
Ending balance	₩ 7,028,690	₩ -	₩ -	₩ 7,028,690

(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
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

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9. FINANCIAL ASSETS AT FVOCI: (cont'd)

Dividend income recognized from equity securities designated as an item measured at fair value through other comprehensive income for each of the two years in the period ended December 31, 2023 is as follows:

(In millions of Korean won)

	2023		2022	
	Derecognized equity securities	Equity securities on hand	Derecognized equity securities	Equity securities on hand
General stocks:				
Marketable stocks	₩ -	₩ -	₩ -	₩ -
Non-marketable stocks	402	3,871	3,442	877
	₩ 402	₩ 3,871	₩ 3,442	₩ 877

Derecognized equity securities at fair value through other comprehensive income for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023		2022	
	Disposal	Accumulated gain (loss) on valuation at disposal date	Disposal	Accumulated gain (loss) on valuation at disposal date
General stocks ¹ :				
Marketable stocks	₩ -	₩ -	₩ -	₩ -
Non-marketable stocks	(77)	(89)	38	38
	₩ (77)	₩ (89)	₩ 38	₩ 38

¹ The disposal is due to the retirement of shares without consideration as a result of the authorization for rehabilitation of the investee company.

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10. FINANCIAL ASSETS AT AMORTIZED COST:

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

<i>(In millions of Korean won)</i>	2023		2022	
Debt securities:				
Government and public bonds	₩	4,073,102	₩	3,784,460
Finance bonds		977,143		1,014,863
Corporate bonds		4,076,291		4,177,017
Loans in securities		97,003		261,454
Provision for impairment		(3,288)		(3,042)
	₩	<u>9,220,251</u>	₩	<u>9,234,752</u>

Changes in the carrying amounts of financial assets at amortized cost for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In millions of Korean won)</i>	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 9,237,794	₩ -	₩ -	₩ 9,237,794
Acquisition	1,372,245	-	-	1,372,245
Repayment/Disposal	(1,432,382)	-	-	(1,432,382)
Amortization of effective interest	43,038	-	-	43,038
Exchange differences	3,089	-	-	3,089
Others	(246)	-	-	(246)
Ending balance	₩ 9,223,538	₩ -	₩ -	₩ 9,223,538

<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	₩ 9,237,794	₩ -	₩ -	₩ 9,237,794

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11. ASSETS PROVIDED AS COLLATERAL:

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

(In millions of Korean won)

		Face value		Reason
	Provided to	2023		
Financial assets at FVTPL	Korea Securities Depository	₩ 1,841,540		Sold under repurchase agreements
	Korea Securities Finance Corp and others	478,253		Lending transaction
	Korea Securities Finance Corp	86		Margin loans
	Korea Investment & Securities and others	52,361		OTC derivatives transaction
Financial assets at fair value through other comprehensive income	Korea Securities Depository	164,731		Sold under repurchase agreements
	KRX	14,548		Substitute securities
	Nomura Finance Investment and others	27,785		Sold under repurchase agreements
	Bank of Korea	619,607		Borrowing collateral and overdraft and settlement
	Standard Chartered Bank and others	38,241		Collateral for OTC derivatives
	Societe Generale Bank	19,186		Collateral for Credit Support Annex
Financial assets at amortized cost	Korea Securities Depository	318,009		Sold under repurchase agreements
	Bank of Korea	2,156,085		Borrowing collateral and overdraft and settlement
	Korea Securities Depository	101		Collective fund for default losses
	Standard Chartered Bank and others	73,769		Foreign borrowings, Collateral for Credit Support Annex and others
	Eugene Investment & Futures Co., Ltd. and others	8,721		Margin for futures and others
	₩	<u>5,813,023</u>		

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11. ASSETS PROVIDED AS COLLATERAL: (cont'd)

(In millions of Korean won)

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

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11. ASSETS PROVIDED AS COLLATERAL: (cont'd)

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

(In millions of Korean won)

(In millions of Korean won)		2023		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	15,293	₩ 1,460
	Building		10,853	
		₩	26,146	
Investment properties	Land	₩	25,069	
	Building		3,933	
		₩	29,002	

(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	

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

(In millions of Korean won)

(In millions of Korean won)		2023		Maximum amount
		Secured assets	Carrying amount	
Property and equipment	Land	₩	104,608	₩ 482,760
	Building		39,509	
		₩	144,117	
Investment properties	Land	₩	365,844	
	Building		129,384	
		₩	495,228	

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11. ASSETS PROVIDED AS COLLATERAL: (cont'd)

(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	

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12. LOANS AND RECEIVABLES:

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

(In millions of Korean won)

	2023			2022		
	Amortized cost	Fair value	Total	Amortized cost	Fair value	Total
Loans receivable:						
Loans in Korean won:						
Corporates	₩ 68,761,025	₩ -	₩ 68,761,025	₩ 65,649,093	₩ -	₩ 65,649,093
Household	34,983,108	-	34,983,108	32,075,684	-	32,075,684
Public sector and others	2,211,975	-	2,211,975	1,954,155	-	1,954,155
Interbank loans	96,170	-	96,170	96,573	-	96,573
	<u>106,052,278</u>	<u>-</u>	<u>106,052,278</u>	<u>99,775,505</u>	<u>-</u>	<u>99,775,505</u>
Loans in foreign currencies	1,550,754	-	1,550,754	1,824,291	-	1,824,291
Call loans	486,142	-	486,142	824,373	-	824,373
Bills bought in local currency	980	-	980	31,639	-	31,639
Bills bought in foreign currencies	153,661	-	153,661	195,690	-	195,690
Advances for customers	1,834	-	1,834	1,020	-	1,020
Credit card receivables	846,549	-	846,549	842,558	-	842,558
Bonds purchased under repurchase agreement	30,000	-	30,000	360,000	-	360,000
Privately placed bonds	609,540	51,250	660,790	806,468	62,105	868,573
Finance lease receivables	461,909	-	461,909	489,573	-	489,573
Installment financing receivables	<u>441,129</u>	<u>-</u>	<u>441,129</u>	<u>417,415</u>	<u>-</u>	<u>417,415</u>

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12. LOANS AND RECEIVABLES: (cont'd)

	110,634,776	51,250	110,686,026	105,568,532	62,105	105,630,637
Provision for impairment of loans receivable ¹	(1,471,567)	-	(1,471,567)	(1,042,558)	-	(1,042,558)
Deferred loan origination fees	(12,677)	-	(12,677)	(11,212)	-	(11,212)
Deferred loan origination costs	181,182	-	181,182	184,570	-	184,570
	<u>109,331,714</u>	<u>51,250</u>	<u>109,382,964</u>	<u>104,699,332</u>	<u>62,105</u>	<u>104,761,437</u>
Receivables:						
Suspense payments	2,466	-	2,466	1,331	-	1,331
Non-trade receivable ²	496,492	-	496,492	534,601	-	534,601
Domestic exchange settlement debits	194,996	-	194,996	325,867	-	325,867
Guarantee deposits provided	252,111	-	252,111	255,056	-	255,056
Accrued income	601,327	-	601,327	485,441	-	485,441
Deposits under regulation	2,556	-	2,556	616	-	616
Bills unsettled	812	-	812	104	-	104
Other	173	-	173	110	-	110
	<u>1,550,933</u>	<u>-</u>	<u>1,550,933</u>	<u>1,603,126</u>	<u>-</u>	<u>1,603,126</u>
Provision for impairment of receivables ²	(65,460)	-	(65,460)	(73,755)	-	(73,755)
Present value discounts (leasehold deposits provided)	(10,563)	-	(10,563)	(11,696)	-	(11,696)
	<u>1,474,910</u>	<u>-</u>	<u>1,474,910</u>	<u>1,517,675</u>	<u>-</u>	<u>1,517,675</u>
Loans and receivables	<u>₩ 110,806,624</u>	<u>₩ 51,250</u>	<u>₩ 110,857,874</u>	<u>₩ 106,217,007</u>	<u>₩ 62,105</u>	<u>₩ 106,279,112</u>

¹ Includes present value discounts of ₩352 million and present value premium of ₩1,424 million as of December 31, 2023, and present value discounts of ₩6 million and present value premium of ₩518 million as of December 31, 2022, respectively.

² Due to the embezzlement of its employee that occurred in the period prior to the year ended December 31, 2023, the Group recognized receivables from illegal acts of ₩65,651 million and ₩65,651 million as of December 31, 2023 and 2022, respectively. Additionally, the Group established allowance for bad debts of ₩52,621 million and ₩65,651 million as of December 31, 2023 and 2022, respectively.

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12. LOANS AND RECEIVABLES: (cont'd)

The changes in the carrying amounts of loans and receivables for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 90,934,001	₩ 15,804,340	₩ 594,978	₩ 107,333,319
Transfer to 12 months' expected credit losses of financial assets	3,077,543	(3,065,393)	(12,150)	-
Transfer to expected lifetime credit losses	(6,654,910)	6,674,013	(19,103)	-
Transfer to credit-impaired financial assets	(421,327)	(261,717)	683,044	-
Amortization	-	-	(347,223)	(347,223)
Disposal	(14,014)	(2,426)	(457,386)	(473,826)
Exchange differences	(1,014)	-	-	(1,014)
Net increase	1,424,936	3,977,996	429,463	5,832,395
Ending balance	₩ 88,345,215	₩ 23,126,813	₩ 871,623	₩ 112,343,651

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 85,276,526	₩ 13,560,548	₩ 612,395	₩ 99,449,469
Transfer to 12 months' expected credit losses of financial assets	3,132,533	(3,130,107)	(2,426)	-
Transfer to expected lifetime credit losses	(4,865,703)	4,894,522	(28,819)	-
Transfer to credit-impaired financial assets	(261,733)	(148,033)	409,766	-
Amortization	-	-	(253,051)	(253,051)
Disposal	-	(1,369)	(290,341)	(291,710)
Exchange differences	(6,236)	-	-	(6,236)
Net increase	7,658,614	628,779	147,454	8,434,847
Ending balance	₩ 90,934,001	₩ 15,804,340	₩ 594,978	₩ 107,333,319

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12. LOANS AND RECEIVABLES: (cont'd)

The changes in deferred loan origination fees and costs for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023			
	Beginning balance	Increase	Decrease	Ending balance
Deferred loan origination fees	₩ (11,212)	₩ (11,616)	₩ 10,150	₩ (12,678)
Deferred loan origination costs	184,570	111,046	(114,436)	181,180
	<u>₩ 173,358</u>	<u>₩ 99,430</u>	<u>₩ (104,286)</u>	<u>₩ 168,502</u>

(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>

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13. PROVISION FOR IMPAIRMENT:

Changes in provision for impairment of loans and receivables for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 337,822	₩ 456,511	₩ 321,980	₩ 1,116,313
Transfer to 12 months' expected credit losses of financial assets	46,515	(44,233)	(2,282)	-
Transfer to expected lifetime credit losses	(52,434)	57,863	(5,429)	-
Transfer to credit-impaired financial assets	(43,189)	(91,954)	135,143	-
Written off during the year as uncollectible	-	-	(347,223)	(347,223)
Decrease in provision due to sales of loans	(10,810)	(1,781)	(124,455)	(137,046)
Financial assets issued or acquired	-	-	65,703	65,703
Changes from adjustments to receivables and payables	-	-	(268)	(268)
Exchange differences	24	12	25	61
Other	21	(1)	(14,237)	(14,217)
	<u>277,949</u>	<u>376,417</u>	<u>28,957</u>	<u>683,323</u>
Additional provision for impaired receivables during the year	170,001	303,543	380,160	853,704
Ending balance	₩ 447,950	₩ 679,960	₩ 409,117	₩ 1,537,027

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13. PROVISION FOR IMPAIRMENT: (cont'd)

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 305,682	₩ 303,769	₩ 222,246	₩ 831,697
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	(33,774)	(52,984)	86,758	-
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	-	-	(177)	(177)
Exchange differences	177	66	42	285
Other	(1,372)	-	(4,501)	(5,873)
	<u>283,902</u>	<u>251,567</u>	<u>2,491</u>	<u>537,960</u>
Additional provision for impaired receivables during the year	<u>53,920</u>	<u>204,944</u>	<u>319,489</u>	<u>578,353</u>
Ending balance	<u>₩ 337,822</u>	<u>₩ 456,511</u>	<u>₩ 321,980</u>	<u>₩ 1,116,313</u>

The percentage of provision for impairment of loans and receivables as of December 31, 2023 and 2022 is as follows:

(In millions of Korean won)

	2023	2022
Loans and receivables	₩ 112,343,651	₩ 107,333,319
Provision for impairment	<u>1,537,027</u>	<u>1,116,313</u>
Percentage of provision for impairment (%)	<u>1.37%</u>	<u>1.04%</u>

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13. PROVISION FOR IMPAIRMENT: (cont'd)

Changes in provision for impairment for financial assets at fair value through other comprehensive income for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023					
	Twelve months' expected credit losses		Lifetime expected credit losses		Total	
			Unrecognized impairment	Recognized impairment		
Beginning balance	₩	1,476	₩	-	₩	1,476
Decrease in provision from sales		(12)		-		(12)
Contribution to provision for impairment		1,215		-		1,215
Ending balance	₩	2,679	₩	-	₩	2,679

(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

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13. PROVISION FOR IMPAIRMENT: (cont'd)

Changes in provision for impairment for securities at amortized cost for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 3,042	₩ -	₩ -	₩ 3,042
Contribution to provision for impairment	246	-	-	246
Ending balance	₩ 3,288	₩ -	₩ -	₩ 3,288

(In millions of Korean won)

	2022			
	Twelve months' expected credit losses	Lifetime expected credit losses		Total
		Unrecognized impairment	Recognized impairment	
Beginning balance	₩ 3,326	₩ -	₩ -	₩ 3,326
Reversal of provision for impairment	(284)	-	-	(284)
Ending balance	₩ 3,042	₩ -	₩ -	₩ 3,042

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14. FINANCIAL LEASE RECEIVABLES:

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

<i>(In millions of Korean won)</i>		2023	2022
Lease receivables	₩	461,909 ₩	489,573
Provision for impairment		(3,061)	(2,451)
Deferred origination fees		(569)	(561)
Deferred origination costs		1,308	316
	₩	<u>459,587 ₩</u>	<u>486,877</u>

The total investment of finance leases and present value of minimum lease payments as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		2023		2022	
		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	₩	218,031 ₩	196,285 ₩	260,620 ₩	247,378 ₩
1 year-2 years		134,425	121,018	116,427	109,554
2 years-3 years		89,832	80,872	77,804	73,211
3 years-5 years		66,491	59,859	57,588	54,188
More than 5 years		4,280	3,853	5,547	5,221
	₩	<u>513,059</u>	<u>461,887 ₩</u>	<u>517,986 ₩</u>	<u>489,552 ₩</u>

The difference between net investment in finance leases and total investment as of December 31, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>		2023	2022
Total investment of leases	₩	513,059 ₩	517,986 ₩
Net investment in finance leases:			
Present value of minimum lease payments		461,909	489,573
Unrealized interest	₩	<u>51,150 ₩</u>	<u>28,413 ₩</u>

