

PRICING SUPPLEMENT



*(incorporated with limited liability under the laws of the Republic of Korea)
(acting through its principal office in Korea)*

Issue of U.S.\$400,000,000 Floating Rate Green Mortgage Covered Bonds due 2029 under the U.S.\$5,000,000,000 Global Covered Bond Programme

THE GREEN MORTGAGE COVERED BONDS TO WHICH THIS PRICING SUPPLEMENT RELATES (THE "GREEN MORTGAGE COVERED BONDS") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE GREEN MORTGAGE COVERED BONDS WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

Lead Manager

**SG Securities (HK) Limited,
Taipei Branch**

Joint Managers (in alphabetical order)

**BNP Paribas SA,
Taipei Branch**

**Crédit Agricole Corporate and Investment Bank,
Taipei Branch**

Co-Managers (in alphabetical order)

**Cathay United Bank Co., Ltd.
Mega International Commercial Bank Co., Ltd.
SinoPac Securities Corporation
Taishin International Bank Co., Ltd.**

**KGI Securities Co. Ltd.
President Securities Corporation
Taipei Fubon Commercial Bank Co., Ltd.
Yuanta Securities Co., Ltd.**

The date of this Pricing Supplement is October 8, 2024.

PRICING SUPPLEMENT

October 8, 2024

SHINHAN BANK

Issue of U.S.\$400,000,000 Floating Rate Green Mortgage Covered Bonds due 2029 under the
U.S.\$5,000,000,000 Global Covered Bond Programme

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Green Mortgage Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “Prospectus Regulation”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Green Mortgage Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Green Mortgage Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Green Mortgage Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 (“FSMA”) to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the Green Mortgage Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Green Mortgage Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”) — the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Green Mortgage Covered Bonds are capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Part A—Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated October 20, 2023. This document constitutes the Pricing Supplement relating to the issue of the Green Mortgage Covered Bonds described herein and contains the final terms of the Green Mortgage Covered Bonds and must be read in conjunction with the Offering Circular as so supplemented.

The Green Mortgage Covered Bonds have not been and will not be registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Green Mortgage Covered Bonds may not be offered, delivered, or sold, directly or indirectly, in the Republic of Korea (“Korea”) or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Green Mortgage Covered Bonds, the Green Mortgage Covered Bonds may not be transferred to any resident of Korea other than a “qualified institutional buyer” (a “Korean QIB” as defined under the Securities Issuance and Disclosure Regulations) who is registered with the Korea Financial Investment Association as a Korean QIB, provided that the amount of the Green Mortgage Covered Bonds acquired by the Korean QIBs in the primary market is limited to not more than 20% of the aggregate principal amount of the Green Mortgage Covered Bonds.

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|---|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | (i) Series Number: | 2024-2 |
| | (ii) Tranche Number: | 1 |
| 2 | Specified Currency or Currencies: | United States dollars (U.S.\$) |
| 3 | Aggregate Nominal Amount: | |
| | (i) Series: | U.S.\$400,000,000 |
| | (ii) Tranche: | U.S.\$400,000,000 |
| 4 | (i) Issue Price: | 100.000 per cent. of the Aggregate Nominal Amount |
| | (ii) Use of Proceeds: | An amount equivalent to the net proceeds from the issuance of the Green Mortgage Covered Bonds will be allocated to finance and/or refinance new and/or existing loans extended to individuals for the acquisition of housing units that have obtained Level II or above from Green Standard for Energy and Environmental Design of Korea (G-SEED) or which otherwise fall within the Green Buildings category of the Issuer’s Sustainable Development Goals Financing Framework dated March 2022 (which is available on the Issuer’s website at https://www.shinhan.com/en/index.jsp#300405010000) |
| 5 | (i) Specified Denominations: | U.S.\$200,000 and, in excess thereof, integral multiples of U.S.\$1,000 |

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| | (ii) Calculation Amount: | U.S.\$1,000 |
| 6 | Issue Date: | October 22, 2024 |
| 7 | (i) Maturity Date: | The Interest Payment Date falling on or nearest to October 22, 2029 |
| | (ii) Extended Maturity Date: | Not Applicable |
| 8 | Interest Basis: | |
| | (i) Period to (and including) Maturity Date: | Compounded Daily SOFR + 0.85 per cent. Floating Rate |
| | (ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date: | (further particulars specified below) Not Applicable |
| 9 | Redemption/Payment Basis: | Redemption at par |
| 10 | Change of Interest Basis: | Not Applicable |
| 11 | Put/Call Options: | Not Applicable |
| 12 | Method of distribution: | Syndicated |
| 13 | Prohibition of Sales to EEA Retail Investors: | Applicable |
| 14 | Prohibition of Sales to UK Retail Investors: | Applicable |

Provisions Relating to Interest (if any) Payable

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|----|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15 | Fixed Rate Covered Bond Provisions | Not Applicable |
| 16 | Floating Rate Covered Bond Provisions | |
| | (i) To Maturity Date: | Applicable |
| | (ii) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| | (iii) Interest Period(s)/Specified Interest Payment Dates: | |
| | (a) To Maturity Date: | Quarterly in arrear on January 22, April 22, July 22 and October 22 of each year commencing on January 22, 2025, subject to adjustment in accordance with the Business Day Convention specified below |
| | (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| | (iv) Business Day Convention: | |

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| (a) To Maturity Date: | Modified Following Business Day Convention, adjusted |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (v) Additional Business Centre(s): | |
| (a) To Maturity Date: | Seoul, Taipei, London and New York City |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (vi) Manner in which the Rate of Interest and Interest Amount is to be determined: | |
| (a) To Maturity Date: | Screen Rate Determination |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (vii) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent): | |
| (a) To Maturity Date: | Not Applicable |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (viii) Screen Rate Determination: | |
| (a) To Maturity Date: | Applicable |
| —Reference Rate: | SOFR Benchmark |
| —Interest Determination Date(s): | Fifth U.S. Government Securities Business Day prior to the last day of each Interest Period (which expression shall mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date). |
| —Relevant Screen Page: | Not Applicable |
| —SOFR Benchmark: | Compounded Daily SOFR |
| —Compounded Daily SOFR: | SOFR Lag |
| —Lookback Days: | 5 U.S. Government Securities Business Days |
| —SOFR Observation Shift Days: | Not Applicable |

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| —SOFR Index _{Start} : | Not Applicable |
| —SOFR Index _{End} : | Not Applicable |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (ix) ISDA Determination | |
| (c) To Maturity Date: | Not Applicable |
| (d) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (x) Margin(s): | |
| (a) To Maturity Date: | + 0.85 per cent. per annum |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (xi) Minimum Rate of Interest: | |
| (a) To Maturity Date: | Not Applicable |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (xii) Maximum Rate of Interest: | |
| (a) To Maturity Date: | Not Applicable |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (xiii) Day Count Fraction: | |
| (a) To Maturity Date: | Actual/360 |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |
| (xiv) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: | |
| (a) To Maturity Date: | Not Applicable |
| (b) From Maturity Date up to Extended Maturity Date: | Not Applicable |

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| (xv) Benchmark Replacement (SOFR) | Applicable |
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Provisions Relating to Redemption

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| 17 | Call Option | Not Applicable |
| 18 | Put Option: | Not Applicable |
| 19 | Final Redemption Amount of each Covered Bond: | U.S.\$1,000 per Calculation Amount |

General Provisions Applicable to the Green Mortgage Covered Bonds

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| 20 | Form of Covered Bonds: | Registered Covered Bonds: Unrestricted Global Certificate registered in the name of a nominee for a Common Depository for Euroclear and Clearstream, Luxembourg |
| 21 | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | Seoul, Taipei, London and New York City |
| 22 | Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature): | No |
| 23 | U.S. Selling Restrictions: | Reg. S Compliance Category 2 / TEFRA not applicable |
| 24 | Additional U.S. federal income tax considerations: | Not Applicable |
| 25 | Calculation Agent: | Citibank, N.A., London Branch |

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Green Mortgage Covered Bonds described herein pursuant to the U.S.\$5,000,000,000 Global Covered Bond Programme of Shinhan Bank.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Green Mortgage Covered Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Green Mortgage Covered Bonds.

Approval in-principle has been received for the Green Mortgage Covered Bonds to be recognized under the SGX Sustainable Fixed Income initiative on SGX-ST. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Green Mortgage Covered Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. The SGX-ST may

remove the recognition from the Green Mortgage Covered Bonds at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX website.

Application will be made on behalf of the Issuer to the Taipei Exchange (“TPEX”) for the listing of, and permission to deal in, the Green Mortgage Covered Bonds by way of debt issues to professional investors as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Notes of the ROC (the “TPEX Rules”). No assurances can be given as to whether the Green Mortgage Covered Bonds will be, or will remain, listed on the TPEX. If the Green Mortgage Covered Bonds fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Green Mortgage Covered Bonds.

The TPEX is not responsible for the content of this document and the Offering Circular and any amendment and supplement thereto and no representation is made by TPEX to the accuracy or completeness of this document and the Offering Circular and any amendment and supplement thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular and any amendment and supplement thereto. Admission to the listing and trading of the Green Mortgage Covered Bonds on the TPEX shall not be taken as an indication of the merits of the Issuer or the Green Mortgage Covered Bonds. The Green Mortgage Covered Bonds will be traded on the TPEX pursuant to the applicable rules of the TPEX. The effective date of listing of the Green Mortgage Covered Bonds is on or about October 22, 2024.

If and for so long as the Green Mortgage Covered Bonds are listed on the TPEX and for so long as the rules of the TPEX so require, all notices regarding the Green Mortgage Covered Bonds and the Issuer required by the rules of TPEX shall also be published on a website designated by the Taiwan Financial Supervisory Commission (currently, https://siis.twse.com.tw/e_bond.htm).

Part B—Other Information

1 Listing and Admission to Trading

(a) Listing and Admission to trading:

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Green Mortgage Covered Bonds on the SGX-ST.

Application will be made by the Issuer to the TPEX for the listing and trading of the Green Mortgage Covered Bonds on the TPEX of the Republic of China (“ROC” or “Taiwan”).

TPEX is not responsible for the content of this document and the Offering Circular and any amendment and supplement thereto and no representation is made by TPEX to the accuracy or completeness of this document and the Offering Circular and any amendment and supplement thereto. TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular and any amendment and supplement thereto. Admission to the listing and trading of the Green Mortgage Covered Bonds on the TPEX shall not be taken as an indication

of the merits of the Issuer or the Green Mortgage Covered Bonds. The Green Mortgage Covered Bonds will be traded on the TPEX pursuant to the applicable rules of the TPEX. The effective date of listing of the Green Mortgage Covered Bonds is on or about October 22, 2024.

(b) Estimate of total expenses related to admission to trading: SGD0
100,000 New Taiwan Dollars (“NT\$”) in respect of TPEX

2 Ratings

Ratings: The Green Mortgage Covered Bonds to be issued are expected to be assigned the following rating:
Moody’s: Aaa
Fitch: AAA

3 Interests of Natural and Legal Persons involved in the Issue

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Green Mortgage Covered Bonds has an interest material to the offer. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

4 Yield to Maturity Date (Fixed Rate Covered Bonds only)

Indication of yield: Not Applicable

5 Operational Information

(a) ISIN Code: XS2901898291
(b) Common Code: 290189829
(c) LEI: 5493003P813VL21KG928
(d) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): Not Applicable
(e) Delivery: Delivery against payment
(f) Names and addresses of additional Paying Agent(s) (if any): Not Applicable

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:



Duly authorized

Dong Kuk Suh
Deputy General Manager
Treasury Department
Shinhan Bank

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Shinhan
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[Signature Page to Pricing Supplement]

SCHEDULE A

This section provides information that supplements or replaces certain information in the Offering Circular under the headings corresponding to the headings below. Capitalized terms used without definition in this section or elsewhere in this Pricing Supplement have the meanings given to such terms in the Offering Circular. If the information in this section differs from the information in the Offering Circular, potential investors should refer to the information in this section.

Risks Relating to the Covered Bonds

There can be no assurance that the use of proceeds of the Covered Bonds will be suitable for the investment criteria of an investor.

The Bank will allocate an amount equal to the net proceeds from the issuance of the Covered Bonds to finance or refinance, in whole or in part, eligible Green or Social projects, lending to businesses in Green industries and/or lending to businesses facilities to advance into Green industries as specified in the Pricing Supplement in accordance with the Shinhan Bank Sustainable Development Goals Financing Framework (the “Framework”). The examples of eligible Green or Social projects provided in the Framework are for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by the Bank during the term of the Covered Bonds.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green”, “social” or “sustainable,” and therefore no assurance can be provided to investors that selected eligible Green or Social projects will continue to meet the relevant eligibility criteria. Accordingly, no assurance can be given to investors that any eligible Green or Social projects will meet any or all investor expectations regarding environmental or social performance or that any adverse environmental, social and/or other impacts will not occur during the operation of any eligible Green or Social projects. Although the eligible Green or Social projects are expected to be selected in accordance with the Framework, there can be no guarantee that the projects will deliver the environmental or social benefits as anticipated, or that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of any such projects. In addition, where any negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders. For example, we currently maintain, and may continue to extend, certain financings for borrowers related to the coal industry in the ordinary course of our business. For the avoidance of doubt, any projects related to the development, construction or production/transmission of energy from fossil fuels such as coal are excluded from the “renewable energy” and “clean transportation” categories of eligible Green Categories and eligible Social Categories, as set forth in the Framework.

The Bank has engaged an external consultant, Moody’s Investors Service, to review the Framework and provide a second party opinion (the “Second Party Opinion”) regarding the Framework’s environmental and social credentials, as well as its alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021 and Social Bond Principles 2021, as administered by the International Capital Market Association, and Green Loan Principles 2023 and Social Loan Principles 2023, as administered by the Loan Market Association. The Second Party Opinion may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the price or value of the Covered Bonds.

The Framework and the Second Party Opinion are not incorporated into, and do not form part of, the Pricing Supplement or the Offering Circular. Neither the Bank nor any of the Managers makes any representation as to the suitability of the Framework. Neither the Framework nor the Second Party Opinion is a recommendation to buy, sell or hold securities, and the Framework and the Second Party

Opinion are only current as of the date they were initially published on March 24, 2022 and May 12, 2023 by the Bank and the external consultant, respectively, and are subject to certain disclaimers set out therein, and may be updated, suspended or withdrawn at any time. Currently, the providers of second-party opinions and certifications and validations are not subject to any regulatory regime or oversight. Furthermore, the Framework and the Second Party Opinion are for information purposes only and neither the Bank nor any of the Managers accepts any form of liability for the substance of the Framework or the Second Party Opinion and/or any liability for loss arising from the use of the Framework or the Second Party Opinion and/or the information provided therein.

In addition, although the Bank has agreed to certain reporting and use of proceeds obligations in connection with certain environmental and sustainability criteria, the Bank's failure to comply with such obligations does not constitute a breach or an event of default under the Covered Bonds. A withdrawal of the Second Party Opinion or any failure by the Bank to use the proceeds of the Covered Bonds on eligible Green or Social projects or to meet or continue to meet the investment requirements of certain environmentally or socially-focused investors with respect to such Covered Bonds may affect the value of the Covered Bonds and/or may have consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. No assurance can be provided with respect to the suitability of the Second Party Opinion or that the Covered Bonds will fulfill the sustainability, environmental or social criteria to qualify as sustainable bonds. No assurance can be provided that the use of the proceeds of the Covered Bonds will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any eligible Green or Social projects. In the event that the Covered Bonds are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index, no assurance is given by the Bank or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates. The Managers have not undertaken, nor are responsible for, any assessment of the eligibility of the assets within the definition of eligible Green or Social projects or the monitoring of the use of proceeds from the offering of the Covered Bonds. Each potential purchaser of Covered Bonds should determine for itself the relevance of the information provided in the Offering Circular regarding the use of proceeds, including the Framework and Second Party Opinion, and its purchase of Covered Bonds should be based upon such investigation as it deems necessary.

The Framework and Second Party Opinion are available on the Bank's website at <https://www.shinhan.com/en/index.jsp#300405010000>.

Additional Risks

Application will be made for the listing of the Covered Bonds on the TPEX. No assurances can be given as to whether the Covered Bonds will be, or will remain, listing on TPEX or whether a trading market for the Covered Bonds will develop or as to the liquidity of any such trading market. If the Covered Bonds fail to or cease to be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Covered Bonds.

Republic of China ("ROC") Taxation

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Covered Bonds and is of a general nature based on the

Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Covered Bonds will be issued, offered, sold and re-sold to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEX Rules only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Covered Bonds.

Interest on the Covered Bonds

As the Issuer of the Covered Bonds is not a ROC statutory tax withholder, there is no ROC withholding tax on the interest or deemed interest to be paid by the Issuer on the Covered Bonds.

Payments of interest or deemed interest under the Covered Bonds to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC-sourced income. However, such holder must include the interest or deemed interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("AMT"), unless the sum of the interest or deemed interest and other non- ROC-sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below 1 million New Taiwan Dollars ("NT\$"). If the amount of the AMT calculated pursuant to ROC Income Basic Tax Act (also known as the AMT Act) exceeds the annual income tax calculated pursuant to ROC Income Basic Tax Act, the excess becomes such holder's AMT payable.

ROC corporate holders must include the interest or deemed interest receivable under the Covered Bonds as part of their taxable income and pay income tax at a flat rate of 20% (unless the total taxable income for a fiscal year is NT\$120,000 or under), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Covered Bonds

In general, the sale of corporate bonds or financial bonds is subject to 0.1% securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the ROC Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Covered Bonds will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Covered Bonds will be subject to STT at 0.1% of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from ROC income tax. Accordingly, ROC individual and corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the Covered Bonds. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Covered Bonds. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act) exceeds the annual income tax calculated pursuant to ROC Income Basic Tax Act, the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Covered Bonds. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Covered Bonds.

ROC Settlement and Trading

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation ("TDCC") and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Covered Bonds through the account of TDCC with Euroclear or Clearstream if it applies to TDCC (by filling in a prescribed form) to transfer the Covered Bonds in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Covered Bonds position to the securities book-entry account designated by such investor in the ROC. The Covered Bonds will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEX as domestic bonds. For such investors who hold their interest in the Covered Bonds through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Covered Bonds to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

Selling Restrictions

Taiwan

The Covered Bonds have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds (the "TPEX Rules"). Purchasers of the Covered Bonds are not permitted to sell or otherwise dispose of the Covered Bonds except by transfer to a Professional Investor.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct

Important Notice to CMIs (including private banks): This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Covered Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular and the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Covered Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Covered Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Covered Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for

onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Managers (if any) to categorize it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMI (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dl.asia.syndicate@asia.bnpparibas.com; HKG-Syndicate@ca-cib.com; list.asiapac-glfi-syn-cap@sgcib.com

To the extent information being disclosed by CMI and investors is personal and/or confidential in nature, CMI (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMI that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMI (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMI (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

Singapore

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as

defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

SUPERVISION AND REGULATION

Personal Debtor Protection Act

The Act on the Management of Personal Financial Claims and the Protection of Personal Financial Debtors of Korea ("Personal Debtor Protection Act"), which primarily addresses the management of monetary claims against personal financial debtors by banks and other creditor financial institutions after delinquency and protection of such debtors, is scheduled to take effect on October 22, 2024. According to the Personal Debtor Protection Act, if a debtor who has defaulted on a personal financial claim determines that it is difficult to repay the debt, the debtor would have the right to request debt adjustment to the creditor financial institution, and the creditor financial institution's collection for the personal financial claim will be restricted until the debt adjustment process is concluded. Collection and transfer of a personal financial claim would be prohibited if it is subject to an ongoing litigation. In addition, even if a default occurs on a personal financial claim and the claim becomes immediately due and payable, no delinquency interest can be charged on the portion of the debt that would have not been matured under the existing agreement.

**SCHEDULE B – INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF
AND FOR THE SIX MONTHS ENDED JUNE 30, 2024 AND 2023**

Independent Auditors' Review Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Shinhan Bank:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of Shinhan Bank and its subsidiaries (collectively the "Group"), which comprise the condensed consolidated statement of financial position as of June 30, 2024, the condensed consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2024 and 2023, changes in equity and cash flows for the six-month periods ended June 30, 2024 and 2023, and notes, comprising of material accounting policy information and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") No.1034 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' review responsibility

Our responsibility is to issue a report on these condensed consolidated interim financial statements based on our reviews.

We conducted our reviews in accordance with the Review Standards for Quarterly and Semiannual Financial Statements established by the Securities and Futures Commission of the Republic of Korea. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Korean Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above do not present fairly, in all material respects, in accordance with K-IFRS No.1034 *Interim Financial Reporting*.

Other matters

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries.

The statement of financial position of the Group as of December 31, 2023, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us in accordance with Korean Standards on Auditing and our report thereon, dated March 4, 2024, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2023, presented for comparative purposes, is not different from that audited by us from which it was derived in all material respects.

/s/ KPMG Samjong Accounting Corp.
Seoul, Korea
August 14, 2024

This report is effective as of August 14, 2024, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Interim Statements of Financial Position
As of June 30, 2024 and December 31, 2023

| <i>(In millions of Korean won)</i> | Notes | June 30, 2024 (Unaudited) | December 31, 2023 |
|-------------------------------------------------------------------------|---------------|--------------------------------------|--------------------------|
| Assets | | | |
| Cash and due from banks | 3,5,8,34,35 | ₩ 28,181,731 | 28,056,776 |
| Securities at fair value through profit or loss | 3,6,35,37 | 25,581,563 | 23,663,110 |
| Derivative assets | 3,7,35,37 | 4,598,808 | 3,263,290 |
| Loans at amortized cost | 3,8,35,37 | 370,909,871 | 348,642,129 |
| Loans at fair value through profit or loss | 3,8 | 377,426 | 536,824 |
| Securities at fair value through other comprehensive income | 3,9,37 | 49,305,665 | 50,609,366 |
| Securities at amortized cost | 3,9,37 | 31,033,732 | 30,719,163 |
| Property and equipment | 4,10,11 | 2,635,898 | 2,518,593 |
| Intangible assets | 4,12 | 1,069,961 | 1,087,206 |
| Investments in associates | 13 | 602,879 | 332,250 |
| Investment properties | 4 | 617,750 | 625,125 |
| Net defined benefit assets | 20 | 347,800 | 277,784 |
| Current tax assets | | 76,007 | 38,814 |
| Deferred tax assets | | 107,685 | 135,371 |
| Other assets | 3,8,14,35,38 | 26,974,982 | 17,955,031 |
| Non-current assets held for sale | | 37,091 | 36,444 |
| Total assets | | ₩ <u>542,458,849</u> | <u>508,497,276</u> |
| Liabilities | | | |
| Financial liabilities designated at fair value through profit or loss | 3,15 | ₩ 254,501 | 254,832 |
| Deposits | 3,16,35 | 391,878,736 | 370,959,649 |
| Financial liabilities at fair value through profit or loss | 3,17 | 479,270 | 419,342 |
| Derivative liabilities | 3,7,35,37 | 4,705,652 | 3,512,594 |
| Borrowings | 3,18 | 27,751,614 | 26,701,198 |
| Debt securities issued | 3,19 | 41,159,895 | 37,750,685 |
| Net defined benefit obligations | 20 | 7,346 | 6,977 |
| Provisions | 21,33 | 574,739 | 677,621 |
| Current tax liabilities | | 175,943 | 164,681 |
| Deferred tax liabilities | | 293,032 | 14,378 |
| Other liabilities | 3,11,22,35,38 | 40,398,216 | 34,504,106 |
| Total liabilities | | <u>507,678,944</u> | <u>474,966,063</u> |
| Equity | | | |
| Capital stock | 23 | 7,928,078 | 7,928,078 |
| Hybrid bonds | 23 | 2,088,595 | 1,988,535 |
| Capital surplus | 23 | 403,164 | 403,164 |
| Capital adjustments | 23,31 | 2,155 | 1,946 |
| Accumulated other comprehensive loss | 23,31 | (284,600) | (618,125) |
| Retained earnings | 23,24 | 24,629,366 | 23,815,520 |
| (Regulatory reserve for loan loss) | | (2,348,954) | (2,500,641) |
| (Required provision for (reversal of) regulatory reserve for loan loss) | | (324,096) | ((151,687)) |
| (Expected provision for (reversal of) regulatory reserve for loan loss) | | (324,096) | ((151,687)) |
| Total equity attributable to equity holder of Shinhan Bank | | 34,766,758 | 33,519,118 |
| Non-controlling interests | 23 | 13,147 | 12,095 |
| Total equity | | <u>34,779,905</u> | <u>33,531,213</u> |
| Total liabilities and equity | | ₩ <u>542,458,849</u> | <u>508,497,276</u> |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Interim Statements of Comprehensive Income

For the three-month and six-month periods ended June 30, 2024 and 2023

(In millions of won, except earnings per share data)

| | Notes | June 30, 2024 (Unaudited) | | June 30, 2023 (Unaudited) | |
|-------------------------------------------------------------------------------------------|-------------|------------------------------|------------------|------------------------------|------------------|
| | | Three-month | Six-month | Three-month | Six-month |
| Interest income | | | | | |
| Financial instruments at fair value through profit or loss | ₩ | 165,514 | 336,622 | 137,076 | 263,654 |
| Financial instruments at fair value through other comprehensive income and amortized cost | | 5,243,864 | 10,412,886 | 4,898,446 | 9,554,713 |
| Interest expense | | 3,213,673 | 6,369,708 | 2,919,159 | 5,699,446 |
| Net interest income | 3,4,25,35 | <u>2,195,705</u> | <u>4,379,800</u> | <u>2,116,363</u> | <u>4,118,921</u> |
| Fees and commission income | | 344,687 | 692,506 | 319,577 | 632,808 |
| Fees and commission expense | | 87,297 | 171,023 | 80,092 | 156,814 |
| Net fees and commission income | 3,4,26,35 | <u>257,390</u> | <u>521,483</u> | <u>239,485</u> | <u>475,994</u> |
| Dividend income | 27 | 14,478 | 58,116 | 1,527 | 42,241 |
| Net gain on financial instruments at fair value through profit or loss | 7,17,28 | 44,871 | 158,855 | 165,462 | 314,816 |
| Net foreign currencies transaction gain | | 127,702 | 215,546 | 21,343 | 122,717 |
| Net gain (loss) on financial instruments designated at fair value through profit or loss | 15,35 | (4,095) | 330 | 14,708 | 13,434 |
| Net gain on disposal of financial assets at fair value through other comprehensive income | 9 | 23,556 | 45,614 | 5,984 | 15,152 |
| Net loss on disposal of securities at amortized cost | 9 | (2) | (4) | (1) | (2) |
| Provision for credit loss allowance | 3,8,9,21,35 | 109,759 | 150,649 | 271,509 | 448,723 |
| General and administrative expenses | 29 | 919,997 | 1,786,705 | 928,221 | 1,786,162 |
| Net other operating expenses | 30,35 | <u>(278,126)</u> | <u>(593,804)</u> | <u>(303,666)</u> | <u>(579,212)</u> |
| Operating income | 4 | <u>1,351,723</u> | <u>2,848,582</u> | <u>1,061,475</u> | <u>2,289,176</u> |
| Net non-operating income (expense) | 4 | 49,207 | (226,774) | (45,575) | (30,712) |
| Share of profit of associates | 4,13 | 14,628 | 14,448 | 2,791 | 58 |
| Profit before income taxes | 4 | <u>1,415,558</u> | <u>2,636,256</u> | <u>1,018,691</u> | <u>2,258,522</u> |
| Income tax expense | 4,31 | 290,612 | 582,461 | 269,627 | 577,825 |
| Profit for the period | 4,24 | <u>1,124,946</u> | <u>2,053,795</u> | <u>749,064</u> | <u>1,680,697</u> |
| (Adjusted profit after reflection of reserve for loan loss | | | | | |
| Three-month in the first half: | | | | | |
| 966,759 million won | | | | | |
| Cumulative for the current half year: | | | | | |
| 1,729,700 million won | | | | | |
| Three-month in the previous half: | | | | | |
| 876,723 million won | | | | | |
| Cumulative for the previous half year: | | | | | |
| 1,883,633 million won) | | | | | |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES

Consolidated Interim Statements of Comprehensive Income (continued)

For the three-month and six-month periods ended June 30, 2024 and 2023

(In millions of won, except earnings per share data)

| Notes | June 30, 2024 (Unaudited) | | June 30, 2023 (Unaudited) | | |
|----------------------------------------------------------------------------------------------------------|------------------------------|--------------------|------------------------------|------------------|------------------|
| | Three-month | Six-month | Three-month | Six-Month | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences for foreign operations | ₩ | 10,866 | 92,725 | (57,224) | 97,643 |
| Unrealized net change in fair value of financial assets at fair value through other comprehensive income | | 94,903 | 114,513 | (48,466) | 323,282 |
| Shares in other comprehensive income of associates | | 29 | 61 | 4,261 | 6,154 |
| | | <u>105,798</u> | <u>207,299</u> | <u>(101,429)</u> | <u>427,079</u> |
| Items that will not be reclassified to profit or loss: | | | | | |
| Remeasurements of defined benefit obligations | | 72,751 | 71,894 | (26,580) | (25,460) |
| Unrealized net change in fair value of financial assets at fair value through other comprehensive income | | 13,289 | 52,592 | (18,487) | (37,415) |
| | | <u>86,040</u> | <u>124,486</u> | <u>(45,067)</u> | <u>(62,875)</u> |
| Other comprehensive income (loss) for the period, net of income tax | 3,23 | <u>191,838</u> | <u>331,785</u> | <u>(146,496)</u> | <u>364,204</u> |
| Total comprehensive income for the period | ₩ | <u>1,316,784</u> | <u>2,385,580</u> | <u>602,568</u> | <u>2,044,901</u> |
| Profit attributable to: | | | | | |
| Equity holders of Shinhan Bank | ₩ | 1,124,845 | 2,053,460 | 749,000 | 1,680,548 |
| Non-controlling interests | | 101 | 335 | 64 | 149 |
| Profit for the period | 4 | <u>₩ 1,124,946</u> | <u>2,053,795</u> | <u>749,064</u> | <u>1,680,697</u> |
| Total comprehensive income attributable to: | | | | | |
| Equity holder of Shinhan Bank | ₩ | 1,316,413 | 2,384,528 | 602,391 | 2,044,212 |
| Non-controlling interests | | 371 | 1,052 | 177 | 689 |
| Total comprehensive income for the period | ₩ | <u>1,316,784</u> | <u>2,385,580</u> | <u>602,568</u> | <u>2,044,901</u> |
| Earnings per share: | | | | | |
| Basic and diluted earnings per share in won | 32 | ₩ 697 | 1,270 | 457 | 1,031 |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Interim Statements of Changes in Equity
For the six-month period ended June 30, 2023

| | Attributable to equity holder of Shinhan Bank | | | | | | | |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-----------------|--------------------|------------------------|--------------------------------------------------------|----------------------|----------------------------------|-------------|
| | Capital stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | Non- controlling interests | Total |
| <i>(In millions of Korean won)</i> | | | | | | | | |
| Balance at January 1, 2023 | ₩ 7,928,078 | 2,088,542 | 403,164 | 2,515 | (1,260,828) | 21,997,438 | 8,351 | 31,167,260 |
| Total comprehensive income (loss), net of income tax | | | | | | | | |
| Profit for the period | - | - | - | - | - | 1,680,548 | 149 | 1,680,697 |
| Other comprehensive income for the period | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | 97,119 | - | 524 | 97,643 |
| Unrealized net changes in fair values of financial assets at fair value through other comprehensive income | - | - | - | - | 287,124 | (1,261) | 4 | 285,867 |
| Share of other comprehensive loss of associates | - | - | - | - | 6,154 | - | - | 6,154 |
| Remeasurements of defined benefit plans | - | - | - | - | (25,472) | - | 12 | (25,460) |
| Total comprehensive income for the period | - | - | - | - | 364,925 | 1,679,287 | 689 | 2,044,901 |
| Transactions with owners in their capacity as owner | | | | | | | | |
| Annual dividends to equity holder | - | - | - | - | - | (1,157,105) | - | (1,157,105) |
| Dividends to hybrid bond holders | - | - | - | - | - | (45,227) | - | (45,227) |
| Issuance of hybrid bonds | - | 399,107 | - | - | - | - | - | 399,107 |
| Repayment of hybrid bonds | - | (299,567) | - | (433) | - | - | - | (300,000) |
| Share-based payment transactions | - | - | - | 17 | - | - | - | 17 |
| Additional investments in subsidiaries | - | - | - | - | - | - | 3,245 | 3,245 |
| Others | - | - | - | 299 | - | (299) | - | - |
| Total transactions with owners in their capacity as owners | - | 99,540 | - | (117) | - | (1,202,631) | 3,245 | (1,099,963) |
| Balance at June 30, 2023 (Unaudited) | ₩ 7,928,078 | 2,188,082 | 403,164 | 2,398 | (895,903) | 22,474,094 | 12,285 | 32,112,198 |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES

Consolidated Interim Statements of Changes in Equity (continued)

For the six-month period ended June 30, 2024

| | Attributable to equity holder of Shinhan Bank | | | | | | | Non-controlling interests | Total |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------|-----------------|---------------------|-----------------------------------------------|-------------------|--------|---------------------------|-------|
| | Capital stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | | | |
| <i>(In millions of Korean won)</i> | | | | | | | | | |
| Balance at January 1, 2024 | ₩ 7,928,078 | 1,988,535 | 403,164 | 1,946 | (618,125) | 23,815,520 | 12,095 | 33,531,213 | |
| Total comprehensive income (loss), net of income tax | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 2,053,460 | 335 | 2,053,795 | |
| Other comprehensive income for the period | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | 92,002 | - | 723 | 92,725 | |
| Unrealized net changes in fair values of financial assets at fair value through other comprehensive income | - | - | - | - | 169,558 | (2,457) | 4 | 167,105 | |
| Share of other comprehensive loss of associates | - | - | - | - | 61 | - | - | 61 | |
| Remeasurements of defined benefit plans | - | - | - | - | 71,904 | - | (10) | 71,894 | |
| Total comprehensive income for the period | - | - | - | - | 333,525 | 2,051,003 | 1,052 | 2,385,580 | |
| Transactions with owners in their capacity as owner | | | | | | | | | |
| Annual dividends to equity holder | - | - | - | - | - | (1,196,396) | - | (1,196,396) | |
| Dividends to hybrid bond holders | - | - | - | - | - | (39,876) | - | (39,876) | |
| Issuance of hybrid bonds | - | 399,387 | - | - | - | - | - | 399,387 | |
| Repayment of hybrid bonds | - | (299,327) | - | (673) | - | - | - | (300,000) | |
| Share-based payment transactions | - | - | - | (3) | - | - | - | (3) | |
| Others | - | - | - | 885 | - | (885) | - | - | |
| Total transactions with owners in their capacity as owners | - | 100,060 | - | 209 | - | (1,237,157) | - | (1,136,888) | |
| Balance at June 30, 2024 (Unaudited) | ₩ 7,928,078 | 2,088,595 | 403,164 | 2,155 | (284,600) | 24,629,366 | 13,147 | 34,779,905 | |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Interim Statements of Cash Flows
For the six-month periods ended June 30, 2024 and 2023

(In millions of Korean won)

| | Six-month periods ended June 30 | |
|-------------------------------------------------------------------------------------------|------------------------------------|---------------------|
| | 2024 (Unaudited) | 2023 (Unaudited) |
| Cash flows from operating activities | | |
| Profit for the period | ₩ 2,053,795 | 1,680,697 |
| Adjustments for: | | |
| Income tax expense | 582,461 | 577,825 |
| Interest income | (10,749,508) | (9,818,367) |
| Interest expense | 6,369,708 | 5,699,446 |
| Dividend income | (58,116) | (42,241) |
| | <u>(3,855,455)</u> | <u>(3,583,337)</u> |
| Income and expense items without cash inflow/outflow: | | |
| Net gain on financial instruments at fair value through profit or loss | (291,788) | (226,898) |
| Net gain on non-cash foreign currencies transaction | (152,199) | (64,678) |
| Net gain on financial instruments designated at fair value through profit or loss | (330) | (13,434) |
| Net gain on disposal of financial assets at fair value through other comprehensive income | (45,614) | (15,152) |
| Net loss on disposal of securities at amortized cost | 4 | 2 |
| Provision for credit loss allowance | 150,649 | 448,723 |
| Non-cash employee benefits | 62,447 | 48,725 |
| Depreciation and amortization | 254,086 | 241,784 |
| Net non-cash other operating expenses | 54,211 | 58,110 |
| Share of profit of associates | (14,448) | (58) |
| Non-operating expense | 182,900 | 7,146 |
| | <u>199,918</u> | <u>484,270</u> |
| Changes in assets and liabilities: | | |
| Deposits at amortized cost | 194,373 | 425,497 |
| Securities at fair value through profit or loss | (957,626) | 2,769,735 |
| Derivative assets | 2,239,617 | 3,052,122 |
| Loans at amortized cost | (21,216,869) | 3,143,744 |
| Loans at fair value through profit or loss | 160,141 | 192,200 |
| Other assets | (9,049,883) | (2,427,220) |
| Deposits due to customers | 20,708,799 | 1,455,101 |
| Financial liabilities at fair value through profit or loss | (24,506) | (52,714) |
| Derivative liabilities | (2,255,565) | (3,176,148) |
| Net defined benefit liabilities | (22,105) | 1,874 |
| Provisions | (265,487) | (6,906) |
| Other liabilities | 5,265,516 | 5,920,946 |
| | <u>(5,223,595)</u> | <u>11,298,231</u> |
| Income tax paid | (384,898) | (667,653) |
| Interest received | 10,777,054 | 9,750,856 |
| Interest paid | (6,039,175) | (4,312,152) |
| Dividends received | 80,639 | 44,105 |
| Net cash inflow (outflow) from operating activities | <u>(2,391,717)</u> | <u>14,695,017</u> |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Interim Statements of Cash Flows (Continued)
For the six-month periods ended June 30, 2024 and 2023

(In millions of Korean won)

| | Six-month periods ended | |
|---------------------------------------------------------------------------------------|-------------------------|--------------------|
| | June 30 | |
| | 2024 | 2023 |
| | (Unaudited) | (Unaudited) |
| Cash flows from investing activities | | |
| Net cash flow of derivative financial instruments for hedges | ₩ 28,457 | 6,120 |
| Proceeds from decrease of securities at fair value through profit or loss | 298,521 | 395,977 |
| Acquisition of securities at fair value through profit or loss | (1,074,795) | (852,255) |
| Proceeds from decrease of securities at fair value through other comprehensive income | 19,279,802 | 17,283,092 |
| Acquisition of securities at fair value through other comprehensive income | (17,033,082) | (16,221,220) |
| Proceeds from decrease of securities at amortized cost | 3,340,010 | 1,490,834 |
| Acquisition of securities at amortized cost | (3,524,057) | (3,076,688) |
| Proceeds from disposal of property and equipment | 1,629 | 252 |
| Acquisition of property and equipment | (58,598) | (74,855) |
| Proceeds from disposal of intangible assets | 17 | - |
| Acquisition of intangible assets | (246,030) | (125,104) |
| Proceeds from disposal of investments in associates | 41,224 | 9,659 |
| Acquisition of investments in associates | (320,016) | (27,122) |
| Acquisition of investment properties | (1,394) | (3,135) |
| Proceeds from disposal of non-current assets for sale | - | 1,576 |
| Decrease in other assets | 302,185 | 281,622 |
| Increase in other assets | (276,741) | (279,661) |
| Net cash inflow (outflow) from investing activities | <u>757,132</u> | <u>(1,190,908)</u> |
| Cash flows from financing activities | | |
| Net cash flow of derivative financial instruments for hedges | (68) | - |
| Increase in financial liabilities designated at fair value through profit or loss | - | 209,969 |
| Net increase (decrease) in borrowings | 242,621 | (1,492,111) |
| Proceeds from issuance of debt securities | 11,685,309 | 11,649,456 |
| Repayment of debt securities | (8,962,050) | (14,509,272) |
| Dividends paid | (1,236,272) | (1,203,297) |
| Issuance of hybrid bonds | 399,387 | 399,107 |
| Repayment of hybrid bonds | (300,000) | (300,000) |
| Increase in other liabilities | 108,604 | 70,715 |
| Decrease in other liabilities | (188,471) | (168,422) |
| Increase in non-controlling interests | - | 3,245 |
| Net cash inflow (outflow) from financing activities | <u>1,749,060</u> | <u>(5,340,610)</u> |
| Effect of exchange rate fluctuations on cash and cash equivalents held | <u>70,540</u> | <u>47,602</u> |
| Net increase in cash and cash equivalents | <u>185,015</u> | <u>8,211,101</u> |
| Cash and cash equivalents at the beginning of the period (Note 34) | <u>27,615,908</u> | <u>21,379,922</u> |
| Cash and cash equivalents at the end of the period (Note 34) | <u>₩ 27,800,923</u> | <u>29,591,023</u> |

See accompanying notes to the condensed consolidated interim financial statements.