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING:

The notional amounts outstanding for derivative contracts as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			2022		
	Trading	Hedging	Total	Trading	Hedging	Total
Currency:						
Currency forwards ¹	₩ 4,467,188	₩ -	₩ 4,467,188	₩ 3,901,577	₩ -	₩ 3,901,577
Long currency futures ²	6,447	-	6,447	48,930	-	48,930
Short currency futures ²	-	-	-	268,097	-	268,097
Long currency options	923,375	-	923,375	1,155,886	-	1,155,886
Short currency options	949,163	-	949,163	1,257,270	-	1,257,270
	<u>6,346,173</u>	<u>-</u>	<u>6,346,173</u>	<u>6,631,760</u>	<u>-</u>	<u>6,631,760</u>
Interest rate:						
Interest rate swaps ¹	2,722,420	392,350	3,114,770	1,559,578	386,825	1,946,403
Interest rate futures ²	319,177	-	319,177	173,416	-	173,416
Interest rate forwards	90,000	-	90,000	-	-	-
	<u>3,131,597</u>	<u>392,350</u>	<u>3,523,947</u>	<u>1,732,994</u>	<u>386,825</u>	<u>2,119,819</u>
Stock:						
Stock futures ²	115,586	-	115,586	272,427	-	272,427
Stock options	926	-	926	1,881,358	-	1,881,358
Stock Swaps	111,170	-	111,170	6,971	-	6,971
	<u>227,682</u>	<u>-</u>	<u>227,682</u>	<u>2,160,756</u>	<u>-</u>	<u>2,160,756</u>
Credit derivatives:						
Credit Swaps	1,344,700	-	1,344,700	1,333,650	-	1,333,650
	<u>1,344,700</u>	<u>-</u>	<u>1,344,700</u>	<u>1,333,650</u>	<u>-</u>	<u>1,333,650</u>
Other derivatives:						
Other derivative instrument options	143	-	143	-	-	-
	<u>143</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>-</u>	<u>-</u>
	₩ <u>11,050,295</u>	₩ <u>392,350</u>	₩ <u>11,442,645</u>	₩ <u>11,859,160</u>	₩ <u>386,825</u>	₩ <u>12,245,985</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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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

The valuation of derivatives for trading as of December 31, 2023 and 2022 is as follows:

(In millions of Korean won)

	2023			
	Valuation gain	Valuation loss	Assets	Liabilities
Currency:				
Currency forwards	₩ 40,912	₩ 38,239	₩ 50,774	₩ 43,176
Currency options	6,231	4,764	3,520	4,125
	47,143	43,003	54,294	47,301
Interest rate:				
Interest rate forwards	3	1	153	-
Interest rate swaps	9,331	8,713	33,746	31,272
	9,334	8,714	33,899	31,272
Stock:				
Stock options	2,878	1,160	10,302	6,201
Stock swaps	25	-	890	-
	2,903	1,160	11,192	6,201
Credit:				
Credit swaps	16,611	19,173	34,147	4,779
	16,611	19,173	34,147	4,779
Other derivative assets:				
Other derivative instrument options	-	1	157	-
	-	1	157	-
	₩ 75,991	₩ 72,051	₩ 133,689	₩ 89,553

(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
	5,953	10,074	49,394	17,464
	₩ 134,753	149,624	168,679	149,017

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

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, 2023 and 2022 is as follows:

		2023			
		Valuation gain	Valuation loss	Assets	Liabilities
<i>(In millions of Korean won)</i>					
Interest rate:					
Interest rate swaps		₩ 13,116	₩ -	₩ -	₩ 32,579
		₩ 13,116	₩ -	₩ -	₩ 32,579
		2022			
		Valuation gain	Valuation loss	Assets	Liabilities
<i>(In millions of Korean won)</i>					
Interest rate:					
Interest rate swaps		₩ -	₩ 41,944	₩ -	₩ 45,172
		₩ -	₩ 41,944	₩ -	₩ 45,172

Gain (loss) on valuation of hedged items and hedging instrument for each of the two years in the period ended December 31, 2023 are as follows:

		2023	2022
<i>(In millions of Korean won)</i>			
Gain (loss) on valuation of hedging instrument	₩	13,116	₩ (41,944)
Gain (loss) on valuation of hedged items		(13,974)	41,603
	₩	(858)	₩ (341)

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

Amount, timing and uncertainty of future cash flows for each of the two years in the period ended December 31, 2023 are as follows:

		2023						
(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	₩	-	₩ -	₩ 322,350	₩ -	₩ -	₩ 70,000	₩ 392,350
Average hedge ratio (%)		-	-	100%	-	-	100%	100%
Risk hedges for net investments in foreign operation								
Nominal amount of risk hedge instrument	₩	₩ 115,401	₩ -	₩ -	₩ 215,331	₩ -	₩ -	₩ 330,732
Average hedge ratio (%)		100%	-	-	100%	-	-	100%
		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%

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

The current interest rates of hedging instruments as of December 31, 2023 and 2022 are as follows.

	2023	2022
Fair value risk hedges		
Interest rate:		
Foreign currency interest rate swap	Receive at fixed rate of 1.38% / Pay at LIBOR 3M	Receive at fixed rate of 1.38% / Pay at LIBOR 3M
	Receive at fixed rate of 1.367% / Pay at LIBOR 3M	Receive at fixed rate of 1.367% / Pay at LIBOR 3M
Korean won interest rate swap	Receive at fixed rate of 2.41% / Pay at CD(91D)+0.15%	Receive at fixed rate of 2.41% / Pay at CD(91D)+0.15%
	Receive at fixed rate of 1.91% / Pay at CD(91D)+0.15%	Receive at fixed rate of 1.91% / Pay at CD(91D)+0.15%

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

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, 2023 and 2022 are as follows:

(In millions of Korean won)		2023							
		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	₩	392,350	₩ 13,116	₩ -	₩ 32,579	₩ -	₩ 13,116	₩	-
Hedges for net investments in foreign operations:									
Currency risk hedge		330,731	1,857	-	-	330,731	-		1,388
	₩	723,081	₩ 14,973	₩ -	₩ 32,579	₩ 330,731	₩ 13,116	₩	1,388

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

(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:									
Currency 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.

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

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, 2023 and 2022 are as follows:

		2023						
(In millions of Korean won)		Statement of financial position				Statement of comprehensive income and statements of changes in equity		Reserve for foreign currency translation
	Nominal amount	Changes in fair value	Deposits received	Debentures	Profit or loss	Other comprehensive -ve income ¹		
Fair value risk hedges:								
Interest rate risk hedge	₩ 392,350	₩ (13,974)	₩ 58,186	₩ 301,987	₩ (13,974)	₩ -	₩ -	-
Hedges for net investments in foreign operations:	-	-	-	-	-	-	-	-
Currency risk hedge	330,731	15,210	-	-	(622)	2,871		21,174
	₩ 723,081	₩ 1,236	₩ 58,186	₩ 301,987	₩ (14,596)	₩ 2,871	₩	21,174

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

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

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

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15. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING: (cont'd)

The amounts and items recognized as profit or loss due to ineffective portion in fair value risk hedges for the year ended December 31, 2023, are as follows:

(In millions of Korean won)	Ineffective portion of risk hedges recognized as profit or loss				Items
	2023		2022		
Fair value risk hedges:					
Interest rate risk hedge	₩	(858)	₩	(341)	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 each of the two years in the period ended December 31, 2023.

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
	USD 3M LIBOR	₩ 396,491
	KRW 91D CD	70,000

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE:

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

(In millions of Korean won)

	December 31, 2023						
	Main business	Location	Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount	
Investments in associates:							
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	Trust and collective investment business	The Republic of Korea	December	20	₩ 12,034	₩ -	
ANDA H Mezzanine Private Investment Trust 11th	Financial investment	The Republic of Korea	December	25	6,050	7,319	
BNK Intervalue Technology Finance Investment Association No.1	Investment association	The Republic of Korea	December	34	12,700	11,526	
Shinhan Corporation General Private Securities Investment Trust 14th [bond]	Financial investment	The Republic of Korea	December	50	50,000	52,350	
NH-Amundi General Private Equity Investment Trust No.18 [bond]	Financial investment	The Republic of Korea	December	50	50,000	51,326	
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	Financial investment	The Republic of Korea	December	46	16,727	16,971	
Multi-Asset LNG General Private Equity Investment Trust No.5	Financial investment	The Republic of Korea	December	67	22,581	22,711	
Igis Ulsan New Port Infrastructure Private Investment Trust	Financial investment	The Republic of Korea	December	32	21,108	21,535	
Samsung Rafael Professional Investment Private Security Investment Trust No.1	Financial investment	The Republic of Korea	December	50	50,000	51,849	
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50	40,050	41,517	
Petra7alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	22	10,938	10,427	
KB Leaders ESG Professional Private Securities Investment Trust No.1	Financial investment	The Republic of Korea	December	49	20,434	20,677	
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	Financial investment	The Republic of Korea	December	50	50,000	52,180	
VI Repo General Private Securities Investment Trust No.8	Financial investment	The Republic of Korea	December	50	50,000	52,216	
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	Financial investment	The Republic of Korea	December	50	50,000	51,902	
igis housing platform no.1 professional investors' private real estate fund	Trust and collective investment	The Republic of Korea	December	20	12,060	13,401	

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	business						
BNK-T2021 Korea Support Venture Investment Association No. 1	Financial investment	The Republic of Korea	December	32	12,000	10,974	
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	Financial investment	The Republic of Korea	December	28	11,337	11,155	
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	Trust and collective investment business	The Republic of Korea	December	38	11,400	10,583	
BNK Corporate MMF No.1 (Stock) C	Financial investment	The Republic of Korea	December	23	163,384	165,400	
Hana Balance Professional Investment Private No. 1 (Mixed Bond)	Financial investment	The Republic of Korea	December	33	10,000	11,122	
NH-Amundi General Private Equity Investment Trust No.22 [bond]	Financial investment	The Republic of Korea	December	50	30,000	31,255	
Samsung Rafael General Investment Private Security Investment Trust No.8	Financial investment	The Republic of Korea	December	50	50,000	51,780	
Hanhwa A Professional Investment Private Security Investment Trust No.1(Bond)	Financial investment	The Republic of Korea	December	25	50,000	52,084	
Mirae Asset Triumph Professional Investment Private No. 2	Financial investment	The Republic of Korea	December	50	30,000	30,771	
Hi General Private Equity Securities Investment Trust No.32 (Bond)	Financial investment	The Republic of Korea	December	50	50,000	51,340	
DB Alpha Professional Investment Private No. 2 (Mixed Bond)	Financial investment	The Republic of Korea	December	33	10,000	10,299	
Shinhan IPO Maturity Matching Private Investment Trust No.2 [WithBonds]	Financial investment	The Republic of Korea	December	50	20,000	20,657	
Kiwoom Frontier General Private Securities Investment Trust 27th [bond]	Financial investment	The Republic of Korea	December	50	30,000	31,188	
Shinhan Corporation General Private Securities Investment Trust 19th [bond]	Financial investment	The Republic of Korea	December	50	30,000	30,890	
Kiwoom Frontier General Private Securities Investment Trust 29th [bond]	Financial investment	The Republic of Korea	December	33	30,000	30,855	
Samsung REPO General Private Equity Securities Investment Trust No. 1 (Bond)	Financial investment	The Republic of Korea	December	30	30,000	31,264	
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 19th [Bond]	Financial investment	The Republic of Korea	December	50	30,000	30,058	
KB Leaders General Investment Private Security Investment Trust No.33 [bond]	Financial investment	The Republic of Korea	December	30	30,000	30,013	
Multi-Asset ESG Marine Transportation Infra	Financial investment	The Republic of Korea	December	92	52,017	52,309	

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General Private Investment Trust No.1							
Hanwha A Professional Investment Private No. 120 (USD, bond)	Financial investment	The Republic of Korea	December	20	27,055	27,038	
Samsung Dollar S&B General Private Securities Investment Trust No.7(USD)(Bond)	Financial investment	The Republic of Korea	December	25	26,257	26,238	
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.45(USD) [Bond]	Financial investment	The Republic of Korea	December	50	25,975	25,957	
Daishin Sell&Buy Professional Investment Private No. 4 (USD, bond)	Financial investment	The Republic of Korea	December	50	25,790	25,800	
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 13th [Bond]	Financial investment	The Republic of Korea	December	25	50,000	52,388	
KB Leaders Professional Investment Private Security Investment Trust No.29 [bond]	Financial investment	The Republic of Korea	December	50	50,000	51,577	
Multi-Asset Hydrogen Infrastructure Professional Investment Private No. 1	Financial investment	The Republic of Korea	December	49	28,444	28,665	
Hyundai Investment Professional Investment Private Real Estate Investment Trust No.44	Trust and collective investment business	The Republic of Korea	December	23	18,305	18,301	
Others	Financial investment and others	The Republic of Korea		0.23~54.55	130,188	130,147	
					<u>₩ 1,536,834</u>	<u>₩ 1,558,015</u>	

BNK Financial Group INC. and its subsidiaries
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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

(In millions of Korean won)

(In millions of Korean won)	December 31, 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	12,700	12,096
ANDA H Mezzanine Private Investment Trust 11th	Financial investment	The Republic of Korea	December	25	14,000	14,048
Hana UBS Professional Investment Private Security Investment Trust No.7	Financial investment	The Republic of Korea	December	20	30,000	31,184
Shinhan Corporation General Private Securities Investment Trust 14th	Financial investment	The Republic of Korea	December	50	50,000	50,677
BNKREPOPLUS Professional Investment Private Trust No.1	Financial investment	The Republic of Korea	December	36	25,000	26,227
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 1st	Financial investment	The Republic of Korea	December	40	20,000	20,156
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 6th	Financial investment	The Republic of Korea	December	37	30,000	30,289
Kyobo-Axa Alpha Plus Professional Private Securities Investment Trust-J 8th	Financial investment	The Republic of Korea	December	50	30,000	30,083
VI Repo General Private Equity Securities Investment Trust No.9(Bond)	Financial investment	The Republic of Korea	December	50	30,000	30,445
DGB Professional Investment Private Security Investment Trust No.28(Bond)	Financial investment	The Republic of Korea	December	50	30,000	31,038
KB Leaders Professional Investment Private Security Investment Trust No.12(Bond)	Financial investment	The Republic of Korea	December	30	30,000	31,014
KB Leaders Professional Investment Private Security Investment Trust No.15(Bond)	Financial investment	The Republic of Korea	December	50	30,000	30,371
Samsung Rafael Professional Investment Private Security Investment Trust No.3	Financial investment	The Republic of Korea	December	50	50,000	50,708
NH-Amundi General Private Equity Investment Trust No.18	Financial investment	The Republic of Korea	December	50	30,000	30,482
Shinhan IPO Maturity Matching Private Investment Trust(WithBonds)	Financial investment	The Republic of Korea	December	30	50,000	52,133
Shinhan BNPP SGrail Professional Private Special Asset Fund No.1-2	Financial investment	The Republic of Korea	December	46	12,423	12,565
Multi-Asset LNG General Private Equity Investment Trust No.5	Financial investment	The Republic of Korea	December	67	25,318	25,462
Igis Ulsan New Port Infrastructure Private Investment Trust	Financial investment	The Republic of Korea	December	32	26,456	27,168
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	Financial investment	The Republic of Korea	December	50	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	12,633	12,978
Samsung Rafael Professional	Financial	The Republic	December	50	50,000	50,473

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(In millions of Korean won)

			December 31, 2022				
			Closing month	Percentage of ownership (%)	Acquisition cost	Carrying amount	
Investment Private Security Investment Trust No.1	investment	of Korea					
SHBNPP Corporate Private Security Investment Trust 8th	Financial investment	The Republic of Korea	December	50	40,050		40,400
Kiwoom Frontier Private Securities Investment Trust 12th	Financial investment	The Republic of Korea	December	39	39,194		39,829
Petra7alpha Private Equity Partnership	Financial investment	The Republic of Korea	December	22	10,938		10,366
KB Leaders ESG Professional Private Securities Investment Trust No.1	Financial investment	The Republic of Korea	December	49	20,434		19,860
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11th	Financial investment	The Republic of Korea	December	50	50,000		50,573
VI Repo General Private Securities Investment Trust No.8	Financial investment	The Republic of Korea	December	50	50,000		50,609
Shinhan Corporation General Private Securities Investment Trust 7th(bonds)	Financial investment	The Republic of Korea	December	50	50,000		50,642
Shinhan Corporation Private Securities Investment Trust 15th(bonds)	Financial investment	The Republic of Korea	December	50	50,000		50,026
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	Trust and collective investment business	The Republic of Korea	December	20	10,943		11,153
Igis housing platform no.1 professional investors' private real estate fund	Trust and collective investment business	The Republic of Korea	December	20	12,060		12,540
BNK-T2021 Korea Support Venture Investment Association No. 1	Investment association	The Republic of Korea	December	32	8,400		8,124
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	Financial investment	The Republic of Korea	December	28	7,172		7,081
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	Trust and collective investment business	The Republic of Korea	December	34	5,900		5,833
Others	Financial investment and others	The Republic of Korea		3.00~62.21	146,159		136,006
					<u>W 1,101,723</u>	<u>W 1,106,662</u>	

BNK Financial Group INC. and its subsidiaries
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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

Changes in investments in associates and joint venture for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023					
	Beginning balance	Acquisition/disposal	Share of profit or loss of associates and joint venture	Dividends received	Others	Ending balance
Investments in associates:						
Hana UBS Professional Investment Private Security Investment Trust No.7	₩ 31,184	₩ (32,566)	₩ -	₩ -	₩ 1,382	₩ -
BNKREPOPLUS Professional Investment Private Trust No.1	26,227	-	-	-	(26,227)	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st	20,156	(20,643)	-	-	487	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 6st	30,289	(31,458)	-	-	1,169	-
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 8th	30,083	(31,035)	-	-	952	-
VI Repo General Private Equity Securities Investment Trust No.9 (Bond)	30,445	(30,709)	-	-	264	-
DGB Professional Investment Private Security Investment Trust No.28 (Bond)	31,038	(30,487)	-	(1,054)	503	-
KB Leaders Professional Investment Private Security Investment Trust No.12 [bond]	31,014	(32,248)	-	-	1,234	-
KB Leaders Professional Investment Private Security Investment Trust No.15 [bond]	30,371	(30,904)	-	-	533	-
Samsung Rafael Professional Investment Private Security Investment Trust No.3	50,708	(50,755)	-	-	47	-
Shinhan IPO Maturity Matching Private Investment Trust No.1 [WithBonds]	52,133	(52,348)	-	-	215	-
Multi-Asset KDB Ocean Value-up Professional Private Investment Trust No.15	14,023	(12,456)	(134)	(413)	(1,020)	-
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.29	12,978	(13,311)	253	-	80	-
Kiwoom Frontier Private Securities Investment Trust 12th	39,829	(41,567)	1,738	-	-	-
Shinhan Corporation Specialized Private Securities Investment Trust 15th [bond]	50,026	(51,986)	1,960	-	-	-
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	11,153	1,088	(11,899)	(342)	-	-

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ANDA H Mezzanine Private Investment Trust 11th	14,048	(8,315)	1,484	(262)	364	7,319
BNK Intervalue Technology Finance Investment Association No.1	12,096	-	(570)	-	-	11,526
Shinhan Corporation General Private Securities Investment Trust 14th [bond]	50,677	-	2,804	(1,131)	-	52,350
NH-Amundi General Private Equity Investment Trust No.18 [bond]	30,482	20,000	2,133	(1,289)	-	51,326
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2	12,565	4,304	785	(683)	-	16,971
Multi-Asset LNG General Private Equity Investment Trust No.5	25,462	(2,753)	1,204	(1,188)	(14)	22,711
Igis Ulsan New Port Infrastructure Private Investment Trust	27,168	(5,419)	2,142	(2,274)	(82)	21,535
Samsung Rafael Professional Investment Private Security Investment Trust No.1	50,473	-	2,091	(715)	-	51,849
SHBNPP Corporate Private Security Investment Trust 8th	40,400	-	1,519	(402)	-	41,517
Petra7alpha Private Equity Partnership	10,366	-	61	-	-	10,427
KB Leaders ESG Professional Private Securities Investment Trust No.1	19,860	-	817	-	-	20,677
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st	50,573	-	2,273	(666)	-	52,180
VI Repo General Private Securities Investment Trust No.8	50,609	-	2,283	(676)	-	52,216
Shinhan Corporation General Private Securities Investment Trust 7th [bond]	50,642	-	3,032	(1,772)	-	51,902
igis housing platform no.1 professional investors' private real estate fund	12,540	-	861	-	-	13,401
BNK-T2021 Korea Support Venture Investment Association No. 1	8,124	3,600	(750)	-	-	10,974
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	7,081	4,167	369	(462)	-	11,155
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	5,833	5,500	(750)	-	-	10,583
BNK Corporate MMF No.1 (Stock) C	-	165,000	400	-	-	165,400
Hana Balance Professional Investment Private No. 1 (Mixed Bond)	-	10,000	1,122	-	-	11,122
NH-Amundi General Private Equity Investment Trust No.22 [bond]	-	30,000	1,255	-	-	31,255
Samsung Rafael General Investment Private Security Investment Trust No.8	-	50,000	1,780	-	-	51,780
Hanhwa A Professional Investment Private Security Investment Trust No.1(Bond)	-	50,000	2,084	-	-	52,084

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Mirae Asset Triumph Professional Investment Private No. 2	-	30,000	771	-	-	30,771
Hi General Private Equity Securities Investment Trust No.32 (Bond)	-	50,000	1,340	-	-	51,340
DB Alpha Professional Investment Private No. 2 (Mixed Bond)	-	10,000	299	-	-	10,299
Shinhan IPO Maturity Matching Private Investment Trust No.2 [WithBonds]	-	20,000	657	-	-	20,657
Kiwoom Frontier General Private Securities Investment Trust 27th [bond]	-	30,000	1,188	-	-	31,188
Shinhan Corporation General Private Securities Investment Trust 19th [bond]	-	30,000	890	-	-	30,890
Kiwoom Frontier General Private Securities Investment Trust 29th [bond]	-	30,000	855	-	-	30,855
Samsung REPO General Private Equity Securities Investment Trust No. 1 (Bond)	-	30,000	1,264	-	-	31,264
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 19th [Bond]	-	30,000	58	-	-	30,058
KB Leaders General Investment Private Security Investment Trust No.33 [bond]	-	30,000	13	-	-	30,013
Multi-Asset ESG Marine Transportation Infra General Private Investment Trust No.1	-	52,013	1,699	(1,408)	5	52,309
Hanwha A Professional Investment Private No. 120 (USD, bond)	-	25,142	1,271	-	625	27,038
Samsung Dollar S&B General Private Securites Investment Trust No.7(USD)(Bond)	-	26,752	457	-	(971)	26,238
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.45(USD) [Bond]	-	25,974	169	-	(186)	25,957
Daishin Sell&Buy Professional Investment Private No. 4 (USD, bond)	-	26,076	12	-	(288)	25,800
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 13th [Bond]	-	50,000	2,388	-	-	52,388
KB Leaders Professional Investment Private Security Investment Trust No.29 [bond]	-	50,000	1,577	-	-	51,577
Multi-Asset Hydrogen Infrastructure Professional Investment Private No. 1	-	28,444	221	-	-	28,665
Hyundai Investment Professional Investment Private Real Estate Investment Trust No.44	-	18,305	496	(500)	-	18,301
Others	136,006	(12,138)	9,433	(4,639)	1,485	130,147
	<u>₩ 1,106,662</u>	<u>₩ 445,267</u>	<u>₩ 45,405</u>	<u>₩ (19,876)</u>	<u>₩ (19,443)</u>	<u>₩ 1,558,015</u>

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

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

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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
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
BNK-T2021 Korea Support Venture Investment Association No. 1	4,690	3,600	(166)	-	-	8,124
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	2,679	4,510	10	(118)	-	7,081
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	5,871	-	(38)	-	-	5,833
Others	505,452	(365,635)	806	(5,031)	414	136,006
	<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>

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

Financial information of associates and joint venture as of December 31, 2023 and 2022 is as follows:

(In millions of Korean won)

(In millions of Korean won)

2023												
	Current assets		Current liabilities		Equity		Operating income		Operating profit (loss) from continuing operations		Total comprehensive income (loss)	
Investments in associates:												
KIAMCO Aviation Specialized Investment Type Private Equity Trust No.1	₩	56,345	₩	26	₩	56,319	₩	88,656	₩	(4,879)	₩	(4,879)
ANDA H Mezzanine Private Investment Trust 11th		28,942		5		28,937		9,899		4,825		4,825
BNK Intervalue Technology Finance Investment Association No.1		34,296		716		33,580		66		(1,661)		(1,661)
Shinhan Corporation General Private Securities Investment Trust 14th [bond]		251,427		146,727		104,700		8,946		5,609		5,609
NH-Amundi General Private Equity Investment Trust No.18 [bond]		201,601		98,948		102,653		5,953		4,266		4,266
Shinhan BNPPS Grail Professional Private Special Asset Fund No.1-2		37,266		494		36,772		1,704		1,701		1,701
Multi-Asset LNG General Private Equity Investment Trust No.5		34,075		11		34,064		1,837		1,827		1,827
Igis Ulsan New Port Infrastructure Private Investment Trust		68,441		972		67,469		6,736		6,710		6,710
Samsung Rafael Professional Investment Private Security Investment Trust No.1		169,631		65,933		103,698		5,322		4,182		4,182
SHBNPP Corporate Private Security Investment Trust 8th		170,969		87,936		83,033		6,360		3,039		3,039
Petra7alpha Private Equity Partnership		47,982		131		47,851		886		276		276
KB Leaders ESG Professional Private Securities Investment Trust No.1		41,969		8		41,961		1,760		1,659		1,659
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 11st		150,913		46,438		104,475		8,115		4,550		4,550
VI Repo General Private Securities Investment Trust No.8		200,591		96,159		104,432		8,011		4,566		4,566
Shinhan Corporation General Private Securities Investment Trust 7th [bond]		215,144		111,149		103,995		8,251		6,074		6,074
igis housing platform no.1 professional investors' private real estate fund		67,061		58		67,003		4,420		4,304		4,304
BNK-T2021 Korea Support Venture Investment Association No. 1		34,511		216		34,295		45		(2,340)		(2,340)
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1		40,211		798		39,413		-		1,304		1,304

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Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	151,124	123,029	28,095	2,260	(1,973)	(1,973)
BNK Corporate MMF No.1 (Stock) C	714,707	56	714,651	26,998	8,711	8,711
Hana Balance Professional Investment Private No. 1 (Mixed Bond)	33,371	6	33,365	3,514	3,365	3,365
NH-Amundi General Private Equity Investment Trust No.22 [bond]	130,442	67,932	62,510	4,197	2,510	2,510
Samsung Rafael General Investment Private Security Investment Trust No.8	188,610	85,050	103,560	6,675	3,560	3,560
Hanhwa A Professional Investment Private Security Investment Trust No.1(Bond)	387,464	180,196	207,268	13,973	8,292	8,292
Mirae Asset Triumph Professional Investment Private No. 2	121,675	60,133	61,542	1,542	1,542	1,542
Hi General Private Equity Securities Investment Trust No.32 (Bond)	200,924	98,243	102,681	4,603	2,681	2,681
DB Alpha Professional Investment Private No. 2 (Mixed Bond)	33,165	2,217	30,948	1,043	898	898
Shinhan IPO Maturity Matching Private Investment Trust No.2 [WithBonds]	78,829	37,515	41,314	1,885	1,314	1,314
Kiwoom Frontier General Private Securities Investment Trust 27th [bond]	175,718	113,343	62,375	3,658	2,375	2,375
Shinhan Corporation General Private Securities Investment Trust 19th [bond]	175,004	113,225	61,779	2,486	1,779	1,779
Kiwoom Frontier General Private Securities Investment Trust 29th [bond]	268,738	176,175	92,563	3,560	2,564	2,564
Samsung REPO General Private Equity Securities Investment Trust No. 1 (Bond)	393,329	289,116	104,213	5,631	4,213	4,213
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 19th [Bond]	60,117	2	60,115	117	115	115
KB Leaders General Investment Private Security Investment Trust No.33 [bond]	100,043	1	100,042	43	42	42
Multi-Asset ESG Marine Transportation Infra General Private Investment Trust No.1	56,827	11	56,816	1,855	1,845	1,845
Hanwha A Professional Investment Private No. 120 (USD, bond)	135,200	10	135,190	7,093	6,355	6,355
Samsung Dollar S&B General Private Securites Investment Trust No.7(USD)(Bond)	104,953	2	104,951	1,990	1,828	1,828
KB Korea Short-Term Bonds Premium General Private Equity Securities Investment Trust No.45(USD) [Bond]	51,917	3	51,914	438	338	338
Daishin Sell&Buy Professional Investment Private No. 4 (USD, bond)	51,600	1	51,599	409	23	23
Kyobo-Axa Alpha Plus General Private Securities	287,630	78,077	209,553	17,923	9,553	9,553

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Investment Trust-J 13th [Bond]						
KB Leaders Professional Investment Private Security Investment Trust No.29 [bond]	176,791	73,637	103,154	4,392	3,154	3,154
Multi-Asset Hydrogen Infrastructure Professional Investment Private No. 1	58,170	20	58,150	470	450	450
Hyundai Investment Professional Investment Private Real Estate Investment Trust No.44	81,352	46	81,306	4,879	4,811	4,811
Others	750,826	275,605	475,221	56,677	29,735	29,735
	<u>₩ 6,819,901</u>	<u>₩ 2,430,376</u>	<u>₩ 4,389,525</u>	<u>₩ 345,278</u>	<u>₩ 146,092</u>	<u>₩ 146,092</u>

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

(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 Intervalue 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
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