SHINHAN BANK AND SUBSIDIARIES
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2024 and 2023(Unaudited), and December 31, 2023

1. **Reporting entity**

(a) **Overview**

Shinhan Bank Co., Ltd., the controlling company (hereinafter referred to as the “Bank”) has its headquarters at 20 Sejong-daero 9-gil, Jung-gu, Seoul. The condensed consolidated interim financial statements for the reporting period ended on June 30, 2024 consist of shares of the Bank and its subsidiaries (hereinafter collectively referred to as the “Group”), and its associates and joint ventures.

The Bank was established with a new merger (October 1, 1943, bank named Choheung Bank Co., Ltd.) of Hansung Bank established on February 19, 1897, and Dongil Bank established on August 8, 1906.

The Bank acquired Chungbuk Bank and Kangwon Bank in 1999 and the former Shinhan Bank on April 1, 2006, and subsequently changed its name to Shinhan Bank. As of June 30, 2024, the Bank has 1,585,615,506 outstanding common shares with par value of ₩7,928,078 million, 100% owned by Shinhan Financial Group Co., Ltd. (“Shinhan Financial Group”). As of June 30, 2024, the Bank operates through 605 domestic branches, 110 depository offices, 26 premises and 14 overseas branches.

(b) **Subsidiaries included in consolidation (structured entities excluded)**

Details of ownerships in subsidiaries as of June 30, 2024 and December 31, 2023 are as follows:

| Controlling company | Name of subsidiary | Location | Closing month | Sectors | Ownership(%) | |
|---------------------|------------------------------|------------|---------------|------------------|---------------|-------------------|
| | | | | | June 30, 2024 | December 31, 2023 |
| Shinhan Bank | Shinhan Bank America | U.S.A | December 31 | Bank | 100.00% | 100.00% |
| | Shinhan Bank Europe GmbH | Germany | December 31 | Bank | 100.00% | 100.00% |
| | Shinhan Bank Cambodia | Cambodia | December 31 | Bank | 97.50% | 97.50% |
| | Shinhan Bank Kazakhstan Ltd. | Kazakhstan | December 31 | Bank | 100.00% | 100.00% |
| | Shinhan Bank Canada | Canada | December 31 | Bank | 100.00% | 100.00% |
| | Shinhan Bank China Ltd. | China | December 31 | Bank | 100.00% | 100.00% |
| | Shinhan Bank Japan | Japan | March 31 | Bank | 100.00% | 100.00% |
| | Shinhan Bank Vietnam Ltd. | Vietnam | December 31 | Bank | 100.00% | 100.00% |
| | Banco Shinhan de Mexico | Mexico | December 31 | Bank | 99.99% | 99.99% |
| | PT Bank Shinhan Indonesia | Indonesia | December 31 | Bank | 99.00% | 99.00% |
| Shinhan Bank Japan | SBJ DNX | Japan | March 31 | Computer Service | 100.00% | 100.00% |

i) *Shinhan Bank America*

Shinhan Bank America (“Shinhan America”) was established through the merger of Chohung Bank of New York and California Chohung Bank. Shinhan America’s capital stock amounted to USD 173 million as of June 30, 2024.

ii) *Shinhan Bank Europe GmbH*

Shinhan Bank Europe GmbH (“Shinhan Europe”) was established in 1994 to engage in banking business. As of June 30, 2024, Shinhan Europe’s capital stock amounted to EUR 63 million.

iii) *Shinhan Bank Cambodia*

Shinhan Bank Cambodia (“Shinhan Cambodia”) was established on October 15, 2007, to engage in banking business. Shinhan Cambodia was renamed after Shinhan Khmer Bank PLC during the year ended December 31, 2018. Shinhan Cambodia’s capital stock amounted to USD 175 million as of June 30, 2024.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

1. Reporting entity (continued)

(b) Subsidiaries included in consolidation (structured entities excluded) (continued)

iv) *Shinhan Bank Kazakhstan Ltd.*

Shinhan Bank Kazakhstan Limited (“Shinhan Kazakhstan”) was established on December 16, 2008, to engage in banking business, etc. As of June 30, 2024, Shinhan Kazakhstan’s capital stock amounted to KZT 10,029 million.

v) *Shinhan Bank Canada*

Shinhan Bank Canada (“Shinhan Canada”) was established on March 9, 2009, to engage in banking business, etc. As of June 30, 2024, Shinhan Canada’s capital stock amounted to CAD 80 million.

vi) *Shinhan Bank China Ltd.*

The local branch of the Group has been incorporated into the entity on May 12, 2008, to engage in banking business, etc. As of June 30, 2024, Shinhan China’s capital stock amounted to CNY 2,000 million.

vii) *Shinhan Bank Japan*

The local branch of the Group has been incorporated into the entity on September 14, 2009. Shinhan Japan’s capital stock amounted to JPY 20,000 million as of June 30, 2024.

viii) *Shinhan Bank Vietnam Ltd.*

The local branch of the Group has been incorporated into the entity on November 16, 2009, to engage in, etc. and merged with Shinhan Vina Bank on November 28, 2011. On December 17, 2017, Shinhan Vietnam acquired the retail business of ANZ Vietnam. As of June 30, 2024, Shinhan Vietnam’s capital stock amounted to VND 5,709,900 million.

ix) *Banco Shinhan de Mexico*

Banco Shinhan de Mexico (“Shinhan Mexico”) was established on October 12, 2015, to engage in banking business. As of June 30, 2024, Shinhan Mexico’s capital stock amounted to MXN 1,583 million.

x) *PT Bank Shinhan Indonesia*

On November 30, 2015, the Bank obtained the control of PT Bank Metro Express, which was established on September 8, 1967, to engage in banking business. PT Bank Metro Express changed its name to PT Bank Shinhan Indonesia (“Shinhan Indonesia”) in 2016 and merged with PT Centratama Nasional Bank, the former subsidiary of the Bank, on December 6, 2016. As of June 30, 2024, Shinhan Indonesia’s capital stock amounted to IDR 944,278 million.

xi) *SBJ DNX*

It was established on April 1, 2020, to engage in the computer service business, and as of June 30, 2024, and SBJ DNX’s capital stock amounted to JPY 50 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

1. **Reporting entity (continued)**

(c) **Structured entities included in consolidation**

Structured entities included in consolidation as of June 30, 2024 are as follows:

| Structured entities | Location | Closing month | Sectors |
|-------------------------------|----------|---------------|--------------------------|
| MPC Yulchon 2nd | Korea | 3/6/9/12 | Other financial business |
| MPC Yulchon 1st | Korea | 3/6/9/12 | Other financial business |
| Shinhan-S-Russell Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| Shinhan-Daesung Contents Fund | Korea | 12 | Others |
| Tiger Eyes 3rd Co., Ltd. | Korea | 12 | Other financial business |
| Sunny Smart 4th Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-redefine 3rd Co., Ltd. | Korea | 7 | Other financial business |
| Maestro ER Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-redefine 10th Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Maestrogongdeok Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIBDAEMYUNG 1st Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| MaestroDcube Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| MAESTRO DS Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger 10th Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB JDT Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB YB Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Bright 1st Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Chemical Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB HwangGeum Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-bright Hongdae | Korea | 3/6/9/12 | Other financial business |
| BRIGHT WOONJEONG Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S BRIGHT CHEONHO Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Mokpo Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S BRIGHT PANGYO Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger K Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Energy Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Rich gate YONGSAN Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Rich gate Shinseol Corp. | Korea | 3/6/9/12 | Other financial business |
| S BRIGHT ENERGY Co., Ltd. | Korea | 2/5/8/11 | Other financial business |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

1. **Reporting entity (continued)**

(c) **Structured entities included in consolidation (continued)**

Structured entities included in consolidation as of June 30, 2024 are as follows: (continued)

| Structured entities | Location | Closing month | Sectors |
|--------------------------------|----------|---------------|--------------------------|
| S BRIGHT IKSAN Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Jeju Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Magok Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB HC 1st Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S-Tiger First Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB RB 1st Co., Ltd. | Korea | 7 | Other financial business |
| Rich gate Box Corp. | Korea | 2/5/8/11 | Other financial business |
| S BRIGHT LDC Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Chowol Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Gyeongju Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Duwol Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB ST 2nd Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Haeundae Co., Ltd. | Korea | 12 | Other financial business |
| Rich gate Alpha Corp. | Korea | 1/4/7/10 | Other financial business |
| GIB AL 1st Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB Sinchon Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Rich gate Baegot Corp. | Korea | 2/5/8/11 | Other financial business |
| Rich gate Jaseok Corp. | Korea | 2/5/8/11 | Other financial business |
| Shinhan GIB Mirae Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Dujeong Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Pungmu Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Shinhan GIB Hwaseong Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Rich gate N Corp. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Jinro Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Yucheon Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Yongmun Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| OSHC Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Sinsa Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Segyo Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Gildong Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB JD Co., Ltd. | Korea | 6 | Other financial business |
| GIB Sahwa Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Oil Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Mighty 3rd Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| Gangnam Landmark 1st Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| RICHGATE GANGNAM Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger SP Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB SOOPYO Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB SINJEONG Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIBMAJANG Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB HOMEPLUS Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB YD Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S TIGER BIZON Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER SI Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| RICH GATE GANGSEO Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER HD Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB GYEONGAN Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB NAMSA Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S TIGER LEC Co., Ltd. | Korea | 2/5/8/11 | Other financial business |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

1. **Reporting entity (continued)**

(c) **Structured entities included in consolidation (continued)**

Structured entities included in consolidation as of June 30, 2024 are as follows: (continued)

| Structured entities | Location | Closing month | Sectors |
|-------------------------------------------------------------------------------------------|-----------|---------------|--------------------------|
| Hana Micron 3rd Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| RICH GATE H | Korea | 3/6/9/12 | Other financial business |
| S TIGER MOBILE INC. | Korea | 2/5/8/11 | Other financial business |
| GIB Eunpyeong Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Rich gate GS Corp. | Korea | 1/4/7/10 | Other financial business |
| Shinhan Display 4th Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Loex No.2 Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S Project D Co., Ltd | Korea | 1/4/7/10 | Other financial business |
| S TIGER H Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S TIGER HL Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER NM Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| SH ROAD 2ND CO., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S TIGER LPD CO., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S FIRST HD Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER EMT Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB SOSA CO., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB Porter 2nd Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S Solution B.O.,Ltd. | Korea | 8 | Other financial business |
| S TIGER CLEAN CO., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S Solution YD Co., Ltd | Korea | 1/4/7/10 | Other financial business |
| S SOLUTION PM CO., LTD | Korea | 2/5/8/11 | Other financial business |
| SOYANG 68 PTE. LTD. | Singapore | 12 | Other financial business |
| SOYANG 101 PTE. LTD. | Singapore | 12 | Other financial business |
| S DRAGON NX CO., LTD. | Korea | 1/4/7/10 | Other financial business |
| S FIRST HL CO., LTD. | Korea | 3/6/9/12 | Other financial business |
| S Project W Co., Ltd | Korea | 3/6/9/12 | Other financial business |
| Rich gate YS Corp. | Korea | 3/6/9/12 | Other financial business |
| S PROJECT NEWWORLD Co., LTD | Korea | 1/4/7/11 | Other financial business |
| GREEN BIO 3rd Co., LTD | Korea | 12 | Other financial business |
| GIB SEORIPUL CO.,LTD. | Korea | 3/6/9/12 | Other financial business |
| S-TIGERH2ND. CO. LTD | Korea | 2/5/8/11 | Other financial business |
| RICHGATE ANGSANA INC. | Korea | 2/5/8/11 | Other financial business |
| Development Trust | Korea | 12 | Trust |
| Non-specified Money Trust | Korea | 12 | Trust |
| Old-age Living Pension Trust | Korea | 12 | Trust |
| New-Personal Pension Trust | Korea | 12 | Trust |
| Personal Pension Trust | Korea | 12 | Trust |
| Retirement Trust | Korea | 12 | Trust |
| New Old-age Living Pension Trust | Korea | 12 | Trust |
| Pension Trust | Korea | 12 | Trust |
| Household Money Trust (Shinhan) | Korea | 12 | Trust |
| Corporation Money Trust (Shinhan) | Korea | 12 | Trust |
| Shinhan SG Rail Professional Investment Type Private Special Asset Investment Trust No. 2 | Korea | 1/4/7/10 | Beneficiary certificate |
| Shinhan AIM Private Real Estate Investment Trust No.31 | Korea | 6/12 | Beneficiary certificate |
| KIRAM HO CHI MINH OFFICE GENERAL PRIVATE PLACEMENT REAL ESTATE INVESTMENT TRUST(USD) | Korea | 8 | Beneficiary certificate |
| Shinhan Green Energy Growth Engine Private Investment Trust No.1 | Korea | 3/6/9/12 | Beneficiary certificate |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

1. Reporting entity (continued)

(c) Structured entities included in consolidation (continued)

The Group consolidates a structured entity when it is exposed to variable returns from its involvement with the investee and has the ability to most significantly affect those returns through its power over the structured entity based on the terms in the agreement regarding the establishment of the structured entity. There is no non-controlling interest in the structured entities since the ownership interest in the structured entities is presented as liabilities of the Group.

As of June 30, 2024 and December 31, 2023, the Group provided credit guarantees (ABCP purchase agreement, etc.) amounting to ₩5,676,980 million and ₩5,444,283 million to the structured entities described above, respectively.

(d) Changes in subsidiaries

Subsidiaries newly included or excluded for the six-month period ended June 30, 2024 are as follows:

| | Subsidiaries |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Newly included subsidiaries for the six-month period ended June 30, 2024 | S DRAGON NX CO., LTD S FIRST HL CO., LTD. S Project W Co., Ltd Rich gate YS Corp. S PROJECT NEWWORLD Co., LTD GREEN BIO 3rd Co., LTD GIB SEORIPUL CO.,LTD. S-TIGERH2ND. CO. LTD RICHGATE ANGSANA INC. |
| Excluded subsidiaries for the six-month period ended June 30, 2024 | MAESTRO Byeolnae Co., Ltd. S Solution C Co., Ltd S SOLUTION BO 2nd CO., LTD MAESTRO Aero Co., Ltd. S First 1st Co., Ltd. Shinhan-GIB-SKL Co., Ltd. GIBLAB 2nd Co., Ltd. GIB Mighty 2nd Co., Ltd. S-Tiger Games Co., Ltd. GIB SungSan Co., Ltd GIB Doan Co., Ltd. Maestro Iksan Co., Ltd. S-Tiger LIP Co., Ltd. GIB Sahwa Co., Ltd. MAESTRO YS Co., Ltd GIB County 1st Co., Ltd GIB Munjung Co., Ltd S-First L Co., Ltd. S-Tiger Tech Co., Ltd. |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

2. Material accounting policies

The material accounting policies applied by the Group are as follows:

(a) Basis of financial statements preparation

The Group's consolidated interim financial statements have been prepared in accordance with K-IFRS. These consolidated interim financial statements were prepared in accordance with K-IFRS No.1034, '*Interim Financial Reporting*' as part of the period covered by the Group's K-IFRS annual financial statements and contain less information than is required in the annual consolidated financial statements. Selected explanatory notes include a description of transactions or events that are significant in understanding the changes in the financial position and management performance of the Group that occurred after December 31, 2023.

(b) Use of estimates and judgments

In preparation of the interim financial statements according to the K-IFRS, the use of estimates and assumptions is required for the application of accounting policies or matters affecting the reporting amounts of assets, liabilities and revenues and expenses as of June 30, 2024. When estimates and assumptions based on management's judgment as of June 30, 2024 differ from the actual environment, actual results may differ from these estimates.

Estimates and underlying assumptions are continually reviewed, and changes in accounting estimates are recognized during the period in which the estimate are changed and the future period in which it will be affected.

The management's assessment of the Group's accounting policies and estimation used in condensed consolidated financial statements in the summary of interim financial statements used the same accounting policies and estimates as the annual consolidated financial statements for the year ended December 31, 2023.

The Group uses forward-looking information to estimate expected credit losses in accordance with K-IFRS No.1109 '*Financial Instruments*' and estimates the forecast default rate and loss given default using the forward-looking information about major variables such as GDP growth rate, consumer price index growth rate, unemployment rate, etc. considering the impact from the increase of internal and external economic uncertainties such as inflation and increase of market interest rate. The Group will continue to monitor the impact of internal and external economic uncertainties on the economy and the impact on the estimating expected credit loss of the Group is stated in Note 8. Loans (b) Changes in allowance for impairment and book value.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

2. Material accounting policies (continued)

(c) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for its annual reporting period commencing January 1, 2024.

i) Amendment to K-IFRS No. 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current should be based on the substantive rights existing at the end of the reporting period and that the classification is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement of a liability. The amendments also introduce a definition of the settlement to make clear that the settlement includes the transfer to the counterparty of the company's own equity instruments, however, it would be excluded if an option to settle the liability by the transfer of the company's own equity instruments is recognized separately from the liability in compound financial instruments. There is no significant impact on the consolidated financial statements from these amendments.

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

The following new and amended standards and interpretations that have been established or announced but have not been adopted by the Group since the effective date has not yet been reached.

i) Amendment to K-IFRS No. 1021 'The Effects of Changes in Foreign Exchange Rates' and No. 1101 'First-time adoption of K-IFRS' – Lack of Exchangeability

These amendments define scenarios where exchanges with other currencies are considered possible for accounting purposes, clarify the assessment of exchangeability with other currencies, and specify requirements for estimating and disclosing the spot exchange rate in cases where no exchangeability exists. If an exchange with other currencies is not possible, the spot exchange rate should be estimated on the measurement date using observable exchange rates without adjustments or employing alternative estimation techniques. These amendments are set for prospective application to fiscal years beginning on or after January 1, 2025, with early application permitted. The Group is currently assessing the impacts of these amendments on the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management

3-1. Credit risk

Credit risk is the risk of financial loss to the Group, arising from a counterparty's failure to meet his or her contractual obligation, to which the Group is exposed. Credit risk is classified as the most important risk to be managed in the Group's business activities, and the management carefully manages the maximum credit risk exposure. Credit exposure arises principally from due from banks, the lending process related to loans, investment activities in debt securities, drafts in the Group's asset portfolio and off-balance sheet items including loan commitments, etc.

(a) Credit risk management

The Group's basic policy on credit risk management is determined by the Risk Policy Committee. The Risk Policy Committee consists of the Chief Risk Officer (CRO) as the chairman, the Chief Credit Officer (CCO), the head of the business group, and the head of the risk management department. The Committee decides the credit risk management plan and the direction of the loan policy for the entire Bank. Apart from the Risk Policy Committee, the Credit Review Committee is established to separate credit monitoring, such as large loans and limit approval, and is composed of CCO, the chairman, CRO and the head of the Credit-related Business Group, the head of the Credit Planning Department, and the senior examination personnel to enhance the credit quality of the loan.

The risk management of the assets is primarily carried out by all operating units that hold and manage the assets subject to credit risk, and the credit risk management departments, such as the Risk Management Department and the Credit Planning Department, are responsible for managing the Bank's overall credit risk. The Risk Management Department and the Risk Engineering Department manage credit portfolio by managing credit risk limits and credit maximum exposure limits for the same parties, affiliates, industries, and countries set by the Risk Policy Committee. The Group also measures and manages risk components such as PD (Probability of Default), LGD (Loss Given Default), and EAD (Exposure at Default) through credit evaluation and collateral management system. As an organization for supporting and checking loan decisions, the Credit Planning Department manages the credit policy and system of the entire Bank, and the Credit Assessment Department conducts independent credit rating and makes loan decisions. In addition, the Credit Review Department conducts individual credit review on large loans.

Each of the Group's borrowers (retail and corporate borrowers) is granted a credit rating, which is based on a comprehensive internal credit evaluation system that considers a variety of criteria. For retail borrowers, the credit rating takes into account the borrower's personal information, transaction performance with the Group and external credit rating information. For corporate borrowers, the credit rating is calculated by considering financial indicators as well as non-financial indicators such as industry risk, operational risk and management risk, and others. The credit rating, once granted serves as the fundamental instrument in the Group's credit risk management and is applied in a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing and estimating allowance for credit loss.

The Group's credit evaluation system, which reflects the requirements of Basel III, consists of ACE (Automatic Credit Evaluation), credit evaluation system for retail SOHO with a maximum exposure of ₩ 1 billion or less, and Advanced Internal Rating System (AIRS).

The assessment of corporate loans is conducted through a collective decision-making system in an objective and discreet manner. Generally, the credit is approved by agreement between the branch's RM (Relationship Manager) and examination personnel of each business division. In case of a large or an important credit, the credit is approved by Credit Officer Committee, etc. In particular, the Credit Review Committee, which is the highest decision-making body of loans, examines important loans, such as large loans that exceed the limit. The credit for retail is evaluated in Retail Credit Assessment Department, by automated Credit Scoring System (CSS) based on objective and statistical methods and the Bank's credit policy.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(a) Credit risk management (continued)

The Group operates an ongoing monitoring system for the regular management of individual credit. The examination personnel and RM are required to conduct Loan Reviews by automatically identifying companies among corporate loan clients that are expected to become insolvent. The Credit Review Department, independent of the business group, assesses the adequacy of Loan Review results and may request credit rating adjustment of the company if necessary. In accordance with these procedures, companies expected to become insolvent are classified as one of the following: an early warning company, a watchlist company or a normal company. Each classification is managed according to specific guidelines for each risk stage to prevent loan insolvency at an early stage. The financial analysis support system affiliated with a professional credit evaluation agency supports credit screening and management, and the Credit Planning Department calculates and manages industrial grades by analyzing and providing company information, along with industry trends.

(b) Risk limit management and risk mitigation policy

To control the credit risk of the Group at an appropriate level, the following risk limit management system is established and operated.

- Credit risk limits are set and managed by business sector, customer, product, industry, etc. based on credit VaR (Value at Risk) and maximum exposure amount.
- The Risk Management Department establishes and manages limits for credit VaR, and maximum exposure limits. The Credit Planning Department and the Credit Assessment Department conduct maximum exposure limit management for credit risk management.
- The Risk Management Department and Risk Engineering Department establish a credit risk limit operation plan for the entire Bank at least once a year and submit it to the Risk Policy Committee.
- Each business unit monitors and complies with credit risk limits assigned to each business unit.
- The risk is reviewed on an annual basis or within the period if deemed necessary, and the limit of risk is set and managed for each sector, such as by the individual, industry, and country.
- The maximum exposure for each borrower, including institutions, is managed by sub-level limits that are individually set for accounts in the consolidated financial statements and off-balance sheet accounts, and risk limits for daily transactions related to commodity trading including foreign currency forward trading, are also determined.
- Actual maximum exposures against the limits are managed daily.
- Maximum credit risk exposure is managed by analyzing the interest and principal repayment ability of the borrower, and the loan limit may be subject to change if necessary.

Other risk management measures are as follows.

i) Collateral

The Group has adopted policies and procedures to mitigate credit risk. In general, collateral bond is used to reduce credit risk, and the Group has adopted a policy for pledging certain types of assets. The main types of collateral are as follows:

- Mortgage
- Real estate, inventories, account receivables, etc.
- Financial instruments such as debt securities and equity securities

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(b) Risk limit management and risk mitigation policy (continued)

i) Collateral (continued)

Long-term loans are generally collateralized. On the other hand, revolving personal loans are generally unsecured. In addition, to minimize losses due to credit risk, the Group requires additional collateral from the counterparty if there are indications of asset impairment.

Collateral for financial assets other than loans varies by the nature of the products. Except for special cases such as Asset Backed Securities (ABS), debt securities are unsecured in general.

ii) Derivative financial instruments

The Group maintains a credit limit on the amount and duration of derivative financial instruments that are in between the disposal agreements after purchase.

iii) Master netting arrangements

The Group limits its maximum exposure to credit losses by entering into master netting arrangements with counterparties in performing for a significant number of transactions.

Master netting arrangements generally do not result in offsetting assets and liabilities in the consolidated financial statements, as transactions are usually set at a gross amount basis. However, the right to offset, which is legally enforceable and affects the realization or settlement of individual financial assets and liabilities, may arise under master netting arrangements. and the credit risk of financial assets associated with this right is reduced by master netting arrangements within the scope of financial liabilities.

The Group's overall maximum exposure to credit risk that is part of master netting arrangements can vary substantially within a short period of time due to the influence of each transaction covered by the arrangements.

iv) Credit related contracts

Guarantees and credit allowances have the same credit risks as loans. As letter of credit (which guarantees credit on behalf of the customer by issuing a note to a third party for the amount requested under specific terms and conditions) is secured by the underlying commodities associated with them, it involves less risk than a loan. The credit allowances arrangements represent the unused portion of the credit limit in the form of a credit, guarantee or letter of credit. In this regard, the Group is potentially exposed to the same amount as the total unused arrangements. The Group monitors the maturity of credit agreements because long-term contracts, in general, have greater credit risk than short-term ones.

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model)

i) Determining significant increases in credit risk since initial recognition

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since the initial recognition. When assessing a significant increase in credit risk, the Group uses the change in the risk of default occurring over the expected life of the financial assets instead of using the change in the amount of expected credit losses.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) **Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)**

i) Determining significant increases in credit risk since initial recognition (continued)

To make that assessment, the Group compares the risk of default on financial instruments at the end of the reporting period with the risk of default at the date of initial recognition. The Group also considers reasonable and supportable information available without undue cost or effort as indicative of significant increases in credit risk since the initial recognition. This information includes the default experience data held by the Group and the analysis by internal credit risk rating specialists.

i)-1. Measuring the risk of default

The Group assigns an internal credit risk rating to each individual exposure based on observable data and historical experiences that have been found to have a reasonable correlation with the risk of default. The internal credit risk rating is determined by considering both qualitative and quantitative factors that indicate the risk of default, which may vary depending on the nature of the exposure and the type of borrower.

The internal credit risk rating, based on the borrower's information related to each individual exposure at the time of initial recognition, may change depending on the results of ongoing monitoring and reviews.

i)-2. Measuring term structure of probability of default

Internal credit risk rating is the primary input for determining the term structure for the risk of default. The Group gathers information by analyzing exposure to credit risk, default data for each type of product/borrower and the results of internal credit risk assessments. For some portfolios, the Group uses information obtained from external credit rating agencies when performing these analyses.

The Group applies statistical techniques to estimate the probability of default over the remaining life of the exposure from the accumulated data and to forecast changes in the estimated probability of default over time.

i)-3. Significant increases in credit risk

The Group uses the indicators defined as per portfolio to determine the significant increase in credit risk. These indicators generally include changes in the risk of default estimated from internal credit risk changes, qualitative factors, days of delinquency and other factors. The method used to determine whether credit risk of financial instruments has significantly increased since the initial recognitions is summarized as follows:

| Corporate exposures | Retail exposures |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Significant change in credit ratings | Significant change in credit ratings |
| Continued past due more than 30 days | Continued past due more than 30 days |
| Loan classification of precautionary or below | Loan classification of precautionary or below |
| Monitoring grade under early warning signal model | Monitoring grade under early warning signal model |
| Negative net assets | Specific pool segment |
| Adverse audit opinion or disclaimer of opinion | Collective loans for housing for which the constructors are insolvent |
| Interest coverage ratio below 1 for a consecutive period of three years or negative cash flows from operating activities for a consecutive period of two years | Loans identified with other indicators to confirm significant increases in credit risk |
| Loans identified with other indicators to confirm significant increases in credit risk | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

i)-3. Significant increases in credit risk (continued)

The Group assumes the credit risk of financial instrument has increased significantly since the initial recognition if a specific exposure is past due more than 30 days. The Group counts the number of days past due from the earliest date on which the Group fails to fully receive the contractual payments from the borrower and does not consider the grace period granted to the borrower.

The Group regularly reviews the criteria for determining if there have been significant increases in credit risk from the following perspectives.

- A significant increase in credit risk shall be identified prior to the occurrence of default.
- The criteria established to judge the significant increase in credit risk shall represent proactive prediction than the days of delinquency criteria.
- As a result of applying the judgment criteria, there should be no excessively frequent changes between the 12-month expected credit losses measurement and the lifetime expected credit losses measurement.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

ii) Modified financial assets

If the contractual cash flows on a financial asset have been modified through renegotiation and the financial asset is not derecognized, the Group assesses whether there has been a significant increase in the credit risk of the financial assets by comparing the risk of default at initial recognition based on the original, unmodified contractual terms with the risk of default at the end of the reporting period based on the modified contractual terms.

The Group may adjust the contractual cash flows of loans to customers who are in financial difficulties to manage the risk of default and enhance the collectability (hereinafter referred to as 'debt restructuring'). These adjustments generally involve extension of maturity, changes in interest payment schedule, and changes in other contractual terms.

Debt restructuring is a qualitative indicator of a significant increase in credit risk and the Group recognizes lifetime expected credit losses for the exposure expected to be the subject of such adjustments. If a borrower faithfully makes payments of contractual cash flows that are modified in accordance with the debt restructuring or if the borrower's internal credit rating has recovered to the level prior to the recognition of the lifetime expected credit losses, the Group recognizes the 12-month expected credit losses for that exposure again.

iii) Risk of default

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

The Group uses the following indicators when determining whether a borrower is in default:

- Qualitative factors (e.g., breach of contractual terms)
- Quantitative factors (e.g., if the same borrower does not perform more than one payment obligations to the Group, the number of days past due per payment obligation. However, in the case of a specific portfolio, the Group uses the number of days past due for each financial instrument.)
- Internal and external data

The definition of default applied by the Group generally conforms to the definition of default defined for regulatory capital management purposes; however, depending on the situations, the information used to determine whether default has occurred, and the extent thereof may vary.

iv) Reflection of forward-looking information

The Group reflects forward-looking information presented by a group of internal experts based on various information when measuring expected credit losses. The Group utilizes economic forecasts disclosed by domestic and foreign research institutes, governments, and public institutions to forecast forward-looking information.

The Group reflects future macroeconomic conditions anticipated from a neutral standpoint that is free from bias in measuring expected credit losses. Expected credit losses in this respect reflect conditions that are most likely to occur and are based on the same assumptions that the Group used in its business plan and management strategy.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

The Group analyzes the historical and the scenario data, derives correlations between major macroeconomic variables and credit risks required for predicting credit risk and credit loss for each portfolio, and then reflects future forecast information through regression estimation. To reflect the internal and external economic uncertainties, the forward-looking information was updated by including an additional 'worst' case scenario in addition to existing three scenarios: 'upside', 'central' and 'downside'.

The economic variables considered by the Group for the six-month period ended June 30, 2024 and the year ended December 31, 2023 are as follows for each scenario:

| <u>Key macroeconomic variables</u> | <u>Correlation with credit risk</u> |
|-----------------------------------------------------|-------------------------------------|
| GDP growth rate (YoY%) | Negative |
| Private consumption index growth rate (YoY %) | Negative |
| Index of equipment investment growth rate (YoY %) | Negative |
| Consumer price index growth rate (%) | Positive |
| Balance on current account (100 million US dollars) | Negative |

The predicted correlations between the macroeconomic variables and the risk of default, used by the Group, are derived based on long-term data over the past ten years.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

Although the economy has slowed down by COVID-19 since 2020, the actual default rate of the Group has remained stable due to various government support in response to the COVID-19. The Group operates the financial relief programs such as deferral of interest payments and repayment in installments and manages credit risk of the loans under these programs by classifying those loans as Stage 2 and performing additional expected loss assessment to reflect the potential insolvency. In addition, the Group manages credit risk by conducting additional expected loss assessments for non-retail and retail SOHO loans from borrowers participating in deferral programs, along with loans extended under financial relief programs, and loans classified as having estimated losses.

As of June 30, 2024 the credit exposure of non-retail loans and retail SOHO loans to borrowers who applied for the deferral programs of interest payments and repayment in installments are ₩861,266 million, and the allowances are ₩102,922 million.

As of June 30, 2024 and December 31, 2023, the exposure and allowances of loans to borrowers who applied for an extension of maturity and deferral of interest payments and repayment in installments are as follows:

| | | June 30, 2024 | |
|----------------------------------------------------------------|---|----------------------|------------------|
| | | Exposure | Allowance |
| Deferral of interest payments | ₩ | 43,418 | 6,778 |
| Deferral of repayment in installments | | 455,647 | 43,432 |
| Deferral of interest payments and repayment in installments | | 25,394 | 3,323 |
| Extension of maturity (*) | | 4,588,754 | 76,543 |
| | ₩ | <u>5,113,213</u> | <u>130,076</u> |

(*) It includes exposures of ₩37,103 million and allowances of ₩3,545 million for loans applied for extension of maturity.

| | | December 31, 2023 | |
|----------------------------------------------------------------|---|--------------------------|------------------|
| | | Exposure | Allowance |
| Deferral of interest payments | ₩ | 72,811 | 10,276 |
| Deferral of repayment in installments | | 633,473 | 65,373 |
| Deferral of interest payments and repayment in installments | | 36,656 | 5,618 |
| Extension of maturity (*) | | 5,501,221 | 97,375 |
| | ₩ | <u>6,244,161</u> | <u>178,642</u> |

(*) It includes exposures of ₩40,413 million and allowances of ₩4,525 million for loans applied for extension of maturity.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

To reflect the internal and external uncertainties, the Group has also applied a 'worst' case scenario in addition to the three macroeconomic variable scenarios: 'upside', 'central' and 'downside', as of June 30, 2024. The probability weight of each scenario is determined by considering the probability distribution of the economic growth rate (GDP) estimated from each scenario's forecast that includes future projections provided by the internal expert group.

v) Measurement of expected credit losses

Key variables used in measuring expected credit losses are as follows:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These variables have been estimated from historical experience data by using the statistical techniques developed internally by the Group and have been adjusted to reflect forward-looking information.

Estimates of PD over a specified period are estimated by reflecting characteristics of counterparties and their exposure, based on a statistical model at a specific point of time. The Group uses its own information to develop a statistical credit assessment model used for the estimation, and additional information observed in the market is considered for some portfolios such as a group of large corporates. When a counterparty or exposure is concentrated in specific grades, the method for measuring PD for those grades will be adjusted, and the PD for each grade will be estimated by considering the contractual maturity of the exposure.