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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
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
BNK-T2021 Korea Support Venture Investment Association No. 1	25,608	220	25,388	363	(518)	(518)
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	25,627	606	25,021	-	35	35
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	17,120	52	17,068	-	(115)	(115)
Others	759,803	237,805	521,998	28,680	20,234	20,234
	<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>

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

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, 2023 and 2022 are as follows:

(In millions of Korean won)

		2023			
		Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Investments in associates:					
KIAMCO Aviation Specialized					
Investment Type Private Equity Trust					
No.1	₩	56,319	20.00	₩ 11,265	₩ -
AND A H Mezzanine Private					
Investment Trust 11th					
		28,937	25.29	7,319	7,319
BNK Intervalue Technology Finance					
Investment Association No.1					
		33,580	34.32	11,526	11,526
Shinhan Corporation General					
Private Securities Investment Trust					
14th [bond]					
		104,700	50.00	52,350	52,350
NH-Amundi General Private Equity					
Investment Trust No.18 [bond]					
		102,653	50.00	51,326	51,326
Shinhan BNPPS Grail Professional					
Private Special Asset Fund No.1-2					
		36,771	46.15	16,971	16,971
Multi-Asset LNG General Private					
Equity Investment Trust No.5					
		34,065	66.67	22,711	22,711
Igis Ulsan New Port Infrastructure					
Private Investment Trust					
		67,468	31.92	21,535	21,535
Samsung Rafael Professional					
Investment Private Security					
Investment Trust No.1					
		103,698	50.00	51,849	51,849
SHBNPP Corporate Private					
Security Investment Trust 8th					
		83,033	50.00	41,517	41,517
Petra7alpha Private Equity					
Partnership					
		47,851	21.79	10,427	10,427
KB Leaders ESG Professional					
Private Securities Investment Trust					
No.1					
		41,961	49.28	20,677	20,677
Kyobo-Axa Investment Alpha Plus					
Private Securities Investment					
Trust-J 11st					
		104,475	49.95	52,180	52,180
VI Repo General Private Securities					
Investment Trust No.8					
		104,432	50.00	52,216	52,216
Shinhan Corporation General					
Private Securities Investment Trust					
7th [bond]					
		103,995	49.91	51,902	51,902
Igis housing platform no.1					
professional investors' private real					
estate fund					
		67,003	20.00	13,401	13,401
BNK-T2021 Korea Support Venture					
Investment Association No. 1					
		34,295	32.00	10,974	10,974

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Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	39,413	28.30	11,155	11,155
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	28,095	37.67	10,583	10,583
BNK Corporate MMF No.1 (Stock) C	714,651	23.14	165,400	165,400
Hana Balance Professional Investment Private No. 1 (Mixed Bond)	33,365	33.33	11,122	11,122
NH-Amundi General Private Equity Investment Trust No.22 [bond]	62,510	50.00	31,255	31,255
Samsung Rafael General Investment Private Security Investment Trust No.8	103,560	50.00	51,780	51,780
Hanwha A Professional Investment Private Security Investment Trust No.1(Bond)	207,268	25.13	52,084	52,084
Mirae Asset Triumph Professional Investment Private No. 2	61,542	50.00	30,771	30,771
Hi General Private Equity Securities Investment Trust No.32 (Bond)	102,681	50.00	51,340	51,340
DB Alpha Professional Investment Private No. 2 (Mixed Bond)	30,948	33.28	10,299	10,299
Shinhan IPO Maturity Matching Private Investment Trust No.2 [WithBonds]	41,314	50.00	20,657	20,657
Kiwoom Frontier General Private Securities Investment Trust 27th [bond]	62,375	50.00	31,188	31,188
Shinhan Corporation General Private Securities Investment Trust 19th [bond]	61,779	50.00	30,890	30,890
Kiwoom Frontier General Private Securities Investment Trust 29th [bond]	92,564	33.33	30,855	30,855
Samsung REPO General Private Equity Securities Investment Trust No. 1 (Bond)	104,213	30.00	31,264	31,264
Kyobo-Axa Alpha Plus General Private Securities Investment Trust-J 19th [Bond]	60,115	50.00	30,058	30,058
KB Leaders General Investment Private Security Investment Trust No.33 [bond]	100,042	30.00	30,013	30,013
Multi-Asset ESG Marine Transportation Infra General Private Investment Trust No.1	56,816	92.07	52,309	52,309
Hanwha A Professional Investment Private No. 120 (USD, bond)	135,190	20.00	27,038	27,038
Samsung Dollar S&B General Private Securies Investment Trust No.7(USD)(Bond)	104,951	25.00	26,238	26,238

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KB Korea Short-Term Bonds				
Premium General Private Equity				
Securities Investment Trust				
No.45(USD) [Bond]	51,914	50.00	25,957	25,957
Daishin Sell&Buy Professional				
Investment Private No. 4 (USD, bond)	51,599	50.00	25,800	25,800
Kyobo-Axa Alpha Plus General				
Private Securities Investment				
Trust-J 13th [Bond]	209,553	25.00	52,388	52,388
KB Leaders Professional				
Investment Private Security				
Investment Trust No.29 [bond]	103,154	50.00	51,577	51,577
Multi-Asset Hydrogen Infrastructure				
Professional Investment Private				
No. 1	58,150	49.30	28,665	28,665
Hyundai Investment Professional				
Investment Private Real Estate				
Investment Trust No.44	81,306	22.51	18,301	18,301
Others ¹	475,221		131,577	130,150

¹ The Group recognized impairment losses of ₩12,692 million for the year ended December 31, 2023, which were reflected in share of loss from investments in associates.

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16. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE: (cont'd)

(In millions of Korean won)

		2022			
		Net assets of associates and joint venture (A)	The Group's ownership (B) (%)	Net assets owned (AXB)	Book amount
Investments in associates:					
BNK Intervalue Technology Finance Investment Association	₩	35,241	34.32	₩ 12,096	₩ 12,096
ANDA H Mezzanine Private Investment Trust 11th		56,215	24.99	14,048	14,048
Hana UBS Professional Investment Private Security Investment Trust No.7		153,459	20.32	31,184	31,184
Shinhan Corporation General Private Securities Investment Trust 14th		101,354	50.00	50,677	50,677
BNKREPOPLUS Professional Investment Private Trust No.1		72,662	36.10	26,227	26,227
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 1st		50,495	39.92	20,156	20,156
Kyobo-Axa Investment Alpha Plus Private Securities Investment Trust-J 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
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

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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
BNK-T2021 Korea Support Venture Investment Association No. 1	25,388	32.00	8,124	8,124
Kyobo Axa Clean Energy Center Professional Investment-type Private Equity Special Asset Investment Trust No. 1	25,021	28.30	7,081	7,081
Melon Asset Specialized Investment-Type Private Equity Investment Trust No. 13	17,068	34.17	5,833	5,833
Others	489,055		126,024	126,024

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17. PROPERTY AND EQUIPMENT:

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

(In millions of Korean won)

	2023			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 433,835	₩ -	₩ -	₩ 433,835
Building	732,600	(147,402)	-	585,198
Leasehold improvements	131,398	(107,551)	-	23,847
Equipment and vehicles	586,834	(456,404)	-	130,430
Construction in progress	67,989	-	-	67,989
Right-of-use assets	173,167	(123,097)	-	50,070
	<u>₩ 2,125,823</u>	<u>₩ (834,454)</u>	<u>₩ -</u>	<u>₩ 1,291,369</u>

(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>

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

(In millions of Korean won)

	2023						
	Beginning balance	Acquisition	Disposal	Reclassification	Depreciation	Others	Ending balance
Property and equipment:							
Land	₩ 416,829	₩ -	₩ (1,953)	₩ 19,166	₩ -	₩ (207)	₩ 433,835
Building	574,930	3,154	(2,587)	25,578	(15,643)	(234)	585,198
Leasehold improvements	24,745	5,957	(372)	3,885	(10,387)	19	23,847
Equipment and vehicles	118,016	41,598	(959)	12,619	(40,058)	(786)	130,430
Construction in progress	32,982	64,474	-	(29,467)	-	-	67,989
Right-of-use assets							
Properties	42,305	48,002	(3,903)	-	(38,145)	6	48,265
Vehicles	565	3,463	(2,183)	-	(892)	31	984
Others	533	2,940	764	-	(3,416)	-	821
					₩ (108,541)		
	<u>₩1,210,905</u>	<u>₩ 169,588</u>	<u>₩ (11,193)</u>	<u>₩ 31,781</u>	<u>₩ (108,541)</u>	<u>₩ (1,171)</u>	<u>₩ 1,291,369</u>

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17. PROPERTY AND EQUIPMENT: (cont'd)

(In millions of Korean won)

	2022						
	Beginning balance	Acquisitio n	Disposal	Reclassifi- cation	Depreciatio n	Others	Ending balance
Property and equipment:							
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							
Properties	35,418	44,669	(4,274)	-	(33,536)	29	42,306
Vehicles	2,158	(404)	(584)	-	(608)	3	565
Others	1,176	1,628	743	-	(3,015)	-	532
	<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>

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

(In millions of Korean won)

	2023			
	Properties	Vehicles	Others	Total
Cost of right-of-use asset	₩ 164,697	₩ 1,736	₩ 6,735	₩ 173,168
Accumulated depreciation	<u>(116,432)</u>	<u>(752)</u>	<u>(5,914)</u>	<u>(123,098)</u>
Book amount of right-of-use asset	<u>₩ 48,265</u>	<u>₩ 984</u>	<u>₩ 821</u>	<u>₩ 50,070</u>

(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	<u>(90,354)</u>	<u>(673)</u>	<u>(4,716)</u>	<u>(95,743)</u>
Book amount of right-of-use asset	<u>₩ 42,306</u>	<u>₩ 565</u>	<u>₩ 532</u>	<u>₩ 43,403</u>

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18. INTANGIBLE ASSETS:

Intangible assets as of December 31, 2023 and 2022 consisted of the following:

(In millions of Korean won)

	2023			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 114,704	₩ (81,176)	₩ -	₩ 33,528
Goodwill	28,341	-	-	28,341
Core deposits	167,297	(154,750)	-	12,547
Development costs	279,430	(157,109)	-	122,321
Others	97,992	(26,732)	(218)	71,042
	<u>₩ 687,764</u>	<u>₩ (419,767)</u>	<u>₩ (218)</u>	<u>₩ 267,779</u>

(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>

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

(In millions of Korean won)

	2023						
	Beginning balance	Acquisition	Disposal	Reclassification	Amortization	Others	Ending balance
Software	₩ 27,893	₩ 20,182	₩ -	₩ -	₩ (14,420)	₩ (127)	₩ 33,528
Goodwill	28,341	-	-	-	-	-	28,341
Core deposits	29,277	-	-	-	(16,730)	-	12,547
Development costs	104,263	6,663	(9)	50,354	(38,094)	(856)	122,321
Others	91,799	50,016	(28)	(50,354)	(21,052)	661	71,042
	<u>₩ 281,573</u>	<u>₩ 76,861</u>	<u>₩ (37)</u>	<u>₩ -</u>	<u>₩ (90,296)</u>	<u>₩ (322)</u>	<u>₩ 267,779</u>

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18. INTANGIBLE ASSETS: (cont'd)

(In millions or Korean won)

	2022									
	Beginning balance	Acquisition	Disposal	Reclassifi- cation	Amortization	Changes in foreign currency and 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			
	₩ 293,035	₩ 68,896	₩ (288)	₩ -	₩ (79,911)	₩ (159)	₩ 281,573			

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	3.60%	Average of one year from the valuation date
Corporate Beta	0.21	Reflecting capital structure of similar companies
Market rate premium ("MRP")	11.90%	Average MRP of one year from the valuation date
Cost of capital	6.20%	

BNK Asset Management Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	4.01%	Average of one year from the valuation date
Corporate Beta	0.81	Reflecting capital structure of similar companies
MRP	8.00%	Average MRP of one year from the valuation date
Cost of capital	10.24%	

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18. INTANGIBLE ASSETS: (cont'd)

BNK Venture Capital Co., Ltd.

Input	Applied rate	Basis
Risk-free interest rate	4.01%	Average of one year from the valuation date
Corporate Beta	1.15	Reflecting capital structure of similar companies
MRP	8.00%	Average MRP of one year from the valuation date
Cost of capital	12.74%	

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, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023			
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Book amount
Land	₩ 447,364	₩ -	₩ -	₩ 447,364
Building	202,017	(32,342)	-	169,675
	<u>₩ 649,381</u>	<u>₩ (32,342)</u>	<u>₩ -</u>	<u>₩ 617,039</u>

(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>

Rental income from investment properties is ₩16,963 million and ₩17,777 million for each of the two years in the period ended December 31, 2023 respectively.

Expenses (including repairs and maintenance) directly related to the investment properties of which rental income was generated and no rental income was generated are ₩2,574 million and ₩3,232 million for each of the two years in the period ended December 31, 2023 respectively.

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

(In millions of Korean won)

	2023	2022	Valuation techniques	Input variables
Land	₩ 527,815	₩ 561,774	- The evaluation method of using officially assessed land pricing - Sales comparison approach	- Officially assessed land pricing - Transaction price - Discount rate - Rent increase rate, etc.
Building	210,425	198,906	- Evaluation by the prime cost - Evaluation by the standard land cost - Sales comparison approach	- Repurchase cost - Durable years - Transaction price - Rent increase rate, etc.
	<u>₩ 738,240</u>	<u>₩ 760,680</u>		

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19. INVESTMENT PROPERTIES: (cont'd)

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

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

(In millions of
Korean won)

		2023						
		Beginning balance	Acquisition	Disposal	Reclassifi- cation	Deprecia- tion	Others	Ending balance
Land	₩	465,954	₩	₩	- ₩ (18,590)	₩	- ₩	₩ 447,364
Building		181,688	1,809	-	(7,327)	(6,545)	50	169,675
	₩	647,642	₩ 1,809	₩ -	₩ (25,917)	₩ (6,545)	₩ 50	₩ 617,039

(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		183,632	1,546	(84)	2,808	(6,194)	(21)	181,687
	₩	661,799	₩ 1,546	₩ (84)	₩ (9,405)	₩ (6,194)	₩ (21)	₩ 647,641

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, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023	2022
Within one year	₩ 3,386	₩ 4,183
Later than one year, but not later than two years	9,583	41,017
Later than two years, but not later than three years	16,541	363
Later than three years, but not later than five years	20,206	666
Later than five years	1,354	818
	₩ 51,070	₩ 47,047

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20. OTHER ASSETS:

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

<i>(In millions of Korean won)</i>	2023	2022
Guarantee deposits	₩ 938	₩ 748
Articles for consumption	1,541	1,451
Prepaid expenses	87,523	114,466
Operating lease assets	1,740,131	1,353,327
Prepaid lease assets	45,451	13,780
Others	29,069	37,285
	<u>₩ 1,904,653</u>	<u>₩ 1,521,057</u>

Details of prepaid lease assets as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Operating lease assets:		
Operating lease assets	₩ 2,281,658	₩ 1,890,764
Accumulated depreciation	(620,465)	(593,163)
Accumulated impairment loss	(512)	(512)
	<u>1,660,681</u>	<u>1,297,089</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	82,462	59,764
Prepaid lease assets	42,439	10,253
	<u>₩ 1,785,582</u>	<u>₩ 1,367,106</u>

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20. OTHER ASSETS: (cont'd)

Operating lease assets

Lessee of operating lease assets by industry based on the acquisition cost as of December 31, 2023 and 2022 is as follows:

(In millions of Korean won)	2023			2022		
	Transport equipment	General industrial equipment	Total	Transport equipment	General industrial equipment	Total
Cost	₩ 2,272,162	₩ 21,908	₩ 2,294,070	₩ 1,880,930	₩ 22,246	₩ 1,903,176
Accumulated depreciation	(612,886)	(9,050)	(621,936)	(585,355)	(9,280)	(594,635)
Accumulated impairment losses	-	(11,453)	(11,453)	-	(11,452)	(11,452)
Book amount	₩ 1,659,276	₩ 1,405	₩ 1,660,681	₩ 1,295,575	₩ 1,514	₩ 1,297,089

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

(In millions of Korean won)	2023	2022
Within one year	₩ 386,730	₩ 329,203
Later than one year, but not later than two years	301,572	210,709
Later than two years, but not later than three years	221,555	154,695
Later than three years, but not later than five years	199,378	138,505
Later than five years	179	56
	₩ 1,109,414	₩ 833,168

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21. DEPOSITS:

Deposits as of December 31, 2023 and 2022 consist of the followings:

<i>(In millions of Korean won)</i>	2023	2022
Deposits in Korean won:		
Demand deposits	₩ 12,407,668	₩ 12,860,635
Term deposits	84,851,080	80,459,024
Mutual installment deposits	4,862	2,941
Mutual installment for housing	2,660	3,116
Others	291	3,400
	<u>97,266,561</u>	<u>93,329,116</u>
Deposits in foreign currencies	1,488,446	1,431,364
Negotiable certificates of deposit	8,006,227	6,709,881
	<u>₩ 106,761,234</u>	<u>₩ 101,470,361</u>

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22. FINANCIAL LIABILITIES AT FVTPL:

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

<i>(In millions of Korean won)</i>	2023	2022	Reason for designation
Financial liabilities at FVTPL:			
Securities sold	₩ 178,149	₩ 266,502	
	<u>178,149</u>	<u>266,502</u>	
Financial liabilities designated at FVTPL ¹ :			
Equity-linked securities sold	473,913	328,597	Hybrid financial instrument
Securities sold with embedded derivatives	453,466	259,689	
Credit risk assessment adjustment	303	73	
Adjustment of gain and losses on valuation at transaction date	3,031	(4,199)	
	<u>930,713</u>	<u>584,160</u>	
	<u>₩ 1,108,862</u>	<u>₩ 850,662</u>	

¹ In accordance with KIFRS 1109, paragraph 6.7.1, the Group designated the financial liabilities at initial recognition (or subsequently) as FVTPL.

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23. BORROWINGS:

Borrowings at amortized cost as of December 31, 2023 and 2022 consist of:

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>		2023		2022	
	<u>Minimum</u>	<u>Maximum</u>				
Borrowings in Korean won:						
The BOK	0.25	2.00	₩	606,671	₩	973,374
Others	-	11.00		4,056,254		4,286,526
				<u>4,662,925</u>		<u>5,259,900</u>
Borrowings in foreign currencies:						
Overdraft on our account	-	-		6,346		2,948
Banks	0.28	19.00		1,057,712		1,215,726
Others	0.57	7.25		346,107		456,502
				<u>1,410,165</u>		<u>1,675,176</u>
Call money	1.60	4.50		260,110		37,468
Bonds sold under repurchase agreement:						
Korean won	0.55	4.92		2,450,091		707,697
Foreign currencies	0.73	0.73		18,253		19,064
				<u>2,468,344</u>		<u>726,761</u>
Bills sold	1.50	3.81		16,301		19,196
Deferred expenses from borrowings				(1,969)		(2,412)
			₩	<u>8,815,876</u>	₩	<u>7,716,089</u>

Details of borrowings of financial institution as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>	2023			
	The BOK	Other banks	Others	Total
Borrowings in Korean won	606,671	₩ 337,374	₩ 1,315,000	₩ 2,259,045
Borrowings in foreign currencies	-	1,410,165	-	1,410,165
Call money	-	260,110	-	260,110
Bonds sold under repurchase agreement	400,000	-	1,049,253	1,449,253
	<u>₩ 1,006,671</u>	<u>₩ 2,007,649</u>	<u>₩ 2,364,253</u>	<u>₩ 5,378,573</u>
<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
	<u>₩ 973,374</u>	<u>₩ 2,109,840</u>	<u>₩ 1,975,555</u>	<u>₩ 5,058,769</u>

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24. DEBENTURES:

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

<i>(In millions of Korean won)</i>	<u>Annual interest rate (%)</u>		2023		2022	
	Minimum	Maximum				
Debentures in Korean won:						
Unsecured coupon bond	1.22	11.00	₩	11,930,818	₩	10,888,455
Subordinated bond	3.05	3.85		700,000		800,000
Present value discounts				(9,785)		(9,614)
				<u>12,621,033</u>		<u>11,678,841</u>
Debentures in foreign currencies:						
Senior bond	6.47	6.57		112,823		180,590
Subordinated bond	3.63	3.63		322,350		316,825
Loss on fair value hedge				(19,575)		(29,165)
Present value discounts				(1,221)		(1,634)
				<u>414,377</u>		<u>466,616</u>
			₩	<u>13,035,410</u>	₩	<u>12,145,457</u>

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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, 2023 and 2022 the amounts recognized in the consolidated statements of financial position related to postemployment benefits are as follows:

<i>(In millions of Korean won)</i>	2023		2022	
Present value of funded defined benefit obligations	₩	639,498	₩	569,699
Fair value of plan assets		<u>(798,115)</u>		<u>(763,342)</u>
Net defined benefit liabilities (assets) ¹	₩	<u>(158,617)</u>	₩	<u>(193,643)</u>

¹ As of December 31, 2023, the amounts recognized under the defined benefit plan of ₩158,617 million represent the net defined benefit assets of ₩162,105 million less net defined benefit liabilities of ₩3,488 million.

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25. NET DEFINED BENEFIT LIABILITIES (ASSETS): (cont'd)

Changes in the net defined benefit liabilities for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023		
	Present value of defined benefit obligation	Plan assets	Total
Beginning balance	₩ 569,699	₩ (763,342)	₩ (193,643)
Current service cost	51,657	-	51,657
Interest expenses (interest revenues)	30,879	(42,480)	(11,601)
	<u>82,536</u>	<u>(42,480)</u>	<u>40,056</u>
Remeasurements:			
Expected return on plan assets	-	18,678	18,678
Actuarial gains arising from changes in demographic assumptions	(905)	-	(905)
Actuarial losses arising from changes in financial assumptions	39,240	-	39,240
Others	<u>(23,808)</u>	<u>6</u>	<u>(23,802)</u>
	<u>14,527</u>	<u>18,684</u>	<u>33,211</u>
Contributions from the employer	-	(37,621)	(37,621)
Benefits paid	(29,126)	28,638	(488)
Transfer of employees between the Group and the related companies	1,862	(1,994)	(132)
Ending balance	<u>₩ 639,498</u>	<u>₩ (798,115)</u>	<u>₩ (158,617)</u>

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25. NET DEFINED BENEFIT LIABILITIES (ASSETS): (cont'd)

(In millions of Korean won)

	2022		
	Present value of defined benefit obligation		Total
		Plan assets	
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)
	82,587	(22,103)	60,484
Remeasurements:			
Expected return on plan assets	-	11,900	11,900
Actuarial gains 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
	(119,110)	11,902	(107,208)
Contributions from the employer	(471)	(127,012)	(127,483)
Benefits paid	(51,551)	50,592	(959)
Transfer of employees between the Group and the related companies	223	18	241
Ending balance	₩ 569,699	₩ (763,342)	₩ (193,643)

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

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

	2023		2022	
	Amount	Ratio (%)	Amount	Ratio (%)
Time deposits	₩ 780,028	97.73	₩ 763,244	99.99
Others	18,088	2.27	98	0.01
	₩ 798,116	100	₩ 763,342	100.00

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

(In percentage, %)

	2023	2022
Discount rate	4.41 – 5.66	5.20 – 6.41
Salary growth rate (including inflation)	3.88 – 7.18	1.83 – 7.30

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25. NET DEFINED BENEFIT LIABILITIES (ASSETS): (cont'd)

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	₩	(72,348)	₩	84,794
Change in salary growth rate		86,029		(74,161)

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 9.74 years and 10.01 years for each of the two years in the period ended December 31, 2023 respectively.

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

<i>(In millions of Korean won)</i>	2023				
	Less than 1 year	Between 1 year – 2 years	Between 2 – 5 years	More than 5 years	Total
Pension benefits	₩ 26,305	₩ 34,916	₩ 147,311	₩ 861,688	₩ 1,070,220

<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

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26. PROVISIONS:

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

<i>(In millions of Korean won)</i>		2023	2022
Provision for acceptances and guarantees	₩	5,224 ₩	12,669
Provision for unused credit limit		44,794	37,694
Financial guarantee contract liabilities		2,047	1,661
Provision for restoration costs		13,669	13,444
Provision for credit card point		433	739
Others ¹		125,579	56,204
	₩	<u>191,746 ₩</u>	<u>122,411</u>

¹ ₩ 8,961 million and ₩ 8,654 million of provisions accumulated due to the embezzlement of the Group's employee are included in other provisions as of December 31, 2023 and 2022, respectively.

Changes in provision for acceptances and guarantees and provision for unused credit limit for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In millions of Korean won)</i>		2023			
		Twelve months expected credit losses	Expected lifetime credit losses		Total
			Unrecognized impairment	Recognized impairment	
Beginning balance	₩	27,245	₩ 23,585	₩ 1,193	₩ 52,023
Transfer to 12 months expected credit loss		4,683	(4,683)	-	-
Transfer to expected lifetime credit losses		(1,332)	1,332	-	-
Transfer to credit-impaired financial liabilities		(17)	(28)	45	-
Foreign currency translation and others		2	27	-	29
Others		(2)	(74)	-	(76)
		<u>30,579</u>	<u>20,159</u>	<u>1,238</u>	<u>51,976</u>
Provision (reversal)		3,944	(4,332)	477	89
Ending balance	₩	<u>34,523</u>	₩ <u>15,827</u>	₩ <u>1,715</u>	₩ <u>52,065</u>

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26. PROVISIONS: (cont'd)

(In millions of Korean won)

(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		(120)		(17)		137		-
Foreign currency translation and others		47		138		-		185
Others		213		(349)		(5)		(141)
		30,037		13,468		4,252		47,757
Provision (reversal)		(2,792)		10,117		(3,059)		4,266
Ending balance	₩	27,245	₩	23,585	₩	1,193	₩	52,023

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

(In millions of Korean won)

	2023				
	Beginning balance	Increase	Decrease	Others	Ending balance
Provision for restoration costs	₩ 13,444	₩ 779	₩ (511)	₩ (41)	₩ 13,670
Provision for credit card point	740	-	(307)	-	433
Others ¹	56,204	87,368	(17,994)	-	125,578
	₩ 70,387	₩ 88,147	₩ (18,812)	₩ (41)	₩ 139,681

¹ As for the provisions related to the Lime Asset Management redemption deferral period, the Group's sales of Lime Asset Management redemption deferral fund were ₩60,975 million as of December 31, 2023, and ₩28,801 million was recognized as provision.

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26. PROVISIONS: (cont'd)

(In millions of Korean won)

	2022					Ending balance
	Beginning balance	Increase	Decrease	Others		
Provision for restoration costs	₩ 10,984	₩ 2,821	₩ (398)	₩ 37	₩ 13,444	
Provision for credit card point	838	56	(155)	-	739	
Provision for litigation	471	-	(471)	-	-	
Others ¹	47,496	16,336	(7,628)	-	56,204	
	₩ 59,789	₩ 19,213	₩ (8,652)	₩ 37	₩ 70,387	

¹ As for the provisions related to the Lime Asset Management redemption deferral period, the Group'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.

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, 2023 and 2022 consist of the followings:

<i>(In millions of Korean won)</i>	2023		2022	
Other financial liabilities:				
Due to trust accounts	₩	1,063,674	₩	423,461
Due to fund accounts		1,084		1,670
Foreign exchange remittances pending		28,423		37,960
Prepaid card liabilities		13,590		13,984
Debit card liabilities		13,675		13,673
Deposits for letter of guarantees and others		582,836		440,116
Present value discounts		(65,856)		(28,665)
Accounts payable		582,877		588,271
Accrued expenses		1,584,149		1,100,470
Agency business accounts		133,134		135,795
Unsettled domestic exchange liabilities		258,078		145,472
Deposits held by agency relationship		106,354		103,642
Guarantee deposits for securities subscription		6,340		8,087
Lease liabilities		42,944		33,566
Accrued marketable securities		-		-
Remittance pending		560		210
Others		433,535		280,534
		<u>4,785,397</u>		<u>3,298,246</u>
Other non-financial liabilities:				
Withholding taxes		53,865		36,247
Unearned revenues		117,352		104,299
Others		31,142		23,742
		<u>202,359</u>		<u>164,288</u>
	₩	<u>4,987,756</u>	₩	<u>3,462,534</u>

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

<i>(In millions of Korean won)</i>		2023					
		Less than 1 month	1 month – 3 months	3 – 12 months	1 year – 5 years	More than 5 years	Total
Lease liabilities	₩	1,851	₩ 3,640	₩ 13,364	₩ 23,448	₩ 2,791	₩ 45,094

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

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27. OTHER LIABILITIES: (cont'd)

The amounts recognized in the consolidated statement of comprehensive income related to leases as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		2023	2023
Depreciation in right-of-use assets			
Properties	₩	38,145 ₩	33,536
Constructions		3,416	3,015
Vehicles		892	608
	₩	<u>42,453 ₩</u>	<u>37,159</u>
Interest rate of lease liabilities (included in financial cost)	₩	1,356 ₩	822
Leases of low-value assets that are not short-term leases (included in administrative expense)		2,621	1,501

Cash outflows from lease contract were ₩ 34,459 million (Low-value leases ₩ 2,621 million included) as of December 31, 2023, and ₩ 33,318 million (Low-value leases ₩ 1,501 million included) as of December 31, 2022.

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28. EQUITY:

(a) Share capital

As of December 31, 2023, the Group has 700 million shares authorized with a par value of ₩5,000 and 322,088,438 shares have been issued. The Parent Company's share capital as of December 31, 2023, amounts to ₩1,629,676 million.