LGD refers to the expected loss if a borrower defaults. The Group calculates LGD based on the experience recovery rate measured from past default exposures and forward-looking information. The model for measuring LGD is developed to reflect the type/seniority of collateral, the type of borrower and the cost of recovery. In particular, LGD for retail loan products uses loan-to-value (LTV) as a key variable. The recovery rate used in the LGD calculation is based on the present value of recovery amount, discounted at the effective interest rate.

EAD refers to the expected exposure at the time of default. The Group derives EAD reflecting a rate at which the current exposure is expected to be used additionally up to the point of default within the contractual limit. EAD of financial assets is equal to the total carrying amount of the asset. For loan commitments or financial guarantee contracts, EAD is calculated as the sum of the amount already withdrawn and the amount expected to be drawn in the future.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

v) Measurement of expected credit losses (continued)

When measuring expected credit losses on financial assets, the Group reflects a period of expected credit loss measurement based on a contractual maturity. The contractual maturity is computed considering the extension right held by the borrower.

Risk factors such as PD, LGD and EAD are collectively estimated according to the following criteria:

- Type of products
- Internal credit risk rating
- Type of collateral
- Loan to value (LTV)
- Industry that the borrower belongs to
- Location of the borrower or collateral
- Days of delinquency

The criteria for classifying groups are periodically reviewed to maintain homogeneity of the group and adjusted if necessary. The Group uses external benchmark information to supplement internal information for a particular portfolio that did not have sufficient internal data accumulated from the past experience.

vi) Write-off of financial assets

The Group writes off a portion of or entire loan or debt security when it does not expect to receive principal and interest. In general, the Group conducts a 'write-off' when it deems that the borrower lacks sufficient resources or income to repay the principal and interest. Such determination on writing-off is carried out in accordance with the internal rules of the Group. Apart from such process, the Group may continue to exercise its right of collection under its own recovery policy even after financial assets are written-off.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(d) **Maximum exposure to credit risk**

The Group's maximum exposure to credit risk of the financial instruments held as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | December 31, 2023 |
|-------------------------------------------------------|----------------------|--------------------------|
| Due from banks (*1) (*2): | | |
| Banks | ₩ 4,100,517 | 5,802,428 |
| Government/Public sector/Central bank/Etc. | 21,799,277 | 20,122,532 |
| | <u>25,899,794</u> | <u>25,924,960</u> |
| Loans at amortized cost (*1) (*2): | | |
| Banks | 5,192,212 | 4,562,086 |
| Retail | | |
| Mortgage lending | 64,304,167 | 60,430,803 |
| Others | 115,151,905 | 104,481,422 |
| | <u>179,456,072</u> | <u>164,912,225</u> |
| Government/Public sector/Central bank/Etc. | 1,104,539 | 938,209 |
| Corporate | | |
| Large enterprises | 57,744,026 | 50,607,007 |
| Small and medium-sized enterprises | 112,243,263 | 115,251,803 |
| Special finance | 14,918,230 | 12,107,422 |
| Others | 160 | 266 |
| | <u>184,905,679</u> | <u>177,966,498</u> |
| Credit cards | 251,369 | 263,111 |
| | <u>370,909,871</u> | <u>348,642,129</u> |
| Loans at FVTPL (*2): | | |
| Banks | 99,070 | 207,997 |
| Corporate | | |
| Large enterprises | 278,356 | 318,929 |
| Small and medium-sized enterprises | - | 9,898 |
| | <u>278,356</u> | <u>328,827</u> |
| | <u>377,426</u> | <u>536,824</u> |
| Securities at FVTPL: | | |
| Debt securities | 25,201,615 | 23,309,849 |
| Gold/Silver deposits | 100,481 | 103,706 |
| | <u>25,302,096</u> | <u>23,413,555</u> |
| Securities at FVTOCI (*1) | 47,974,973 | 49,356,133 |
| Securities at amortized cost (*1) | 31,033,732 | 30,719,163 |
| Derivative assets | 4,598,808 | 3,263,290 |
| Other financial assets (*1) (*3) | 26,535,448 | 17,602,815 |
| Off-balance accounts: | | |
| Guarantee contracts | 21,800,539 | 18,303,129 |
| Loan commitments and other credit related liabilities | 123,902,376 | 118,705,455 |
| | <u>145,702,915</u> | <u>137,008,584</u> |
| | <u>₩ 678,335,063</u> | <u>636,467,453</u> |

(*1) The maximum exposure amounts for due from banks, loans, securities, and other financial assets are measured as net of unamortized balances and allowances.

(*2) Due from banks and loans are classified into similar credit risk groups to ensure consistent calculating capital adequacy ratio under the New Basel Capital Accord (Basel III).

(*3) Other financial assets comprise account receivables, accrued income, guarantee deposits, domestic exchange settlement receivables, suspense payments, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(e) Credit risk exposure by credit risk grade

i) The maximum exposure of financial instruments to credit risk by credit risk grade as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | | | | | | | | |
|------------------------------------------------------|------------------------|--------------------|-------------------------|-------------------|-------------------|------------------|--------------------|--------------------|--------------------|---------------------------------------------|
| | 12-month expected loss | | Life-time expected loss | | | | Total | Allowances | Net | Mitigation of credit risk due to collateral |
| | Grade 1 | Grade 2 | Grade 1 | Grade 2 | Impaired | | | | | |
| Due from banks: | | | | | | | | | | |
| Banks | ₩ | 3,302,610 | 810,150 | - | 7,027 | - | 4,119,787 | (19,270) | 4,100,517 | - |
| Government/ Public sector/Central bank/Etc. | | 19,214,524 | 2,588,036 | - | 279 | - | 21,802,839 | (3,562) | 21,799,277 | - |
| | | <u>22,517,134</u> | <u>3,398,186</u> | <u>-</u> | <u>7,306</u> | <u>-</u> | <u>25,922,626</u> | <u>(22,832)</u> | <u>25,899,794</u> | <u>-</u> |
| Loans at amortized cost: | | | | | | | | | | |
| Banks | | 3,152,357 | 1,784,107 | 266,679 | - | - | 5,203,143 | (10,931) | 5,192,212 | 29,252 |
| Retail | | | | | | | | | | |
| Residential real estate mortgage loan | | 61,019,716 | 395,951 | 1,523,734 | 1,276,640 | 126,958 | 64,342,999 | (38,832) | 64,304,167 | 61,336,520 |
| Others | | 99,108,985 | 2,875,231 | 10,988,974 | 2,131,892 | 655,306 | 115,760,388 | (608,483) | 115,151,905 | 76,489,902 |
| Government/ Public sector/Central bank/Etc. | | 1,036,724 | 68,336 | - | - | - | 1,105,060 | (521) | 1,104,539 | - |
| Corporate | | | | | | | | | | |
| Large enterprises | | 35,222,722 | 11,137,525 | 7,193,659 | 4,489,334 | 104,409 | 58,147,649 | (403,623) | 57,744,026 | 15,009,013 |
| Small and medium- sized enterprises | | 60,524,447 | 25,765,063 | 9,570,862 | 17,018,302 | 382,156 | 113,260,830 | (1,017,567) | 112,243,263 | 83,302,340 |
| Special finance | | 3,920,977 | 10,307,094 | 124,079 | 587,690 | 56,737 | 14,996,577 | (78,347) | 14,918,230 | 8,113,167 |
| Others | | - | 58 | - | 132 | - | 190 | (30) | 160 | - |
| Credit cards | | 9 | 250,615 | - | 2,710 | 9,814 | 263,148 | (11,779) | 251,369 | 49 |
| | | <u>263,985,937</u> | <u>52,583,980</u> | <u>29,667,987</u> | <u>25,506,700</u> | <u>1,335,380</u> | <u>373,079,984</u> | <u>(2,170,113)</u> | <u>370,909,871</u> | <u>244,280,243</u> |
| Securities at FVTOCI (*) | | 40,169,063 | 7,704,607 | 20,021 | 81,282 | - | 47,974,973 | - | 47,974,973 | - |
| Securities at amortized cost | | 28,919,493 | 2,115,700 | - | 7,623 | - | 31,042,816 | (9,084) | 31,033,732 | - |
| | ₩ | <u>355,591,627</u> | <u>65,802,473</u> | <u>29,688,008</u> | <u>25,602,911</u> | <u>1,335,380</u> | <u>478,020,399</u> | <u>(2,202,029)</u> | <u>475,818,370</u> | <u>244,280,243</u> |

(*) Credit loss allowance recognized in other comprehensive income for securities at FVTOCI are ₩20,560 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(e) Credit risk exposure by credit risk grade (continued)

i) The maximum exposure of financial instruments to credit risk by credit risk grade as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | December 31, 2023 | | | | | | | | |
|------------------------------------------------------|------------------------|-------------------|-------------------------|-------------------|------------------|--------------------|--------------------|--------------------|---------------------------------------------|
| | 12-month expected loss | | Life-time expected loss | | | Total | Allowances | Net | Mitigation of credit risk due to collateral |
| | Grade 1 | Grade 2 | Grade 1 | Grade 2 | Impaired | | | | |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 5,234,461 | 577,305 | - | 79 | - | 5,811,845 | (9,417) | 5,802,428 | - |
| Government/ Public sector/Central bank/Etc. | 18,505,158 | 1,624,253 | - | 2,876 | - | 20,132,287 | (9,755) | 20,122,532 | - |
| | <u>23,739,619</u> | <u>2,201,558</u> | <u>-</u> | <u>2,955</u> | <u>-</u> | <u>25,944,132</u> | <u>(19,172)</u> | <u>25,924,960</u> | <u>-</u> |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 2,494,834 | 1,682,230 | 392,061 | - | - | 4,569,125 | (7,039) | 4,562,086 | 39,768 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | 57,136,887 | 418,877 | 1,481,107 | 1,305,504 | 123,895 | 60,466,270 | (35,467) | 60,430,803 | 56,221,635 |
| Others | 92,473,369 | 2,607,381 | 7,205,464 | 2,181,624 | 571,410 | 105,039,248 | (557,826) | 104,481,422 | 62,397,303 |
| Government/ Public sector/Central bank/Etc. | 883,527 | 55,117 | - | - | - | 938,644 | (435) | 938,209 | - |
| Corporate | | | | | | | | | |
| Large enterprises | 33,223,181 | 9,695,809 | 4,544,591 | 3,396,669 | 101,629 | 50,961,879 | (354,872) | 50,607,007 | 12,837,159 |
| Small and medium- sized enterprises | 66,197,486 | 24,317,763 | 9,013,533 | 16,389,258 | 467,423 | 116,385,463 | (1,133,660) | 115,251,803 | 85,399,795 |
| Special finance | 2,958,969 | 8,450,006 | 125,232 | 646,130 | 34,687 | 12,215,024 | (107,602) | 12,107,422 | 6,672,132 |
| Others | - | 15 | - | 318 | - | 333 | (67) | 266 | - |
| Credit cards | 8 | 262,794 | - | 4,484 | 10,086 | 277,372 | (14,261) | 263,111 | 84 |
| | <u>255,368,261</u> | <u>47,489,992</u> | <u>22,761,988</u> | <u>23,923,987</u> | <u>1,309,130</u> | <u>350,853,358</u> | <u>(2,211,229)</u> | <u>348,642,129</u> | <u>223,567,876</u> |
| Securities at FVTOCI (*) | 39,277,252 | 9,986,930 | - | 91,951 | - | 49,356,133 | - | 49,356,133 | - |
| Securities at amortized cost | 28,616,446 | 2,104,884 | - | 7,524 | - | 30,728,854 | (9,691) | 30,719,163 | - |
| | <u>₩ 347,001,578</u> | <u>61,783,364</u> | <u>22,761,988</u> | <u>24,026,417</u> | <u>1,309,130</u> | <u>456,882,477</u> | <u>(2,240,092)</u> | <u>454,642,385</u> | <u>223,567,876</u> |

(*) Credit loss allowance recognized in other comprehensive income for securities at FVTOCI are ₩20,717 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(e) Credit risk exposure by credit risk grade (continued)

ii) Credit risk exposure per credit grade of off-balance sheet accounts as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|-------------------------------------------------------|---|----------------------------------------------|------------------------------------------|-----------------|--------------------|
| | | 12-month expected credit loss | Lifetime expected credit loss | | |
| | | | Not impaired | Impaired | Total |
| Guarantee contracts: | | | | | |
| Grade 1 | ₩ | 18,314,724 | 340,412 | - | 18,655,136 |
| Grade 2 | | 3,011,694 | 112,315 | - | 3,124,009 |
| Impaired | | - | - | 21,394 | 21,394 |
| | | <u>21,326,418</u> | <u>452,727</u> | <u>21,394</u> | <u>21,800,539</u> |
| Loan commitment and other credit related liabilities: | | | | | |
| Grade 1 | | 94,680,948 | 9,148,267 | - | 103,829,215 |
| Grade 2 | | 17,866,101 | 2,207,037 | - | 20,073,138 |
| Impaired | | - | - | 23 | 23 |
| | | <u>112,547,049</u> | <u>11,355,304</u> | <u>23</u> | <u>123,902,376</u> |
| | ₩ | <u>133,873,467</u> | <u>11,808,031</u> | <u>21,417</u> | <u>145,702,915</u> |
| | | December 31, 2023 | | | |
| | | 12-month expected credit loss | Lifetime expected credit loss | | |
| | | | Not impaired | Impaired | Total |
| Guarantee contracts: | | | | | |
| Grade 1 | ₩ | 15,025,558 | 528,642 | - | 15,554,200 |
| Grade 2 | | 2,577,640 | 169,579 | - | 2,747,219 |
| Impaired | | - | - | 1,710 | 1,710 |
| | | <u>17,603,198</u> | <u>698,221</u> | <u>1,710</u> | <u>18,303,129</u> |
| Loan commitment and other credit related liabilities: | | | | | |
| Grade 1 | | 92,601,651 | 7,399,358 | - | 100,001,009 |
| Grade 2 | | 16,637,264 | 2,067,182 | - | 18,704,446 |
| Impaired | | - | - | - | - |
| | | <u>109,238,915</u> | <u>9,466,540</u> | <u>-</u> | <u>118,705,455</u> |
| | ₩ | <u>126,842,113</u> | <u>10,164,761</u> | <u>1,710</u> | <u>137,008,584</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(e) Credit risk exposure by credit risk grade (continued)

iii) Credit risk exposure per collateral of financial instruments as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|------------------------|---|----------------------------------------------|------------------------------------------|-----------------|--------------------|
| | | 12-month expected credit loss | Lifetime expected credit loss | | Total |
| | | | Not impaired | Impaired | |
| Guarantees | ₩ | 53,066,074 | 12,793,303 | 408,232 | 66,267,609 |
| Deposits and savings | | 2,473,236 | 373,558 | 6,433 | 2,853,227 |
| Property and equipment | | 1,739,319 | 400,359 | 10,159 | 2,149,837 |
| Real estate | | 153,931,204 | 21,811,579 | 272,662 | 176,015,445 |
| | ₩ | <u>211,209,833</u> | <u>35,378,799</u> | <u>697,486</u> | <u>247,286,118</u> |

| | | December 31, 2023 | | | |
|------------------------|---|----------------------------------------------|------------------------------------------|-----------------|--------------------|
| | | 12-month expected credit loss | Lifetime expected credit loss | | Total |
| | | | Not impaired | Impaired | |
| Guarantees | ₩ | 55,962,228 | 10,079,869 | 419,564 | 66,461,661 |
| Deposits and savings | | 2,336,337 | 305,542 | 5,577 | 2,647,456 |
| Property and equipment | | 1,597,705 | 464,740 | 10,269 | 2,072,714 |
| Real estate | | 136,372,675 | 18,688,625 | 268,997 | 155,330,297 |
| | ₩ | <u>196,268,945</u> | <u>29,538,776</u> | <u>704,407</u> | <u>226,512,128</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(e) **Credit risk exposure by credit risk grade (continued)**

iv) *Credit risk exposure per LTV of mortgage loans as of June 30, 2024 and December 31, 2023 are as follows:*

| | | June 30, 2024 | | | | | |
|-------------------------|---|------------------------------|----------------------------|----------------------------|-----------------------------|------------------|-------------------|
| | | LTV of mortgage loans | | | | | |
| | | 40% or less | Above 40% ~ 60% | Above 60% ~ 80% | Above 80% ~ 100% | Others | Total |
| Loans at amortized cost | ₩ | 19,596,093 | 17,058,716 | 18,371,017 | 6,555,897 | 2,761,276 | 64,342,999 |
| Less: allowance | | (1,818) | (5,882) | (19,362) | (7,920) | (3,850) | (38,832) |
| | ₩ | <u>19,594,275</u> | <u>17,052,834</u> | <u>18,351,655</u> | <u>6,547,977</u> | <u>2,757,426</u> | <u>64,304,167</u> |
| | | December 31, 2023 | | | | | |
| | | LTV of mortgage loans | | | | | |
| | | 40% or less | Above 40% ~ 60% | Above 60% ~ 80% | Above 80% ~ 100% | Others | Total |
| Loans at amortized cost | ₩ | 19,649,364 | 16,130,038 | 16,508,710 | 5,196,866 | 2,981,292 | 60,466,270 |
| Less: allowance | | (1,910) | (5,416) | (17,853) | (7,248) | (3,040) | (35,467) |
| | ₩ | <u>19,647,454</u> | <u>16,124,622</u> | <u>16,490,857</u> | <u>5,189,618</u> | <u>2,978,252</u> | <u>60,430,803</u> |

v) *Credit qualities are classified based on the internal credit rating as follows:*

| Type of Borrower | Grade 1 | Grade 2 |
|------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------|
| Retail | Pool of retail loans with probability of default of less than 2.25% | Pool of retail loans with probability of default of 2.25% or more |
| Governments, Public sector, Central bank | OECD sovereign credit rating of 6 or above | OECD sovereign credit rating of below 6 |
| Banks and Corporations | Internal credit rating of BBB+ or above | Internal credit rating of below BBB+ |

(f) **As of June 30, 2024, and December 31, 2023, there are no assets acquired by the execution of collateral.**

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(g) Concentration by geographic location

An analysis of concentration by geographic location for financial instruments excluding equity securities as of June 30, 2024 and December 31, 2023 is as follows:

| Division (*) | June 30, 2024 | | | | | | | | |
|-------------------------------------------------------|----------------------|-------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|--------------------|
| | Korea | U.S.A | U.K | Japan | Germany | Vietnam | China | Others | Total |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 397,205 | 865,681 | 198,919 | 247,104 | 255,852 | 635,758 | 794,903 | 705,095 | 4,100,517 |
| Government/Public sector/Central bank/Etc. | 15,939,378 | 526,862 | - | 2,101,881 | 31 | 242,854 | 651,357 | 2,336,914 | 21,799,277 |
| | <u>16,336,583</u> | <u>1,392,543</u> | <u>198,919</u> | <u>2,348,985</u> | <u>255,883</u> | <u>878,612</u> | <u>1,446,260</u> | <u>3,042,009</u> | <u>25,899,794</u> |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 1,471,917 | 11,602 | 120,215 | 27,550 | 105,254 | 816,481 | 1,859,814 | 779,379 | 5,192,212 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | 56,292,220 | 266,970 | 2,211 | 4,566,380 | 780 | 815,341 | 655,557 | 1,704,708 | 64,304,167 |
| Others | 110,410,379 | 200,408 | 5,114 | 41,152 | 2,417 | 2,784,140 | 1,193,704 | 514,591 | 115,151,905 |
| Government/Public sector/Central bank/Etc. | 704,779 | - | - | - | 331,461 | - | - | 68,299 | 1,104,539 |
| Corporate | | | | | | | | | |
| Large enterprises | 49,191,590 | 1,982,217 | 83,872 | 421,730 | 93,164 | 1,664,457 | 1,471,816 | 2,835,180 | 57,744,026 |
| Small and medium-sized enterprises | 98,598,654 | 1,319,344 | 186,260 | 5,133,684 | 77,686 | 2,154,043 | 1,261,207 | 3,512,385 | 112,243,263 |
| Special finance | 12,240,437 | 1,025,064 | 139,349 | 556,726 | 17,920 | 5,025 | - | 933,709 | 14,918,230 |
| Others | 136 | 24 | - | - | - | - | - | - | 160 |
| Credit cards | 10,383 | 1,133 | 71 | 66 | 34 | 238,245 | 103 | 1,334 | 251,369 |
| | <u>328,920,495</u> | <u>4,806,762</u> | <u>537,092</u> | <u>10,747,288</u> | <u>628,716</u> | <u>8,477,732</u> | <u>6,442,201</u> | <u>10,349,585</u> | <u>370,909,871</u> |
| Loans at FVTPL: | | | | | | | | | |
| Banks | 99,070 | - | - | - | - | - | - | - | 99,070 |
| Corporate | | | | | | | | | |
| Large enterprises | 278,356 | - | - | - | - | - | - | - | 278,356 |
| | <u>377,426</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>377,426</u> |
| Securities at FVTPL: | | | | | | | | | |
| Debt securities | 24,645,723 | 80,548 | 1,802 | 54,558 | 1,031 | - | 128 | 417,825 | 25,201,615 |
| Gold/Silver deposits | - | - | 100,481 | - | - | - | - | - | 100,481 |
| | <u>24,645,723</u> | <u>80,548</u> | <u>102,283</u> | <u>54,558</u> | <u>1,031</u> | <u>-</u> | <u>128</u> | <u>417,825</u> | <u>25,302,096</u> |
| Securities at FVTOCI | 41,209,178 | 3,150,479 | 352,730 | 542,698 | 29,514 | 44,336 | 749,020 | 1,897,018 | 47,974,973 |
| Securities at amortized cost | 28,914,709 | 106,725 | - | 511,578 | - | 855,940 | 110,621 | 534,159 | 31,033,732 |
| Off-balance accounts: | | | | | | | | | |
| Guarantee contracts | 19,868,648 | 172,758 | 175,213 | 47,276 | 15,611 | 229,036 | 683,994 | 608,003 | 21,800,539 |
| Loan commitments and other credit related liabilities | 111,638,603 | 1,982,559 | 173,537 | 455,188 | 93,617 | 2,052,855 | 2,279,133 | 5,226,884 | 123,902,376 |
| | <u>₩ 571,911,365</u> | <u>11,692,374</u> | <u>1,539,774</u> | <u>14,707,571</u> | <u>1,024,372</u> | <u>12,538,511</u> | <u>11,711,357</u> | <u>22,075,483</u> | <u>647,200,807</u> |

(*) Geographical breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(g) **Concentration by geographic location (continued)**

An analysis of concentration by geographic location for financial instruments excluding equity securities as of June 30, 2024 and December 31, 2023 is as follows: (continued)

| Division (*) | December 31, 2023 | | | | | | | | |
|-------------------------------------------------------|----------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|--------------------|
| | Korea | U.S.A | U.K | Japan | Germany | Vietnam | China | Others | Total |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 324,319 | 2,841,241 | 19,183 | 362,621 | 623,153 | 303,221 | 557,827 | 770,863 | 5,802,428 |
| Government/Public sector/Central bank/Etc. | 16,340,799 | 455,682 | 2 | 1,360,853 | 1,942 | 303,831 | 341,837 | 1,317,586 | 20,122,532 |
| | <u>16,665,118</u> | <u>3,296,923</u> | <u>19,185</u> | <u>1,723,474</u> | <u>625,095</u> | <u>607,052</u> | <u>899,664</u> | <u>2,088,449</u> | <u>25,924,960</u> |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 1,171,988 | 5,963 | 152,790 | 9,178 | 322,948 | 1,151,214 | 955,985 | 792,020 | 4,562,086 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | 52,687,023 | 233,892 | 2,421 | 4,640,584 | 672 | 699,642 | 656,067 | 1,510,502 | 60,430,803 |
| Others | 100,197,102 | 179,771 | 5,450 | 42,172 | 1,497 | 2,377,119 | 1,219,593 | 458,718 | 104,481,422 |
| Government/Public sector/Central bank/Etc. | 662,101 | - | - | - | 221,018 | - | - | 55,090 | 938,209 |
| Corporate | | | | | | | | | |
| Large enterprises | 42,828,265 | 1,822,234 | 77,633 | 466,208 | 83,686 | 1,387,301 | 1,346,285 | 2,595,395 | 50,607,007 |
| Small and medium-sized enterprises | 102,963,774 | 1,156,533 | 179,667 | 4,726,966 | 61,906 | 2,023,841 | 1,151,306 | 2,987,810 | 115,251,803 |
| Special finance | 9,493,215 | 793,927 | 178,451 | 698,000 | 14,175 | 43,312 | - | 886,342 | 12,107,422 |
| Others | 262 | 3 | - | 1 | - | - | - | - | 266 |
| Credit cards | 11,445 | 1,020 | 106 | 61 | 31 | 249,009 | 79 | 1,360 | 263,111 |
| | <u>310,015,175</u> | <u>4,193,343</u> | <u>596,518</u> | <u>10,583,170</u> | <u>705,933</u> | <u>7,931,438</u> | <u>5,329,315</u> | <u>9,287,237</u> | <u>348,642,129</u> |
| Loans at FVTPL: | | | | | | | | | |
| Banks | 207,997 | - | - | - | - | - | - | - | 207,997 |
| Corporate | | | | | | | | | |
| Large enterprises | 318,929 | - | - | - | - | - | - | - | 318,929 |
| Small and medium-sized enterprises | 9,898 | - | - | - | - | - | - | - | 9,898 |
| | <u>536,824</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>536,824</u> |
| Securities at FVTPL: | | | | | | | | | |
| Debt securities | 22,618,302 | 110,026 | 19,036 | 55,480 | 29,247 | - | - | 477,758 | 23,309,849 |
| Gold/Silver deposits | - | - | 103,706 | - | - | - | - | - | 103,706 |
| | <u>22,618,302</u> | <u>110,026</u> | <u>122,742</u> | <u>55,480</u> | <u>29,247</u> | <u>-</u> | <u>-</u> | <u>477,758</u> | <u>23,413,555</u> |
| Securities at FVTOCI | 43,108,301 | 3,132,644 | 234,080 | 445,201 | 38,468 | 51,473 | 671,330 | 1,674,636 | 49,356,133 |
| Securities at amortized cost | 28,670,122 | 108,121 | - | 565,286 | - | 654,073 | 110,463 | 611,098 | 30,719,163 |
| Off-balance accounts: | | | | | | | | | |
| Guarantee contracts | 16,885,664 | 155,883 | 7,607 | 55,086 | 15,639 | 197,052 | 595,236 | 390,962 | 18,303,129 |
| Loan commitments and other credit related liabilities | 107,816,525 | 1,301,469 | 221,991 | 446,365 | 92,419 | 2,017,126 | 2,210,056 | 4,599,504 | 118,705,455 |
| | <u>₩ 546,316,031</u> | <u>12,298,409</u> | <u>1,202,123</u> | <u>13,874,062</u> | <u>1,506,801</u> | <u>11,458,214</u> | <u>9,816,064</u> | <u>19,129,644</u> | <u>615,601,348</u> |

(*) Geographical breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(h) **Concentration by industry sector**

i) An analysis of concentration by industry sector for financial instruments excluding equity securities as of June 30, 2024 and December 31, 2023 is as follows:

| Division (*) | June 30, 2024 | | | | | | | | |
|---------------------------------------------------|-----------------------|--------------------|----------------------|-------------------------|------------------|------------------------|--------------------|--------------------|--------------------|
| | Finance and insurance | Manufacturing | Retail and wholesale | Real estate and service | Construction | Lodging and restaurant | Others | Retail customers | Total |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 4,100,517 | - | - | - | - | - | - | - | 4,100,517 |
| Government/Public sector/Central bank/Etc. | 21,799,277 | - | - | - | - | - | - | - | 21,799,277 |
| | <u>25,899,794</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,899,794</u> |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 4,541,909 | - | - | - | - | - | 650,303 | - | 5,192,212 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | - | - | - | - | - | - | - | 64,304,167 | 64,304,167 |
| Others | - | - | - | - | - | - | - | 115,151,905 | 115,151,905 |
| Government/Public sector/Central bank/Etc. | 1,037,473 | - | - | - | - | - | 67,066 | - | 1,104,539 |
| Corporate | | | | | | | | | |
| Large enterprises | 5,825,751 | 28,569,263 | 5,774,782 | 2,871,637 | 1,860,077 | 792,637 | 12,049,879 | - | 57,744,026 |
| Small and medium-sized enterprises | 1,466,408 | 32,420,448 | 15,930,985 | 30,455,203 | 2,050,462 | 4,755,114 | 25,164,643 | - | 112,243,263 |
| Special finance | 3,973,533 | 46,534 | - | 6,871,447 | 229,458 | 118,578 | 3,678,680 | - | 14,918,230 |
| Others | - | 23 | 41 | 3 | - | 1 | 92 | - | 160 |
| Credit cards | - | - | - | - | - | - | - | 251,369 | 251,369 |
| | <u>16,845,074</u> | <u>61,036,268</u> | <u>21,705,808</u> | <u>40,198,290</u> | <u>4,139,997</u> | <u>5,666,330</u> | <u>41,610,663</u> | <u>179,707,441</u> | <u>370,909,871</u> |
| Loans at FVTPL: | | | | | | | | | |
| Banks | - | - | - | - | 99,070 | - | - | - | 99,070 |
| Corporate | | | | | | | | | |
| Large enterprises | 49,862 | 128,804 | 99,690 | - | - | - | - | - | 278,356 |
| | <u>49,862</u> | <u>128,804</u> | <u>99,690</u> | <u>-</u> | <u>99,070</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>377,426</u> |
| Securities at FVTPL: | | | | | | | | | |
| Debt securities | 11,749,462 | 2,554,477 | 1,195,264 | 669,394 | 135,500 | 36,851 | 8,860,667 | - | 25,201,615 |
| Gold/Silver deposits | 100,481 | - | - | - | - | - | - | - | 100,481 |
| | <u>11,849,943</u> | <u>2,554,477</u> | <u>1,195,264</u> | <u>669,394</u> | <u>135,500</u> | <u>36,851</u> | <u>8,860,667</u> | <u>-</u> | <u>25,302,096</u> |
| Securities at FVTOCI | 22,428,093 | 1,591,441 | 498,741 | 675,421 | 470,170 | - | 22,311,107 | - | 47,974,973 |
| Securities at amortized cost | 11,533,651 | 9,971 | - | 311,693 | 109,390 | - | 19,069,027 | - | 31,033,732 |
| Off-balance sheet accounts: | | | | | | | | | |
| Guarantee contracts | 3,639,773 | 11,204,065 | 3,414,778 | 110,328 | 180,041 | 59,891 | 2,912,644 | 279,019 | 21,800,539 |
| Loan commitments and other liabilities for credit | 18,676,164 | 32,313,629 | 9,941,466 | 3,679,110 | 1,632,766 | 278,608 | 15,952,008 | 41,428,625 | 123,902,376 |
| | <u>₩ 110,922,354</u> | <u>108,838,655</u> | <u>36,855,747</u> | <u>45,644,236</u> | <u>6,766,934</u> | <u>6,041,680</u> | <u>110,716,116</u> | <u>221,415,085</u> | <u>647,200,807</u> |

(*) Industrial breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(h) **Concentration by industry sector (continued)**

i) An analysis of concentration by industry sector for financial instruments excluding equity securities as of June 30, 2024 and December 31, 2023 is as follows:(continued)

| Division (*) | December 31, 2023 | | | | | | | | |
|---------------------------------------------------|-----------------------|--------------------|----------------------|-------------------------|------------------|------------------------|--------------------|--------------------|--------------------|
| | Finance and insurance | Manufacturing | Retail and wholesale | Real estate and service | Construction | Lodging and restaurant | Others | Retail customers | Total |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 5,802,428 | - | - | - | - | - | - | - | 5,802,428 |
| Government/Public sector/Central bank/Etc. | 20,122,532 | - | - | - | - | - | - | - | 20,122,532 |
| | <u>25,924,960</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,924,960</u> |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 4,142,348 | - | - | - | - | - | 419,738 | - | 4,562,086 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | - | - | - | - | - | - | - | 60,430,803 | 60,430,803 |
| Others | - | - | - | - | - | - | - | 104,481,422 | 104,481,422 |
| Government/Public sector/Central bank/Etc. | 905,204 | - | - | - | - | - | 33,005 | - | 938,209 |
| Corporate | | | | | | | | | |
| Large enterprises | 6,632,453 | 23,867,255 | 5,116,884 | 2,678,372 | 1,268,558 | 441,493 | 10,601,992 | - | 50,607,007 |
| Small and medium-sized enterprises | 1,204,569 | 33,112,872 | 16,992,589 | 32,303,271 | 2,082,311 | 5,325,468 | 24,230,723 | - | 115,251,803 |
| Special finance | 3,093,921 | 26,121 | - | 5,290,639 | 223,970 | 93,967 | 3,378,804 | - | 12,107,422 |
| Others | - | - | 12 | 1 | - | 174 | 79 | - | 266 |
| Credit cards | - | - | - | - | - | - | - | 263,111 | 263,111 |
| | <u>15,978,495</u> | <u>57,006,248</u> | <u>22,109,485</u> | <u>40,272,283</u> | <u>3,574,839</u> | <u>5,861,102</u> | <u>38,664,341</u> | <u>165,175,336</u> | <u>348,642,129</u> |
| Loans at FVTPL: | | | | | | | | | |
| Banks | - | - | - | 49,526 | 99,043 | - | 59,428 | - | 207,997 |
| Corporate | | | | | | | | | |
| Small and medium-sized enterprises | - | 198,002 | 99,667 | - | - | - | 21,260 | - | 318,929 |
| Large enterprises | 9,898 | - | - | - | - | - | - | - | 9,898 |
| | <u>9,898</u> | <u>198,002</u> | <u>99,667</u> | <u>49,526</u> | <u>99,043</u> | <u>-</u> | <u>80,688</u> | <u>-</u> | <u>536,824</u> |
| Securities at FVTPL: | | | | | | | | | |
| Debt securities | 12,868,932 | 2,203,227 | 963,008 | 628,611 | 172,598 | 48,557 | 6,424,916 | - | 23,309,849 |
| Gold/Silver deposits | 103,706 | - | - | - | - | - | - | - | 103,706 |
| | <u>12,972,638</u> | <u>2,203,227</u> | <u>963,008</u> | <u>628,611</u> | <u>172,598</u> | <u>48,557</u> | <u>6,424,916</u> | <u>-</u> | <u>23,413,555</u> |
| Securities at FVTOCI | 21,168,220 | 1,809,333 | 484,331 | 651,660 | 534,712 | 20,172 | 24,687,705 | - | 49,356,133 |
| Securities at amortized cost | 11,229,254 | 9,961 | - | 235,243 | 209,190 | - | 19,035,515 | - | 30,719,163 |
| Off-balance sheet accounts: | | | | | | | | | |
| Guarantee contracts | 2,517,428 | 9,125,572 | 3,486,714 | 119,473 | 152,112 | 36,364 | 2,586,541 | 278,925 | 18,303,129 |
| Loan commitments and other liabilities for credit | 18,056,936 | 31,564,590 | 9,672,493 | 3,806,811 | 1,673,648 | 287,277 | 15,015,969 | 38,627,731 | 118,705,455 |
| | <u>₩ 107,857,829</u> | <u>101,916,933</u> | <u>36,815,698</u> | <u>45,763,607</u> | <u>6,416,142</u> | <u>6,253,472</u> | <u>106,495,675</u> | <u>204,081,992</u> | <u>615,601,348</u> |

(*) Industrial breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-2. Market risk

Market risk is the risk of loss that can be caused by changes in market price such as interest rates, equity prices, and foreign exchange rates, etc. The Group manages securities, foreign exchange positions, derivative financial instruments, etc. held for the purpose of obtaining short-term trading gains as trading positions. In addition, the Group manages interest-sensitive assets consisting of loans, deposits, and debt securities not for the purpose of obtaining short-term trading gains, interest-sensitive liabilities consisting of deposits, borrowings, and debt securities issued, and interest-sensitive derivatives used as hedging instruments as non-trading position.

The Group carries out decision-making functions such as policy establishment and setting limits on market risk management by the Risk Policy Committee, and the Risk Engineering Department provides comprehensive market risk management, market risk system management, and middle office functions for all operating departments and desks.

The basis of market risk management is limit management to maintain the maximum possible loss due to market risk within a certain level. The Risk Policy Committee sets and operates the one-day risk limit, loss limit, sensitivity limit, investment limit and position limit, and stress loss limit for each operating department and desk. The Risk Engineering Department monitors the operating status independently from the operating department and reports regularly to the Risk Policy Committee and Risk Management Committee. In addition, the Fair Value Assurance Council and the Risk Engineering Department conduct a review of the fair value evaluation method and risk assessment before the launch (or transactions) of new products in each business unit. The Risk Review Council for derivatives and structured products supports rational decision-making such as checking risk factors and reviewing investment limits, so that objective analysis and review of risk factors can be conducted in advance.

(a) Market risk management of trading positions

The transaction data of foreign exchange, stocks, bonds, and derivatives, which are subject to measurement of market risk in trading positions, are managed by entering transactions into the front system and automatically interface with the Market Risk Management System (MARS) to measure daily risk and limit management. In addition, to supplement risk measurement through statistical methods and to manage the sensitivity and the size of losses in a dynamic economic environment, stress testing is regularly conducted to ensure that losses are managed within a certain range in the event of the Group crisis.

(b) Market risk management of non-trading positions

The most critical market risk that arises from non-trading positions is the interest rate risk. Accordingly, the Group measures and manages market risk for non-trading positions by considering the effects of interest rate changes on both its net asset value and net interest income.