(b) Other paid-in capital

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

<i>(In millions of Korean won)</i>	2023		2022	
Share premium	₩	678,953	₩	678,953
Other reserves		102,340		102,340
Treasury shares		-		(6,997)
Gain on disposal of treasury share		5,826		5,826
Loss on disposal of treasury share		(122)		(122)
Capital adjustment-other		(1,871)		(1,096)
	₩	<u>785,126</u>	₩	<u>778,904</u>

(c) Hybrid equity securities

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

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)	2023		2022	
Hybrid equity securities in Korean won	2015.06.24	2045.06.24	5.10	₩	30,000	₩	30,000
	2018.02.13	-	4.83		-		100,000
	2018.03.02	-	4.26		-		150,000
	2019.02.20	-	3.74		100,000		100,000
	2019.08.29	-	3.20		100,000		100,000
	2020.02.19	-	3.35		150,000		150,000
	2020.06.23	-	3.30		100,000		100,000
	2020.08.04	-	3.38		100,000		100,000
	2023.09.22		5.70		150,000		-
Issuance cost					(2,364)		(2,608)
				₩	<u>727,636</u>	₩	<u>827,392</u>

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28. EQUITY: (cont'd)

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

<i>(In millions of Korean won)</i>	Issue date	Maturity	Interest rate (%)		2023		2022
Hybrid equity securities in Korean won	2013.04.25	2043.04.25	4.75	₩	-	₩	60,000
	2013.05.27	2043.05.27	4.83		-		40,000
	2013.10.25	2043.10.25	5.55		-		90,000
	2013.11.07	2043.11.07	5.72		-		10,000
	2013.11.11	2043.11.11	6.00		-		37,000
	2013.11.28	2043.11.28	6.14		-		63,000
	2018.05.04	-	4.50		-		100,000
	2018.06.26	-	4.65		-		100,000
	2019.04.29	-	3.60		100,000		100,000
	2022.04.07	-	4.30		150,000		150,000
	2022.05.10	-	5.20		200,000		200,000
Issuance cost					(1,298)		(2,413)
				₩	448,702	₩	947,587

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

(d) Other components of equity

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

<i>(In millions of Korean won)</i>		2023		2022
Gain (loss) on valuation of financial instruments at fair value through other comprehensive income	₩	62,108	₩	(135,310)
Exchange differences on translation of foreign operations		19,087		15,318
Remeasurements of net defined benefit liabilities		(105,454)		(73,146)
Loss on valuation of hedges of net investments in foreign operations		(31,653)		(26,519)
Share of other comprehensive income of associates		1,267		2,422
Others		2,373		(74)
Tax effects		13,173		56,935
	₩	(39,099)	₩	(160,374)

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28. EQUITY: (cont'd)

Changes in accumulated other comprehensive income for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023				
	Beginning balance	Changes (excluded from reclassification)	Reclassification ¹	Tax effects	Ending balance
Gain (loss) on valuation of financial instruments at fair value through other comprehensive income	₩ (99,858)	₩ 186,659	₩ 11,720	₩ (50,063)	₩ 48,458
Exchange differences on translation of foreign operations	11,305	3,699	-	(726)	14,278
Remeasurements of net defined benefit liabilities	(53,982)	(33,212)	-	8,315	(78,879)
Gain (loss) on valuation of hedges of net investments in foreign operations	(19,571)	(5,352)	-	1,246	(23,677)
Share of other comprehensive income (loss) of associates	1,787	(809)	-	(30)	948
Changes of credit risk of financial liabilities at FVTPL	(55)	(230)	-	58	(227)
	₩ (160,374)	₩ 150,755	₩ 11,720	₩ (41,200)	₩ (39,099)

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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28. EQUITY: (cont'd)

(In millions of Korean won)

	2022					
	Beginning balance	Changes (excluded from reclassification)	Reclassification ¹	Tax effects	Ending balance	
Gain (loss) 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 at FVTPL	24	(106)	-	27	(55)	
	₩ (122,161)	₩ (51,203)	₩ 768	₩ 12,222	₩ (160,374)	

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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28. EQUITY: (cont'd)

(e) Retained earnings

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

<i>(In millions of Korean won)</i>	2023	2022
Reserve:		
Legal reserves ¹	₩ 933,650	₩ 827,329
Reserve for credit loss	441,563	568,892
Voluntary reserves	3,465,716	3,028,104
	<u>4,840,929</u>	<u>4,424,325</u>
Retained earnings before appropriation	2,280,731	2,342,373
	<u>₩ 7,121,660</u>	<u>₩ 6,766,698</u>

¹ Article 53 of The *Financial Holding Companies 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 KIFRSs for the accounting purpose do not exceed those for the regulatory purpose, the Group discloses such shortfall amount as regulatory reserve for credit loss. Due to the fact that regulatory reserve for credit loss is a voluntary 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, 2023 and 2022 is as follows:

<i>(In millions of Korean won)</i>	2023	2022
Provided reserve for credit loss ¹	₩ 441,563	₩ 568,892
Expected reversal of reserve for credit loss	<u>(72,724)</u>	<u>(127,329)</u>
Regulatory reserve for credit loss:	₩ 368,839	₩ 441,563
Owners of the Parent Company	₩ 368,839	₩ 441,563
Non-controlling interests	-	-

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

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28. EQUITY: (cont'd)

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

<i>(In millions of Korean won)</i>	2023		2022	
Profit for the year of owners of the Parent Company	₩	639,780	₩	784,980
Reversal of reserve for credit losses		<u>72,724</u>		<u>127,329</u>
Adjusted profit after the provision of regulatory reserve ¹	₩	<u>712,504</u>	₩	<u>912,309</u>
Adjusted earnings per share after the provision of regulatory reserve ¹ <i>(in Korean won)</i>	₩	2,130	₩	2,719

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

<i>(In millions of Korean won)</i>	2023		2022	
Dividends on hybrid equity securities	₩	(25,678)	₩	(30,188)
Adjusted profit after reflecting dividend effect		686,826		882,121
Weighted-average number of ordinary shares outstanding		322,393,506 shares		324,431,669 shares
Adjusted earnings per share after the provision of regulatory reserve <i>(in Korean won)</i>	₩	2,130	₩	2,719

(f) Treasury shares

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

<i>(In millions of Korean won and in shares)</i>	2023		2022	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Beginning balance	1,503,577	₩ 6,997	1,503,577	₩ 6,997
Acquisition ¹	2,343,231	16,000	-	-
Retirement ²	<u>(3,846,808)</u>	<u>(22,997)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>₩ -</u>	<u>1,503,577</u>	<u>₩ 6,997</u>

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

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

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29. NET INTEREST INCOME:

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

<i>(In millions of Korean won)</i>	2023	2022
Interest income:		
Due from banks	₩ 31,148	₩ 16,291
Financial instruments at fair value through profit or loss	143,075	77,008
Financial instruments at fair value through other comprehensive income	144,655	72,565
Financial assets at amortized cost	234,634	189,660
Loans receivable	6,138,209	4,423,438
	<u>6,691,721</u>	<u>4,778,962</u>
Interest expense:		
Deposit liabilities	(3,016,787)	(1,366,297)
Borrowings	(275,011)	(154,788)
Debentures	(443,128)	(311,882)
Others	(51,341)	(24,889)
	<u>(3,786,267)</u>	<u>(1,857,856)</u>
Net interest income	<u>₩ 2,905,454</u>	<u>₩ 2,921,106</u>

30. NET COMMISSION INCOME:

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

<i>(In millions of Korean won)</i>	2023	2022
Commission income:		
Commission received	₩ 390,949	₩ 530,071
Guarantees	11,691	13,055
Credit card	6,903	8,176
Others	827	1,437
	<u>410,370</u>	<u>552,739</u>
Commission expenses:		
Commission paid	(103,007)	(101,957)
Credit card	(66,084)	(61,942)
	<u>(169,091)</u>	<u>(163,899)</u>
Net commission income	<u>₩ 241,279</u>	<u>₩ 388,840</u>

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31. GAIN OR LOSS ON FINANCIAL ASSETS AT FVTPL:

Gain or loss on financial assets at FVTPL for each of the two years in the period ended December 31, 2023 are as follows:

(In millions of Korean won)

	2023	2022
Gain on financial assets at FVTPL:		
Gain on disposal of financial assets at FVTPL	₩ 8,742	₩ 1,170
Gain on sale of financial assets at FVTPL	297,698	210,202
Gain on valuation of financial assets at FVTPL	150,775	93,626
Dividend income and others	55,877	58,360
	<u>513,092</u>	<u>363,358</u>
Loss on financial assets at FVTPL:		
Loss on disposal of financial assets at FVTPL	(2,913)	(1,699)
Loss on sale of financial assets at FVTPL	(289,167)	(220,000)
Loss on valuation of financial assets at FVTPL	(59,421)	(145,930)
Purchase expenses of financial assets at FVTPL	(7)	(16)
	<u>(351,508)</u>	<u>(367,645)</u>
Net gain (loss) on financial assets at FVTPL	<u>₩ 161,584</u>	<u>₩ (4,287)</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 each of the two years in the period ended December 31, 2023 is as follows:

<i>(In millions of Korean won)</i>	2023	2022
Gain on financial assets at fair value through other comprehensive income:		
Gain on sale of financial assets at fair value through other comprehensive income	₩ 1,787	₩ 27
Reversal of impairment loss	221	298
Dividend income	4,274	4,320
	<u>6,282</u>	<u>4,645</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	(46)	(1,482)
Impairment loss on financial assets at fair value through other comprehensive income	(1,438)	(354)
	<u>(1,484)</u>	<u>(1,836)</u>
Net gain on financial assets at fair value through other comprehensive income	<u>₩ 4,798</u>	<u>₩ 2,809</u>

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

Gain or loss on financial assets at amortized cost for each of the two years in the period ended December 31, 2023 is as follows:

<i>(In millions of Korean won)</i>	2023	2022
Gain on financial assets at amortized cost:		
Gain on sale of financial assets at amortized cost	₩ -	₩ -
Reversal of impairment loss on financial assets at amortized cost	756	1,067
	<u>756</u>	<u>1,067</u>
Loss on financial assets at amortized cost:		
Loss on sale of financial assets at amortized cost	-	-
Impairment loss on financial assets at amortized cost	(1,002)	(783)
	<u>(1,002)</u>	<u>(783)</u>
Net gain (loss) on financial assets at amortized cost	<u>₩ (246)</u>	<u>₩ 284</u>

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34. PROVISION FOR CREDIT LOSS:

Provision for credit loss for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Reversal of provision for credit loss and others:		
Reversal of provisions:		
Reversal of provision for impairment	₩ 13	₩ 12
Reversal of provision for credit loss on acceptances and guarantees	7,537	59
Reversal of provision for credit loss on financial guarantee contract	-	2,773
Reversal of provision for credit loss on unused credit limits	-	2,715
	<u>7,550</u>	<u>5,559</u>
Gain on disposal of loans receivable	138,089	78,933
Gain on loans receivable at FVTPL	<u>5,116</u>	<u>482</u>
	<u>150,755</u>	<u>84,974</u>
Contribution to provision for credit loss and others:		
Contribution to provisions:		
Impairment loss	(866,747)	(544,657)
Contribution to provision for credit loss on acceptances and guarantees	(64)	(5,667)
Contribution to provision for credit loss on unused credit limits	(7,102)	(4,123)
Contribution to provision for credit loss on financial guarantee contract	(460)	(25)
	<u>(874,373)</u>	<u>(554,472)</u>
Loss on disposal of loans receivable	(27,738)	(8,916)
Loss on loans receivable at FVTPL	<u>(8,019)</u>	<u>(41)</u>
	<u>(910,130)</u>	<u>(563,429)</u>
Contribution to provision for credit loss	<u>₩ (759,375)</u>	<u>₩ (478,455)</u>

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35. GENERAL AND ADMINISTRATIVE EXPENSES:

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

<i>(In millions of Korean won)</i>	2023	2022
Employee benefits:		
Salaries	₩ 636,954	₩ 679,589
Employee benefit expenses	181,563	176,900
Postemployment benefits	52,950	82,942
Termination benefits	15,654	48,447
	<u>887,121</u>	<u>987,878</u>
Rent	13,887	12,229
Business promotion expenses	28,487	29,637
Depreciation	115,086	107,551
Amortization	90,296	79,911
Taxes and dues	68,187	56,542
Other administrative expenses	272,901	247,435
	<u>₩ 1,475,965</u>	<u>₩ 1,521,183</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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35. GENERAL AND ADMINISTRATIVE EXPENSES: (cont'd)

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>	2021	2022	2023
Number of shares granted	103,177	649,857	69,646
Residual shares	51,533	433,252	69,646
Date of grant	2021-02-28	2022-02-25	2023-02-14
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	2023
Number of shares granted	169,605	112,430	33,620	1,212,858	3,150,758	1,825,228	2,393,071
Residual shares	12,059	7,748	2,748	644,696	2,173,420	1,507,358	1,948,531
Date of grant	2017-01-01	2018-01-01	2019-01-01	2020-01-01	2021-01-01	2022-01-01	2023-01-01
Grant method	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment	Cash-settled share-based payment
Exercise price	₩-	₩-	₩-	₩-	₩-	₩-	₩-
Vesting conditions	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance	Service period/non-market performance
Settlement method	Cash	Cash	Cash	Cash	Cash	Cash	Cash
Service period	3 years	3 years	3 years	1 year	1 year	1 year	1 year

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

<i>(In shares)</i>	Deferred grant in 2024	Deferred grant in 2025	Deferred grant in 2026	Deferred grant in 2027
Residual shares ¹	773,033	919,735	592,437	167,796
Grant method	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
Vesting conditions	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 each of the two years in the period ended December 31, 2023 are as follows:

i) Linked to short-term performance

<i>(In shares)</i>	2023	2022
Beginning balance	914,745	612,596
Granted	69,646	649,857
Exercised	(429,960)	(347,708)
Ending balance	<u>554,431</u>	<u>914,745</u>

ii) Linked to long-term performance

<i>(In shares)</i>	2023	2022
Beginning balance	4,889,202	4,312,698
Granted	2,393,071	1,834,519
Exercised	(367,745)	(132,424)
Others	(617,968)	(1,125,591)
Ending balance	<u>6,296,560</u>	<u>4,889,202</u>

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

<i>(In shares)</i>	Deferred grant	
	2023	2022
Beginning balance	2,724,069	1,420,221
Granted	291,412	1,210,308
Exercised	(359,191)	(44,082)
Others	(203,289)	137,622
Ending balance	2,453,001	2,724,069

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

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

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

<i>(In millions of Korean won)</i>	2023	2022
Linked to short-term performance	₩ 1,248	₩ 1,108
Linked to long-term performance	13,508	6,697

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

<i>(In millions of Korean won)</i>	2023	2022
Accrued expenses (short-term performance)	₩ 5,706	₩ 7,992
Accrued expenses (long-term performance)	38,130	27,081

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36. OTHER OPERATING INCOME AND EXPENSES:

Gains and losses on foreign currency transactions for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Gains on foreign currency transactions:		
Gain on foreign currency transactions	₩ 564,024	₩ 378,378
Foreign currency translation gains	164,727	174,642
	<u>728,751</u>	<u>553,020</u>
Losses on foreign currency transactions:		
Loss on foreign currency transactions	(534,855)	(365,024)
Foreign currency translation losses	(161,055)	(175,218)
	<u>(695,910)</u>	<u>(540,242)</u>
	₩ <u>32,841</u>	₩ <u>12,778</u>