The Group carries out decision-making functions such as establishing policies and setting detailed limits on interest rate risk management by the Risk Policy Committee, and within these principles and limits, management departments by account, such as overseas branches, subsidiaries, and finance departments, trust headquarters, and general finance departments, primarily recognize and manage interest rate risk. The Risk Management Department and the Risk Engineering Department support the Risk Policy Committee's decision on interest rate risk, monitor whether the interest rate risk limit is exceeded, and evaluate and manage the overall interest rate risk.

The Group measures and manages interest rate risk using various analysis methods such as interest rate gap, duration gap, and scenario based NII (Net Interest Income) simulation through the Asset Liability Management (ALM) system. Limits for interest rate VaR and interest rate EaR (Earnings at Risk) and interest rate gap ratios are set and monitored monthly. In addition, stress testing evaluates the impact on interest rate risk in various crisis situations.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-2. **Market risk (continued)**

(c) Foreign exchange risk

The Group manages foreign currency risk based on general positions which includes all spot and future foreign currency positions, etc. The Risk Policy Committee oversees the Group's foreign exchange exposure for both trading and non-trading activities by establishing limits for the net foreign currencies open position. The Group's foreign exchange position is centralized at the S&T Center. Dealers in S&T Center manage the Group's overall position within the set limits through trading of spot exchange and foreign currency related derivatives. The Group's foreign exchange transactions are mainly conducted in the U.S. dollar (USD), Japanese yen (JPY), Euro (EUR) and Chinese yuan (CNY). Other foreign currencies are limitedly traded.

Foreign currency denominated assets and liabilities as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | | | | Total |
|---------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | USD | JPY | EUR | CNY | Others | |
| Assets | | | | | | |
| Cash and due from banks ₩ | 4,973,854 | 2,706,459 | 52,027 | 911,028 | 6,795,318 | 15,438,686 |
| Securities at FVTPL | 1,570,162 | 3,056 | 370,420 | - | 156,932 | 2,100,570 |
| Derivative assets | 413,548 | 22 | 3,596 | 7,781 | 35,949 | 460,896 |
| Loans at amortized cost | 25,846,275 | 11,623,637 | 1,829,915 | 4,793,496 | 12,896,420 | 56,989,743 |
| Securities at FVTOCI | 6,559,199 | 158,356 | 20,312 | 727,298 | 1,245,432 | 8,710,597 |
| Securities at amortized cost | 216,627 | 511,878 | - | 110,690 | 1,393,981 | 2,233,176 |
| Other financial assets | 7,498,603 | 2,861,058 | 1,205,565 | 353,629 | 1,674,432 | 13,593,287 |
| | <u>47,078,268</u> | <u>17,864,466</u> | <u>3,481,835</u> | <u>6,903,922</u> | <u>24,198,464</u> | <u>99,526,955</u> |
| Liabilities | | | | | | |
| Deposits | 21,784,518 | 14,880,267 | 1,428,772 | 5,327,199 | 15,171,319 | 58,592,075 |
| Financial liabilities at FVTPL | - | - | - | - | 479,270 | 479,270 |
| Derivative liabilities | 593,850 | 53 | 13,224 | 17 | 110,318 | 717,462 |
| Borrowings | 7,657,310 | 1,450,398 | 253,285 | (106) | 1,282,059 | 10,642,946 |
| Debt securities issued | 6,914,960 | 276,579 | 1,487,070 | - | 1,490,280 | 10,168,889 |
| Other financial liabilities | 11,201,541 | 1,603,411 | 1,328,693 | 782,704 | 1,920,823 | 16,837,172 |
| | <u>48,152,179</u> | <u>18,210,708</u> | <u>4,511,044</u> | <u>6,109,814</u> | <u>20,454,069</u> | <u>97,437,814</u> |
| Net assets (liabilities) | (1,073,911) | (346,242) | (1,029,209) | 794,108 | 3,744,395 | 2,089,141 |
| Off-balance sheet items | | | | | | |
| Derivative exposures | 2,606,114 | 1,134,171 | 269,048 | (353,536) | (269,469) | 3,386,328 |
| Net position ₩ | <u>1,532,203</u> | <u>787,929</u> | <u>(760,161)</u> | <u>440,572</u> | <u>3,474,926</u> | <u>5,475,469</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-2. **Market risk (continued)**

(c) Foreign exchange risk (continued)

Foreign currency denominated assets and liabilities as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | December 31, 2023 | | | | | Total |
|---------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | USD | JPY | EUR | CNY | Others | |
| Assets | | | | | | |
| Cash and due from banks ₩ | 9,188,642 | 2,039,170 | 68,656 | 629,844 | 3,735,614 | 15,661,926 |
| Securities at FVTPL | 1,483,375 | 3,317 | 326,277 | - | 188,659 | 2,001,628 |
| Derivative assets | 406,267 | 1,448 | 3,530 | 32 | 16,490 | 427,767 |
| Loans at amortized cost | 23,097,671 | 11,701,633 | 1,506,431 | 4,018,660 | 11,307,958 | 51,632,353 |
| Securities at FVTOCI | 6,067,584 | 175,740 | 3,739 | 564,791 | 1,131,565 | 7,943,419 |
| Securities at amortized cost | 166,427 | 553,509 | - | 110,532 | 1,281,941 | 2,112,409 |
| Other financial assets | 4,490,867 | 637,607 | 823,623 | 441,906 | 905,669 | 7,299,672 |
| | <u>44,900,833</u> | <u>15,112,424</u> | <u>2,732,256</u> | <u>5,765,765</u> | <u>18,567,896</u> | <u>87,079,174</u> |
| Liabilities | | | | | | |
| Deposits | 22,488,939 | 14,309,156 | 1,529,622 | 4,131,142 | 12,439,502 | 54,898,361 |
| Financial liabilities at FVTPL | - | - | - | - | 419,342 | 419,342 |
| Derivative liabilities | 577,069 | - | 12,208 | 583 | 42,961 | 632,821 |
| Borrowings | 8,382,968 | 1,390,750 | 208,335 | 115,798 | 746,699 | 10,844,550 |
| Debt securities issued | 6,325,087 | 337,684 | 713,295 | - | 1,205,056 | 8,581,122 |
| Other financial liabilities | 4,989,482 | 183,500 | 769,799 | 777,986 | 772,651 | 7,493,418 |
| | <u>42,763,545</u> | <u>16,221,090</u> | <u>3,233,259</u> | <u>5,025,509</u> | <u>15,626,211</u> | <u>82,869,614</u> |
| Net assets (liabilities) | 2,137,288 | (1,108,666) | (501,003) | 740,256 | 2,941,685 | 4,209,560 |
| Off-balance sheet items | | | | | | |
| Derivative exposures | (153,920) | 1,708,664 | (236,969) | (326,125) | (611,718) | 379,932 |
| Net position ₩ | <u>1,983,368</u> | <u>599,998</u> | <u>(737,972)</u> | <u>414,131</u> | <u>2,329,967</u> | <u>4,589,492</u> |

(d) Interest rate risk management

The Group is closely monitoring the output and market of various industrial working groups that manage the transition to new interest rate benchmarks. It includes announcements made by LIBOR regulators.

Regulators have clearly stated that they will not persuade or force banks to submit LIBOR by the end of 2021. In response to this announcement, the Group has established a LIBOR-related response plan consisting of work flows such as risk management, accounting, tax, law, IT, and customer management. The plan is dedicated to the Chief Financial Officer (CFO) and important matters are reported to the Board of Directors. The purpose of the plan is to identify the impact and risks associated with reforming interest rate indicators within the business and prepare and implement action plans to facilitate the transition to alternative benchmark rates. As of June 30, 2024, the Group has largely concluded most transition and replacement plans, aiming to finalize the contingency plan in accordance with regulatory guidelines.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-3. Liquidity risk

The Group performs decision-making functions related to liquidity risk management, such as policy formulation and detailed limit setting, at the Risk Policy Committee. Following these principles and within the established limits, subsidiary including overseas branches, treasury departments, trust departments, and comprehensive finance departments, recognize and manage liquidity risk as their primary responsibility. The Risk Management Department and Risk Engineering Department support the Risk Policy Committee in decisions related to liquidity risk, monitor liquidity risk tolerance limits, and evaluate and manage entire liquidity risk for the Group.

The Group manages liquidity risk based on following basic principles:

- Raise funding in sufficient amounts at the optimal time and reasonable costs;
- Maintain risk at appropriate levels and preemptively manage them through a prescribed risk limit system and an early warning signal detection system;
- Develop a funding strategy that effectively diversifies the sources and maturities of funds to minimize losses and secure stable revenue;
- Monitor and manage daily and intra-daily liquidity positions and risk exposures as to timely payment and settlement of financial obligations due under both normal and crisis situations;
- Conduct periodic contingency analysis in anticipation of any potential liquidity crisis and establish and implement emergency plans in case of a crisis;
- Consider liquidity-related costs, benefits and risks in determining the price of products and services, employee performance evaluations and approval of launching new products and services.

The Group uses various analysis methods such as liquidity gap, liquidity ratio, loan-deposit ratio, and real liquidity gap reflecting the customer behaviour model through the ALM system, while managing its liquidity risks on Korean won and foreign currency through various indices including risk limits, early warning index, and monitoring index. Demand deposits, in analysing the maturity structures of assets and liabilities, can be classified as short-term because they can be withdrawn whenever a customer requests; however, considering customers' behaviours that usually maintain an average balance of a certain percentage, non-core deposits are classified to be short-term.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-3. **Liquidity risk (continued)**

(a) Contractual maturities for financial instruments

Contractual maturities for financial assets and financial liabilities as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | | | | | Total |
|-------------------------------------------|----------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|----------------------|--------------------|
| | 1 month or less | 1 month~ 3 months or less | 3 months~ 6 months or less | 6 months~ 1 year or less | 1 year~ 5 years or less | More than 5 years | |
| Assets | | | | | | | |
| Cash and due from banks | ₩ 27,802,882 | 363,271 | 29,075 | 28,921 | - | - | 28,224,149 |
| Securities at FVTPL | 21,875,898 | 8,121 | 10,473 | 65,026 | 629,850 | 2,992,195 | 25,581,563 |
| Derivative assets | 4,546,267 | 12,287 | 17,785 | 35,975 | 117,094 | 22,656 | 4,752,064 |
| Loans at amortized cost | 24,720,261 | 39,736,947 | 44,110,564 | 105,476,172 | 121,553,524 | 105,056,651 | 440,654,119 |
| Loans at FVTPL | 149,553 | 227,873 | - | - | - | - | 377,426 |
| Securities at FVTOCI | 40,514,202 | 830,000 | 1,085,450 | 1,252,875 | 5,350,411 | 272,727 | 49,305,665 |
| Securities at amortized cost | 1,379,898 | 2,865,342 | 2,529,321 | 3,983,876 | 19,603,867 | 2,800,559 | 33,162,863 |
| Other financial assets | 25,528,806 | - | - | 224,785 | - | 1,182,101 | 26,935,692 |
| | ₩ <u>146,517,767</u> | <u>44,043,841</u> | <u>47,782,668</u> | <u>111,067,630</u> | <u>147,254,746</u> | <u>112,326,889</u> | <u>608,993,541</u> |
| Liabilities | | | | | | | |
| Deposits | ₩ 200,593,766 | 43,983,012 | 58,293,874 | 67,167,165 | 29,262,288 | 2,833,280 | 402,133,385 |
| Financial liabilities at FVTPL | 469,593 | 497 | 464 | 2,317 | 6,398 | - | 479,269 |
| Derivative liabilities | 4,000,069 | 27,125 | 36,697 | 73,372 | 356,348 | 99,138 | 4,592,749 |
| Borrowings | 9,880,546 | 4,136,860 | 2,964,910 | 5,172,754 | 4,835,888 | 1,432,149 | 28,423,107 |
| Debt securities issued | 2,513,007 | 6,003,650 | 7,118,474 | 10,921,231 | 14,935,707 | 2,477,987 | 43,970,056 |
| Financial liabilities designated at FVTPL | - | - | - | 63,077 | 220,987 | - | 284,064 |
| Other financial liabilities | 39,881,831 | 30,905 | 43,008 | 142,253 | 290,899 | 80,049 | 40,468,945 |
| | ₩ <u>257,338,812</u> | <u>54,182,049</u> | <u>68,457,427</u> | <u>83,542,169</u> | <u>49,908,515</u> | <u>6,922,603</u> | <u>520,351,575</u> |

These amounts include both the principal and interest cash flows of financial assets and liabilities. The undiscounted cash flows are classified based on the earliest dates for obligated repayment. Financial assets at FVTPL that can be disposed immediately and financial instruments at FVTOCI except for assets restricted for sale are classified as the shortest maturity within one month.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-3. **Liquidity risk (continued)**

(a) Contractual maturities for financial instruments (continued)

Contractual maturities for financial assets and financial liabilities as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | December 31, 2023 | | | | | | Total |
|-------------------------------------------|----------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|----------------------|--------------------|
| | 1 month or less | 1 month~ 3 months or less | 3 months~ 6 months or less | 6 months~ 1 year or less | 1 year~ 5 years or less | More than 5 years | |
| Assets | | | | | | | |
| Cash and due from banks | ₩ 27,600,504 | 389,908 | 49,707 | 54,495 | - | - | 28,094,614 |
| Securities at FVTPL | 20,309,418 | 7,005 | 49,876 | 27,473 | 490,267 | 2,779,071 | 23,663,110 |
| Derivative assets | 3,193,984 | 4,716 | 6,652 | 12,884 | 72,860 | 22,761 | 3,313,857 |
| Loans at amortized cost | 22,985,494 | 39,655,127 | 56,508,937 | 87,034,365 | 110,969,662 | 94,810,333 | 411,963,918 |
| Loans at FVTPL | 99,427 | 415,897 | 21,500 | - | - | - | 536,824 |
| Securities at FVTOCI | 39,952,055 | 277,530 | 360,000 | 2,072,605 | 7,364,179 | 582,997 | 50,609,366 |
| Securities at amortized cost | 888,721 | 3,218,004 | 1,884,170 | 4,056,606 | 19,756,822 | 3,165,961 | 32,970,284 |
| Other financial assets | 14,549,049 | - | - | 89,701 | - | 1,209,962 | 15,848,712 |
| | ₩ <u>129,578,652</u> | <u>43,968,187</u> | <u>58,880,842</u> | <u>93,348,129</u> | <u>138,653,790</u> | <u>102,571,085</u> | <u>567,000,685</u> |
| Liabilities | | | | | | | |
| Deposits | ₩ 199,512,658 | 48,950,478 | 41,868,866 | 63,645,375 | 23,592,133 | 2,907,239 | 380,476,749 |
| Financial liabilities at FVTPL | 410,380 | 357 | 586 | 1,202 | 6,816 | - | 419,341 |
| Derivative liabilities | 2,911,343 | 29,309 | 42,175 | 80,368 | 385,147 | 68,456 | 3,516,798 |
| Borrowings | 9,311,244 | 3,497,822 | 3,356,370 | 5,118,301 | 4,620,190 | 1,418,382 | 27,322,309 |
| Debt securities issued | 1,535,259 | 4,915,211 | 3,872,222 | 11,476,685 | 16,452,450 | 2,077,562 | 40,329,389 |
| Financial liabilities designated at FVTPL | - | 2,255 | 10,822 | - | 284,064 | - | 297,141 |
| Other financial liabilities | 29,611,633 | 25,664 | 35,514 | 135,527 | 210,776 | 44,086 | 30,063,200 |
| | ₩ <u>243,292,517</u> | <u>57,421,096</u> | <u>49,186,555</u> | <u>80,457,458</u> | <u>45,551,576</u> | <u>6,515,725</u> | <u>482,424,927</u> |

These amounts include both the principal and interest cash flows of financial assets and liabilities. The undiscounted cash flows are classified based on the earliest dates for obligated repayment. Financial assets at FVTPL that can be disposed immediately and financial instruments at FVTOCI except for assets restricted for sale are classified as the shortest maturity within one month.

(b) Contractual maturities for off-balance sheet items

Financial guarantees such as guarantee contracts, loan commitments and others provided by the Group are classified based on the earliest date at which the Group should fulfill the obligation under the guarantee when the counterparty requests for the payment.

Off-balance sheet accounts as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | December 31, 2023 |
|-------------------------------------------------------|----------------------|--------------------|
| Guarantee contracts | ₩ 21,800,539 | 18,303,129 |
| Loan commitments and other credit related liabilities | 123,902,376 | 118,705,455 |
| | ₩ <u>145,702,915</u> | <u>137,008,584</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value

The fair value which the Bank primarily uses for measurement of financial instruments are the published price quotations in an active market which are based on the dealer price quotations of financial assets traded in an active market where available, which is the best evidence of fair value.

The fair values of financial instruments being traded in an active market are determined by the published market prices at each period end. The published market prices of financial instruments being held by the Group are based on Dealer price quotations provided by the trading agencies.

The fair value of financial instruments not traded in active markets, such as OTC (Over-the-Counter market) derivatives, is determined using valuation methods or utilizing independent external valuation agency's valuation results.

The Group uses diverse valuation techniques under reasonable assumptions which are based on the current market conditions as of the end of the reporting period.

The fair value of financial instruments is determined using valuation techniques such as a method of using recent transactions between independent parties with reasonable judgment and willingness to trade, a method of referring to the current fair value of other financial instruments that are substantially identical, discounted cash flow model and option pricing models. For example, the fair value of an interest rate swap is calculated as the present value of the expected future cash flows, and the fair value of foreign exchange forward contract is calculated by applying the public forward exchange rate at the end of the reporting period.

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- (i) Level 1: Financial instruments measured at quoted prices from active markets are classified as level 1.
- (ii) Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- (iii) Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value

i) The table below analyzes financial instruments measured at the fair value as of June 30, 2024 and December 31, 2023, by the level 2 in the fair value hierarchy into which the fair value measurement is categorized:

| | June 30, 2024 | | | |
|--------------------------------------------|---------------------|-------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Loans at FVTPL: | | | | |
| Loans | ₩ - | 377,426 | - | 377,426 |
| Securities at FVTPL: | | | | |
| Debt securities | 3,131,056 | 17,194,581 | 4,875,978 | 25,201,615 |
| Equity securities | 83,639 | - | 195,828 | 279,467 |
| Gold/Silver deposits | 100,481 | - | - | 100,481 |
| | <u>3,315,176</u> | <u>17,194,581</u> | <u>5,071,806</u> | <u>25,581,563</u> |
| Derivative assets: | | | | |
| Trading | 384 | 4,535,459 | 3,981 | 4,539,824 |
| Hedging | - | 58,984 | - | 58,984 |
| | <u>384</u> | <u>4,594,443</u> | <u>3,981</u> | <u>4,598,808</u> |
| Securities at FVTOCI: | | | | |
| Debt securities | 14,452,661 | 33,522,312 | - | 47,974,973 |
| Equity securities | 808,737 | - | 521,955 | 1,330,692 |
| | <u>15,261,398</u> | <u>33,522,312</u> | <u>521,955</u> | <u>49,305,665</u> |
| | <u>₩ 18,576,958</u> | <u>55,688,762</u> | <u>5,597,742</u> | <u>79,863,462</u> |
| Financial liabilities | | | | |
| Financial liabilities designated at FVTPL: | | | | |
| Debt securities issued | ₩ - | 254,501 | - | 254,501 |
| Financial liabilities at FVTPL: | | | | |
| Gold/Silver deposits | 479,270 | - | - | 479,270 |
| Derivative liabilities: | | | | |
| Trading | 1,149 | 3,984,700 | - | 3,985,849 |
| Hedging | - | 472,481 | 247,322 | 719,803 |
| | <u>1,149</u> | <u>4,457,181</u> | <u>247,322</u> | <u>4,705,652</u> |
| | <u>₩ 480,419</u> | <u>4,711,682</u> | <u>247,322</u> | <u>5,439,423</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

i) The table below analyzes financial instruments measured at the fair value as of June 30, 2024 and December 31, 2023 by the level in the fair value hierarchy into which the fair value measurement is categorized: (continued)

| | December 31, 2023 | | | |
|--------------------------------------------|-------------------|-------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Loans at FVTPL: | | | | |
| Loans | ₩ - | 515,563 | 21,261 | 536,824 |
| Securities at FVTPL: | | | | |
| Debt securities | 1,645,756 | 17,220,513 | 4,443,580 | 23,309,849 |
| Equity securities | 62,593 | - | 186,962 | 249,555 |
| Gold/Silver deposits | 103,706 | - | - | 103,706 |
| | <u>1,812,055</u> | <u>17,220,513</u> | <u>4,630,542</u> | <u>23,663,110</u> |
| Derivative assets: | | | | |
| Trading | 1,097 | 3,190,310 | 59 | 3,191,466 |
| Hedging | - | 71,824 | - | 71,824 |
| | <u>1,097</u> | <u>3,262,134</u> | <u>59</u> | <u>3,263,290</u> |
| Securities at FVTOCI: | | | | |
| Debt securities | 16,609,416 | 32,746,717 | - | 49,356,133 |
| Equity securities | 725,796 | - | 527,437 | 1,253,233 |
| | <u>17,335,212</u> | <u>32,746,717</u> | <u>527,437</u> | <u>50,609,366</u> |
| ₩ | <u>19,148,364</u> | <u>53,744,927</u> | <u>5,179,299</u> | <u>78,072,590</u> |
| Financial liabilities | | | | |
| Financial liabilities designated at FVTPL: | | | | |
| Debt securities issued | ₩ - | 254,832 | - | 254,832 |
| Financial liabilities at FVTPL: | | | | |
| Gold/Silver deposits | 419,342 | - | - | 419,342 |
| Derivative liabilities: | | | | |
| Trading | 1,037 | 2,894,562 | - | 2,895,599 |
| Hedging | - | 392,800 | 224,195 | 616,995 |
| | <u>1,037</u> | <u>3,287,362</u> | <u>224,195</u> | <u>3,512,594</u> |
| ₩ | <u>420,379</u> | <u>3,542,194</u> | <u>224,195</u> | <u>4,186,768</u> |

ii) There were no transfers between level 1 and level 2 financial instruments measured at fair value for the six-month periods ended June 30, 2024 and the year ended December 31, 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial assets measured at fair value (continued)

iii) Changes in level 3 of the fair value hierarchy (continued)

(*1) Gains or losses among the changes in level 3 of the fair value hierarchy for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 and gains or losses related to financial instruments that the Group held as of June 30, 2024 and December 31, 2023 are presented in the consolidated statements of comprehensive income as follows:

| | June 30, 2024 | | December 31, 2023 | |
|---------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| | Gains or losses recognized in profit or loss | Gains or losses recognized in profit or loss for financial instruments held at the end of the period | Gains or losses recognized in profit or loss | Gains or losses recognized in profit or loss for financial instruments held at the end of the year |
| Net gain (loss) on financial instruments at FVTPL | ₩ 76,687 | 84,009 | (112,194) | (110,774) |
| Net other operating income (expense) | (23,128) | (23,128) | 119,564 | 119,564 |
| | ₩ 53,559 | 60,881 | 7,370 | 8,790 |

(*2) Changes in the availability of observable market data for the financial instruments have resulted in transfers between levels. The Group has recognized changes in levels at the end of the reporting period when events or situations that cause transfers between levels occur.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments

Ⓐ Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|------------------------------|-------------------------------------------|----------------------------------------------|------------------------------------------|------------------------------------------|--------------------------------------------------------------------------------------------|
| | | Type of financial instruments | Book value | Valuation techniques | Inputs |
| Financial assets | | | | | |
| | Loans at FVTPL | ₩ | 377,426 | Discounted cash flow | Discount rate |
| | Securities at FVTPL | | | Discounted cash flow, Net asset value | Discount rate, Price of underlying assets, such as stocks and bonds |
| | Derivative assets | Trading Hedging | 4,535,459 58,984 <u>4,594,443</u> | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | Securities at FVTOCI | Debt securities | 33,522,312 | Discounted cash flow | Discount rate |
| | | ₩ | <u>55,688,762</u> | | |
| Financial liabilities | | | | | |
| | Financial liabilities designated at FVTPL | Debt securities | 254,501 | Option model | Discount rate, volatility |
| | Derivative liabilities | Trading Hedging | 3,984,700 472,481 <u>4,457,181</u> | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | ₩ | <u>4,711,682</u> | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) *Valuation techniques and inputs used in measuring fair value of financial instruments (continued)*

Ⓐ Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | | December 31, 2023 | | | |
|------------------------------|--|----------------------------------------------|---------------------|------------------------------------------|--------------------------------------------------------------------------------------------|
| | | Type of financial instruments | Book value | Valuation techniques | Inputs |
| Financial assets | | | | | |
| | | Loans at FVTPL | ₩ 515,563 | Discounted cash flow | Discount rate |
| | | Securities at FVTPL | | Discounted cash flow, Net asset value | Discount rate, Price of underlying assets, such as stocks and bonds |
| | | Derivative assets | | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | | 3,190,310 | | |
| | | | 71,824 | | |
| | | | <u>3,262,134</u> | | |
| | | Securities at FVTOCI | | Discounted cash flow | Discount rate |
| | | | 32,746,717 | | |
| | | | <u>₩ 53,744,927</u> | | |
| Financial liabilities | | | | | |
| | | Financial liabilities designated at FVTPL | | Option model | Discount rate, volatility |
| | | | 254,832 | | |
| | | Derivative liabilities | | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | | 2,894,562 | | |
| | | | 392,800 | | |
| | | | <u>3,287,362</u> | | |
| | | | <u>₩ 3,542,194</u> | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) *Valuation techniques and inputs used in measuring fair value of financial instruments (continued)*

ⓑ The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of June 30, 2024 and December 31, 2023, the valuation technique and significant but not observable input variables used to measure the fair value of financial instruments classified as fair value level 3 are as follows:

| June 30, 2024 | | | | | | | |
|---------------------|----------------------------------------------------------------------------------------------|-------------------------------|--------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets | Valuation technique | Type of financial instruments | Book value | Input | Significant unobservable input | Range of input | Relationship of unobservable inputs to fair value |
| Securities at FVTPL | Net asset value method, Option model (*1)(*2) | Debt securities | ₩ 4,875,978 | Volatility of underlying assets, Discount rate, Correlation coefficient | Volatility of underlying assets, Discount rate, Correlation coefficient | 22.18%~53.77% 13.67%~15.17% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases, The effects of trading instruments and market conditions increase or decrease fair value with changes in correlation coefficients |
| | | | 195,828 | | | | |
| | Discounted cash flow, Comparable company analysis | Equity securities | <u>5,071,806</u> | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 19.24%~28.87% 4.49%~18.28% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases |
| Derivative assets | Option model (*2) | Equity and foreign exchange | 3,981 | Volatility of underlying assets, Price of underlying assets, Foreign exchange rates | Volatility of underlying assets | 21.23% | The higher the volatility, the higher the volatility of fair value |
| Securities FVTOCI | Net asset value method, Discounted cash flow, Comparable company analysis, Option model (*1) | Equity securities | 521,955 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 16.75% 9.00%~24.03% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases |
| | | | ₩ <u>5,597,742</u> | | | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) *Valuation techniques and inputs used in measuring fair value of financial instruments (continued)*

Ⓣ The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of June 30, 2024 and December 31, 2023, the valuation technique and significant but not observable input variables used to measure the fair value of financial liabilities classified as fair value level 3 are as follows: (continued)

| | June 30, 2024 | | | | | | Relationship of unobservable inputs to fair value |
|------------------------|---------------------|-------------------------------|------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Valuation technique | Type of financial instruments | Book value | Input | Significant unobservable input | Range of input | |
| Financial liabilities | | | | | | | |
| Derivative liabilities | Option model (*2) | Interest rates related | ₩ 247,322 | Volatility of underlying assets, Regression coefficient, Correlation coefficient, Interest rate | Volatility of underlying assets, Regression coefficient, Correlation coefficient | 0.57%~1.11% 0.0039%~2.7667% 59.28%~90.34% | The higher the volatility, the higher the volatility of fair value, The effects of trading instruments and market conditions increase or decrease fair value with changes in regression and correlation coefficients |
| | | | ₩ <u>247,322</u> | | | | |

(*1) The Group uses Binomial Tree and LSMC option model.

(*2) Option models that the Group uses in derivative valuation include Black-Scholes model, Hull-White model, depending on the type of product, methods such as Monte Carlo simulation.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) *Valuation techniques and inputs used in measuring fair value of financial instruments(continued)*

㉞ The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of June 30, 2024 and December 31, 2023, the valuation technique and significant but not observable input variables used to measure the fair value of financial instruments classified as fair value level 3 are as follows: (continued)

| | | December 31, 2023 | | | | | | |
|-------------------------|----------------------------------------------------------------------------------------------|-------------------------------|--------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| | Valuation technique | Type of financial instruments | Book value | Input | Significant unobservable input | Range of input | Relationship of unobservable inputs to fair value | |
| Financial assets | | | | | | | | |
| Loans at FVTPL | Option model (*1) | Loans | ₩ 21,261 | Volatility of underlying assets, Discount rate | Volatility of underlying assets | 28.35% | The higher the volatility, the higher the volatility of fair value | |
| Securities at FVTPL | Net asset value method, Option model (*1)(*2) | Debt securities | 4,443,580 | Volatility of underlying assets, Discount rate, Correlation coefficient | Volatility of underlying assets, Discount rate, Correlation coefficient | 19.53%~60.88% 7.40%~16.17% 17.85%~51.47% | Fair value increases as discount rate decreases, The effects of trading instruments and market conditions increase or decrease fair value with changes in correlation coefficients | |
| | Discounted cash flow, Comparable company analysis | Equity securities | 186,962 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 26.12% 4.92%~17.19% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases | |
| | | | <u>4,630,542</u> | | | | | |
| Derivative assets | Option model (*2) | Equity and foreign exchange | 59 | Volatility of underlying assets, Price of underlying assets, Foreign exchange rates | Volatility of underlying assets | 23.68% | The higher the volatility, the higher the volatility of fair value | |
| Securities FVTOCI | Net asset value method, Discounted cash flow, Comparable company analysis, Option model (*1) | Equity securities | 527,437 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 20.6% 9.25%~19.9% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases | |
| | | | ₩ <u>5,179,299</u> | | | | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) *Valuation techniques and inputs used in measuring fair value of financial instruments (continued)*

Ⓞ The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of June 30, 2024 and December 31, 2023, the valuation technique and significant but not observable input variables used to measure the fair value of financial liabilities classified as fair value level 3 are as follows: (continued)

| | Valuation technique | Type of financial assets | December 31, 2023 | | | | Relationship of unobservable inputs to fair value |
|------------------------|---------------------|--------------------------|-------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Book value | Input | Significant unobservable input | Range of input | |
| Financial liabilities | | | | | | | |
| Derivative liabilities | Option model (*2) | Interest rates related | ₩ 224,195 | Volatility of underlying assets, Regression coefficient, Correlation coefficient, Interest rate | Volatility of underlying assets, Regression coefficient, Correlation coefficient | 0.61%~1.06% 0.0023%~2.7056% 58.95%~90.34% | The higher the volatility, the higher the volatility of fair value, The effects of trading instruments and market conditions increase or decrease fair value with changes in regression and correlation coefficients |
| | | | ₩ <u>224,195</u> | | | | |

(*1) The Group uses Binomial Tree and LSMC option model.

(*2) Option models that the Group uses in derivative valuation include Black-Scholes model, Hull-White model, depending on the type of product, methods such as Monte Carlo simulation.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

v) *Sensitivity to changes in unobservable inputs.*

For level 3 fair value measurement, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effect on profit (loss), and other comprehensive income (loss) as of June 30, 2024 and December 31, 2023 are as follows:

| Type of financial instruments (*1) | | June 30, 2024 | | | |
|------------------------------------|-------------------------------------|------------------------------|--------------------|--------------------------------------------------|--------------------|
| | | Profit (loss) for the period | | Other comprehensive income (loss) for the period | |
| | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Securities at FVTPL | Debt securities (*2) | ₩ 2,216 | (2,142) | - | - |
| | Equity securities (*3) | 3,414 | (2,671) | - | - |
| Derivative assets (*2) | Equity and foreign exchange related | 1 | (1) | - | - |
| Securities at FVTOCI (*3) | Equity securities | - | - | 13,068 | (10,850) |
| | | ₩ 5,631 | (4,814) | 13,068 | (10,850) |
| Derivative liabilities (*2) | Interest rates related | ₩ 3,746 | (4,702) | - | - |
| | | ₩ 3,746 | (4,702) | - | - |

(*1) ₩5,150,903 million of financial instruments classified as level 3 are excluded from sensitivity analysis since calculation of sensitivity according to the fluctuation of input variables is impracticable.

(*2) Based on 10% of increase or decrease in unobservable volatility of underlying assets or correlation coefficient.

(*3) Based on changes in unobservable growth rate (-1.0%~1.0%) and discount rate (-1%p~1%p).

| Type of financial instruments (*1) | | December 31, 2023 | | | |
|------------------------------------|------------------------|----------------------------|--------------------|------------------------------------------------|--------------------|
| | | Profit (loss) for the year | | Other comprehensive income (loss) for the year | |
| | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Loans at FVTPL (*2) | | ₩ 1 | - | - | - |
| Securities at FVTPL | Debt securities (*2) | 1,521 | (1,437) | - | - |
| | Equity securities (*3) | 5,035 | (3,743) | - | - |
| Securities at FVTOCI (*3) | Equity securities | - | - | 14,105 | (11,374) |
| | | ₩ 6,557 | (5,180) | 14,105 | (11,374) |
| Derivative liabilities (*2) | Interest rates related | ₩ 10,995 | (10,419) | - | - |
| | | ₩ 10,995 | (10,419) | - | - |

(*1) ₩4,651,295 million of financial instruments classified as level 3 are excluded from sensitivity analysis since calculation of sensitivity according to the fluctuation of input variables is impracticable.

(*2) Based on 10% of increase or decrease in unobservable volatility of underlying assets or correlation coefficient.

(*3) Based on changes in unobservable growth rate (-1.0%~1.0%) and discount rate (-1%p~1%p).