Net income and loss related to derivatives for each of the two years in the period ended December 31, 2023 are as follows:

<i>(In millions of Korean won)</i>	2023	2022
Gains on financial derivatives:		
Gains on derivative transactions	₩ 490,100	₩ 507,524
Gains on valuation of derivatives	89,106	134,753
	<u>579,206</u>	<u>642,277</u>
Losses on financial derivatives:		
Losses on derivative transactions	(429,978)	(450,176)
Losses on valuation of derivatives	(72,049)	(191,569)
	<u>(502,027)</u>	<u>(641,745)</u>
	₩ <u>77,179</u>	₩ <u>532</u>

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36. OTHER OPERATING INCOME AND EXPENSES: (cont'd)

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

<i>(In millions of Korean won)</i>	2023	2022
Other operating revenue:		
Gain on fair value hedged items ₩	- ₩	41,603
Trust fees and commissions received from trust account	24,305	23,589
Reversal of other provisions	308	584
Operating lease income	553,168	496,237
Gain related to financial liabilities at FVTPL	3,284	25,765
Gain related to financial liabilities designated as at FVTPL	65	-
Others	2,172	4,000
	<u>583,302</u>	<u>591,778</u>
Other operating expenses:		
Loss on fair value hedged items	(13,974)	-
Trust management fees	(81)	(88)
Credit card charges	(24)	(29)
Contribution to credit guarantee fund	(123,113)	(112,333)
Contribution to housing credit guarantee fund	(48,699)	(45,471)
Insurance fees on deposits	(124,652)	(122,565)
Other provisions	(84,619)	(2,967)
Operating lease expense	(486,962)	(435,395)
Loss related to financial liabilities at FVTPL	(13,957)	(3,882)
Loss related to financial liabilities designated as at FVTPL	(35,540)	(9,566)
Others	(38,056)	(25,765)
	<u>(969,677)</u>	<u>(758,061)</u>
₩	<u>(386,375) ₩</u>	<u>(166,283)</u>

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37. NON-OPERATING INCOME AND EXPENSES:

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

<i>(In millions of Korean won)</i>	2023	2022
Net income from investments in associates:		
Share of profit of associates	₩ 63,223 ₩	19,255
Gain on disposal of investments in associates	9,480	1,303
Share of loss of associates	(5,656)	(11,586)
Loss on disposal of investments in associates	(715)	(7,919)
Impairment loss on investments in associates	(12,162)	-
	<u>54,170</u>	<u>1,053</u>
Non-operating income:		
Gain on disposal of property and equipment	653	2,696
Reversal of impairment loss on intangible assets	-	7
Rental income	30,591	27,875
Restoration income	351	145
Gain on collection of charge-offs	687	1,495
Gain on changes in leases	819	300
Other non-operating income ¹	43,099	32,090
	<u>76,200</u>	<u>64,608</u>
Non-operating expenses:		
Expenses on collection of charge-offs	(493)	(544)
Loss on disposal of property and equipment	(1,389)	(1,709)
Loss on retirement of property and equipment	(30)	(472)
Loss on disposal of intangible assets	-	(3)
Donations	(26,374)	(17,699)
Loss on changes in leases	(62)	(37)
Restoration loss	(106)	(790)
Other non-operating expenses ²	(27,530)	(75,346)
	<u>(55,984)</u>	<u>(96,600)</u>
	<u>₩ 74,386 ₩</u>	<u>(30,939)</u>

¹ Other extraordinary income of ₩13,030 million related to the expected recovery amount from the embezzlement case is included in other income for the year ended December 31, 2023.

² Other extraordinary loss of ₩307 million and ₩33,466 million related to the embezzlement incident is included in the other non-operating expenses for each of the two years in the period ended December 31, 2023 respectively.

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38. INCOME TAX EXPENSE:

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

<i>(In millions of Korean won)</i>		2023	2022
Current tax	₩	167,218 ₩	324,223
Changes in deferred tax liabilities by temporary difference:		70,095	(45,203)
Opening balance of deferred tax assets(liabilities)		24,587	(20,616)
Ending balance of deferred tax assets(liabilities)		(45,508)	24,587
Tax effect		237,313	279,020
Changes in deferred tax liabilities reflected directly in equity		(40,657)	13,032
Income tax expense	₩	196,656 ₩	292,052

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

<i>(In millions of Korean won)</i>	2023		2022	
	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	₩ 69,970	₩ 17,702	₩ 35,746	₩ 9,008
Accrued expenses	138,195	34,911	153,650	38,729
Adjustment of acquisition value for debt-to-equity swap	10,934	2,766	57,727	14,547
Deferred loan origination fees	11,981	3,031	11,173	2,816
Provision for losses on unused credit limits	56,804	14,371	42,710	10,763
Honorary retirement benefits	7,185	1,818	26,735	6,737
Loss on valuation of derivative instruments	70,425	17,818	114,787	28,926
Deposits that the statute of limitation expired	19,004	4,808	19,414	4,892
Guarantee deposits for leases (discounted present value)	7,166	1,813	4,525	1,140
Unearned point revenues	13,965	3,533	14,157	3,567
Other provision	171,875	43,238	138,392	34,880
Loss on valuation of unsettled spot transactions	119	30	272	69
Provision for possible losses on acceptances and guarantees	6,203	1,569	13,549	3,414
Provision for retirement benefits disallowance	483,460	122,316	464,446	117,078
Unearned revenues (leasehold	106,400	26,919	55,061	13,875

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deposits provided)				
Impairment of available-for-sale financial assets	1,056	267	1,237	312
Claim for reimbursement	2,000	506	2,000	504
Others	376,688	95,155	568,209	143,111
Tax deficit	1	-	619	156
	<u>1,553,431</u>	<u>392,571</u>	<u>1,724,409</u>	<u>434,524</u>
Temporary difference to be added:				
Interest receivables on securities	(192,867)	(48,795)	(141,392)	(35,632)
Revaluation of excess of land	(48,771)	(12,339)	(48,886)	(12,319)
Gain on valuation of debentures invested (adjustment of book amount)	(282,322)	(71,427)	(140,082)	(35,301)
Gain on valuation of derivative instruments	(65,843)	(16,658)	(81,788)	(20,611)
Investments in credit rehabilitation fund	(25,999)	(6,578)	(24,503)	(6,175)
Deferred loan origination costs	(175,378)	(44,371)	(180,238)	(45,420)
Guarantee deposits for leases (prepaid rent)	(5,375)	(1,360)	(3,214)	(810)
Discounted present value	(60,127)	(15,212)	(26,635)	(6,712)
Initial direct costs of lease	(528,276)	(133,654)	(97,019)	(24,449)
Remeasurements of defined benefit plan	(162,817)	(41,193)	(664,910)	(167,595)
Others	(182,613)	(46,492)	(234,174)	(54,912)
	<u>(1,730,388)</u>	<u>(438,079)</u>	<u>(1,642,841)</u>	<u>(409,936)</u>
Net of temporary difference	₩ <u>(176,957)</u>	₩ <u>(45,508)</u>	₩ <u>81,568</u>	₩ <u>24,588</u>

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38. INCOME TAX EXPENSE: (cont'd)

Details of temporary difference reflected directly in equity as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023		2022	
	Other comprehensive income	Tax effect	Other comprehensive income	Tax effect
Temporary difference reflected directly in equity:				
Gain (loss) on valuation of securities at fair value through other comprehensive income	₩ (63,570)	₩ (17,114)	₩ 133,605	₩ 32,643
Allowance for bad debts for debt securities through other comprehensive income	(2,679)	(678)	(1,476)	(372)
Loss on foreign currency translation of overseas operations	(16,266)	(1,989)	(12,711)	(1,406)
Remeasurements of defined benefit plan	109,718	30,839	76,469	22,487
Gain on valuation of hedges of net investments in foreign operations	26,253	6,753	26,164	6,593
Share of other comprehensive loss of associates	(3,624)	(2,676)	(4,433)	(2,646)
Others (credit risk adjustments)	5,888	1,486	73	18
	₩ 55,719	₩ 16,620	₩ 217,691	₩ 57,317

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38. INCOME TAX EXPENSE: (cont'd)

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

<i>(In millions of Korean won)</i>		2023	2022
Profit before income tax	₩	875,560 ₩	1,125,202
Taxes payable ^{1,2}		220,786	299,069
Tax effect of:			
Non-taxable income			
(₩69,527 million in 2023 and			
₩80,336 million in 2022)		(17,532)	(21,353)
Non-deductible expenses			
(₩28,728 million in 2023 and			
₩32,144 million in 2022)		7,244	8,544
Consolidated tax		(22,995)	(838)
Others		9,152	6,630
Income tax expense	₩	<u>196,655 ₩</u>	<u>292,052</u>
Effective tax rate			
(income tax expense/profit before income tax)		22.46%	25.96%

¹ Taxes payables for the year ended December 31, 2023 are calculated by applying statutory income tax rate (9.9% for less than ₩200 million, 20.9% for ₩200 million to ₩20 billion, 23.1% for ₩20 billion to ₩300 billion and 26.4% for more than ₩300 billion) to profit before income tax.

² Taxes payable for the year ended December 31, 2022 are calculated by applying statutory income tax rate (11% for less than ₩200 million, 22% for ₩200 million to ₩20 billion, 24.2% for ₩20 billion to ₩300 billion and 27.5% for more than ₩300 billion) to profit before income tax.

Details of current tax liabilities (income tax payable) and current tax assets (income tax refundable) before offsetting as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		2023	2022
Income tax refundable prior to offsetting	₩	136,227 ₩	145,221
Tax payables prior to offsetting		<u>174,148</u>	<u>325,822</u>
Deferred tax liabilities	₩	<u>37,921 ₩</u>	<u>180,601</u>

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39. EARNINGS PER SHARE:

Basic earnings per share are calculated by dividing profit attributable to owners of Parent Company by weighted-average number of ordinary shares outstanding for each of the two years in the period ended December 31, 2023.

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

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

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

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

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

<i>(In Korean million won and in shares)</i>		2023	2022
Profit for the year attributable to owners of the Parent Company	₩	639,780 ₩	784,980
Dividends on hybrid equity securities		(25,678)	(30,187)
Profit attributable to the ordinary equity holders		614,102	754,793
Weighted-average number of ordinary shares outstanding		322,393,506	324,431,669
Basic earnings per share	₩	1,905 ₩	2,327

Diluted earnings per share for each of the two years in the period ended December 31, 2023 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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		Type	2023	2022
Confirmed acceptances and guarantees:				
Confirmed acceptances and guarantees in Korean won	Payment guarantee for loans	₩	52,522	₩ 50,224
	Others		482,993	502,994
			<u>535,515</u>	<u>553,218</u>
Confirmed acceptances and guarantees in foreign currencies	Acceptances on letters of credit		55,106	19,504
	Acceptances on letters of guarantee for importers		17,899	28,045
	Others		502,092	298,801
			<u>575,097</u>	<u>346,350</u>
			<u>1,110,612</u>	<u>899,568</u>
Unconfirmed acceptances and guarantees:	Letters of credit		245,412	258,611
	Others		3,875	3,573
			<u>249,287</u>	<u>262,184</u>
Others	Endorsed bill		22	22
		₩	<u>1,359,921</u>	₩ <u>1,161,774</u>

Confirmed and unconfirmed acceptances and guarantees by customer as of December 31, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>		2023		2022	
		Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:					
Large corporate	₩	541,539	48.76	₩ 330,705	36.76
Small- and medium-sized corporate ¹		523,752	47.16	509,868	56.68
Household		45,321	4.08	58,995	6.56
	₩	<u>1,110,612</u>	<u>100.00</u>	₩ <u>899,568</u>	<u>100</u>
Unconfirmed acceptances and guarantees:					
Large corporate	₩	84,967	34.08	₩ 87,646	33.43
Small- and medium-sized corporate ¹		164,320	65.92	174,538	66.57
	₩	<u>249,287</u>	<u>100.00</u>	₩ <u>262,184</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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40. CONTINGENCIES AND COMMITMENTS: (cont'd)

Confirmed and unconfirmed acceptances and guarantees by country as of December 31, 2023 and 2022 are as follows:

(In millions of Korean won)

	2023		2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Confirmed acceptances and guarantees:				
Korea	₩ 1,083,349	97.55	₩ 857,981	95.38
Others	27,263	2.45	41,587	4.62
	₩ 1,110,612	100.00	₩ 899,568	100.00
Unconfirmed acceptances and guarantees:				
Korea	₩ 246,209	98.77	₩ 260,568	99.38
China	801	0.32	151	0.06
Others	2,277	0.91	1,465	0.56
	₩ 249,287	100.00	₩ 262,184	100.00

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

(In millions of Korean won)

	2023	2022
Corporates	₩ 9,199,326	₩ 8,733,101
Households	8,550,293	9,319,394
Credit card	5,074,185	5,032,524
Securities purchase agreement	729,493	732,409
	₩ 23,553,297	₩ 23,817,428

The Group has entered into loan agreement of ₩1,068,478 million with KDB Development Bank and borrowing agreements in foreign currencies, including CNY 350,000,000, JPY 2,000,00,000, USD 166,500,000 and KZT 3,400,000,000 with Sumitomo Mitsui Trust Bank, and etc., to secure liquidity and diversify financing channels in preparation for the domestic bond market crunch.