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(b) Financial instruments measured at amortized cost

i) The method of measuring the fair value of financial instruments measured at amortized cost is as follows:

| <u>Type</u> | <u>Measurement methods of fair value</u> |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash and due from banks | The book value and the fair value for cash are identical, and most of deposits are floating interest rate deposits or next-day deposits of a short-term instrument. Therefore, the carrying value for deposits approximates fair value. |
| Loans at amortized cost | The fair value of loans at amortized cost is measured by discounting the expected cash flows anticipated to be received at the market interest rate, credit risk of a borrower, etc. |
| Securities at amortized cost | An external professional evaluation agency is used to calculate the valuation amount using the market information. The agency calculates the fair value based on active market prices, and DCF model is used to calculate the fair value if there is no quoted price. |
| Deposits and borrowings | The book value is used as a fair value for short-term bonds such as demand deposits, cash management account deposits and call money, and the fair value of others is measured by discounting the contractual cash flows at the market interest rate, considering residual risk. |
| Debt securities issued | An external professional evaluation agency is used to calculate the valuation amount using the market information, and the fair value is calculated using DCF model. |
| Other financial assets and liabilities | The book value is used as fair value for short-term and transitional accounts, such as spot exchange, and unpaid/uncollected domestic exchange of payments, and for the remaining financial instruments, the present value of the contractual cash flows at a discount rate which considered residual risk at the market interest rate is calculated as a fair value. |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(b) Financial instruments measured at amortized cost (continued)

ii) The book value and the fair value of financial instruments measured at amortized cost as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | | | |
|----------------------------------------------|---------------|------------------------|-------------|-------------|-------------|
| | Book value | | | | |
| | Balance | Unamortized balance | Allowance | Total | Fair value |
| Assets | | | | | |
| Cash and due from banks: | | | | | |
| Cash | ₩ 2,281,937 | - | - | 2,281,937 | 2,281,937 |
| Due from banks | 25,922,626 | - | (22,832) | 25,899,794 | 25,899,794 |
| Loans at amortized cost: | | | | | |
| Household loans | 144,963,630 | 423,172 | (465,514) | 144,921,288 | 145,167,092 |
| Corporate loans | 219,096,017 | 89,286 | (1,655,081) | 217,530,222 | 218,903,680 |
| Public and other loans | 4,890,848 | (5,928) | (32,655) | 4,852,265 | 4,903,025 |
| Loans to bank | 3,359,811 | - | (5,084) | 3,354,727 | 3,355,429 |
| Credit card receivables | 263,148 | - | (11,779) | 251,369 | 262,609 |
| Securities at amortized cost: | | | | | |
| Government bonds | 18,779,587 | - | (3,300) | 18,776,287 | 18,783,379 |
| Financial institutions bonds | 5,638,204 | - | (2,542) | 5,635,662 | 5,674,465 |
| Corporate bonds and others | 6,423,003 | - | (3,242) | 6,419,761 | 6,368,531 |
| Others | 202,022 | - | - | 202,022 | 202,022 |
| Other financial assets | 26,938,480 | (42,900) | (360,132) | 26,535,448 | 26,879,908 |
| | ₩ 458,759,313 | 463,630 | (2,562,161) | 456,660,782 | 458,681,871 |
| Liabilities | | | | | |
| Deposits: | | | | | |
| Demand deposits | ₩ 151,917,956 | - | - | 151,917,956 | 151,917,956 |
| Time deposits | 214,726,394 | - | - | 214,726,394 | 215,097,788 |
| Negotiable certificates of deposits | 11,630,139 | - | - | 11,630,139 | 11,674,034 |
| Note discount deposits | 8,390,154 | - | - | 8,390,154 | 8,389,373 |
| CMA | 5,198,804 | - | - | 5,198,804 | 5,198,804 |
| Others | 15,288 | - | - | 15,288 | 15,287 |
| Borrowings: | | | | | |
| Call money | 1,632,338 | - | - | 1,632,338 | 1,632,338 |
| Bill sold | 12,539 | - | - | 12,539 | 12,481 |
| Bonds sold under repurchase agreements | 3,436,838 | - | - | 3,436,838 | 3,436,838 |
| Borrowings | 22,671,679 | (1,780) | - | 22,669,899 | 22,731,068 |
| Debt securities issued: | | | | | |
| Debt securities issued in Korean won | 31,079,127 | (50,912) | - | 31,028,215 | 31,036,546 |
| Debt securities issued in foreign currencies | 10,168,889 | (37,209) | - | 10,131,680 | 10,252,076 |
| Other financial liabilities | 40,495,245 | (48,154) | - | 40,447,091 | 40,988,721 |
| | ₩ 501,375,390 | (138,055) | - | 501,237,335 | 502,383,310 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(b) Financial instruments measured at amortized cost (continued)

ii) The book value and the fair value of financial instruments measured at amortized cost as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | | December 31, 2023 | | | | |
|-------------------------------|-------------------------------------------------|-------------------|------------------------|-------------|-------------|-------------|
| | | Book value | | | | |
| | | Balance | Unamortized balance | Allowance | Total | Fair value |
| Assets | | | | | | |
| Cash and due from banks: | | | | | | |
| | Cash | ₩ 2,131,816 | - | - | 2,131,816 | 2,131,816 |
| | Due from banks | 25,944,133 | - | (19,173) | 25,924,960 | 25,924,960 |
| Loans at amortized cost: | | | | | | |
| | Household loans | 141,541,256 | 396,422 | (455,101) | 141,482,577 | 141,836,304 |
| | Corporate loans | 201,214,888 | 88,204 | (1,709,997) | 199,593,095 | 200,970,534 |
| | Public and other loans | 4,247,228 | (4,573) | (26,669) | 4,215,986 | 4,253,065 |
| | Loans to bank | 3,092,561 | - | (5,201) | 3,087,360 | 3,087,091 |
| | Credit card receivables | 277,372 | - | (14,261) | 263,111 | 276,658 |
| Securities at amortized cost: | | | | | | |
| | Government bonds | 18,557,061 | - | (2,323) | 18,554,738 | 18,484,419 |
| | Financial institutions bonds | 5,828,569 | - | (4,212) | 5,824,357 | 5,866,109 |
| | Corporate bonds and others | 6,154,094 | - | (3,156) | 6,150,938 | 6,063,418 |
| | Others | 189,130 | - | - | 189,130 | 189,130 |
| | Other financial assets | 17,966,007 | (40,173) | (323,019) | 17,602,815 | 17,896,590 |
| | | ₩ 427,144,115 | 439,880 | (2,563,112) | 425,020,883 | 426,980,094 |
| Liabilities | | | | | | |
| Deposits: | | | | | | |
| | Demand deposits | ₩ 150,527,999 | - | - | 150,527,999 | 150,527,999 |
| | Time deposits | 196,048,390 | - | - | 196,048,390 | 196,344,702 |
| | Negotiable certificates of deposits | 11,752,483 | - | - | 11,752,483 | 11,806,982 |
| | Note discount deposits | 7,664,701 | - | - | 7,664,701 | 7,664,012 |
| | CMA | 4,950,392 | - | - | 4,950,392 | 4,950,392 |
| | Others | 15,684 | - | - | 15,684 | 15,682 |
| Borrowings: | | | | | | |
| | Call money | 1,800,849 | - | - | 1,800,849 | 1,800,849 |
| | Bill sold | 11,252 | - | - | 11,252 | 11,208 |
| | Bonds sold under repurchase agreements | 3,994,125 | - | - | 3,994,125 | 3,994,125 |
| | Borrowings | 20,897,013 | (2,041) | - | 20,894,972 | 20,960,556 |
| Debt securities issued: | | | | | | |
| | Debt securities issued in Korean won | 29,226,709 | (27,731) | - | 29,198,978 | 29,138,611 |
| | Debt securities issued in foreign currencies | 8,581,123 | (29,416) | - | 8,551,707 | 8,581,212 |
| | Other financial liabilities | 34,215,371 | (46,114) | - | 34,169,257 | 34,143,633 |
| | | ₩ 469,686,091 | (105,302) | - | 469,580,789 | 469,939,963 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(b) Financial instruments measured at amortized cost (continued)

iii) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statements of financial position as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | | |
|----------------------------------------------|---------------|-------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and due from banks: | | | | |
| Cash | ₩ 2,281,937 | - | - | 2,281,937 |
| Due from banks | - | 25,899,794 | - | 25,899,794 |
| Loans at amortized cost: | | | | |
| Household loans | - | - | 145,167,092 | 145,167,092 |
| Corporate loans | - | - | 218,903,680 | 218,903,680 |
| Public and other loans | - | - | 4,903,025 | 4,903,025 |
| Loans to bank | - | 2,390,296 | 965,133 | 3,355,429 |
| Credit card receivables | - | - | 262,609 | 262,609 |
| Securities at amortized cost: | | | | |
| Government bonds | 7,871,378 | 10,912,001 | - | 18,783,379 |
| Financial institutions bonds | 1,972,431 | 3,702,034 | - | 5,674,465 |
| Corporate bonds and others | - | 6,368,531 | - | 6,368,531 |
| Others | - | 202,022 | - | 202,022 |
| Other financial assets | - | 23,166,233 | 3,713,675 | 26,879,908 |
| | ₩ 12,125,746 | 72,640,911 | 373,915,214 | 458,681,871 |
| Liabilities | | | | |
| Deposits: | | | | |
| Demand deposits | ₩ - | 151,917,956 | - | 151,917,956 |
| Time deposits | - | - | 215,097,788 | 215,097,788 |
| Negotiable certificates of deposits | - | - | 11,674,034 | 11,674,034 |
| Note discount deposits | - | - | 8,389,373 | 8,389,373 |
| CMA | - | 5,198,804 | - | 5,198,804 |
| Others | - | - | 15,287 | 15,287 |
| Borrowings: | | | | |
| Call money | - | 1,632,338 | - | 1,632,338 |
| Bill sold | - | - | 12,481 | 12,481 |
| Bonds sold under repurchase agreements | - | - | 3,436,838 | 3,436,838 |
| Borrowings | - | - | 22,731,068 | 22,731,068 |
| Debt securities issued: | | | | |
| Debt securities issued in Korean won | - | 29,499,031 | 1,537,515 | 31,036,546 |
| Debt securities issued in foreign currencies | - | 10,252,076 | - | 10,252,076 |
| Other financial liabilities | - | 22,659,169 | 18,329,552 | 40,988,721 |
| | ₩ - | 221,159,374 | 281,223,936 | 502,383,310 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

iii) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statements of financial position as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | December 31, 2023 | | | |
|----------------------------------------------|-------------------|-------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and due from banks: | | | | |
| Cash | ₩ 2,131,816 | - | - | 2,131,816 |
| Due from banks | - | 25,924,960 | - | 25,924,960 |
| Loans at amortized cost: | | | | |
| Household loans | - | - | 141,836,304 | 141,836,304 |
| Corporate loans | - | - | 200,970,534 | 200,970,534 |
| Public and other loans | - | - | 4,253,065 | 4,253,065 |
| Loans to bank | - | 1,662,446 | 1,424,645 | 3,087,091 |
| Credit card receivables | - | - | 276,658 | 276,658 |
| Securities at amortized cost: | | | | |
| Government bonds | 7,029,533 | 11,454,886 | - | 18,484,419 |
| Financial institutions bonds | 2,005,877 | 3,860,232 | - | 5,866,109 |
| Corporate bonds and others | - | 6,063,418 | - | 6,063,418 |
| Others | - | 189,130 | - | 189,130 |
| Other financial assets | - | 14,324,970 | 3,571,620 | 17,896,590 |
| | ₩ 11,167,226 | 63,480,042 | 352,332,826 | 426,980,094 |
| Liabilities | | | | |
| Deposits: | | | | |
| Demand deposits | ₩ - | 150,527,999 | - | 150,527,999 |
| Time deposits | - | - | 196,344,702 | 196,344,702 |
| Negotiable certificates of deposits | - | - | 11,806,982 | 11,806,982 |
| Note discount deposits | - | - | 7,664,012 | 7,664,012 |
| CMA | - | 4,950,392 | - | 4,950,392 |
| Others | - | - | 15,682 | 15,682 |
| Borrowings: | | | | |
| Call money | - | 1,800,849 | - | 1,800,849 |
| Bill sold | - | - | 11,208 | 11,208 |
| Bonds sold under repurchase agreements | - | - | 3,994,125 | 3,994,125 |
| Borrowings | - | - | 20,960,556 | 20,960,556 |
| Debt securities issued: | | | | |
| Debt securities issued in Korean won | - | 27,778,145 | 1,360,466 | 29,138,611 |
| Debt securities issued in foreign currencies | - | 8,581,212 | - | 8,581,212 |
| Other financial liabilities | - | 18,539,772 | 15,603,861 | 34,143,633 |
| | ₩ - | 212,178,369 | 257,761,594 | 469,939,963 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 or level 3 as of June 30, 2024 and December 31, 2023 are as follows:

| June 30, 2024 | | | | |
|---------------|-------------------------------|----------------------|----------------------|----------------------------------------------------------------|
| Level | Type of financial instruments | Fair value (*) | Valuation technique | Inputs |
| Level 2 | Securities at amortized cost | ₩ 21,184,588 | | Discount rate |
| Level 3 | Loans at amortized cost | 370,201,539 | Discounted cash flow | Discount rate, Credit spread, Prepayment rate |
| | Other financial assets | 3,713,675 | | Discount rate |
| | | ₩ <u>395,099,802</u> | | |
| Level 2 | Debt securities issued | ₩ 39,751,107 | | Discount rate |
| | Deposits (*) | 233,289,657 | | Discount rate |
| | Borrowings (*) | 15,378,241 | Discounted cash flow | Discount rate |
| Level 3 | Debt securities issued | 1,537,515 | | Discount rate, Regression coefficient, Correlation coefficient |
| | Other financial liabilities | 18,329,552 | | Discount rate |
| | | ₩ <u>308,286,072</u> | | |

(*) There is no disclosure for valuation techniques and input variables related to items where the carrying amount is recognized as a reasonable approximation of fair value and where the carrying amount is disclosed at fair value.

| December 31, 2023 | | | | |
|-------------------|-------------------------------|----------------------|----------------------|----------------------------------------------------------------|
| Level | Type of financial instruments | Fair value (*) | Valuation technique | Inputs |
| Level 2 | Securities at amortized cost | ₩ 21,567,666 | | Discount rate |
| Level 3 | Loans at amortized cost | 348,761,206 | Discounted cash flow | Discount rate, Credit spread, Prepayment rate |
| | Other financial assets | 3,571,620 | | Discount rate |
| | | ₩ <u>373,900,492</u> | | |
| Level 2 | Debt securities issued | ₩ 36,359,357 | | Discount rate |
| | Deposits (*) | 214,212,875 | | Discount rate |
| | Borrowings (*) | 14,852,579 | Discounted cash flow | Discount rate |
| Level 3 | Debt securities issued | 1,360,466 | | Discount rate, Regression coefficient, Correlation coefficient |
| | Other financial liabilities | 15,603,861 | | Discount rate |
| | | ₩ <u>282,389,138</u> | | |

(*) There is no disclosure for valuation techniques and input variables related to items where the carrying amount is recognized as a reasonable approximation of fair value and where the carrying amount is disclosed at fair value.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(c) Deferred transaction date gain or loss

The changes in transaction date (Day 1) gain and loss that occurred at the initial recognition of financial instruments measured at fair value for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | June 30, 2024 | | | |
|----------------|------------------------------|----------------------------|----------------------------------------|---------------------------|
| | <u>Beginning balance</u> | <u>New transaction</u> | <u>Profit and loss recognition</u> | <u>Ending balance</u> |
| Equity options | ₩ 48 | - | (8) | 40 |

| | December 31, 2023 | | | |
|----------------|------------------------------|----------------------------|----------------------------------------|---------------------------|
| | <u>Beginning balance</u> | <u>New transaction</u> | <u>Profit and loss recognition</u> | <u>Ending balance</u> |
| Equity options | ₩ 160 | - | (112) | 48 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(d) Classification by category of financial instruments

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of each category of financial assets as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | |
|---------------------------------|---|---------------------------------|----------------------------------|---------------------------------------------------|---------------------------------------------|------------------------------------|--------------------|
| | | Financial assets at FVTPL | Financial assets at FVTOCI | Financial assets designated at FVTOCI | Financial assets at amortized cost | Derivatives held for hedging | Total |
| Assets | | | | | | | |
| Due from banks | ₩ | - | - | - | 25,899,794 | - | 25,899,794 |
| Securities at FVTPL | | 25,581,563 | - | - | - | - | 25,581,563 |
| Derivative assets | | 4,539,824 | - | - | - | 58,984 | 4,598,808 |
| Loans at FVTPL | | 377,426 | - | - | - | - | 377,426 |
| Loans at amortized cost | | - | - | - | 370,909,871 | - | 370,909,871 |
| Securities at FVTOCI | | - | 47,974,973 | 1,330,692 | - | - | 49,305,665 |
| Securities at amortized cost | | - | - | - | 31,033,732 | - | 31,033,732 |
| Other financial assets | | - | - | - | 26,535,448 | - | 26,535,448 |
| | ₩ | <u>30,498,813</u> | <u>47,974,973</u> | <u>1,330,692</u> | <u>454,378,845</u> | <u>58,984</u> | <u>534,242,307</u> |

| | | Financial instruments at FVTPL | | | | |
|----------------------------------------------|---|--------------------------------------|----------------------------------------------------|--------------------------------------------------|---------------------------------|--------------------|
| | | Financial liabilities at FVTPL | Financial liabilities designated at FVTPL | Financial liabilities at amortized cost | Derivatives held for hedging | Total |
| Liabilities | | | | | | |
| Deposits | ₩ | - | - | 391,878,736 | - | 391,878,736 |
| Financial liabilities at FVTPL | | 479,270 | - | - | - | 479,270 |
| Financial liabilities designated at FVTPL | | - | 254,501 | - | - | 254,501 |
| Derivative liabilities | | 3,985,849 | - | - | 719,803 | 4,705,652 |
| Borrowings | | - | - | 27,751,614 | - | 27,751,614 |
| Debt securities issued | | - | - | 41,159,895 | - | 41,159,895 |
| Other financial liabilities | | - | - | 40,447,091 | - | 40,447,091 |
| | ₩ | <u>4,465,119</u> | <u>254,501</u> | <u>501,237,336</u> | <u>719,803</u> | <u>506,676,759</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(d) Classification by category of financial instruments (continued)

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of each category of financial assets as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| | | December 31, 2023 | | | | | |
|----------------------------------------------|---|--------------------------------------|----------------------------------------------------|--------------------------------------------------|---------------------------------------------|------------------------------------|--------------------|
| | | Financial assets at FVTPL | Financial assets at FVTOCI | Financial assets designated at FVTOCI | Financial assets at amortized cost | Derivatives held for hedging | Total |
| Assets | | | | | | | |
| Due from banks | ₩ | - | - | - | 25,924,960 | - | 25,924,960 |
| Securities at FVTPL | | 23,663,110 | - | - | - | - | 23,663,110 |
| Derivative assets | | 3,191,466 | - | - | - | 71,824 | 3,263,290 |
| Loans at FVTPL | | 536,824 | - | - | - | - | 536,824 |
| Loans at amortized cost | | - | - | - | 348,642,129 | - | 348,642,129 |
| Securities at FVTOCI | | - | 49,356,133 | 1,253,233 | - | - | 50,609,366 |
| Securities at amortized cost | | - | - | - | 30,719,163 | - | 30,719,163 |
| Other financial assets | | - | - | - | 17,602,815 | - | 17,602,815 |
| | ₩ | <u>27,391,400</u> | <u>49,356,133</u> | <u>1,253,233</u> | <u>422,889,067</u> | <u>71,824</u> | <u>500,961,657</u> |
| Financial instruments at FVTPL | | | | | | | |
| | | Financial liabilities at FVTPL | Financial liabilities designated at FVTPL | Financial liabilities at amortized cost | Derivatives held for hedging | Total | |
| Liabilities | | | | | | | |
| Deposits | ₩ | - | - | 370,959,649 | - | 370,959,649 | |
| Financial liabilities at FVTPL | | 419,342 | - | - | - | 419,342 | |
| Financial liabilities designated at FVTPL | | - | 254,832 | - | - | 254,832 | |
| Derivative liabilities | | 2,895,599 | - | - | 616,995 | 3,512,594 | |
| Borrowings | | - | - | 26,701,198 | - | 26,701,198 | |
| Debt securities issued | | - | - | 37,750,685 | - | 37,750,685 | |
| Other financial liabilities | | - | - | 34,169,257 | - | 34,169,257 | |
| | ₩ | <u>3,314,941</u> | <u>254,832</u> | <u>469,580,789</u> | <u>616,995</u> | <u>473,767,557</u> | |

There are no financial assets that are reclassified between categories of financial instruments for the six-month periods ended June 30, 2024 and year ended December 31, 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(e) Financial income and expense by category for the six-month periods ended June 30, 2024 and 2023 are as follows:

| June 30, 2024 | | | | | | |
|----------------------------------------------|------------------------------------------|---------------------------------------------------------|----------------------------------------------------------------------|----------------|------------------|--------------------------------------------------|
| | Interest income (expense) | Fees and commission income (expense) | Reversal of (Provision for) credit loss allowance | Others | Total | Other comprehensive income (loss) |
| Deposits | ₩ 294,194 | - | (2,909) | - | 291,285 | - |
| Securities at FVTPL | 319,622 | 7,126 | - | 204,692 | 531,440 | - |
| Securities at FVTOCI | 784,838 | 9,078 | (607) | 81,058 | 874,367 | 232,530 |
| Securities at amortized cost | 494,978 | - | 1,655 | (4) | 496,629 | - |
| Loans at FVTPL | 17,000 | - | - | 38,045 | 55,045 | - |
| Loans at amortized cost | 8,787,493 | 77,284 | (150,958) | 7,958 | 8,721,777 | - |
| Other financial assets | 51,383 | 78,869 | 7,539 | 1,632 | 139,423 | - |
| Financial liabilities at FVTPL | - | (4) | - | (75,874) | (75,878) | - |
| Financial liabilities designated at FVTPL | (6,590) | - | - | 330 | (6,260) | - |
| Financial liabilities at amortized cost | (6,363,118) | (30) | - | 104,407 | (6,258,741) | (79,302) |
| Net derivatives held for hedging | - | - | - | (80,749) | (80,749) | (17,672) |
| Allowance for off-balance sheet items | - | - | (5,369) | - | (5,369) | - |
| | ₩ 4,379,800 | 172,323 | (150,649) | 281,495 | 4,682,969 | 135,556 |
| June 30, 2023 | | | | | | |
| | Interest income (expense) | Fees and commission income (expense) | Reversal of (Provision for) credit loss allowance | Others | Total | Other comprehensive income (loss) |
| Deposits | ₩ 167,814 | - | 3,822 | - | 171,636 | - |
| Securities at FVTPL | 250,520 | 630 | - | 325,796 | 576,946 | - |
| Securities at FVTOCI | 558,933 | 4,436 | 6,391 | 52,223 | 621,983 | 406,127 |
| Securities at amortized cost | 441,711 | - | (1,502) | (2) | 440,207 | - |
| Loans at FVTPL | 13,134 | - | - | 22,787 | 35,921 | - |
| Loans at amortized cost | 8,338,973 | 59,000 | (438,879) | 43,917 | 8,003,011 | - |
| Other financial assets | 47,282 | 57,731 | (4,704) | 2,896 | 103,205 | - |
| Financial liabilities at FVTPL | - | (52) | - | (32,014) | (32,066) | - |
| Financial liabilities designated at FVTPL | (3,186) | - | - | 13,434 | 10,248 | - |
| Financial liabilities at amortized cost | (5,696,260) | (148) | - | (71,460) | (5,767,868) | (20,722) |
| Net derivatives held for hedging | - | - | - | 67,443 | 67,443 | 478 |
| Allowance for off-balance sheet items | - | - | (13,851) | - | (13,851) | - |
| | ₩ 4,118,921 | 121,597 | (448,723) | 425,020 | 4,216,815 | 385,883 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

3. Financial risk management (continued)

3-5. Capital risk management

In response to the increased risk of financial institutions following financial deregulation in the 1980s, capital regulations applicable to banks are adopted in 1988, which focused primarily on capital adequacy and asset soundness as a measure of risk. Since the initial Basel Capital Accord was introduced, capital regulations have evolved in a way that better reflects the risk of the bank. To improve risk management and increasing capital adequacy of banks, Basel Committee on Bank Supervision (BCBS) prepared and announced new Basel Capital Accord (Basel III), and capital adequacy standards based on Basel III is implemented by *Regulation on Supervision of Banking Business* beginning on December 1, 2013. Under these regulations, all domestic banks including the Group are required to maintain a certain ratio or higher of the common stock capital ratio, basic capital ratio, and total equity capital ratio step by step from the effective date and report whether the Group meet the capital adequacy ratio to the Financial Supervisory Service according to banking-related legislation.

The criteria for capital adequacy to be complied with by the Group are 8.0% or more of the total equity capital ratio, 6.0% or higher of the basic capital ratio, and 4.5% or more of the common stock capital ratio. In addition, the minimum regulatory BIS capital ratio required to be observed from 2019 has been raised to up to 14% as the capital regulation based on the Basel III standard is enforced from 2016. This is based on the addition of capital conservation buffer (2.5%p) and Domestic Systemically Important Banks (D-SIB) buffer (1.0%p) and countercyclical capital buffer (2.5%p) to the existing lowest common equity capital ratio and countercyclical capital buffer can be charged up to 2.5%p during credit expansion period. As of June 30, 2024, the minimum regulatory BIS capital ratio to be observed is 12.5%, which is the standard for applying capital conservation buffer (2.5%p), D-SIB buffer (1.0%p), and countercyclical capital buffer (1.0%p).

As of June 30, 2024 and December 31, 2023, the Group maintains an appropriate capital ratio according to the above regulations.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

4. Operating segment

(a) The general descriptions of the Group's operating segments

The Group has four reportable segments which are strategic business units. Each of these segments is providing different services and is managed separately.

| Description | Area of business |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| Channel division | Loans to or deposits from individual customers, wealth management customers, and institutions related to the credit, receipt and its accompanying work. |
| Capital market division | Securities investment, large corporations, loans to IB and its accompanying work. |
| International group | Supervision of overseas subsidiaries and branch operations and other international businesses. |
| Others | Fund management, others and various support businesses. |

(b) The following table provides information of financial performance of each reportable segment for the six-month periods ended June 30, 2024 and 2023.

| Division | June 30, 2024 | | | | | |
|------------------------------------------|---------------------|-------------------------------|------------------------|-----------|------------------------------|-------------|
| | Channel division | Capital market division | International group | Others | Consolidation adjustments | Total |
| Net interest income (expense) | ₩ 3,227,802 | 81,998 | 593,947 | 477,948 | (1,895) | 4,379,800 |
| Net fees and commission income (expense) | 301,810 | 67,270 | 73,819 | 83,340 | (4,757) | 521,482 |
| Net other income (expense) (*) | (2,052,024) | 903,946 | 67,684 | (948,252) | (24,054) | (2,052,700) |
| Operating income (expense) | 1,477,588 | 1,053,214 | 735,450 | (386,964) | (30,706) | 2,848,582 |
| Net non-operating income (expense) | (22,878) | (41,652) | 4,736 | (144,504) | (22,476) | (226,774) |
| Share of profit of associates | - | - | - | - | 14,448 | 14,448 |
| Profit (loss) before income tax | 1,454,710 | 1,011,562 | 740,186 | (531,468) | (38,734) | 2,636,256 |
| Income tax expense (income) | (318,707) | (221,619) | (165,426) | 118,475 | 4,816 | (582,461) |
| Profit (loss) for the period | ₩ 1,136,003 | 789,943 | 574,760 | (412,993) | (33,918) | 2,053,795 |
| Attributable to: | | | | | | |
| Equity holder of the Bank | ₩ 1,136,003 | 789,943 | 574,760 | (412,993) | (34,253) | 2,053,460 |
| Non-controlling interests | - | - | - | - | 335 | 335 |

(*) Profit or loss effect of hedging on net investments in foreign operations was included.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

4. Operating segment (continued)

(b) The following table provides information of financial performance of each reportable segment for the six-month periods ended June 30, 2024 and 2023 (continued).

| Division (*1) | June 30, 2023 | | | | | |
|------------------------------------------|------------------|-------------------------|---------------------|-----------|---------------------------|-------------|
| | Channel division | Capital market division | International group | Others | Consolidation adjustments | Total |
| Net interest income (loss) | ₩ 3,396,122 | 172,441 | 552,879 | (34) | (2,487) | 4,118,921 |
| Net fees and commission income (expense) | 267,554 | 84,101 | 64,208 | 64,740 | (4,609) | 475,994 |
| Net other income (expense) (*2) | (1,882,541) | 636,381 | (81,661) | (920,281) | (57,637) | (2,305,739) |
| Operating income (expense) | 1,781,135 | 892,923 | 535,426 | (855,575) | (64,733) | 2,289,176 |
| Net non-operating income (expense) | (25,416) | (5,839) | 989 | 30,678 | (31,124) | (30,712) |
| Share of loss of associates | - | - | - | - | 58 | 58 |
| Profit (loss) before income tax | 1,755,719 | 887,084 | 536,415 | (824,897) | (95,799) | 2,258,522 |
| Income tax expense (income) | (456,217) | (230,506) | (122,692) | 226,753 | 4,837 | (577,825) |
| Profit (loss) for the period | ₩ 1,299,502 | 656,578 | 413,723 | (598,144) | (90,962) | 1,680,697 |
| Attributable to: | | | | | | |
| Equity holder of the Bank | ₩ 1,299,502 | 656,578 | 413,723 | (598,145) | (91,110) | 1,680,548 |
| Non-controlling interests | - | - | - | - | 149 | 149 |

(*1) In accordance with changes in organizational structure for the six-month periods ended June 30, 2024, the financial performance of each reportable segment was rewritten.

(*2) Profit or loss effect of hedging on net investments in foreign operations was included.

(c) The following table provides information of net interest income of each reportable operating segment from external consumers and net interest income (expense) between operating segments for the six-month periods ended June 30, 2024 and 2023.

| | June 30, 2024 | | | | | |
|-------------------------------------|------------------|-------------------------|---------------------|-----------|---------------------------|-----------|
| | Channel division | Capital market division | International group | Others | Consolidation adjustments | Total |
| Net interest income (expense) from: | | | | | | |
| External customers | ₩ 3,807,392 | 366,303 | 563,011 | (356,906) | - | 4,379,800 |
| Internal transactions | (579,590) | (284,305) | 30,936 | 834,854 | (1,895) | - |
| | ₩ 3,227,802 | 81,998 | 593,947 | 477,948 | (1,895) | 4,379,800 |

| | June 30, 2023 | | | | | |
|-----------------------------------------|------------------|-------------------------|---------------------|----------|---------------------------|-----------|
| | Channel division | Capital market division | International group | Others | Consolidation adjustments | Total |
| Net interest income (expense) from: (*) | | | | | | |
| External customers | ₩ 3,492,658 | (30,962) | 608,245 | 48,980 | - | 4,118,921 |
| Internal transactions | (96,536) | 203,403 | (55,366) | (49,014) | (2,487) | - |
| | ₩ 3,396,122 | 172,441 | 552,879 | (34) | (2,487) | 4,118,921 |

(*) According to the organizational structure change, the management performance of each business sector has been rewritten for the six-month periods ended June 30, 2024.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

4. Operating segment (continued)

(d) Financial information of geographical area

i) The following table provides information of operating income from external consumers by geographical area for the six-month periods ended June 30, 2024 and 2023.

| | Operating revenue | | Operating expenses | | Operating income | |
|----------|---------------------|-------------------|--------------------|-------------------|------------------|------------------|
| | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Domestic | ₩ 21,984,165 | 18,447,729 | 19,685,721 | 16,633,530 | 2,298,444 | 1,814,199 |
| Overseas | 1,864,951 | 1,681,465 | 1,314,813 | 1,206,488 | 550,138 | 474,977 |
| | ₩ <u>23,849,116</u> | <u>20,129,194</u> | <u>21,000,534</u> | <u>17,840,018</u> | <u>2,848,582</u> | <u>2,289,176</u> |

ii) The following table provides information of non-current assets by geographical area as of June 30, 2024 and December 31, 2023.

| Division (*) | June 30, 2024 | December 31, 2023 |
|--------------|--------------------|-------------------|
| Domestic | ₩ 3,980,850 | 3,962,041 |
| Overseas | 342,759 | 268,883 |
| | ₩ <u>4,323,609</u> | <u>4,230,924</u> |

(*) Non-current assets include property and equipment, intangible assets and investment properties.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

5. Cash and due from banks

(a) Cash and due from banks as of June 30, 2024 and December 31, 2023 are as follows:

| | | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---------------------------------|---|----------------------|--------------------------|
| Cash | ₩ | 2,281,937 | 2,131,816 |
| Deposits in Korean won: | | | |
| Reserve deposits | | 11,674,223 | 10,732,094 |
| Others | | 6,330 | 4,511 |
| | | <u>11,680,553</u> | <u>10,736,605</u> |
| Deposits in foreign currencies: | | | |
| Deposits | | 9,725,491 | 12,110,033 |
| Time deposits | | 4,352,005 | 2,547,930 |
| Others | | 164,577 | 549,564 |
| | | <u>14,242,073</u> | <u>15,207,527</u> |
| Allowance for impairment | | (22,832) | (19,172) |
| | ₩ | <u>28,181,731</u> | <u>28,056,776</u> |

(b) Restricted due from banks as of June 30, 2024 and December 31, 2023 are as follows:

| <u>Classification</u> | | <u>June 30, 2024</u> | <u>December 31, 2023</u> | <u>The laws of evidence, etc.</u> |
|---------------------------------|---|----------------------|--------------------------|------------------------------------------------------------------------------------------------------|
| Deposits in Korean won: | | | | |
| Reserve deposits | ₩ | 11,674,223 | 10,732,094 | Article 55 of the Bank of Korea Act Article 387 of Capital Market Act of Korea Act, etc. |
| Others | | 1,780 | 627 | |
| | | <u>11,676,003</u> | <u>10,732,721</u> | |
| Deposits in foreign currencies: | | | | |
| Deposits | | 4,602,715 | 6,024,167 | Article 55 of the Bank of Korea Act, etc. New York State Banking Law, etc. Derivative contract |
| Time deposits | | 79,879 | 74,141 | |
| Others | | 30,708 | 17,707 | |
| | | <u>4,713,302</u> | <u>6,116,015</u> | |
| | ₩ | <u>16,389,305</u> | <u>16,848,736</u> | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

6. Securities at fair value through profit or loss

Securities at FVTPL as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|-----------------------------|----------------------|--------------------------|
| Debt securities: | | |
| Government bonds | ₩ 2,416,212 | 861,768 |
| Financial institution bonds | 2,772,580 | 3,915,483 |
| Corporate bonds | 2,301,438 | 2,230,936 |
| Bills bought | 6,513,089 | 6,597,980 |
| CMA | 4,178,668 | 3,473,984 |
| Beneficiary Certificates | 4,664,545 | 4,047,138 |
| Others | 2,355,083 | 2,182,560 |
| | <u>25,201,615</u> | <u>23,309,849</u> |
| Equity securities: | | |
| Stocks | 279,467 | 249,555 |
| Gold/Silver deposits | 100,481 | 103,706 |
| | <u>₩ 25,581,563</u> | <u>23,663,110</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. Derivatives

(a) The notional amounts of derivatives as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---------------------------------|----------------------|--------------------------|
| Foreign currency related | | |
| Over the counter: | | |
| Currency forwards | ₩ 136,662,008 | 118,477,888 |
| Currency swaps | 51,458,581 | 43,805,271 |
| Currency options | 1,571,066 | 1,244,696 |
| Exchange traded: | | |
| Currency futures | 41,676 | 38,682 |
| | <u>189,733,331</u> | <u>163,566,537</u> |
| Interest rates related | | |
| Over the counter: | | |
| Interest rate forwards | 839,349 | 205,451 |
| Interest rate swaps | 36,004,158 | 30,490,027 |
| Interest rate options | 810,000 | 470,000 |
| Exchange traded: | | |
| Interest rate futures | 1,461,037 | 654,794 |
| Interest rate swaps (*) | 55,301,276 | 44,929,609 |
| | <u>94,415,820</u> | <u>76,749,881</u> |
| Equity related | | |
| Over the counter: | | |
| Equity options | 219,803 | 207,508 |
| Exchange traded: | | |
| Equity futures | 31,008 | 15,789 |
| Equity options | 66,300 | 2,494 |
| | <u>317,111</u> | <u>225,791</u> |
| Commodity related | | |
| Over the counter: | | |
| Commodity swaps and forwards | 193,535 | 160,445 |
| Commodity options | - | 8,000 |
| | <u>193,535</u> | <u>168,445</u> |
| Hedge | | |
| Fair value hedge: | | |
| Interest rate swaps | 10,501,780 | 10,112,789 |
| Net investment hedge: | | |
| Currency forwards | 746,000 | 683,382 |
| | <u>11,247,780</u> | <u>10,796,171</u> |
| | <u>₩ 295,907,577</u> | <u>251,506,825</u> |

(*) The notional amount of derivatives which is settled in the 'Central Counter Party ("CCP")' system.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. **Derivatives (continued)**

(b) Fair values of derivatives as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | December 31, 2023 | |
|---------------------------------|------------------|------------------|-------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign currency related | | | | |
| Over the counter: | | | | |
| Currency forwards | ₩ 2,328,779 | 1,306,402 | 1,362,435 | 1,195,174 |
| Currency swaps | 1,779,508 | 2,252,785 | 1,414,202 | 1,234,284 |
| Currency options | 13,972 | 14,785 | 12,621 | 13,065 |
| | <u>4,122,259</u> | <u>3,573,972</u> | <u>2,789,258</u> | <u>2,442,523</u> |
| Interest rates related | | | | |
| Over the counter: | | | | |
| Interest rate forwards | 376 | 21,927 | - | 15,907 |
| Interest rate swaps | 416,743 | 354,398 | 398,077 | 417,489 |
| Interest rate options | - | 27,400 | - | 17,005 |
| Exchange traded: | | | | |
| Interest rate futures | 383 | 645 | 1,097 | 982 |
| | <u>417,502</u> | <u>404,370</u> | <u>399,174</u> | <u>451,383</u> |
| Equity related | | | | |
| Over the counter: | | | | |
| Equity options | 63 | 2,968 | 30 | 1,637 |
| Exchange traded: | | | | |
| Equity futures | - | 14 | - | 54 |
| Equity options | - | 490 | - | 2 |
| | <u>63</u> | <u>3,472</u> | <u>30</u> | <u>1,693</u> |
| Commodity related | | | | |
| Over the counter: | | | | |
| Commodity swaps and forwards | - | 4,035 | 3,004 | - |
| | <u>-</u> | <u>4,035</u> | <u>3,004</u> | <u>-</u> |
| Hedge | | | | |
| Fair value hedge: | | | | |
| Interest rate swaps | 56,958 | 715,426 | 65,786 | 614,219 |
| Net investment hedge: | | | | |
| Currency forwards | 2,026 | 4,377 | 6,038 | 2,776 |
| | <u>58,984</u> | <u>719,803</u> | <u>71,824</u> | <u>616,995</u> |
| ₩ | <u>4,598,808</u> | <u>4,705,652</u> | <u>3,263,290</u> | <u>3,512,594</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. **Derivatives (continued)**

(c) Gain or loss on valuation of derivatives for the six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | | |
|---------------------------------|----------------|----------------|------------------|------------------|
| | Three month | | Six month | |
| | Gain | Loss | Gain | Loss |
| Foreign currency related | | | | |
| Over the counter: | | | | |
| Currency forwards | ₩ 447,818 | 131,899 | 2,187,005 | 1,258,970 |
| Currency swaps | 396,984 | 706,732 | 1,111,947 | 1,928,552 |
| Currency options | 3,616 | 2,372 | 8,871 | 6,408 |
| | <u>848,418</u> | <u>841,003</u> | <u>3,307,823</u> | <u>3,193,930</u> |
| Interest rates related | | | | |
| Over the counter: | | | | |
| Interest rate forwards | (6,190) | 9,072 | 3,489 | 9,468 |
| Interest rate swaps | 45,946 | (480) | 224,497 | 116,867 |
| Interest rate options | 556 | 117 | 1,896 | 1,490 |
| Exchange traded: | | | | |
| Interest rate futures | 346 | 484 | 383 | 645 |
| | <u>40,658</u> | <u>9,193</u> | <u>230,265</u> | <u>128,470</u> |
| Equity related | | | | |
| Over the counter: | | | | |
| Equity options | 1,897 | 321 | 2,931 | 623 |
| Exchange traded: | | | | |
| Equity futures | - | (9) | - | 14 |
| Equity options | 153 | 6 | 291 | 7 |
| | <u>2,050</u> | <u>318</u> | <u>3,222</u> | <u>644</u> |
| Commodity related | | | | |
| Over the counter: | | | | |
| Commodity swap and forwards | (3,570) | 4,035 | - | 4,035 |
| | <u>(3,570)</u> | <u>4,035</u> | <u>-</u> | <u>4,035</u> |
| Hedge | | | | |
| Fair value hedge: | | | | |
| Interest rate swaps | 9,920 | 1,997 | 26,512 | 117,685 |
| Net investment hedge: | | | | |
| Currency forwards | 19,354 | 4,880 | 22,420 | 6,564 |
| | <u>29,274</u> | <u>6,877</u> | <u>48,932</u> | <u>124,249</u> |
| ₩ | <u>916,830</u> | <u>861,426</u> | <u>3,590,242</u> | <u>3,451,328</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. **Derivatives (continued)**

(c) Gain or loss on valuation of derivatives for the six-month periods ended June 30, 2024 and 2023 are as follows (continued):

| | June 30, 2023 | | | |
|---------------------------------|------------------|----------------|------------------|------------------|
| | Three month | | Six month | |
| | Gain | Loss | Gain | Loss |
| Foreign currency related | | | | |
| Over the counter: | | | | |
| Currency forwards | ₩ (168,677) | (18,099) | 1,139,702 | 951,215 |
| Currency swaps | 34,690 | 75,588 | 527,112 | 681,564 |
| Currency options | 2,400 | 1,603 | 6,776 | 6,220 |
| | <u>(131,587)</u> | <u>59,092</u> | <u>1,673,590</u> | <u>1,638,999</u> |
| Interest rates related | | | | |
| Over the counter: | | | | |
| Interest rate swaps | 64,141 | 30,122 | 174,133 | 109,311 |
| Interest rate options | - | 1,965 | - | 2,681 |
| Exchange traded: | | | | |
| Interest rate futures | 791 | 648 | 1,119 | 704 |
| | <u>64,932</u> | <u>32,735</u> | <u>175,252</u> | <u>112,696</u> |
| Equity related | | | | |
| Over the counter: | | | | |
| Equity options | 428 | 355 | 768 | 1,829 |
| Exchange traded: | | | | |
| Equity futures | (219) | (258) | - | 122 |
| Equity options | 57 | (361) | 57 | 14 |
| | <u>266</u> | <u>(264)</u> | <u>825</u> | <u>1,965</u> |
| Commodity related | | | | |
| Over the counter: | | | | |
| Commodity swap and forwards | (4,856) | 2,470 | - | 2,470 |
| Commodity options | 917 | - | 1,503 | - |
| | <u>(3,939)</u> | <u>2,470</u> | <u>1,503</u> | <u>2,470</u> |
| Hedge | | | | |
| Fair value hedge: | | | | |
| Interest rate swaps | (59,367) | 30,125 | 104,798 | 38,924 |
| Net investment hedge: | | | | |
| Currency forwards | 6,295 | 9,030 | 7,891 | 9,700 |
| | <u>(53,072)</u> | <u>39,155</u> | <u>112,689</u> | <u>48,624</u> |
| ₩ | <u>(123,400)</u> | <u>133,188</u> | <u>1,963,859</u> | <u>1,804,754</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. **Derivatives (continued)**

(d) Hedge accounting

i) Purpose and strategy of hedge accounting

The Group trades derivative financial instruments to hedge the interest rate risk and foreign exchange risk arising from the Group's assets and liabilities. The Group applies fair value risk hedge accounting using interest rate swaps to avoid the risk of changes in fair value due to changes in market interest rates on structured bonds in won, foreign currency issued financial bonds, structured deposits in Korean won and foreign currency investment bonds. In addition, to avoid the risk of foreign currency exchange rate fluctuations at foreign operations, the Group applies hedge of a net investment in a foreign operation that utilize currency forwards and non-derivative financial instruments.

ii) Nominal amounts and average hedge ratios for hedging instruments as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | | |
|----------------------------------------------------------------|---|-------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------|------------|
| | | 1 year or less | 1 year ~ 2 years or less | 2 years ~ 3 years or less | 3 years ~ 4 years or less | 4 years ~ 5 years or less | More than 5 years | Total |
| Fair value hedges | | | | | | | | |
| Interest rate swaps | ₩ | 927,138 | 849,781 | 1,605,395 | 1,832,355 | 1,195,034 | 4,092,077 | 10,501,780 |
| Average price conditions (*1) | | 0.65% | 1.31% | 0.91% | 1.19% | 1.05% | 0.35% | 0.77% |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Hedge of net investments in foreign operations (*2) | | | | | | | | |
| Currency forwards | ₩ | 746,000 | - | - | - | - | - | 746,000 |
| Borrowings in foreign currencies | | 65,894 | 43,216 | - | - | - | - | 109,110 |
| Debt securities issued in foreign currencies | | 192,383 | 136,332 | 444,544 | 306,806 | 560,998 | - | 1,641,063 |
| | ₩ | 1,004,277 | 179,548 | 444,544 | 306,806 | 560,998 | - | 2,496,173 |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | - | 100% |

(*1) Interest rate swaps consist of 3M CD, USD SOFR, 3M Euribor and 3M AUD Bond.

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,280.52, EUR/KRW 1,298.11, JPY/KRW 8.74, CAD/KRW 991.06, CNY/KRW 189.50, AUD/KRW 877.18.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. **Derivatives (continued)**

(d) Hedge accounting

ii) Nominal amounts and average hedge ratios for hedging instruments as of June 30, 2024 and December 31, 2023 are as follows (continued):

| | | December 31, 2023 | | | | | | |
|----------------------------------------------------------------|---|-------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------|------------------|
| | | 1 year or less | 1 year ~ 2 years or less | 2 years ~ 3 years or less | 3 years ~ 4 years or less | 4 years ~ 5 years or less | More than 5 years | Total |
| Fair value hedges | | | | | | | | |
| Interest rate swaps | ₩ | 2,555,318 | 141,038 | 1,366,764 | 572,494 | 1,739,426 | 3,737,749 | 10,112,789 |
| Average price conditions (*1) | | 0.48% | 0.82% | 1.04% | 0.93% | 1.11% | 0.64% | 0.75% |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Hedge of net investments in foreign operations (*2) | | | | | | | | |
| Currency forwards | ₩ | 683,382 | - | - | - | - | - | 683,382 |
| Borrowings in foreign currencies | | 63,352 | - | - | - | - | - | 63,352 |
| Debt securities issued in foreign currencies | | 241,882 | 140,159 | 412,608 | 59,323 | 549,471 | - | 1,403,443 |
| | ₩ | <u>988,616</u> | <u>140,159</u> | <u>412,608</u> | <u>59,323</u> | <u>549,471</u> | <u>-</u> | <u>2,150,177</u> |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | - | 100% |

(*1) Interest rate swaps consist of 3M CD, USD SOFR, 3M USD Libor, 3M Euribor and 3M AUD Bond.

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,278.63, EUR/KRW 1,298.11, JPY/KRW 9.46, CAD/KRW 921.27, CNY/KRW 177.98, AUD/KRW 877.18.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. Derivatives (continued)

(e) Impact of hedge accounting on the consolidated financial statements

i) Impact on hedging instruments in the consolidated statements of financial position, as of June 30, 2024 and December 31, 2023, and consolidated statements of comprehensive income and consolidated statements of changes in equity for the six-month period ended June 30, 2024 and for the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | | |
|--------------------------------------------------------|----------------------------------------------|-------------------|-----------------------------------------------|------------------------|------------|------------------------|--------------------------------------------------------|--------------------------------------|
| | | Notional amounts | Consolidated statements of financial position | | | Debt securities issued | Consolidated statements of comprehensive income (loss) | Changes in fair value for the period |
| | | | Derivative assets | Derivative liabilities | Borrowings | | Other comprehensive income (loss) for the period | |
| Fair value hedges: | | | | | | | | |
| Interest rate risk | Interest rate swaps | ₩ 10,501,780 | 56,958 | 715,426 | - | - | - | (91,173) |
| Hedge of net investments in foreign operations: | | | | | | | | |
| | Currency forwards | 746,000 | 2,026 | 4,377 | - | - | (17,672) | (16,881) |
| Foreign exchange risk | Borrowings in foreign currencies | 109,110 | - | - | 109,110 | - | (1,178) | (1,178) |
| | Debt securities issued in foreign currencies | 1,641,063 | - | - | - | 1,636,577 | (78,124) | (78,124) |
| | | 2,496,173 | 2,026 | 4,377 | 109,110 | 1,636,577 | (96,974) | (96,183) |
| | | ₩ 12,997,953 | 58,984 | 719,803 | 109,110 | 1,636,577 | (96,974) | (187,356) |
| | | | | | | | | |
| | | December 31, 2023 | | | | | | |
| | | Notional amounts | Consolidated statements of financial position | | | Debt securities issued | Consolidated statements of comprehensive income (loss) | Changes in fair value for the year |
| | | | Derivative assets | Derivative liabilities | Borrowings | | Other comprehensive income (loss) for the year | |
| Fair value hedges: | | | | | | | | |
| Interest rate risk | Interest rate swaps | ₩ 10,112,789 | 65,786 | 614,219 | - | - | - | 246,595 |
| Hedge of net investments in foreign operations: | | | | | | | | |
| | Currency forwards | 683,382 | 6,038 | 2,776 | - | - | 864 | 4,537 |
| Foreign exchange risk | Borrowings in foreign currencies | 63,352 | - | - | 63,352 | - | (4,382) | (4,382) |
| | Debt securities issued in foreign currencies | 1,403,443 | - | - | - | 1,398,977 | (385) | (385) |
| | | 2,150,177 | 6,038 | 2,776 | 63,352 | 1,398,977 | (3,903) | (230) |
| | | ₩ 12,262,966 | 71,824 | 616,995 | 63,352 | 1,398,977 | (3,903) | 246,365 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. Derivatives (continued)

(e) Impact of hedge accounting on the consolidated financial statements (continued)

ii) Impact on hedged items in the consolidated statements of financial position, as of June 30, 2024 and December 31, 2023, and consolidated statements of comprehensive income and consolidated statements of changes in equity for the six-month period ended June 30, 2024 and for the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | | |
|--------------------------------------------------------|---------------------------------------|-----------------------------------------------|----------------|------------------------|-------------------------------------------------|-----------------------------------------------|--------------------------------------|------------------------------------------------|
| | | Consolidated statements of financial position | | | Consolidated statements of comprehensive income | Fair value hedges Adjusted accumulated amount | Changes in fair value for the period | Reserve of exchange differences on translation |
| | | Securities at FVTOCI | Deposits | Debt securities issued | Other comprehensive income for the period | | | |
| Hedging instruments | | | | | | | | |
| Fair value hedges: | | | | | | | | |
| Interest rate risk | Debt securities issued | ₩ - | - | 8,695,046 | - | (554,795) | 88,482 | - |
| | Investment bonds | 751,612 | - | - | - | 22,683 | (7,429) | - |
| | Time deposits | - | 841,073 | - | - | (128,927) | 15,798 | - |
| | | <u>751,612</u> | <u>841,073</u> | <u>8,695,046</u> | <u>-</u> | <u>(661,039)</u> | <u>96,851</u> | <u>-</u> |
| Hedge of net investments in foreign operations: | | | | | | | | |
| Foreign exchange risk | Net investments in foreign operations | - | - | - | 96,974 | - | 96,974 | 60,044 |
| | | ₩ <u>751,612</u> | <u>841,073</u> | <u>8,695,046</u> | <u>96,974</u> | <u>(661,039)</u> | <u>193,825</u> | <u>60,044</u> |
| | | December 31, 2023 | | | | | | |
| | | Consolidated statements of financial position | | | Consolidated statements of comprehensive income | Fair value hedges Adjusted accumulated amount | Changes in fair value for the period | Reserve of exchange differences on translation |
| | | Securities at FVTOCI | Deposits | Debt securities issued | Other comprehensive income for the period | | | |
| Hedging instruments | | | | | | | | |
| Fair value hedges: | | | | | | | | |
| Interest rate risk | Debt securities issued | ₩ - | - | 8,407,471 | - | (466,233) | (178,901) | - |
| | Investment bonds | 685,340 | - | - | - | 41,643 | 12,381 | - |
| | Time deposits | - | 816,919 | - | - | (113,081) | (74,446) | - |
| | | <u>685,340</u> | <u>816,919</u> | <u>8,407,471</u> | <u>-</u> | <u>(537,671)</u> | <u>(240,966)</u> | <u>-</u> |
| Hedge of net investments in foreign operations: | | | | | | | | |
| Foreign exchange risk | Net investments in foreign operations | - | - | - | 3,903 | - | 3,903 | (36,931) |
| | | ₩ <u>685,340</u> | <u>816,919</u> | <u>8,407,471</u> | <u>3,903</u> | <u>(537,671)</u> | <u>(237,063)</u> | <u>(36,931)</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

7. **Derivatives (continued)**

(e) Impact of hedge accounting on the consolidated financial statements (continued)

iii) The amounts recognized as gains or losses due to an ineffective portion of hedge for the six-month periods ended June 30, 2024 and 2023 are as follows:

| | | <u>June 30, 2024</u> | | |
|-----------------------------------------------------------|---|--------------------------------------------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------------------|
| | | <u>Gains or losses on fair value hedges (hedged items)</u> | <u>Gains or losses on fair value hedges (hedging instruments)</u> | <u>Hedge ineffectiveness recognized in profit or loss (*)</u> |
| Fair value hedges | | | | |
| Interest rate swaps | ₩ | 96,851 | (91,173) | 5,678 |
| Hedge of net investments in foreign operations | | | | |
| Foreign exchange risk | | 96,974 | (96,183) | 791 |
| | ₩ | <u>193,825</u> | <u>(187,356)</u> | <u>6,469</u> |

(*) Recognized hedge ineffectiveness is included in other operating income and expenses in the consolidated statements of comprehensive income.

| | | <u>June 30, 2023</u> | | |
|-----------------------------------------------------------|---|--------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| | | <u>Gains or losses on fair value hedges (hedged items)</u> | <u>Gains or losses on fair value hedges (hedging instruments)</u> | <u>Hedge ineffectiveness recognized in profit or loss (*)</u> |
| Fair value hedges | | | | |
| Interest rate swaps | ₩ | (75,608) | 65,874 | (9,734) |
| Hedge of net investments in foreign operations | | | | |
| Foreign exchange risk | | 20,244 | (18,130) | 2,114 |
| | ₩ | <u>(55,364)</u> | <u>47,744</u> | <u>(7,620)</u> |

(*) Recognized hedge ineffectiveness is included in other operating income and expenses in the comprehensive income of the consolidated statements.

(f) The effects of quantifying the credit risk of derivatives mitigated by collateral held as of June 30, 2024 and December 31, 2023 are as follows:

| | | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--------------------------------|---|----------------------|--------------------------|
| Deposits, securities, and etc. | ₩ | 767,120 | 904,229 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

7. **Derivatives (continued)**

(g) Hedge relationships affected by an interest rate benchmark reform

The Standard requires exception to the analysis of future information in relation to the application of hedge accounting, while uncertainty exists due to movements of the interest rate benchmark reform. The exception assumes that when assessing whether the expected cash flows that comply with existing interest rate benchmarks are highly probable, whether there is an economic relationship between the hedged item and the hedging instrument, and whether there is a high hedge effectiveness between the hedged item and the hedging instrument, the interest rate indicators that the hedged item and the hedging instrument are based on do not change due to the effect of the interest rate index reform.

KRW CD interest rates will be replaced by Korea Overnight Financing Repo Rates (KOFRR). The Group has assumed that in this hedging relationship, the spread which has changed based on Korea Overnight Financing Repo Rates would be similar to the spreads of interest rate swap used as the hedging instrument. Besides this, the Group did not make any assumption on further changes of conditions.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

8. Loans

(a) Details of loans as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | December 31, 2023 | |
|------------------------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | Loans at amortized cost | Loans at FVTPL | Loans at amortized cost | Loans at FVTPL |
| Household loans | ₩ 144,963,630 | - | 141,541,256 | - |
| Corporate loans | 219,096,017 | 278,356 | 201,214,888 | 328,827 |
| Public and other loans | 4,890,848 | 99,070 | 4,247,228 | 207,997 |
| Loans to banks | 3,359,811 | - | 3,092,561 | - |
| Credit card receivables | 263,148 | - | 277,372 | - |
| | <u>372,573,454</u> | <u>377,426</u> | <u>350,373,305</u> | <u>536,824</u> |
| Deferred loan origination costs and fees | 506,530 | - | 480,053 | - |
| | <u>373,079,984</u> | <u>377,426</u> | <u>350,853,358</u> | <u>536,824</u> |
| Less: Allowance for impairment | (2,170,113) | - | (2,211,229) | - |
| | <u>₩ 370,909,871</u> | <u>377,426</u> | <u>348,642,129</u> | <u>536,824</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

8. Loans (continued)

(b) Changes in allowance for impairment and book value

i) Changes in allowance for impairment of due from banks, loans at amortized cost and other assets for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | June 30, 2024 | | | | | | | | | | | | | | | | | | Total |
|----------------------------------------------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|-----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------|-----------|
| | Due from banks | | | Loans at amortized cost | | | | | | | | | | | | Other assets | | | |
| | | | | Household | | | Corporate | | | Credit card | | | Others | | | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | |
| Beginning balance | ₩ 18,692 | 480 | - | 152,668 | 164,745 | 137,688 | 685,836 | 763,680 | 260,480 | 4,247 | 1,997 | 8,017 | 14,163 | 10,370 | 7,338 | 301,782 | 5,194 | 16,043 | 2,553,420 |
| Transfer to 12 month expected credit losses | 397 | (397) | - | 38,556 | (37,645) | (911) | 120,522 | (119,761) | (761) | 174 | (160) | (14) | 71 | (71) | - | 854 | (817) | (37) | - |
| Transfer to lifetime expected credit losses | - | - | - | (14,446) | 24,687 | (10,241) | (63,855) | 69,651 | (5,796) | (97) | 103 | (6) | (1,057) | 1,057 | - | (302) | 327 | (25) | - |
| Transfer to credit-impaired financial assets | - | - | - | (3,173) | (15,183) | 18,356 | (1,579) | (33,201) | 34,780 | (472) | (1,620) | 2,092 | (3) | (294) | 297 | (51) | (570) | 621 | - |
| Provision for (reversal of) allowance | 2,949 | (39) | - | (25,574) | 20,718 | 94,183 | (42,878) | 14,096 | 80,371 | (767) | 537 | 3,252 | 3,565 | (983) | 4,439 | (10,588) | 478 | 2,570 | 146,329 |
| Write-offs | - | - | - | - | - | (110,639) | - | - | (71,611) | - | - | (5,678) | - | - | (1,002) | - | - | (4,168) | (193,098) |
| Effect of discounting | - | - | - | - | - | (6,595) | - | - | (11,013) | - | - | - | - | - | - | - | - | - | (17,608) |
| Disposal of loans | - | - | - | - | (166) | (3,473) | - | (208) | (37,112) | - | - | - | - | (1) | (495) | - | (6) | (11,216) | (52,677) |
| Recoveries | - | - | - | - | - | 42,601 | - | - | 19,472 | - | - | 250 | - | - | 403 | - | - | 1,017 | 63,743 |
| Others (*) | 731 | 19 | - | (341) | (91) | (210) | (1,356) | (1,277) | (3,399) | (22) | (9) | (45) | (58) | - | - | 59,024 | 1 | - | 52,967 |
| Ending balance | ₩ 22,769 | 63 | - | 147,690 | 157,065 | 160,759 | 696,690 | 692,980 | 265,411 | 3,063 | 848 | 7,868 | 16,681 | 10,078 | 10,980 | 350,719 | 4,607 | 4,805 | 2,553,076 |

(*) Other changes are due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

8. **Loans (continued)**

(b) Changes in allowance for impairment and book value (continued)

i) Changes in allowance for impairment of due from banks, loans at amortized cost and other assets for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows: (continued)

| | December 31, 2023 | | | | | | | | | | | | | | | | | | | Total |
|----------------------------------------------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|-----------|---------------------------------|---------------------------------|-----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------|-----------|-------|
| | Due from banks | | | Loans at amortized cost | | | | | | | | | | | | Other assets | | | | |
| | | | | Household | | | Corporate | | | Credit card | | | Others | | | | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | | |
| Beginning balance | ₩ 17,273 | 101 | - | 156,600 | 119,591 | 144,786 | 468,070 | 734,526 | 269,237 | 3,237 | 1,079 | 3,440 | 14,577 | 9,217 | 6,694 | 266,590 | 4,176 | 2,399 | 2,221,593 | |
| Transfer to 12 month expected credit losses | - | - | - | 21,542 | (20,882) | (660) | 80,500 | (80,425) | (75) | 99 | (93) | (6) | 213 | (213) | - | 285 | (257) | (28) | - | |
| Transfer to lifetime expected credit losses | (7) | 7 | - | (20,001) | 35,680 | (15,679) | (60,911) | 65,243 | (4,332) | (85) | 87 | (2) | (305) | 305 | - | (258) | 263 | (5) | - | |
| Transfer to credit-impaired financial assets | - | - | - | (3,848) | (16,131) | 19,979 | (2,093) | (18,134) | 20,227 | (535) | (127) | 662 | (7) | (25) | 32 | (43) | (205) | 248 | - | |
| Provision for (reversal of) allowance (*1) | 1,380 | 377 | - | (114) | 47,899 | 232,438 | 205,510 | 66,929 | 260,008 | 1,619 | 1,102 | 9,453 | (252) | 1,095 | 2,403 | 2,761 | 1,217 | 13,900 | 847,725 | |
| Write-offs | - | - | - | - | - | (305,078) | - | - | (269,314) | - | - | (5,723) | - | - | (2,127) | - | - | (445) | (582,687) | |
| Effect of discounting | - | - | - | - | - | (11,425) | - | - | (19,897) | - | - | - | - | - | - | - | - | - | (31,322) | |
| Disposal of loans | - | - | - | - | (177) | (3,569) | - | (240) | (53,498) | - | - | - | - | (9) | (115) | - | - | (178) | (57,786) | |
| Recoveries | - | - | - | - | - | 78,278 | - | - | 58,637 | - | - | 415 | - | - | 451 | - | - | 152 | 137,933 | |
| Others (*2) | 46 | (5) | - | (1,511) | (1,235) | (1,382) | (5,240) | (4,219) | (513) | (88) | (51) | (222) | (63) | - | - | 32,447 | - | - | 17,964 | |
| Ending balance | ₩ 18,692 | 480 | - | 152,668 | 164,745 | 137,688 | 685,836 | 763,680 | 260,480 | 4,247 | 1,997 | 8,017 | 14,163 | 10,370 | 7,338 | 301,782 | 5,194 | 16,043 | 2,553,420 | |

(*1) Additional provision for credit loan allowance is recognized for the year ended December 31, 2023, to cope with prolonged COVID-19 and internal and external economic uncertainty. As of December 31, 2023, the Group has set aside an additional provision of ₩ 242,747 million (including provisions for debt securities, provisions for off-balance accounts, etc.) through the re-estimation of the forecast default rate that reflected the updated forward-looking information considering worst scenario for the year ended December 31, 2023 and, additional provision of ₩ 132,874 million was set aside by reflecting additional expected losses on loans in moratorium of interest payments and moratorium of repayment including mature-extended loans and estimated loss loans and mature-extended loans.

(*2) Other changes are due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

8. Loans (continued)

(b) Changes in allowance for impairment and book value (continued)

ii) Changes in book value of due from banks, loans at amortized cost and other assets for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | June 30, 2024 | | | | | | | | | | | | | | | | | | Total |
|----------------------------------------------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|-----------|---------------------------------|---------------------------------|-----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|-----------|-------------|
| | Due from banks | | | Loans at amortized cost | | | | | | | | | | | | Other assets | | | |
| | | | | Household | | | Corporate | | | Credit card | | | Others | | | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Impaired | |
| Beginning balance ₩ | 25,941,177 | 2,955 | - | 132,674,755 | 8,790,013 | 472,911 | 163,439,026 | 37,062,293 | 801,773 | 262,802 | 4,484 | 10,086 | 6,483,789 | 826,980 | 24,446 | 17,755,120 | 148,551 | 22,163 | 394,723,324 |
| Transfer to 12 month expected credit losses | 2,522 | (2,522) | - | 2,768,671 | (2,762,733) | (5,938) | 7,451,407 | (7,448,784) | (2,623) | 630 | (612) | (18) | 26,640 | (26,640) | - | 29,082 | (28,981) | (101) | - |
| Transfer to lifetime expected credit losses | - | - | - | (6,813,366) | 6,850,255 | (36,889) | (10,249,818) | 10,275,103 | (25,285) | (1,747) | 1,756 | (9) | (140,057) | 140,057 | - | (45,388) | 45,481 | (93) | - |
| Transfer to credit-impaired financial assets | - | - | - | (85,926) | (192,772) | 278,698 | (169,165) | (456,601) | 625,766 | (2,701) | (2,642) | 5,343 | (394) | (9,983) | 10,377 | (1,113) | (4,333) | 5,446 | - |
| Origination, recoveries, and others (*) | (28,378) | 6,872 | - | 3,853,087 | (195,006) | (49,286) | 16,196,991 | 2,290,191 | (298,622) | (8,360) | (276) | 90 | 887,588 | 30,990 | 5,624 | 8,985,120 | 3,785 | 104,749 | 31,785,159 |
| Write-offs | - | - | - | - | - | (110,639) | - | - | (71,611) | - | - | (5,678) | - | - | (1,002) | - | - | (4,168) | (193,098) |
| Disposal of loans | - | - | - | - | (773) | (48,261) | - | (4,039) | (230,699) | - | - | - | - | (410) | (13,273) | - | (726) | (119,015) | (417,196) |
| Ending balance ₩ | 25,915,321 | 7,305 | - | 132,397,221 | 12,488,984 | 500,596 | 176,668,441 | 41,718,163 | 798,699 | 250,624 | 2,710 | 9,814 | 7,257,566 | 960,994 | 26,172 | 26,722,821 | 163,777 | 8,981 | 425,898,189 |

(*) Other changes are due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

8. Loans (continued)

(b) Changes in allowance for impairment and book value (continued)

ii) Changes in book value of due from banks, loans at amortized cost and other assets for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows: (continued)

| | December 31, 2023 | | | | | | | | | | | | | | | | | | Total |
|----------------------------------------------|---------------------------------|---------------------------------|----------|---------------------------------|---------------------------------|----------------|---------------------------------|---------------------------------|----------------|---------------------------------|---------------------------------|---------------|---------------------------------|---------------------------------|---------------|-------------------|----------------|---------------|--------------------|
| | Due from banks | | | Loans at amortized cost | | | | | | | | | Other assets | | | | | | |
| | | | | Household | | | Corporate | | | Credit card | | | Others | | | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | | | | |
| | Not impaired | Impaired | | Not impaired | Impaired | | Not impaired | Impaired | | Not impaired | Impaired | | Not impaired | Impaired | | Not impaired | Impaired | | |
| Beginning balance ₩ | 20,326,691 | 733 | - | 133,623,495 | 7,943,389 | 377,919 | 163,247,982 | 28,997,841 | 660,723 | 244,414 | 3,111 | 4,325 | 10,447,025 | 665,678 | 14,091 | 15,630,676 | 101,309 | 4,449 | 382,293,851 |
| Transfer to 12 month expected credit losses | 1 | (1) | - | 3,116,437 | (3,109,588) | (6,849) | 6,036,935 | (6,035,842) | (1,093) | 419 | (411) | (8) | 51,588 | (51,588) | - | 21,620 | (21,504) | (116) | - |
| Transfer to lifetime expected credit losses | (2,484) | 2,484 | - | (5,061,439) | 5,093,168 | (31,729) | (13,647,047) | 13,661,426 | (14,379) | (2,872) | 2,875 | (3) | (154,268) | 154,268 | - | (45,291) | 45,300 | (9) | - |
| Transfer to credit-impaired financial assets | - | - | - | (173,873) | (185,904) | 359,777 | (302,128) | (329,278) | 631,406 | (8,563) | (245) | 8,808 | (476) | (6,139) | 6,615 | (1,619) | (2,248) | 3,867 | - |
| Origination, recoveries, and others (*) | 5,616,969 | (261) | - | 1,170,135 | (949,575) | 164,874 | 8,103,284 | 775,471 | 257,924 | 29,404 | (846) | 2,687 | (3,860,080) | 65,261 | 8,017 | 2,149,734 | 25,699 | 16,235 | 13,574,932 |
| Write-offs | - | - | - | - | - | (305,078) | - | - | (269,314) | - | - | (5,723) | - | - | (2,127) | - | - | (445) | (582,687) |
| Disposal of loans | - | - | - | - | (1,477) | (86,003) | - | (7,325) | (463,494) | - | - | - | - | (500) | (2,150) | - | (5) | (1,818) | (562,772) |
| Ending balance ₩ | <u>25,941,177</u> | <u>2,955</u> | <u>-</u> | <u>132,674,755</u> | <u>8,790,013</u> | <u>472,911</u> | <u>163,439,026</u> | <u>37,062,293</u> | <u>801,773</u> | <u>262,802</u> | <u>4,484</u> | <u>10,086</u> | <u>6,483,789</u> | <u>826,980</u> | <u>24,446</u> | <u>17,755,120</u> | <u>148,551</u> | <u>22,163</u> | <u>394,723,324</u> |

(*) Other changes are due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

9. Securities at fair value through other comprehensive income and securities at amortized cost

(a) Details of securities at FVTOCI and securities at amortized cost as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--------------------------------------|----------------------|--------------------------|
| Securities at FVTOCI: | | |
| Debt securities: | | |
| Government bonds | ₩ 19,878,586 | 22,198,828 |
| Financial institutions bonds | 18,948,059 | 18,069,411 |
| Corporate bonds | 9,148,328 | 9,087,894 |
| | <u>47,974,973</u> | <u>49,356,133</u> |
| Equity securities: | | |
| Stocks | 1,299,268 | 1,222,498 |
| Equity investments | 4,295 | 1,464 |
| Others | 27,129 | 29,271 |
| | <u>1,330,692</u> | <u>1,253,233</u> |
| | <u>₩ 49,305,665</u> | <u>50,609,366</u> |
| Securities at amortized cost: | | |
| Debt securities: | | |
| Government bonds | ₩ 18,779,587 | 18,557,061 |
| Financial institutions bonds | 5,638,204 | 5,828,569 |
| Corporate bonds | 6,423,003 | 6,154,094 |
| Others | 202,022 | 189,130 |
| | <u>31,042,816</u> | <u>30,728,854</u> |
| Allowance for impairment | (9,084) | (9,691) |
| | <u>₩ 31,033,732</u> | <u>30,719,163</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

9. Securities at fair value through other comprehensive income and securities at amortized cost (continued)

(a) Details of securities at FVTOCI and securities at amortized cost as of June 30, 2024 and December 31, 2023 are as follows: (continued)

Details of equity instruments designated at FVTOCI as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---------------------------|----------------------|--------------------------|
| Marketable securities | ₩ 816,104 | 726,205 |
| Non-marketable securities | 483,164 | 496,292 |
| Others | 31,424 | 30,736 |
| | <u>₩ 1,330,692</u> | <u>1,253,233</u> |

Above equity securities are equity securities designated as FVTOCI, and for the retention required by the policy, the option of measuring FVTOCI is exercised.

Cumulative net gains or losses reclassified in equity upon disposition of equity securities for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are ₩(-)3,338 million and ₩(-)4,152 million and there are no cumulated gains or losses replaced by the reclassification of the account for the six-month periods ended June 30, 2024 and the year ended December 31, 2023, respectively.

(b) Gains and losses on disposal of securities at FVTOCI for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | <u>June 30, 2024</u> | | <u>June 30, 2023</u> | |
|------------------------------------------|----------------------|------------------|----------------------|------------------|
| | <u>Three-month</u> | <u>Six-month</u> | <u>Three-month</u> | <u>Six-month</u> |
| Gain on disposal of securities at FVTOCI | ₩ 24,321 | 46,932 | 6,654 | 16,582 |
| Loss on disposal of securities at FVTOCI | (765) | (1,318) | (670) | (1,430) |
| | <u>₩ 23,556</u> | <u>45,614</u> | <u>5,984</u> | <u>15,152</u> |

The Group disposed equity instruments that are measured at FVTOCI for debt-equity swap. At the time of disposal, fair value of equity instruments for the six-month periods ended June 30, 2024 and 2023 are ₩54,067 million and ₩27,965 million, and cumulative net gains or losses for the six-month periods ended June 30, 2024 and 2023 are ₩(-)3,338 million and ₩(-)1,713 million, respectively.