Lawsuits

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

(In millions of Korean won)

	2023		2022	
	As a plaintiff	As a defendant	As a plaintiff	As a defendant
Number of cases	35 cases	58 cases	33 cases	61 cases
Amount	₩ 129,265	₩ 15,561	₩ 133,614	₩ 52,597
Provisions related to these lawsuits		₩ -		₩ -

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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, 2023 and 2022 are as follows:

<i>(In millions of Korean won)</i>			2023		2022
Associate/Associate of entities under common control					
BNK Shareholder Value					
Active Securities	Other assets	₩	15	₩	10
Exchange Traded Fund					
BNK Winning Securities					
Investment Trust 1	Other assets		6		6
BNK Teunteun Korea					
Securities Investment	Other assets		9		8
Trust No. 1					
BNK Cape ESG New					
Renewable Energy No. 1					
New Technology	Other assets		16		16
Association					
BNK-K& New Marine					
Industry No.1 Fund	Other assets		98		-
BNK-T2021 Korea Support					
Venture Investment	Other assets		108		-
Association No. 1					
BNKKN Younghonam					
Special Zone Venture	Other assets				
Investment Associate No. 1			71		-
BNK-Kiwoom New					
Technology Investment	Other assets		15		-
Fund 1st					
BNK-Hyundai Defense					
Innovation Fund	Other assets		115		-
ForHumanLife CDMO New					
Technology Business	Other assets		21		-
Investment Association					
UQIP Energy Fusion					
Investment Fund	Other assets		478		463
Partnership					
UQIP Agricultural and					
	Other assets		214		242

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Fishery Food Investment Fund Partnership No. 2			
2019 UQIP Innovative	Other assets		
Growth Follow-on Fund Partnership		311	195
BNK Fisheries Investment Association	Other assets	262	95
BNK Intervalue Technology Finance Investment Association	Other assets	465	108
BNK Agricultural Food Investment Association No. 3	Other assets	94	75
Anda H Mezzanine Private Investment Private Fund No. 11	Other assets	-	1
UQIP Future Generation Investment Fund Partnership	Other assets	-	291
Key management ¹	Loans receivable	1,153	925
	Credit card receivable	-	16
	Deposit liabilities	2,064	730

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

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

<i>(In millions of Korean won)</i>			2023		2022
Associate					
BNK Shareholder Value					
Active Securities Exchange	Commission revenues	₩	58	₩	10
Traded Fund					
BNK Winning Securities	Commission revenues		38		37
Investment Trust 1					
BNK Teunteun Korea	Commission revenues		163		138
Securities Investment Trust					
No. 1					
BNK-K& New Marine	Commission revenues		192		217
Industry No.1 Fund					
BNK Cape ESG New	Commission revenues		62		62
Renewable Energy No. 1					
New Technology Association					
BNK-T2021 Korea Support	Commission revenues		433		430
Venture Investment					
Association No. 1					
BNKKN Younghonam	Commission revenues		285		285
Special Zone Venture					
Investment Associate No. 1					
BNK-Kiwoom New	Commission revenues		61		52
Technology Investment Fund					
1st					
BNK-Hyundai Defense	Commission revenues		453		-
Innovation Fund					
BNK-KakaoPay Securities-	Commission revenues		14		-
Mosaic Big Data Association					
ForHumanLife CDMO New	Commission revenues		21		-
Technology Business					
Investment Association					
BNK-K& New Marine	Commission revenues		28		-
Industry No.2 Fund					
UQIP Energy Fusion	Commission revenues		474		463
Investment Fund Partnership					
UQIP Agricultural and					
Fishery Food Investment	Commission revenues		214		242
Fund Partnership No. 2					
2019 UQIP Innovative					
Growth Follow-on Fund	Commission revenues		305		286
Partnership					

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BNK Fisheries Investment Association	Commission revenues	262	375
BNK Inter-value Technology Finance Investment Association	Commission revenues	464	502
BNK Agricultural Food Investment Association No. 3	Commission revenues	375	338
Future Creation UQIP Investment Association	Commission revenues	830	-
Anda H Mezzanine Private Investment Private Fund No. 11	Commission revenues	-	4
Anda H Mezzanine Private Investment Private Fund No. 7	Commission revenues	-	1
Orion KOSDAQ venture fund #52	Commission revenues	-	2
HI Private Investment Trust 28th	Commission revenues	-	3
Key management	Commission revenues	1	-
	Interest expenses	11	8
	Interest income	73	27
	Other income	7	5
	Other expenses	1	1

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

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

(In millions of Korean won)

		2023			
		Loan transactions		Deposit transactions	
		Loans	Repayments	Increase	Decrease
Key management	₩	-	₩ 83	₩ 4,892	₩ 3,526

(In millions of Korean won)

		2022			
		Loan transactions		Deposit transactions	
		Loans	Repayments	Increase	Decrease
Key management	₩	1,266	₩ 435	₩ 2,837	₩ 3,072

There were no payment guarantees between related parties for each of the two years in the period ended December 31, 2023.

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

(In millions of Korean won)

		2023		2022	
		Loan limit	Credit card	Loan limit	Credit card
Key management	₩	24	₩ 150	₩ 108	₩ 145

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

(In millions of Korean won)

	2023	2022
Short-term employee benefits	₩ 6,232	₩ 4,319
Share-based payment	5,087	3,644
Postemployment benefits	457	277
	<u>₩ 11,776</u>	<u>₩ 8,240</u>

BNK Financial Group INC. and its subsidiaries
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42. STATEMENTS OF CASH FLOWS:

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

<i>(In millions of Korean won)</i>	2023	2022
Reclassification between property and equipment, investment properties and intangible assets	₩ 25,917	₩ 9,405
Increase in right-of-use assets and lease liabilities	76,037	41,877

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

<i>(In millions of Korean won)</i>	2023					
	Beginning balance	Cash flows	Non-cash changes			Ending balance
			Exchange differences	Fair value hedge	Others	
Borrowings	₩ 7,716,089	₩ 1,056,945	₩ (707)	₩ -	₩ 43,549	₩ 8,815,876
Debentures	12,145,457	813,289	6,762	10,098	59,804	13,035,410
Lease liabilities	33,565	(31,838)	-	-	41,217	42,944
	₩ 19,895,111	₩ 1,838,396	₩ 6,055	₩ 10,098	₩ 144,570	₩ 21,894,230

<i>(In millions of Korean won)</i>	2022					
	Beginning balance	Cash flows	Non-cash changes			Ending balance
			Exchange differences	Fair value hedge	Others	
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
	₩ 21,114,481	₩(1,459,561)	₩ 21,829	₩ (29,674)	₩ 248,036	₩ 19,895,111

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43. DIVIDENDS:

Dividend to be paid in 2023 is ₩132,056 million (₩410 per share) and the dividend paid in 2022 is ₩202,770 million (₩625 per share).

A dividend in respect of the year ended December 31, 2023, of ₩410 per share, amounting to a total dividend of ₩132,056 million, is to be proposed to shareholders at the annual general meeting on March 22, 2024. These consolidated financial statements do not reflect this dividend payable.

In addition, the Board of Directors' meeting held on July 26, 2023 decided to pay an interim dividend of ₩32,209 million (₩100 per share) to shareholders for the base date of August 11, 2023, and the interim dividend was paid on August 25, 2023.

BNK Financial Group INC. and its subsidiaries
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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 KIFRS 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 consolidated 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.

BNK Financial Group INC. and its subsidiaries
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44. UNCONSOLIDATED STRUCTURED ENTITIES: (cont'd)

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

(In millions of Korean won)	2023			
	Investment fund	Structured financing	Asset-backed securitization	Project financing
Total assets of unconsolidated structured entity	₩ 79,139,952	₩ 635,051,845	₩ 66,172,092	₩ 19,238,333
Recognized assets related to unconsolidated structured entities:				
Financial assets at FVTPL	1,722,740	260,885	-	-
Financial assets at FVOCI	-	1,954	-	-
Financial assets at amortized cost	69	-	539,800	-
Equity method investments	1,811,826	710	-	-
Loans and receivables	-	5,912,204	-	1,411,408
(Provision for impairment)	-	(146,981)	-	-
	3,534,635	6,028,772	539,800	1,411,408
Recognized liabilities related to unconsolidated structured entities:				
Financial guarantees	-	1,576	-	-
Provision of debt guarantee	-	355	-	-
Maximum exposure to loss ¹				
Investments	3,534,635	6,028,772	539,800	1,411,408
Investment commitments	665,379	45,321	-	-
Loan commitments	-	796,630	-	-
Financial guarantees	-	1,576	-	-
Credit offer	-	183,293	-	-
Purchase commitment	-	104,646	70,000	-
	4,200,014	7,162,169	609,800	1,411,408
Loss on unconsolidated structured entity	₩ (1,007)	₩ (40,651)	₩ -	₩ -

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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44. UNCONSOLIDATED STRUCTURED ENTITIES: (cont'd)

(In millions of Korean won)

	2022			
	Investment fund	Structured financing	Asset-backed securitization	Project financing
Total assets of unconsolidated structured entity	₩ 58,783,147	₩ 545,281,271	₩ 60,210,100	₩ 12,442,828
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	1,681,039
(Provision for impairment)	-	(148,162)	-	-
	3,418,492	7,954,286	514,533	1,681,039
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	1,681,039
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	1,681,039
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.

BNK Financial Group INC. and its subsidiaries
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45. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENT:

The Group identified the embezzlement of employee of Kyongnam Bank, a subsidiary, having occurred in the period before the current year for the year ended December 31, 2023. The Group adjusted the book value of project financing loans related to the embezzlement, and reflected income tax effect. As the Group believes that matters related to the embezzlement have a material impact on the consolidated financial statements, the consolidated financial statements for the year ended December 31, 2022 presented herein for comparative purposes were restated to reflect these adjustments.

The amount before adjustment stated below presents the carrying amount recognized in the consolidated financial statements attached to the audit report dated March 8, 2023, which was the date of the initial disclosure by the Group.

Details of corrected errors having incurred in the year ended December 31, 2022 are as follows:

- | | | |
|---|----------------------|---|
| ① | Accounts with errors | Loans and receivables, deferred tax assets, provisions, deferred tax liabilities, retained earnings, interest income, non-operating income and expenses, income tax expenses |
| ② | Cause of errors | Due to the embezzlement of an employee that occurred prior to the current period, embezzlement-related PF loans that is not substantive and the obligation to compensate for damages is detected. |

BNK Financial Group INC. and its subsidiaries
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45. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENT: (cont'd)

③ Details

Consolidated statement of financial position as of December 31, 2022:

Beginning balance of loans overstated by ₩94,915 million.

Beginning balance of illegal act receivables understated by ₩79,999 million.

Beginning balance of deferred tax liabilities overstated by ₩6,002 million.

Beginning balance of provisions understated by ₩8,348 million.

Beginning balance of retained earnings overstated by ₩17,262 million.

Ending balance of loans overstated by ₩48,077 million.

Ending balance of deferred tax assets understated by ₩14,296 million.

Ending balance of provisions understated by ₩8,652 million.

Ending balance of retained earnings overstated by ₩42,433 million.

**Consolidated statements of comprehensive income for the year ended
December 31, 2022:**

Interest income overstated by ₩2,778 million and other non-operating income understated by ₩2,778 million.

Other non-operating expenses understated by ₩33,466 million.

Income tax expenses overstated by ₩8,294 million.

④ Relevant
standards

KIFRS 1109, Paragraphs 3.1.1, 4.1.2, 5.5.1
KIFRS 1037, Paragraph 14

BNK Financial Group INC. and its subsidiaries
Notes to the consolidated financial statements
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45. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENT: (cont'd)

Financial statements affected by correction of errors

Consolidated statement of financial position

(In millions of Korean won)

(In millions of Korean won)		December 31, 2022					
Accounts	Notes	Amount before adjustment		Changes due to event causing adjustment		Restated amount	
Asset:							
Loans and receivables	4,6,12,13,14	₩	106,327,189	₩	(48,077)	₩	106,279,112
Deferred tax assets	38		10,293		14,296		24,588
Total Asset			136,966,388		(33,781)		136,932,607
Liabilities:							
Provisions	26,40		113,759		8,652		122,411
Total Liabilities			126,134,073		8,652		126,142,725
Equity:							
Retained earnings	28		6,809,131		(42,433)		6,766,698
Total equity			10,832,315		(42,433)		10,789,882

(In millions of Korean won)

(In millions of Korean won)		January 1, 2022					
Accounts	Notes	Amount before adjustment		Changes due to event causing adjustment		Restated amount	
Asset:							
Loans and receivables	4,6,12,13,14	₩	98,699,253	₩	(14,916)	₩	98,684,337
Total asset			128,287,035		(14,916)		128,272,119
Liabilities:							
Provisions	26,40		99,154		8,348		107,502
Deferred tax liabilities	38		26,618		(6,002)		20,616
Total liabilities			118,063,851		2,346		118,066,197
Equity:							
Retained earnings	28		6,210,821		(17,262)		6,193,559
Total equity			10,223,184		(17,262)		10,205,922

BNK Financial Group INC. and its subsidiaries
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45. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENT: (cont'd)

Consolidated statement of comprehensive income

(In millions of Korean won)

Accounts	Notes	2022		
		Amount before adjustment	Changes due to event causing adjustment	Restated amount
Net interest income		₩ 2,923,884	₩ (2,778)	₩ 2,921,106
Interest income		4,781,740	(2,778)	4,778,962
Operating income		1,158,919	(2,778)	1,156,141
Other non-operating expenses, net	37	(251)	(30,688)	(30,939)
Profit before income tax expense		1,158,668	(33,466)	1,125,202
Income tax expense	38	(300,346)	8,294	(292,052)
Profit for the year		858,322	(25,172)	833,150
Total comprehensive income		820,138	(25,172)	794,966
Basic and diluted earnings per share(In Korean won)	39	2,404	(77)	2,327

Consolidated statement of changes in equity

(In millions of Korean won)	2022		
	Amount before adjustment	Changes due to event causing adjustment	Restated amount
Total equity as of January 1, 2021	₩ 9,626,282	₩ -	₩ 9,626,282
Retained earnings as of January 1, 2021	5,561,025	-	5,561,025
Profit for the year	834,249	(17,261)	816,988
Retained earnings as of December 31, 2021	6,210,820	(17,261)	6,193,559
Total equity as of December 31, 2021	10,223,183	(17,261)	10,205,922
Total equity as of January 1, 2022	10,223,183	(17,261)	10,205,922
Retained earnings as of January 1, 2022	6,210,820	(17,261)	6,193,559
Profit for the year	858,322	(25,172)	833,150
Retained earnings as of December 31, 2022	6,809,131	(42,433)	6,766,698
Total equity as of December 31, 2022	10,832,315	(42,433)	10,789,882

BNK Financial Group INC. and its subsidiaries
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45. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENT: (cont'd)

Consolidated statement of cash flows

(In millions of Korean won)

<i>Accounts</i>	2022			
	Amount before adjustment	Changes due to event causing adjustment	Restated amount	
Cash flows from operating activities	₩ 3,609,241	₩ -	₩	3,609,241
Profit for the year	858,322	(25,172)		833,150
Adjustments to profit for the year:	(1,459,411)	25,172		(1,434,239)
Interest income	(4,781,740)	2,778		(4,778,962)
Other non-operating expenses, net	9,077	30,688		39,765
Income tax expense	300,346	(8,294)		292,052
Changes in assets and liabilities from operating activities:	1,226,076	2,778		1,228,854
Increase in loans and receivables	(7,925,120)	2,778		(7,922,342)
Interest received	4,708,646	(2,778)		4,705,868

Audit opinion on internal control over financial reporting

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

Attachments:

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

Independent auditor's report on internal control over financial reporting

(English Translation of a Report Originally Issued in Korean)

BNK Financial Group Inc.

The Shareholders and Board of Directors

Opinion on internal control over financial reporting

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

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

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

Basis for opinion on ICFR

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

Responsibility of management and those charged with governance for ICFR

Management is responsible for designing, implementing and maintaining an effective ICFR, and for assessing the effectiveness of the ICFR included in the accompanying Internal Control over Financial Reporting for Consolidation Purposes Operating Status Report by CEO.

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

Auditor's responsibilities for the audit of ICFR

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

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

ICFR definition and inherent limitations

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

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

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

Ernst & Young Han Young

March 13, 2024

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

Internal Control over Financial Reporting("ICFR") for Consolidation Purposes Operating Status Report by CEO

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

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

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

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

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

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

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

February 28, 2024



Chief Executive Officer



Internal Control over Financial Reporting Officer