(c) Gains and losses on disposal of securities at amortized cost for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | <u>June 30, 2024</u> | | <u>June 30, 2023</u> | |
|--------------------------------------------------|----------------------|------------------|----------------------|------------------|
| | <u>Three-month</u> | <u>Six-month</u> | <u>Three-month</u> | <u>Six-month</u> |
| Gain on disposal of securities at amortized cost | ₩ - | - | - | - |
| Loss on disposal of securities at amortized cost | (2) | (4) | (1) | (2) |
| | <u>₩ (2)</u> | <u>(4)</u> | <u>(1)</u> | <u>(2)</u> |

Securities at amortized cost are sold due to the partial redemption of payables.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

9. **Securities at fair value through other comprehensive income and securities at amortized cost (continued)**

(d) Changes in allowance for credit loss and total carrying amount of securities at FVTOCI and securities at amortized cost.

i) Changes in allowance for credit loss of securities at FVTOCI and securities at amortized cost for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | June 30, 2024 | | | | | | | |
|---------------------------------------------|---------------------------------|-------------------------------|---------------------------|--------|---------------------------------|-------------------------------|---------------------------|---------|
| | Securities at FVTOCI | | | | Securities at amortized cost | | | |
| | Lifetime expected credit losses | | | | Lifetime expected credit losses | | | |
| | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total |
| Beginning balance | ₩ 19,809 | 908 | - | 20,717 | 9,551 | 140 | - | 9,691 |
| Transfer to 12-month expected credit losses | - | - | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | - | - | - | - | - | - | - | - |
| Transfer to impaired financial assets | - | - | - | - | - | - | - | - |
| Provision(reversal) | 1,165 | (559) | - | 606 | (1,627) | (27) | - | (1,654) |
| Disposals and Others (*) | (778) | 15 | - | (763) | 1,045 | 2 | - | 1,047 |
| Ending balance | ₩ 20,196 | 364 | - | 20,560 | 8,969 | 115 | - | 9,084 |

(*) Other changes are due to foreign exchange rate changes, etc.

| | December 31, 2023 | | | | | | | |
|---------------------------------------------|---------------------------------|-------------------------------|---------------------------|---------|---------------------------------|-------------------------------|---------------------------|-------|
| | Securities at FVTOCI | | | | Securities at amortized cost | | | |
| | Lifetime expected credit losses | | | | Lifetime expected credit losses | | | |
| | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total |
| Beginning balance | ₩ 24,634 | 112 | - | 24,746 | 9,545 | 157 | - | 9,702 |
| Transfer to 12-month expected credit losses | 14 | (14) | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | (111) | 111 | - | - | - | - | - | - |
| Transfer to impaired financial assets | - | - | - | - | - | - | - | - |
| Provision(reversal) | (4,396) | 698 | - | (3,698) | (631) | (23) | - | (654) |
| Disposals and Others (*) | (332) | 1 | - | (331) | 637 | 6 | - | 643 |
| Ending balance | ₩ 19,809 | 908 | - | 20,717 | 9,551 | 140 | - | 9,691 |

(*) Other changes are due to foreign exchange rate changes, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

9. **Securities at fair value through other comprehensive income and securities at amortized cost (continued)**

(d) Changes in allowance for credit loss and total carrying amount of securities at FVTOCI and securities at amortized cost (continued).

ii) Changes in carrying amount of securities at FVTOCI and securities at amortized cost for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | | | |
|---------------------------------------------|---|---------------------------------|-------------------------------|---------------------------|---------------------------------|---------------------------------|-------------------------------|---------------------------|------------|
| | | Securities at FVTOCI | | | Securities at amortized cost | | | | |
| | | Lifetime expected credit losses | | | Lifetime expected credit losses | | | | |
| | | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total |
| | | | | | | | | | |
| Beginning balance | ₩ | 49,264,182 | 91,951 | - | 49,356,133 | 30,721,330 | 7,524 | - | 30,728,854 |
| Transfer to 12-month expected credit losses | | - | - | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | | - | - | - | - | - | - | - | - |
| Transfer to impaired financial asset | | - | - | - | - | - | - | - | - |
| Net increase (decrease) in balance | | (1,390,512) | 9,352 | - | (1,381,160) | 313,863 | 99 | - | 313,962 |
| Ending balance | ₩ | 47,873,670 | 101,303 | - | 47,974,973 | 31,035,193 | 7,623 | - | 31,042,816 |

| | | December 31, 2023 | | | | | | | |
|---------------------------------------------|---|---------------------------------|-------------------------------|---------------------------|---------------------------------|---------------------------------|-------------------------------|---------------------------|------------|
| | | Securities at FVTOCI | | | Securities at amortized cost | | | | |
| | | Lifetime expected credit losses | | | Lifetime expected credit losses | | | | |
| | | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total |
| | | | | | | | | | |
| Beginning balance | ₩ | 47,487,752 | 67,200 | - | 47,554,952 | 28,379,171 | 10,517 | - | 28,389,688 |
| Transfer to 12-month expected credit losses | | 18,873 | (18,873) | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | | (47,209) | 47,209 | - | - | - | - | - | - |
| Transfer to impaired financial asset | | - | - | - | - | - | - | - | - |
| Net increase (decrease) in balance | | 1,804,766 | (3,585) | - | 1,801,181 | 2,342,159 | (2,993) | - | 2,339,166 |
| Ending balance | ₩ | 49,264,182 | 91,951 | - | 49,356,133 | 30,721,330 | 7,524 | - | 30,728,854 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

10. Property and equipment

Details of property and equipment as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | |
|---------------------|---|--------------------------|---------------------------------|-------------------|
| | | Acquisition cost | Accumulated depreciation | Book value |
| Land | ₩ | 1,301,940 | - | 1,301,940 |
| Buildings | | 1,011,181 | (507,115) | 504,066 |
| Right-of-use assets | | 1,152,351 | (584,779) | 567,572 |
| Others | | 1,525,657 | (1,263,337) | 262,320 |
| | ₩ | <u>4,991,129</u> | <u>(2,355,231)</u> | <u>2,635,898</u> |
| | | December 31, 2023 | | |
| | | Acquisition cost | Accumulated depreciation | Book value |
| Land | ₩ | 1,285,436 | - | 1,285,436 |
| Buildings (*) | | 1,004,307 | (480,557) | 523,750 |
| Right-of-use assets | | 1,024,744 | (600,371) | 424,373 |
| Others | | 1,534,547 | (1,249,513) | 285,034 |
| | ₩ | <u>4,849,034</u> | <u>(2,330,441)</u> | <u>2,518,593</u> |

(*) ₩5 million of government subsidy is deducted from book value.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

11. Leases

(a) Details of lease right-of-use assets by class of underlying asset of the lessee as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | |
|---------------|---|--------------------------|---------------------------------|-------------------|
| | | Acquisition cost | Accumulated depreciation | Book value |
| Real property | ₩ | 1,067,476 | (530,654) | 536,822 |
| Vehicle | | 49,036 | (27,601) | 21,435 |
| Others | | 35,839 | (26,524) | 9,315 |
| | ₩ | <u>1,152,351</u> | <u>(584,779)</u> | <u>567,572</u> |
| | | December 31, 2023 | | |
| | | Acquisition cost | Accumulated depreciation | Book value |
| Real property | ₩ | 937,796 | (545,733) | 392,063 |
| Vehicle | | 50,230 | (28,659) | 21,571 |
| Others | | 36,718 | (25,979) | 10,739 |
| | ₩ | <u>1,024,744</u> | <u>(600,371)</u> | <u>424,373</u> |

(b) Changes in lease right-of-use for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|---------------------------------------|---|--------------------------|----------------|---------------|----------------|
| | | Real property | Vehicle | Others | Total |
| Beginning balance | ₩ | 392,063 | 21,571 | 10,739 | 424,373 |
| Acquisitions | | 245,368 | 7,587 | 1,374 | 254,329 |
| Disposals | | (5,525) | (2,637) | (314) | (8,476) |
| Depreciation | | (103,267) | (5,131) | (2,495) | (110,893) |
| Effects of foreign currency movements | | 8,183 | 45 | 11 | 8,239 |
| Ending balance | ₩ | <u>536,822</u> | <u>21,435</u> | <u>9,315</u> | <u>567,572</u> |
| | | December 31, 2023 | | | |
| | | Real property | Vehicle | Others | Total |
| Beginning balance | ₩ | 375,230 | 16,160 | 10,192 | 401,582 |
| Acquisitions | | 238,924 | 17,980 | 6,850 | 263,754 |
| Disposals | | (13,976) | (2,253) | (1,187) | (17,416) |
| Depreciation | | (209,872) | (10,316) | (5,116) | (225,304) |
| Effects of foreign currency movements | | 1,757 | - | - | 1,757 |
| Ending balance | ₩ | <u>392,063</u> | <u>21,571</u> | <u>10,739</u> | <u>424,373</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

11. **Leases (continued)**

(c) Details of maturity of lease liabilities as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | | |
|---------------|---|----------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------|-----------------------------------------|----------------------------------|----------------|
| | | 1 month or less | 1 month ~ 3 months or less | 3 months ~ 6 months or less | 6 months ~ 1 year or less | 1 year ~ 5 years or less | More than 5 years | Total |
| Assets | | | | | | | | |
| Real property | ₩ | 20,739 | 27,745 | 38,684 | 68,457 | 291,434 | 85,680 | 532,739 |
| Vehicle | | 6,788 | 1,722 | 2,434 | 4,380 | 14,001 | - | 29,325 |
| Others | | 617 | 755 | 1,182 | 1,811 | 5,405 | - | 9,770 |
| | ₩ | <u>28,144</u> | <u>30,222</u> | <u>42,300</u> | <u>74,648</u> | <u>310,840</u> | <u>85,680</u> | <u>571,834</u> |
| | | December 31, 2023 | | | | | | |
| | | 1 month or less | 1 month ~ 3 months or less | 3 months ~ 6 months or less | 6 months ~ 1 year or less | 1 year ~ 5 years or less | More than 5 years | Total |
| Assets | | | | | | | | |
| Real property | ₩ | 27,177 | 23,571 | 32,413 | 50,645 | 200,406 | 49,958 | 384,170 |
| Vehicle | | 6,828 | 1,659 | 2,353 | 4,477 | 14,170 | - | 29,487 |
| Others | | 614 | 619 | 1,175 | 2,385 | 6,119 | - | 10,912 |
| | ₩ | <u>34,619</u> | <u>25,849</u> | <u>35,941</u> | <u>57,507</u> | <u>220,695</u> | <u>49,958</u> | <u>424,569</u> |

The amounts shown above are classified by the earliest maturity dates on which the Group's payment obligation arises based on undiscounted cash flows.

(d) For the six-month period ended June 30, 2024 and 2023, the lease payment for low value assets is ₩1,521 million and ₩1,726 million. Short-term lease payment does not exist.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

12. **Intangible assets**

(a) Details of intangible assets as of June 30, 2024 and December 31, 2023 are as follows:

| | | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|------------------|---|----------------------|--------------------------|
| Goodwill | ₩ | 32,620 | 31,784 |
| Software | | 137,306 | 143,655 |
| Development cost | | 220,457 | 203,780 |
| Memberships | | 46,982 | 46,900 |
| Others | | 632,596 | 661,087 |
| | ₩ | <u>1,069,961</u> | <u>1,087,206</u> |

(b) Goodwill

i) The carrying amounts of goodwill allocated to each Cash-Generating Unit ("CGU") as of June 30, 2024 and December 31, 2023 are as follows:

| <u>CGU</u> | | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---------------------------|---|----------------------|--------------------------|
| Shinhan Bank Vietnam Ltd. | ₩ | 32,620 | 31,784 |

ii) Impairment test

The recoverable amounts of all cash-generating units required for impairment testing is based on value in use. The recoverable amounts of CGUs are determined on the basis of value-in-use calculations using discounted cash flow (DCF) model.

Ⓐ Measurement date and projection period

The recoverable amounts are measured as of June 30, 2023. The projection period used in value-in-use calculations is 5.5 years (July 2023 through December 2028) considering synergy effect of business combinations and the value-in-use after projection period is estimated on the assumption that the future cash flows will increase by perpetual growth rate for every year.

Ⓑ Significant assumptions

The expected future cash flows from the cash-generating unit are based on the CPI growth rate, market size and the market share of the Group. Major unobservable assumptions applied during the forecast period are as follows:

(Unit: %)

| <u>Cash-generating units</u> | <u>Net interest income growth rate</u> | <u>Net commission income growth rate</u> | <u>General administrative expenses growth rate</u> | <u>Growth rate</u> |
|------------------------------|------------------------------------------------|--------------------------------------------------|----------------------------------------------------------------|--------------------|
| Shinhan Bank Vietnam Ltd. | 5.34 | 2.35 | 7.23 | 2.76 |

The cost of equity capital is calculated by taking into account the systematic risk of the entity in the market risk premium paid in return for risk free rate. Permanent growth rate is estimated based on inflation and did not exceed the projected long-term average growth rate of the relevant industry report.

(Unit: %)

| <u>Cash-generating units</u> | <u>Discount rate</u> | <u>Permanent growth rate</u> |
|------------------------------|----------------------|------------------------------|
| Shinhan Bank Vietnam Ltd. | 16.10 | 2.00 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

12. Intangible assets (continued)

(b) Goodwill (continued)

ii) Impairment test (continued)

© The recoverable amounts and carrying amounts

The recoverable amounts and carrying amounts of the CGUs to which goodwill has been allocated as of valuation date are as follows:

| | | Shinhan Bank Vietnam Ltd. |
|-------------------------------------------------|---|--------------------------------------|
| Recoverable amounts | ₩ | <u>1,754,840</u> |
| Carrying amounts | | <u>1,528,283</u> |
| Recoverable amount in excess of carrying amount | ₩ | <u>226,557</u> |

Based on the impairment assessment conducted for the intangible asset of goodwill, it is determined that the carrying amount of the cash-generating unit to which the goodwill is allocated is not expected to exceed its recoverable amount.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

13. Investments in associates

(a) Investments in associates as of June 30, 2024 and December 31, 2023 are as follows:

| Investees | Location | Reporting date | Industry sector | Ownership (%) | |
|-----------------------------------------------------------|----------|----------------|-----------------|---------------|-------------------|
| | | | | June 30, 2024 | December 31, 2023 |
| BNP Paribas Cardif Life Insurance Co., Ltd. (*1) (*4) | Korea | March 31 | Insurance | 14.99 | 14.99 |
| KOREA FINANCE SECURITY (*1) (*4) | Korea | March 31 | Others | 14.91 | 14.91 |
| DOODOO LOGITECH (*2) (*3) | Korea | December 31 | Others | 27.96 | 27.96 |
| One Shinhan Futures Fund 1 (*1) | Korea | March 31 | Investment | 27.78 | 27.78 |
| KST-SH Laboratory Investment Fund No.1 | Korea | June 30 | Investment | 20.00 | 20.00 |
| One Shinhan Futures Fund 2 (*1) | Korea | March 31 | Investment | 29.70 | 29.70 |
| One Shinhan Futures Fund 3 (*1) | Korea | March 31 | Investment | 29.90 | 29.90 |
| One-Shinhan Connect New Technology Investment Fund 1 (*1) | Korea | May 31 | Investment | 30.00 | 30.00 |
| One-Shinhan Connect New Technology Investment Fund 2 (*1) | Korea | May 31 | Investment | 33.33 | 33.33 |
| Neoplux Technology Valuation Investment Fund (*1) | Korea | May 31 | Investment | 33.33 | 33.33 |
| MIEL Co., Ltd. (*2) (*3) | Korea | December 31 | Others | 28.77 | 28.77 |
| BACK DOO Co., Ltd. (*2) (*3) | Korea | December 31 | Retail | 25.90 | 25.90 |
| Chungwon assets (*2) (*3) | Korea | December 31 | Manufacturing | 22.53 | 22.53 |
| Jinmyung Plus (*2) (*3) | Korea | December 31 | Manufacturing | 22.20 | 22.20 |
| SEOKWANG T&I (*2) (*3) | Korea | December 31 | Manufacturing | 28.55 | 28.55 |
| Korea Credit Bureau (*1) (*4) | Korea | March 31 | Credit | 4.50 | 4.50 |
| Goduck Gangil1 PFV Co., Ltd. (*1) (*4) | Korea | March 31 | Real estate | 1.04 | 1.04 |
| Goduck Gangil10 PFV Co., Ltd. (*1) (*4) | Korea | March 31 | Real estate | 14.00 | 14.00 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

13. **Investments in associates (continued)**

(a) Investments in associates as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| Investees | Location | Reporting date | Industry sector | Ownership (%) | |
|------------------------------------------------------------------|----------|----------------|-----------------|---------------|-------------------|
| | | | | June 30, 2024 | December 31, 2023 |
| SBC PFV Co., Ltd. (*1) (*4) (*6) | Korea | March 31 | Real estate | 12.50 | 12.50 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. (*1) (*4) | Korea | March 31 | Real estate | 15.00 | 15.00 |
| Logisvalley Shinhan REIT Co., Ltd. (*1) (*4) | Korea | March 31 | Real estate | 14.95 | 14.95 |
| ICSF (The Korea's Information Center for Savings & Finance) (*3) | Korea | December 31 | Service | 32.26 | 32.26 |
| Shinhan-Albatross tech investment Fund (*1) | Korea | May 31 | Investment | 33.33 | 33.33 |
| Shinhan-Neoplux Energy Newbiz Fund | Korea | June 30 | Investment | 23.33 | 23.33 |
| Shinhan SKS Corporate Recovery Private Equity Fund (*1) | Korea | May 31 | Investment | 23.99 | 23.90 |
| BTS 2nd Private Equity Fund (*1) | Korea | May 31 | Investment | 20.00 | 20.00 |
| Shinhan global flagship venture fund (*1) | Korea | May 31 | Investment | 45.00 | 45.00 |
| One Shinhan Mezzanine Fund 1 (*1) | Korea | March 31 | Investment | 46.51 | 46.51 |
| Shinhan hyper connect venture fund 1 | Korea | June 30 | Investment | 33.33 | 33.33 |
| Korea Digital Asset Custody (*1) (*4) | Korea | March 31 | Service | 9.77 | 9.77 |
| All Together Korea Fund 6 (*8) | Korea | June 30 | Investment | 99.98 | 99.98 |
| All Together Korea Fund 7 (*8) | Korea | June 30 | Investment | 99.98 | 99.98 |
| Shinhan hyper future's venture fund 1 | Korea | June 30 | Investment | 29.90 | 29.90 |
| Shinhan Private Equity Fund II (*9) | Korea | June 30 | Investment | 26.09 | 26.09 |
| Songpa Biz-Cluster PFV Co.,Ltd (*1) (*5) (*7) | Korea | March 31 | Real estate | 14.40 | - |
| Douzone Techfin Co.,Ltd (*1) (*5) | Korea | March 31 | Service | 45.00 | - |
| Cascade Tech Co.,Ltd (*2) (*3) | Korea | December 31 | Manufacturing | 20.27 | - |
| HDFC Credila Financial Services (*4) (*5) | India | - | Finance | 10.93 | - |

(*1) Financial statements as of May 31, 2024 and March 31, 2024 are used for the equity method accounting since the financial statements as of June 30, 2024 are not available. Significant trades and events occurred within the period are properly reflected.

(*2) In the course of the rehabilitation process, the shares were acquired through debt-equity swap. Although voting rights cannot be exercised during the rehabilitation process, normal voting rights are exercised because the rehabilitation process was completed before June 30, 2024. In addition, it has been reclassified to the investments in associates.

(*3) The latest financial statements available are used for the equity method accounting since the financial statements as of June 30, 2024 are not available. Significant trades and events occurred within the period are properly reflected.

(*4) The equity method is applied for evaluation since it has significant impact on the investee, such as participation in their decision making.

(*5) It is newly acquired or newly incorporated as investments in associates for the six-month period ended June 30, 2024.

(*6) The percentage of voting rights held is 4.65%.

(*7) The percentage of voting rights held is 9.35%.

(*8) It is excluded from associates as it lacks the ability to participate in the decision-making process regarding the economic activities of the cooperative (company) as a limited partner (employee), for the purpose of deriving benefits.

(*9) The rights on residual equity are retained as liquidation is incomplete.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

13. Investments in associates (continued)

(b) Changes in investments in associates for the six-month period ended June 30, 2024 and for the year ended December 31, 2023 are as follows:

| Associates | June 30, 2024 | | | | | | | | |
|----------------------------------------------------------------|--------------------------|---------------------------|---------------------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------|-----------------------|--------|-------------------|
| | Acqui- sition cost | Beginn- ing balance | Acqui- sition (redemp- tion) | Gain or loss from disposal | Share of profit (loss) of associates | Share of other compre- hensive income (loss) of associates | Dividends received | Others | Ending balance |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 42,204 | 39,275 | - | - | (2,619) | 91 | - | - | 36,747 |
| KOREA FINANCE SECURITY | 3,448 | 3,245 | - | - | 188 | - | - | - | 3,433 |
| DOODOO LOGITECH | - | 1 | - | - | - | - | - | - | 1 |
| One-Shinhan Future's New Technology Investment Fund 1 | 1,594 | 2,373 | - | - | (822) | - | - | - | 1,551 |
| KST-SH Laboratory Investment Fund No.1 | 1,740 | 1,690 | - | - | (311) | - | - | - | 1,379 |
| One-Shinhan Future's New Technology Investment Fund 2 | 2,771 | 3,047 | - | - | (338) | - | - | - | 2,709 |
| One-Shinhan Future's New Technology Investment Fund 3 | 289 | 227 | - | - | 8 | - | - | - | 235 |
| One Shinhan Connect Fund 1 | 70,729 | 75,054 | - | - | (2,531) | - | - | - | 72,523 |
| One Shinhan Connect Fund 2 | 8,870 | 7,808 | - | - | (2,595) | - | - | - | 5,213 |
| Neoplux Technology Valuation Investment Fund | 16 | 12,319 | (300) | - | 3,528 | - | (9,348) | - | 6,199 |
| MIEL Co., Ltd. (*) | - | - | - | - | - | - | - | - | - |
| BAEK DOO Co., Ltd. | - | 118 | - | - | - | - | - | - | 118 |
| Chungwon assets | - | 512 | - | - | 1 | - | - | - | 513 |
| Jinmyung Plus | - | 15 | - | - | - | - | - | - | 15 |
| SEOKWANG T&I | - | 598 | - | - | - | - | - | - | 598 |
| Korea Credit Bureau | 2,250 | 3,370 | - | - | (275) | - | (45) | - | 3,050 |
| Goduck Gangill PFV Co., Ltd. | 50 | 179 | - | - | 103 | - | (149) | - | 133 |
| Goduck Gangill10 PFV Co., Ltd. | 700 | 3,575 | - | - | 631 | - | (149) | - | 4,057 |
| SBC PFV Co., Ltd. | 22,500 | 15,390 | 4,375 | - | (674) | - | - | - | 19,091 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | 7,075 | 6,583 | - | - | (172) | - | - | - | 6,411 |
| Logisvalley Shinhan REIT Co., Ltd. | 2,925 | 2,683 | - | - | (55) | - | - | - | 2,628 |
| ICSF (The Korea's Information Center for Savings & Finance) | 300 | 180 | - | - | (8) | - | - | - | 172 |
| Shinhan-Albatross Technology Investment Fund | 900 | 11,333 | 1 | - | 5,059 | (1) | (3,054) | - | 13,338 |
| Shinhan-Neoplux Energy Newbiz Fund | 3,875 | 16,474 | (6,776) | - | 2,115 | - | - | - | 11,813 |
| Shinhan SKS Corporate Recovery Private Equity Fund | 22,289 | 16,413 | 6,925 | - | 2,494 | - | - | - | 25,832 |
| BTS 2nd Private Equity Fund | 8,146 | 4,878 | 2,920 | - | 1,024 | - | - | - | 8,822 |
| Shinhan global flagship venture fund 1 | 36,000 | 34,590 | - | - | (499) | - | - | - | 34,091 |
| One Shinhan Mezzanine Fund 1 | 20,000 | 10,018 | 10,000 | - | 64 | - | - | - | 20,082 |
| Shinhan hyper connect venture fund 1 | 24,200 | 14,827 | 9,000 | - | (535) | - | - | - | 23,292 |
| Korea Digital Asset Custody | 505 | 171 | - | - | (6) | (7) | - | - | 158 |
| All Together Korea Fund 6 | 5,384 | 5,270 | 157 | - | 78 | - | (157) | - | 5,348 |
| All Together Korea Fund 7 | 5,384 | 5,270 | 157 | - | 78 | - | (157) | - | 5,348 |
| Shinhan hyper future's venture fund 1 | 2,022 | 308 | 1,703 | - | (31) | - | - | - | 1,980 |
| Shinhan Private Equity Fund II | 1 | 34,456 | (34,455) | - | 10,967 | - | (9,021) | - | 1,947 |
| Songpa Biz-Cluster PFV Co.,Ltd | 7,200 | - | 7,200 | - | (63) | - | - | - | 7,137 |
| Douzone Techfin Co.,Ltd | 27,000 | - | 27,000 | - | (355) | - | - | - | 26,645 |
| Cascade Tech Co.,Ltd | - | - | - | - | - | - | - | - | - |
| HDFC Credila Financial Services | 250,270 | - | 250,270 | - | - | - | - | - | 250,270 |
| | ₩ 580,637 | 332,250 | 278,177 | - | 14,449 | 83 | (22,080) | - | 602,879 |

(*) This item has a book value of zero due to cumulative unrealized losses since its initial acquisition.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

13. Investments in associates (continued)

(b) Changes in investments in associates for the six-month period ended June 30, 2024 and for the year ended December 31, 2023 are as follows: (continued)

| Associates | December 31, 2023 | | | | | | | | |
|-------------------------------------------------------------|--------------------------|---------------------------|---------------------------------------|-------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------|-----------------------|----------------|-------------------|
| | Acqui- sition cost | Beginn- ing balance | Acqui- sition (redemp- tion) | Gain or loss from disposal | Share of profit (loss) of associates | Share of other compre- hensive income (loss) of associates | Dividends received | Others (*1) | Ending balance |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 42,204 | 30,173 | - | - | 919 | 8,183 | - | - | 39,275 |
| KOREA FINANCE SECURITY | 3,448 | 2,411 | - | - | (170) | 1,004 | - | - | 3,245 |
| DOODOO LOGITECH | - | 1 | - | - | - | - | - | - | 1 |
| One-Shinhan Future's New Technology Investment Fund 1 | 1,594 | 2,567 | (612) | - | 418 | - | - | - | 2,373 |
| KST-SH Laboratory Investment Fund No.1 | 1,740 | 1,889 | (260) | - | 61 | - | - | - | 1,690 |
| One-Shinhan Future's New Technology Investment Fund 2 | 2,771 | 3,263 | (199) | - | (17) | - | - | - | 3,047 |
| One-Shinhan Future's New Technology Investment Fund 3 | 289 | 565 | (309) | - | (29) | - | - | - | 227 |
| One Shinhan Connect Fund 1 | 70,729 | 77,509 | (208) | - | (2,247) | - | - | - | 75,054 |
| One Shinhan Connect Fund 2 | 8,870 | 14,318 | (6,130) | - | (380) | - | - | - | 7,808 |
| Neoplux Technology Valuation Investment Fund | 316 | 10,445 | (1,962) | - | 5,204 | - | (1,368) | - | 12,319 |
| Partners 4th Growth Investment Fund | - | 13,541 | - | (4,323) | - | - | - | (9,218) | - |
| Newlake Growth Capital Partners2 PEF | - | 9,612 | - | 388 | - | - | - | (10,000) | - |
| MIEL Co., Ltd. (*2) | - | - | - | - | - | - | - | - | - |
| BAEK DOO Co., Ltd. | - | 117 | - | - | 1 | - | - | - | 118 |
| Chungwon assets | - | 548 | - | - | (36) | - | - | - | 512 |
| Jinmyung Plus | - | 21 | - | - | 3 | (9) | - | - | 15 |
| SEOKWANG T&I | - | - | - | - | (80) | 342 | - | 336 | 598 |
| Korea Credit Bureau | 2,250 | 2,520 | - | - | 895 | - | (45) | - | 3,370 |
| Goduck Gangill PFV Co., Ltd. | 50 | 60 | - | - | 119 | - | - | - | 179 |
| Goduck Gangill10 PFV Co., Ltd. | 700 | 2,277 | - | - | 1,298 | - | - | - | 3,575 |
| SBC PFV Co., Ltd. | 18,125 | 14,231 | 1,875 | - | (716) | - | - | - | 15,390 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | 7,075 | 6,405 | 450 | - | (272) | - | - | - | 6,583 |
| Logisvalley Shinhan REIT Co., Ltd. | 2,925 | 2,836 | - | - | (153) | - | - | - | 2,683 |
| ICSF (The Korea's Information Center for Savings & Finance) | 300 | 175 | - | - | 5 | - | - | - | 180 |
| Shinhan-Albatross Technology Investment Fund | 900 | 9,168 | (999) | - | 3,037 | 127 | - | - | 11,333 |
| Shinhan-Neoplux Energy Newbiz Fund | 10,651 | 15,354 | - | - | 1,120 | - | - | - | 16,474 |
| Stassets-DA Value Healthcare Fund I | - | 2,379 | - | (1,871) | - | - | - | (508) | - |
| Shinhan SKS Corporate Recovery Private Equity Fund | 15,364 | 8,974 | 6,384 | - | 1,055 | - | - | - | 16,413 |
| BTS 2nd Private Equity Fund | 5,226 | 2,901 | 2,200 | - | (223) | - | - | - | 4,878 |
| Shinhan global flagship venture fund 1 | 36,000 | 17,588 | 18,000 | - | (998) | - | - | - | 34,590 |
| One Shinhan Mezzanine Fund 1 | 10,000 | - | 10,000 | - | 18 | - | - | - | 10,018 |
| Shinhan hyper connect venture fund 1 | 15,200 | - | 15,200 | - | (373) | - | - | - | 14,827 |
| Korea Digital Asset Custody | 505 | 272 | - | - | (192) | 91 | - | - | 171 |
| Shinhan VC tomorrow venture fund 1 | - | 14,773 | - | 227 | - | - | - | (15,000) | - |
| All Together Korea Fund 6 | 5,227 | - | 105 | - | 148 | - | (105) | 5,122 | 5,270 |
| All Together Korea Fund 7 | 5,227 | - | 105 | - | 148 | - | (105) | 5,122 | 5,270 |
| Shinhan hyper future's venture fund 1 | 319 | - | 319 | - | (11) | - | - | - | 308 |
| Shinhan Private Equity Fund II | 34,456 | - | - | - | - | - | - | 34,456 | 34,456 |
| ₩ | 302,461 | 266,893 | 43,959 | (5,579) | 8,552 | 9,738 | (1,623) | 10,310 | 332,250 |

(*1) No cash flow is involved as acquired from another account as the amount of decrease or increase is from reclassification.

(*2) This item has a book value of zero due to cumulative unrealized losses since its initial acquisition.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

14. Other assets

Other assets as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|-----------------------------------------|----------------------|--------------------------|
| Accounts receivable | ₩ 19,333,968 | 9,609,606 |
| Domestic exchange settlement receivable | 4,299,762 | 4,933,681 |
| Guarantee deposits | 777,940 | 802,273 |
| Accrued income | 2,122,992 | 2,212,759 |
| Prepaid expense | 203,009 | 131,449 |
| Suspense payments | 398,749 | 402,540 |
| Sundry assets | 236,457 | 222,229 |
| Others | 5,136 | 3,686 |
| Present value discount | (42,900) | (40,173) |
| Allowance for impairment | (360,131) | (323,019) |
| | <u>₩ 26,974,982</u> | <u>17,955,031</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

15. Financial liabilities designated at FVTPL

(a) Financial liabilities designated at FVTPL as of June 30, 2024 and December 31, 2023 are as follows:

| <u>Classification (*1)</u> | <u>₩</u> | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|-----------------------------|----------|----------------------|--------------------------|
| Debt securities issued (*2) | ₩ | 254,501 | 254,832 |

(*1) In accordance with K-IFRS No. 1109 '*Financial instruments*', the Group has designated debt securities issued that are permitted to designate financial liabilities at FVTPL.

(*2) The carrying amount of financial liabilities designated at FVTPL was calculated based on the option valuation model.

(b) The difference between the carrying amounts of financial liabilities designated at FVTPL and the amount required to be paid at contractual maturity as of June 30, 2024 and December 31, 2023 are as follows:

| | | <u>June 30, 2024</u> | | |
|------------------------|---|------------------------------------------------------------|-------------------------|-------------------|
| | | <u>Redemption amount on a contractual maturity</u> | <u>Carrying amounts</u> | <u>Difference</u> |
| Debt securities issued | ₩ | 260,000 | 254,501 | 5,499 |
| | | <u>December 31, 2023</u> | | |
| | | <u>Redemption amount on a contractual maturity</u> | <u>Carrying amounts</u> | <u>Difference</u> |
| Debt securities issued | ₩ | 260,000 | 254,832 | 5,168 |

(c) The details of net gain or loss (excluding interest income and expense) related to financial liabilities designated at FVTPL for six-month period ended June 30, 2024 and 2023 are as follows:

| | | <u>June 30, 2024</u> | | |
|------------------------|---|------------------------------|-------------------------|--------------|
| | | <u>Net gain on valuation</u> | <u>Net gain on sale</u> | <u>Total</u> |
| Debt securities issued | ₩ | 330 | - | 330 |
| | | <u>June 30, 2023</u> | | |
| | | <u>Net gain on valuation</u> | <u>Net gain on sale</u> | <u>Total</u> |
| Debt securities issued | ₩ | 13,434 | - | 13,434 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

16. Deposits

Deposits as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|-------------------------------------|----------------------|--------------------------|
| Demand deposits: | | |
| Korean won | ₩ 130,485,523 | 126,861,970 |
| Foreign currencies | 21,432,433 | 23,666,029 |
| | <u>151,917,956</u> | <u>150,527,999</u> |
| Time deposits: | | |
| Korean won | 181,603,875 | 169,183,751 |
| Foreign currencies | 33,251,447 | 26,977,720 |
| Gain on fair value hedge | (128,927) | (113,081) |
| | <u>214,726,395</u> | <u>196,048,390</u> |
| Negotiable certificates of deposits | 11,630,139 | 11,752,483 |
| Note discount deposits | 8,390,154 | 7,664,701 |
| CMA | 5,198,804 | 4,950,392 |
| Others | 15,288 | 15,684 |
| | <u>₩ 391,878,736</u> | <u>370,959,649</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

17. Financial liabilities at fair value through profit or loss

(a) Financial liabilities at FVTPL as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | | <u>December 31, 2023</u> | |
|----------------------|--------------------------|---------------|--------------------------|---------------|
| | <u>Interest rate (%)</u> | <u>Amount</u> | <u>Interest rate (%)</u> | <u>Amount</u> |
| Securities sold: | | | | |
| Gold/Silver deposits | - | ₩ 479,270 | ₩ | 419,342 |

(b) Net gain (loss) on financial liabilities at FVTPL for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | <u>June 30, 2024</u> | | <u>June 30, 2023</u> | |
|-----------------------|----------------------|------------------|----------------------|------------------|
| | <u>Three-month</u> | <u>Six-month</u> | <u>Three-month</u> | <u>Six-month</u> |
| Securities sold: | | | | |
| Gain on sale | ₩ 75 | 103 | - | 589 |
| Loss on sale | (153) | (179) | - | (51) |
| Loss on valuation | 92 | - | - | - |
| Gold/Silver deposits: | | | | |
| Gain on sale | 1,025 | 1,515 | 651 | 1,319 |
| Loss on sale | (198) | (269) | (167) | (290) |
| Gain on valuation | - | - | 204 | 204 |
| Loss on valuation | (38,578) | (86,807) | 9,394 | (33,785) |
| | ₩ <u>(37,737)</u> | <u>(85,637)</u> | <u>10,082</u> | <u>(32,014)</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

18. Borrowings

Borrowings as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | December 31, 2023 | |
|-----------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Call money: | | | | |
| Korean won | 3.10~3.50 | ₩ 396,700 | 3.35~3.43 | ₩ 415,500 |
| Foreign currencies | 0.17~6.45 | <u>1,235,638</u> | 0.02~5.88 | <u>1,385,349</u> |
| | | <u>1,632,338</u> | | <u>1,800,849</u> |
| Bill sold | 0.00~3.39 | 12,539 | 0.00~3.65 | 11,252 |
| Bonds sold under repurchase agreements: | | | | |
| Korean won | 0.00~3.56 | 3,436,838 | 0.00~3.60 | 3,951,190 |
| Foreign currencies | - | <u>-</u> | 6.73~6.74 | <u>42,935</u> |
| | | <u>3,436,838</u> | | <u>3,994,125</u> |
| Borrowings in Korean won: | | | | |
| Borrowings from Bank of Korea | 2.00 | 3,812,332 | 2.00 | 2,508,491 |
| Others | 0.00~3.80 | <u>9,452,039</u> | 0.00~3.80 | <u>8,972,255</u> |
| | | <u>13,264,371</u> | | <u>11,480,746</u> |
| Borrowings in foreign currencies: | | | | |
| Overdraft due to banks | 0.00~0.30 | 37,405 | 0.00 | 34,072 |
| Borrowings from banks | 0.00~16.15 | 6,896,965 | 0.00~14.85 | 7,142,106 |
| Sub-lease | 0.00~2.28 | 9,852 | 0.00~2.28 | 8,216 |
| Others | 0.00~5.67 | <u>2,463,086</u> | 0.00~5.72 | <u>2,231,873</u> |
| | | <u>9,407,308</u> | | <u>9,416,267</u> |
| Deferred origination fees | | <u>(1,780)</u> | | <u>(2,041)</u> |
| | | <u>₩ 27,751,614</u> | | <u>₩ 26,701,198</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

19. Debt securities issued

Debt securities issued as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | | December 31, 2023 | |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Debt securities issued in Korean won: | | | | |
| Debt securities issued | 0.00~6.52 | ₩ 29,360,203 | 0.00~6.52 | ₩ 27,492,354 |
| Subordinated debt securities issued | 2.20~3.53 | 1,960,105 | 2.20~3.53 | 1,960,105 |
| Gain on fair value hedges | | (241,181) | | (225,750) |
| Discount on debt securities issued | | (50,912) | | (27,731) |
| | | <u>31,028,215</u> | | <u>29,198,978</u> |
| Debt securities issued in foreign currencies: | | | | |
| Debt securities issued | 0.25~7.28 | 6,431,763 | 0.25~7.36 | 5,697,364 |
| Subordinated debt securities issued | 3.75~5.75 | 4,050,740 | 3.75~5.00 | 3,124,242 |
| Gain on fair value hedges | | (313,614) | | (240,483) |
| Discount on debt securities issued | | (37,209) | | (29,416) |
| | | <u>10,131,680</u> | | <u>8,551,707</u> |
| | W | <u>41,159,895</u> | W | <u>37,750,685</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

20. Net defined benefit assets(liabilities)

The Group operates a defined benefit pension system based on employees' length of service. The Group also trusts plan assets in trust companies, fund companies and other similar companies.

(a) Defined benefit plan assets and liabilities as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|----------------------------------------------|----------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 1,533,478 | 1,618,969 |
| Fair value of plan assets | (1,873,932) | (1,889,776) |
| Net defined benefit assets | <u>₩ 340,454</u> | <u>270,807</u> |

(b) Changes in the present value of defined benefit obligations for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|---------------------------------------|----------------------|--------------------------|
| Beginning balance | ₩ 1,618,969 | 1,395,869 |
| Current service cost | 56,965 | 109,359 |
| Interest expense | 39,587 | 75,589 |
| Remeasurements (*1) (*2) | (111,251) | 185,395 |
| Effects of foreign currency movements | (960) | 1,349 |
| Benefits paid by the plan | (76,684) | (156,992) |
| Others | 6,852 | 8,400 |
| Ending balance | <u>₩ 1,533,478</u> | <u>1,618,969</u> |

(*1) Remeasurements for the six-month period ended June 30, 2024 consist of ₩14,182 million of actuarial loss arising from changes in financial assumptions, ₩123,388 million of actuarial gain arising from changes in experience adjustments and ₩2,045 million of actuarial gain arising from changes in demographic assumptions.

(*2) Remeasurements for the year ended December 31, 2023 consist of ₩85,999 million of actuarial loss arising from changes in financial assumptions, ₩6,590 million of actuarial gain arising from changes in experience adjustments and ₩105,986 million of actuarial loss arising from changes in demographic assumptions.

(c) Changes in the fair value of plan assets for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|----------------------------------|----------------------|--------------------------|
| Beginning balance | ₩ 1,889,776 | 1,919,023 |
| Interest income | 45,935 | 104,155 |
| Remeasurements | (13,247) | (30,147) |
| Contributions paid into the plan | 22,000 | 45,000 |
| Benefits paid by the plan | (70,532) | (148,255) |
| Ending balance | <u>₩ 1,873,932</u> | <u>1,889,776</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

21. Provisions

(a) Changes in provision for unused credit commitments and guarantee contracts issued for the six-month period ended June 30, 2024 and for the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | | | | |
|---------------------------------------------|---|----------------------------------------------------------|--------------------------------------|----------------------------------|----------------------------------------|--------------------------------------|----------------------------------|----------------|
| | | Loan commitments and other liabilities for credit | | | Guarantee contracts | | | |
| | | Lifetime expected credit losses | | | Lifetime expected Credit losses | | | |
| | | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | 12-month expected credit losses | Not impaired financial assets | Impaired financial assets | Total |
| Beginning balance | ₩ | 98,983 | 29,488 | - | 31,899 | 7,127 | 13 | 167,510 |
| Transfer to 12-month expected credit losses | | 7,103 | (7,103) | - | 5,334 | (5,334) | - | - |
| Transfer to lifetime expected credit losses | | (5,231) | 5,231 | - | (2,579) | 2,579 | - | - |
| Transfer to impaired financial assets | | (60) | (76) | 136 | - | - | - | - |
| Provision (reversal) | | 1,095 | 4,622 | (135) | 333 | (545) | - | 5,370 |
| Foreign exchange movements | | 1,731 | 630 | - | 1,112 | 421 | - | 3,894 |
| Others (*) | | - | - | - | 13,976 | 1,508 | (6) | 15,478 |
| Ending balance | ₩ | <u>103,621</u> | <u>32,792</u> | <u>1</u> | <u>50,075</u> | <u>5,756</u> | <u>7</u> | <u>192,252</u> |

(*) These include the new occurrence of guaranteed contracts, which are evaluated at the initial fair value, and the effects of changes due to the arrival of maturity and changes in discount rates.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

21. Provisions (continued)

(a) Changes in provision for unused credit commitments and guarantee contracts issued for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:(continued)

| | | December 31, 2023 | | | | | | |
|---------------------------------------------|---|---------------------------------------------------|---------|-------|---------------------------------|---------|-------|----------|
| | | Loan commitments and other liabilities for credit | | | Guarantee contracts | | | |
| | | Lifetime expected credit losses | | | Lifetime expected credit losses | | | |
| | | 12-month expected credit losses | | | 12-month expected credit losses | | | |
| | | Not impaired financial assets | | | Not impaired financial assets | | | |
| | | Impaired financial assets | | | Impaired financial assets | | | |
| | | Total | | | Total | | | |
| Beginning balance | ₩ | 83,638 | 22,495 | - | 41,612 | 7,650 | 27 | 155,422 |
| Transfer to 12-month expected credit losses | | 5,252 | (5,252) | - | 3,918 | (3,918) | - | - |
| Transfer to lifetime expected credit losses | | (4,621) | 4,621 | - | (7,637) | 7,637 | - | - |
| Transfer to impaired financial assets | | (109) | (87) | 196 | (138) | - | 138 | - |
| Provision (reversal) | | 13,798 | 7,685 | (196) | 375 | 26 | (14) | 21,674 |
| Foreign exchange movements | | 1,025 | 26 | - | 294 | 92 | 1 | 1,438 |
| Others (*) | | - | - | - | (6,525) | (4,360) | (139) | (11,024) |
| Ending balance | ₩ | 98,983 | 29,488 | - | 31,899 | 7,127 | 13 | 167,510 |

(*) These include the new occurrence of guaranteed contracts, which are evaluated at the initial fair value, and the effects of changes due to the arrival of maturity and changes in discount rates.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

21. Provisions (continued)

(b) Changes in other provisions for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | | |
|-------------------------------|---|-----------------------------|-------------------|-----------------------------------------|----------------|----------------|
| | | Asset retirement | Litigation | Non- guarantee contracts | Others | Total |
| Beginning balance | ₩ | 65,223 | 7,162 | 23,161 | 414,565 | 510,111 |
| Provision (reversal) | | 2,596 | 923 | (5,301) | 135,429 | 133,647 |
| Provision used | | (370) | - | - | (261,820) | (262,190) |
| Foreign exchange movements | | - | - | 1,303 | (1,024) | 279 |
| Others (*) | | 482 | - | 158 | - | 640 |
| Ending balance | ₩ | <u>67,931</u> | <u>8,085</u> | <u>19,321</u> | <u>287,150</u> | <u>382,487</u> |

(*) This is the effect of changing the discount rate.

| | | December 31, 2023 | | | | |
|-------------------------------|---|-----------------------------|-------------------|-----------------------------------------|----------------|----------------|
| | | Asset retirement | Litigation | Non- guarantee contracts | Others | Total |
| Beginning balance | ₩ | 54,496 | 4,247 | 27,583 | 127,453 | 213,779 |
| Provision (reversal) (*1) | | 6,371 | 2,915 | (4,857) | 288,379 | 292,808 |
| Provision used | | (2,057) | - | - | (3,848) | (5,905) |
| Foreign exchange movements | | - | - | 412 | 1,127 | 1,539 |
| Others (*2) | | 6,413 | - | 23 | 1,454 | 7,890 |
| Ending balance | ₩ | <u>65,223</u> | <u>7,162</u> | <u>23,161</u> | <u>414,565</u> | <u>510,111</u> |

(*1) As of December 31, 2023, the Group recognized a provision of ₩292,074 million for vulnerable groups such as self-employed people, small business owners and institutions supporting vulnerable groups, etc. in accordance with the "Banking financial support plan for people's livelihood."

(*2) This is the effect of changing the discount rate.

(c) Asset retirement obligation liabilities

Asset retirement obligation liabilities represent the estimated cost to restore the existing leased properties which are 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 the lease contract. Such costs are reasonably estimated using the average lease period and the average restoration expense. The average lease period is calculated based on the past ten-year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the three-year average inflation rate.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

22. Other liabilities

Other liabilities as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | December 31, 2023 |
|---------------------------------------------|----------------------|--------------------------|
| Accounts payable | ₩ 19,516,393 | 10,065,763 |
| Borrowing from trust account | 6,695,315 | 6,530,921 |
| Accrued expense | 4,975,631 | 4,720,037 |
| Liability incurred by agency relationship | 2,477,100 | 1,608,194 |
| Domestic exchange settlement payable | 3,790,057 | 9,151,927 |
| Lease liabilities (*) | 571,834 | 424,569 |
| Agency business income | 964,954 | 794,955 |
| Guarantee deposits received | 553,659 | 515,632 |
| Foreign exchange settlement payables | 514,433 | 302,320 |
| Suspense payable | 55,369 | 40,961 |
| Unearned income | 116,935 | 104,356 |
| Withholding value-added tax and other taxes | 129,595 | 223,832 |
| Sundry liabilities | 85,096 | 66,753 |
| Present value discount | (48,155) | (46,114) |
| | ₩ <u>40,398,216</u> | <u>34,504,106</u> |

(*) As of June 30, 2024, the Group recognized lease liabilities as other liabilities. The expense for the variable lease payments that is not included in the measurement of lease liabilities for the six-month period ended June 30, 2024, amount to ₩1,772 million, the cash outflows from lease liabilities amount to ₩97,692 million, and interest expense on lease liabilities amount to ₩7,285 million. Expense for variable lease payments not included in the measurement of lease liabilities for the six-month period ended June 30, 2023 amount to ₩10,513 million, cash outflows from lease liabilities amount to ₩102,120 million, and interest expense on lease liability amounts to ₩5,254 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

23. Equity

(a) Equity as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--------------------------------------------------------------------|----------------------|--------------------------|
| Capital stock: | | |
| Common stock | ₩ 7,928,078 | 7,928,078 |
| Other equity instruments: | | |
| Hybrid bonds | 2,088,595 | 1,988,535 |
| Capital surplus: | | |
| Share premium | 398,080 | 398,080 |
| Others | 5,084 | 5,084 |
| | <u>403,164</u> | <u>403,164</u> |
| Capital adjustments: | | |
| Stock options | 696 | 798 |
| Others | 1,459 | 1,148 |
| | <u>2,155</u> | <u>1,946</u> |
| Accumulated other comprehensive income (loss): | | |
| Net change in fair value of financial instruments at FVTOCI | (58,279) | (227,837) |
| Share of other comprehensive income of associates | (715) | (776) |
| Foreign currency translation differences for foreign operations | (78,238) | (170,240) |
| Remeasurements of defined benefit plans | (147,368) | (219,272) |
| | <u>(284,600)</u> | <u>(618,125)</u> |
| Retained earnings: | | |
| Legal reserve (*1) | 3,176,947 | 2,915,735 |
| Voluntary reserve (*2) | 16,633,975 | 15,585,931 |
| Other reserve (*3) | 200,869 | 187,488 |
| Unappropriated retained earnings (*4) | 4,617,575 | 5,126,366 |
| | <u>24,629,366</u> | <u>23,815,520</u> |
| Non-controlling interests | 13,147 | 12,095 |
| | <u>₩ 34,779,905</u> | <u>33,531,213</u> |

(*1) According to the Article 40 of the Banking Act, the Group is required to appropriate an amount equal to a minimum of 10% of cash dividends paid for each accounting period as a legal reserve, until such reserve equals 100% of issued capital. The legal reserve is only available to be used to reduce accumulated deficit or transfer to capital stock.

(*2) The amounts include regulatory reserve for loan loss based on separate financial statements of ₩2,233,852 million and ₩2,418,175 million as of June 30, 2024 and December 31, 2023, respectively. The amounts also include asset revaluation surplus of ₩355,898 million as of June 30, 2024 and December 31, 2023.

(*3) Other reserve was established according to the laws applicable to some oversea branches and it may be used only to reduce their deficit.

(*4) As of June 30, 2024, the difference between the expected reversal of regulatory reserve of loan loss based on the separate financial statements and consolidated financial statements is ₩44,983 million, and this includes the expected reversal of regulatory reserve of loan loss based on consolidated statements amounting ₩324,096 million.

As of December 31, 2023, the difference between the expected provision for regulatory reserve of loan loss based on the separate financial statements and consolidated financial statements is ₩32,635 million, and this includes the expected provision for regulatory reserve of loan loss based on consolidated statements amounting ₩151,687 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

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

23. Equity (continued)

(b) Capital stock

Capital stock of the Group as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|-------------------------------------|----------------------|--------------------------|
| Number of authorized shares | 2,000,000,000 shares | 2,000,000,000 shares |
| Par value per share in won | 5,000 won | 5,000 won |
| Number of issued shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |

(c) Hybrid bonds

Hybrid bonds as of June 30, 2024 and December 31, 2023 are as follows:

| <u>Date of issuance</u> | <u>Date of maturity</u> | <u>Book value</u> | | <u>Interest rate (%)</u> |
|------------------------------------|-------------------------|----------------------|--------------------------|--------------------------|
| | | <u>June 30, 2024</u> | <u>December 31, 2023</u> | |
| Hybrid bonds issued in Korean won: | | | | |
| June 29, 2017 | Perpetual bond | ₩ 69,844 | 69,844 | 3.81 |
| February 25, 2019 | Perpetual bond | - | 299,327 | 3.30 |
| February 25, 2020 | Perpetual bond | 239,459 | 239,459 | 2.88 |
| February 25, 2020 | Perpetual bond | 49,888 | 49,888 | 3.08 |
| November 5, 2020 | Perpetual bond | 299,327 | 299,327 | 2.87 |
| May 3, 2022 | Perpetual bond | 322,277 | 322,277 | 4.50 |
| October 17, 2022 | Perpetual bond | 309,305 | 309,305 | 5.70 |
| March 7, 2023 | Perpetual bond | 399,108 | 399,108 | 4.63 |
| April 2, 2022 | Perpetual bond | 399,387 | - | 4.19 |
| | | <u>₩ 2,088,595</u> | <u>1,988,535</u> | |
| Dividends on hybrid bond holders | | ₩ 39,876 | 89,140 | |
| Weighted average interest rate (%) | | 3.82 | 4.18 | |

The above hybrid bonds are subject to early redemption option after five years or ten years from the date of issuance, and the maturity can be extended under the same condition at the maturity date.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

23. Equity (continued)

(d) Changes in accumulated other comprehensive income (loss) including reclassification adjustment for the six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | | | | | | Total |
|------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------|-----------|-------|
| | Items that are or may be reclassified to profit or loss | | | Items that will not be reclassified to profit or loss | | | | |
| | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Foreign currency translation differences for foreign operations | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Remeasurements of the defined benefit plans | | |
| Beginning balance | ₩ (255,011) | (777) | (170,239) | 27,174 | - | (219,272) | (618,125) | |
| Change due to fair value measurement | 189,163 | - | - | 64,585 | - | - | 253,748 | |
| Change due to equity method measurement | - | 83 | - | - | - | - | 83 | |
| Change due to impairment | (157) | - | - | - | - | - | (157) | |
| Change due to disposal | (12,309) | - | - | - | - | - | (12,309) | |
| Effect of hedge accounting | (18,959) | - | (96,975) | - | - | - | (115,934) | |
| Effect of foreign currency movements | - | - | 185,764 | 6,870 | - | - | 192,634 | |
| Remeasurements of defined benefit plans | - | - | - | - | - | 98,004 | 98,004 | |
| Amounts transferred to retained earnings | - | - | - | 3,338 | - | - | 3,338 | |
| Effect of tax | (43,228) | (22) | 3,213 | (19,745) | - | (26,100) | (85,882) | |
| Ending balance | ₩ (140,501) | (716) | (78,237) | 82,222 | - | (147,368) | (284,600) | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

23. Equity (continued)

(d) Changes in accumulated other comprehensive income (loss) including reclassification adjustment for the six-month periods ended June 30, 2024 and 2023 are as follows: (continued)

| | June 30, 2023 | | | | | | |
|------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------|-------------|
| | Items that are or may be reclassified to profit or loss | | | Items that will not be reclassified to profit or loss | | | |
| | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Foreign currency translation difference for foreign operations | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Remeasurements of the defined benefit plans | Total |
| Beginning balance | ₩ (1,029,320) | (7,933) | (162,244) | (532) | - | (60,799) | (1,260,828) |
| Change due to fair value measurement | 373,776 | - | - | (55,112) | - | - | 318,664 |
| Change due to equity method measurement | - | 8,377 | - | - | - | - | 8,377 |
| Change due to impairment | (6,530) | - | - | - | - | - | (6,530) |
| Change due to disposal | 94,005 | - | - | - | - | - | 94,005 |
| Effect of hedge accounting | (5,558) | - | (20,244) | - | - | - | (25,802) |
| Effect of foreign currency movements | - | - | 122,860 | 3,832 | - | - | 126,692 |
| Remeasurements of defined benefit plans | - | - | - | - | - | (34,922) | (34,922) |
| Amounts transferred to retained earnings | - | - | - | 1,713 | - | - | 1,713 |
| Effect of tax | (132,416) | (2,222) | (5,497) | 13,413 | - | 9,450 | (117,272) |
| Ending balance | ₩ (706,043) | (1,778) | (65,125) | (36,686) | - | (86,271) | (895,903) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won, except for par value per share, dividend per share, earnings per share)

23. Equity (continued)

(e) Dividends

Dividends of common stock for the year ended December 31, 2023 are as follows:

| | <u>December 31, 2023</u> | |
|-------------------------------------|--------------------------|----------------------|
| Number of issued shares outstanding | | 1,585,615,506 shares |
| Par value per share in won | ₩ | 5,000 |
| Dividend rate per share | | 15.09% |
| Dividend per share in won | ₩ | 754.53 |

(f) Dividends payout ratio

Dividends payout ratio for the year ended December 31, 2023 are as follows:

| | <u>December 31, 2023</u> | |
|--------------------------------------------------------------------------------------------|--------------------------|-----------|
| Dividends | ₩ | 1,196,396 |
| Profit for the year (*) | ₩ | 3,067,681 |
| Dividend payout ratio to profit for the year | | 39.00% |
| Profit for the year adjusted for regulatory reserve for loan loss (*) | ₩ | 3,219,368 |
| Dividend payout ratio to profit for the year adjusted for regulatory reserve for loan loss | | 37.16% |

(*) Profit for the year and profit for the year adjusted for regulatory reserve for loan loss are the amount attributable to equity holder of the Group.

24. Regulatory reserve for loan loss

The Group should calculate and disclose regulatory reserve for loan loss, in accordance with *the Article 29-1 and 29-2 of Regulation on Supervision of Banking Business*.

(a) The regulatory reserve for loan loss as of June 30, 2024 and December 31, 2023 are as follows:

| | | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--------------------------------------------------------------|---|----------------------|--------------------------|
| Regulatory reserve for loan loss | ₩ | 2,348,954 | 2,500,641 |
| Provision for (reversal of) regulatory reserve for loan loss | | 324,096 | (151,687) |
| | ₩ | <u>2,673,050</u> | <u>2,348,954</u> |

(b) Profit for the period adjusted for regulatory reserve for loan loss and adjusted profit after reflecting regulatory reserve for loan loss for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | | <u>June 30, 2024</u> | | <u>June 30, 2023</u> | |
|--------------------------------------------------------------------------------------|---|----------------------|------------------|----------------------|------------------|
| | | <u>Three month</u> | <u>Six month</u> | <u>Three month</u> | <u>Six month</u> |
| Provision for (reversal of) regulatory reserve for loan loss | ₩ | 158,188 | 324,096 | (127,659) | (202,936) |
| Adjusted profit after reflecting regulatory reserve for loan loss (*) | | 966,758 | 1,729,699 | 876,723 | 1,883,633 |
| Adjusted earnings per share after reflecting regulatory reserve for loan loss in won | ₩ | 597 | 1,066 | 537 | 1,159 |

(*) The adjusted reserve which reflects above-mentioned loan loss is not based on K-IFRS and is calculated by assuming that the provisions of loan loss before income tax effects are reflected in profit for the period.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

25. Net interest income

(a) Interest income for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|------------------------------------------------|---------------|------------|---------------|-----------|
| | Three-month | Six-month | Three-month | Six-month |
| Interest income: | | | | |
| Cash and due from banks | ₩ 159,327 | 294,194 | 84,342 | 167,814 |
| Securities at FVTPL | 156,810 | 319,622 | 131,338 | 250,519 |
| Securities at FVTOCI | 401,008 | 784,838 | 294,960 | 558,933 |
| Securities at amortized cost | 252,312 | 494,978 | 235,055 | 441,711 |
| Loans (*) | 4,415,641 | 8,804,493 | 4,263,832 | 8,352,107 |
| Others | 24,280 | 51,383 | 25,995 | 47,283 |
| | ₩ 5,409,378 | 10,749,508 | 5,035,522 | 9,818,367 |
| Interest income from impaired financial assets | ₩ 8,794 | 17,607 | 7,594 | 13,951 |

(*) Interest income from loans at FVTPL for the periods ended June 30, 2024 and 2023 are ₩17,000 million and ₩13,134 million, respectively and interest income for the last three months was ₩8,705 million and ₩5,738 million.

(b) Interest expense for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| Division (*) | June 30, 2024 | | June 30, 2023 | |
|--------------------------------------------------|---------------|-----------|---------------|-----------|
| | Three-month | Six-month | Three-month | Six-month |
| Financial liabilities at amortized cost | | | | |
| Deposits | ₩ 2,462,310 | 4,869,402 | 2,311,524 | 4,527,234 |
| Borrowings | 238,394 | 492,083 | 232,897 | 446,065 |
| Debt securities issued | 444,377 | 869,864 | 325,535 | 627,922 |
| Others | 65,299 | 131,769 | 46,791 | 95,039 |
| | 3,210,380 | 6,363,118 | 2,916,747 | 5,696,260 |
| Financial liabilities designated at FVTPL | | | | |
| Debt securities issued | 3,293 | 6,590 | 2,412 | 3,186 |
| | 3,293 | 6,590 | 2,412 | 3,186 |
| Net interest expense | ₩ 3,213,673 | 6,369,708 | 2,919,159 | 5,699,446 |

(*) There is no interest expense on financial liabilities at fair value through profit or loss for the six-month periods ended June 30, 2024 and 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

26. **Net fees and commission income**

Net fees and commission income for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|----------------------------------------------------|------------------|----------------|----------------|----------------|
| | Three-month | Six-month | Three-month | Six-month |
| Fees and commission income: | | | | |
| Credit placement fees | ₩ 16,568 | 35,146 | 20,762 | 38,295 |
| Commission received as electronic charge receipt | 36,692 | 73,453 | 37,452 | 73,354 |
| Brokerage fees | 14,307 | 27,902 | 13,400 | 26,401 |
| Commission received as agency | 73,411 | 149,295 | 65,747 | 132,834 |
| Investment banking fees | 38,240 | 68,285 | 16,717 | 36,391 |
| Commission received in foreign exchange activities | 63,214 | 121,373 | 57,455 | 109,176 |
| Asset management fees from trust accounts | 40,729 | 83,285 | 44,565 | 89,569 |
| Guarantee fees | 25,387 | 49,059 | 24,682 | 48,269 |
| Others | 36,139 | 84,708 | 38,797 | 78,519 |
| | ₩ <u>344,687</u> | <u>692,506</u> | <u>319,577</u> | <u>632,808</u> |
| Fees and commission expense: | | | | |
| Credit-related fees | ₩ 10,481 | 21,313 | 9,708 | 19,632 |
| Brand-related fees | 14,080 | 25,543 | 11,462 | 22,925 |
| Service-related fees | 11,461 | 22,722 | 12,144 | 23,421 |
| Trading and brokerage fees | 3,383 | 7,410 | 2,641 | 5,013 |
| Commission paid in foreign exchange activities | 15,161 | 31,025 | 15,512 | 31,033 |
| Others | 32,731 | 63,010 | 28,625 | 54,790 |
| | ₩ <u>87,297</u> | <u>171,023</u> | <u>80,092</u> | <u>156,814</u> |

27. **Dividend income**

Dividend income for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|--------------------------|-----------------|---------------|---------------|---------------|
| | Three-month | Six-month | Three-month | Six-month |
| Securities at FVTPL | ₩ 7,137 | 7,203 | 1,250 | 1,565 |
| Securities at FVTOCI (*) | 7,341 | 50,913 | 277 | 40,676 |
| | ₩ <u>14,478</u> | <u>58,116</u> | <u>1,527</u> | <u>42,241</u> |

(*) Dividend income for stocks disposed for the six-month periods ended June 30, 2024 and June 30, 2023 are ₩1,952 million and ₩1,204 million, respectively.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

28. Gain and loss on financial instruments at fair value through profit or loss

Gain and loss on financial instruments at FVTPL for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|----------------------------------------------|------------------|------------------|-----------------|-----------------|
| | Three-month | Six-month | Three-month | Six-month |
| Financial instruments at FVTPL | | | | |
| Debt: | | | | |
| Gain on valuation of debt securities | ₩ 75,586 | 246,451 | 64,456 | 248,350 |
| Gain on sale of debt securities | 9,206 | 17,486 | 22,429 | 50,625 |
| Loss on valuation of debt securities | (9,837) | (76,876) | (15,338) | (45,234) |
| Loss on sale of debt securities | (25,235) | (52,069) | (25,416) | (56,719) |
| Others | 79,242 | 111,086 | 40,576 | 80,477 |
| | <u>128,962</u> | <u>246,078</u> | <u>86,707</u> | <u>277,499</u> |
| Equity: | | | | |
| Gain on valuation of equity securities | (951) | 16,071 | 7,724 | 13,545 |
| Gain on sale of equity securities | 6,416 | 15,754 | 1,193 | 4,343 |
| Loss on valuation of equity securities | 4,617 | (6,448) | 147 | (4,845) |
| Loss on sale of equity securities | (2,777) | (4,498) | (997) | (2,110) |
| | <u>7,305</u> | <u>20,879</u> | <u>8,067</u> | <u>10,933</u> |
| Gold/Silver: | | | | |
| Gain on valuation of Gold/Silver deposits | 11,588 | 21,756 | (1,555) | 5,072 |
| Gain on sale of Gold/Silver deposits | 1,026 | 1,515 | 651 | 1,319 |
| Loss on valuation of Gold/Silver deposits | (38,578) | (86,807) | 9,371 | (33,808) |
| Loss on sale of Gold/Silver deposits | (197) | (268) | (167) | (290) |
| | <u>(26,161)</u> | <u>(63,804)</u> | <u>8,300</u> | <u>(27,707)</u> |
| Loans at FVTPL | | | | |
| Gain on valuation of loans | (166) | 743 | (130) | 713 |
| Gain on sale of loans | 20,418 | 37,302 | 12,617 | 23,117 |
| Loss on valuation of loans | - | - | (992) | (1,036) |
| Loss on sale of loans | - | - | - | (7) |
| | <u>20,252</u> | <u>38,045</u> | <u>11,495</u> | <u>22,787</u> |
| | <u>130,358</u> | <u>241,198</u> | <u>114,569</u> | <u>283,512</u> |
| Derivatives | | | | |
| Foreign currency related: | | | | |
| Gain on valuation and transaction | 3,578,637 | 7,794,879 | 2,119,921 | 6,308,149 |
| Loss on valuation and transaction | (3,700,715) | (8,029,424) | (2,156,738) | (6,357,158) |
| | <u>(122,078)</u> | <u>(234,545)</u> | <u>(36,817)</u> | <u>(49,009)</u> |
| Interest rates related: | | | | |
| Gain on valuation and transaction | 221,255 | 664,949 | 228,387 | 660,766 |
| Loss on valuation and transaction | (182,527) | (528,938) | (137,648) | (587,113) |
| | <u>38,728</u> | <u>136,011</u> | <u>90,739</u> | <u>73,653</u> |
| Equity related: | | | | |
| Gain on valuation and transaction | 4,264 | 6,915 | 2,485 | 5,153 |
| Loss on valuation and transaction | (2,069) | (4,594) | (3,752) | (10,278) |
| | <u>2,195</u> | <u>2,321</u> | <u>(1,267)</u> | <u>(5,125)</u> |
| Commodity related: | | | | |
| Gain on valuation and transaction | 1,084 | 23,882 | 6,741 | 27,379 |
| Loss on valuation and transaction | (5,416) | (10,012) | (8,503) | (15,594) |
| | <u>(4,332)</u> | <u>13,870</u> | <u>(1,762)</u> | <u>11,785</u> |
| | <u>(85,487)</u> | <u>(82,343)</u> | <u>50,893</u> | <u>31,304</u> |
| Net gain on financial assets at FVTPL | ₩ 44,871 | 158,855 | 165,462 | 314,816 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

29. General and administrative expense

General and administrative expense for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|---------------------------------------------------|---------------|-----------|---------------|-----------|
| | Three-month | Six-month | Three-month | Six-month |
| Employee benefits: | | | | |
| Short and long term employee benefits | ₩ 510,838 | 1,013,230 | 514,523 | 1,027,076 |
| Post-employee defined benefits | 22,714 | 50,618 | 23,909 | 42,129 |
| Post-employee defined contributions | 104 | 398 | 98 | 417 |
| Termination benefits | 88 | 174 | 106 | 203 |
| | 533,744 | 1,064,420 | 538,636 | 1,069,825 |
| Amortization: | | | | |
| Depreciation | 42,657 | 84,918 | 40,339 | 83,608 |
| Amortization of intangible assets | 29,837 | 58,273 | 24,427 | 48,158 |
| Depreciation of right-to-use assets | 55,631 | 110,894 | 56,397 | 110,017 |
| | 128,125 | 254,085 | 121,163 | 241,783 |
| Other general and administrative expenses: | | | | |
| Rent | 19,247 | 37,302 | 16,485 | 32,280 |
| Service contract expenses | 77,104 | 143,938 | 88,447 | 153,959 |
| Taxes and dues | 56,722 | 92,061 | 54,897 | 86,037 |
| Advertising | 33,595 | 49,272 | 35,811 | 53,540 |
| Electronic data processing expenses | 20,279 | 39,732 | 17,264 | 34,850 |
| Others | 51,181 | 105,895 | 55,518 | 113,888 |
| | 258,128 | 468,200 | 268,422 | 474,554 |
| | ₩ 919,997 | 1,786,705 | 928,221 | 1,786,162 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

30. Net other operating expense

Net other operating expense for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|-------------------------------------------------|--------------------|------------------|------------------|------------------|
| | Three-month | Six-month | Three-month | Six-month |
| Other operating income | | | | |
| Gain on sale of assets: | | | | |
| Loans at amortized cost | ₩ 5,906 | 6,988 | 14,616 | 38,144 |
| Loans written off | 1,067 | 3,778 | 2,991 | 6,272 |
| | <u>6,973</u> | <u>10,766</u> | <u>17,607</u> | <u>44,416</u> |
| Others: | | | | |
| Gain on hedge activity from hedged items | (159) | 119,335 | 17,556 | 25,722 |
| Gain on hedge activity from hedged instruments | 36,590 | 60,946 | (48,235) | 117,526 |
| Reversal of provision for guarantee | 5,301 | 5,301 | - | - |
| Reversal of other allowance | - | - | (2,195) | - |
| Others | 61,675 | 71,005 | 10,736 | 16,825 |
| | <u>103,407</u> | <u>256,587</u> | <u>(22,138)</u> | <u>160,073</u> |
| | <u>110,380</u> | <u>267,353</u> | <u>(4,531)</u> | <u>204,489</u> |
| Other operating expense | | | | |
| Loss on sale of assets: | | | | |
| Loans at amortized cost | 1,457 | 2,808 | 499 | 499 |
| Others: | | | | |
| Loss on hedge activity from hedged items | 13,677 | 30,398 | (59,580) | 100,786 |
| Loss on hedge activity from hedging instruments | 24,185 | 141,695 | 40,039 | 50,083 |
| Provision for other allowance | (717) | - | 2,847 | 4,427 |
| Provision for other liabilities | 2,722 | 4,265 | 5,565 | 5,565 |
| Contribution to fund | 120,899 | 246,491 | 110,635 | 226,289 |
| Deposit insurance fee | 118,531 | 231,436 | 112,301 | 225,288 |
| Others | 107,752 | 204,064 | 86,829 | 170,764 |
| | <u>387,049</u> | <u>858,349</u> | <u>298,636</u> | <u>783,202</u> |
| | <u>388,506</u> | <u>861,157</u> | <u>299,135</u> | <u>783,701</u> |
| Net other operating expenses | ₩ <u>(278,126)</u> | <u>(593,804)</u> | <u>(303,666)</u> | <u>(579,212)</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

31. Income tax expense and deferred tax

(a) Details of income tax expense for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|----------------------------------------------------------------------|------------------|----------------|----------------|----------------|
| | Three-month | Six-month | Three-month | Six-month |
| Current income tax expense | ₩ 205,019 | 361,475 | 354,582 | 436,373 |
| Deferred taxes arising from changes in temporary differences | 143,677 | 294,575 | (107,383) | 268,350 |
| Deferred taxes arising from utilization of expired unused tax losses | 7,332 | 12,257 | (4,899) | (9,621) |
| Tax adjustment charged or credited directly to equity | (65,416) | (85,846) | 27,327 | (117,277) |
| Income tax expense | ₩ <u>290,612</u> | <u>582,461</u> | <u>269,627</u> | <u>577,825</u> |

(*) The Group does not recognize deferred tax assets and liabilities related to global minimum tax laws by applying the temporary exception provision for deferred tax in K-IFRS No. 1012, and does not disclose information related to deferred tax.

(b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of income for the six-month periods ended June 30, 2024 and 2023 for the following reasons:

| | June 30, 2024 | June 30, 2023 |
|-----------------------------------------------------------|------------------|----------------|
| Profit before income tax | ₩ 2,636,256 | 2,258,522 |
| Income tax expense at statutory tax rates | 685,610 | 591,069 |
| Adjustments: | | |
| Non-taxable income | (3,416) | (2,801) |
| Non-deductible expense | 3,553 | 4,610 |
| Decrease resulting from consolidated corporate tax system | (42,268) | (29,320) |
| Income tax paid (refund) | (27,829) | 19,396 |
| Others (impact of tax rate change, etc.) | (33,189) | (5,129) |
| Income tax expense | ₩ <u>582,461</u> | <u>577,825</u> |
| Effective tax rate | 22.09% | 25.58% |

(c) Global minimum corporate tax

The Group is currently assessing the impact of the implementation of the global minimum corporate tax legislation on its financial statements. Due to the complexity of the application of the global minimum tax law, it is difficult to reasonably estimate the impact on the consolidated financial statements, and the Group is estimating the impact on the consolidated financial statement with a tax expert.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won, except per earnings per share, share data)

32. Earnings per share

(a) Earnings per share

Earnings per share for the three-month and six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|------------------------------------------------------|----------------------|------------------|----------------------|------------------|
| | Three-month | Six-month | Three-month | Six-month |
| Profit for the period | ₩ 1,124,845 | 2,053,460 | 749,000 | 1,680,548 |
| Less: dividends on hybrid bonds | (19,740) | (39,876) | (24,467) | (45,227) |
| Profit available for common stock | ₩ <u>1,105,105</u> | <u>2,013,584</u> | <u>724,533</u> | <u>1,635,321</u> |
| Weighted average number of common shares outstanding | 1,585,615,506 | 1,585,615,506 | 1,585,615,506 | 1,585,615,506 |
| | shares | shares | shares | shares |
| Basic and diluted earnings per share in won | ₩ 697 | 1,270 | 457 | 1,031 |

Considering that the Group had no dilutive potential common shares and that stock options were not included in the calculation of diluted earnings per share because they were anti-dilutive for the reporting periods presented, diluted earnings per share equal to basic earnings per share for the six-month periods ended June 30, 2024 and 2023.

(b) Weighted average number of common shares outstanding

Weighted average number of common shares outstanding as of or for the six-month periods ended June 30, 2024 and 2023 are as follows: (In shares)

| | June 30, 2024 | June 30, 2023 |
|------------------------------------------------------|----------------------|----------------------|
| Number of common shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |
| Weight | 182/182 | 181/181 |
| Weighted average number of common shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

33. Commitments and contingencies

(a) Guarantees, acceptances and credit commitments as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|----------------------------------------|----------------------|--------------------------|
| Guarantees: | | |
| Guarantee outstanding | ₩ 15,085,245 | 12,471,728 |
| Contingent guarantees | 5,185,514 | 4,336,610 |
| ABS and ABCP purchase commitments | 1,528,469 | 1,494,747 |
| | <u>21,799,228</u> | <u>18,303,085</u> |
| Commitments to extend credit: | | |
| Loan commitments in Korean won | 90,836,329 | 87,383,214 |
| Loan commitments in foreign currencies | 28,580,600 | 27,077,629 |
| Others | 4,485,447 | 4,244,612 |
| | <u>123,902,376</u> | <u>118,705,455</u> |
| Endorsed bills: | | |
| Secured endorsed bills | 1,311 | 44 |
| Unsecured endorsed bills | 12,284,830 | 10,519,665 |
| | <u>12,286,141</u> | <u>10,519,709</u> |
| | <u>₩ 157,987,745</u> | <u>147,528,249</u> |

(b) Provision for acceptances and guarantees

Provision for acceptances and guarantees, as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|------------------------------------------|----------------------|--------------------------|
| Guarantees outstanding | ₩ 15,085,245 | 12,471,728 |
| Contingent guarantees | 5,185,514 | 4,336,610 |
| ABS and ABCP purchase commitments | 1,528,469 | 1,494,747 |
| Secured endorsed bills | 1,311 | 44 |
| | <u>₩ 21,800,539</u> | <u>18,303,129</u> |
| Provision for acceptances and guarantees | ₩ 75,159 | 62,200 |
| Ratio (%) | 0.35 | 0.34 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

33. Commitments and contingencies (continued)

(c) Legal contingencies

Pending litigations in which the Group was involved as a defendant as of June 30, 2024 and December 31, 2023 are as follows:

| June 30, 2024 | | | | |
|------------------------------------|------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Case | Number of claim | Claim amount | Description | Status |
| Deposit return | 1 | ₩ 2,000 | When the plaintiff signed a transfer contract to buy a stake in a limited company, the plaintiff set a pledge on the bank's deposit in the name of the transferor, but later requested the execution of the pledge. Hence, filed a lawsuit to claim the payment of a pledge-set deposit. | The first instance is ongoing as of June 30, 2024. |
| Avoidance of fraudulent conveyance | 1 | 3,500 | The plaintiff raised his opinion that it is a deadly act to have a collateral security right established such as factory or forest to strengthen the collateral of the borrower in excess of debt. Hence, the plaintiff filed lawsuit seeking cancellation and restoration to the original condition. | The first instance is ongoing as of June 30, 2024. |
| Return of unjust earning | 1 | 33,096 | The plaintiff believes that the group of lenders including the Group unfairly sold two oil drilling vessels that are the core assets for borrowers and it caused losses to other bankruptcy creditors of the borrower. Therefore, the Plaintiff filed a lawsuit for damages. | The first instance is ongoing as of June 30, 2024. |
| Others | 197 | 111,784 | It includes various cases, such as compensation for loss claim. | |
| | <u>200</u> | <u>₩ 150,380</u> | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

33. Commitments and contingencies (continued)

(c) Legal contingencies (continued)

Pending litigations in which the Group was involved as a defendant as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| December 31, 2023 | | | | |
|--------------------------|-----------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| Case | Number of claim | Claim amount | Description | Status |
| Deposit return | 1 | ₩ 2,000 | The plaintiff alleges that the Group has canceled the money received in his account without his consent and requested the Group to pay the deposit equivalent to the amount. | The Group won the first instance and the third instance is ongoing as of December 31, 2023. |
| Cheque return | 1 | 2,000 | The plaintiff presented a total of nine checks (₩2 billion in total) to the Group. However, the payment was rejected due to the accident report caused by defraudation from the Group. Therefore, the plaintiff claimed to be the legitimate holder of the cashier's check in this case and requested the payment of the check against the Group. | The second instance is ongoing as of December 31, 2023. |
| Return of unjust earning | 1 | 33,096 | The plaintiff believes that the group of lenders including the Group unfairly sold two oil drilling vessels that are the core assets for borrowers and it caused losses to other bankruptcy creditors of the borrower. Therefore, the plaintiff filed a lawsuit for damages. | The first instance is ongoing as of December 31, 2023. |
| Others | 186 | 119,021 | It includes various cases, such as compensation for loss claim. | |
| | <u>189</u> | <u>₩ 156,117</u> | | |

As of June 30, 2024 and December 31, 2023, the Group recorded a provision of ₩8,086 million and ₩7,163 million, respectively for litigations including cases lost in the first trial. Additional losses may be incurred from these legal actions besides the current provision established by the Group, but the amount of loss is not expected to have a material adverse effect on the Group's consolidated financial statements.

(d) Others

The Group recognized ₩367.6 billion and ₩367.1 billion, respectively, in the estimated amount of damages, which is likely to be paid to fulfill its obligations as of June 30, 2024 and December 31, 2023, as provisions, for customer losses expected due to delayed redemption of Lime CI funds, etc. according to the Financial Dispute Mediation Committee of the Financial Supervisory Service and Resolution of Board of Directors. In this regard, the amount paid in advance for liquidity supply and the amount compensated through fact-checking is ₩360.1 billion and ₩344.1 billion as of June 30, 2024 and December 31, 2023.

The Bank recognized ₩161.1 billion as provision for customers' expected losses as of June 30, 2024, from the Hong Kong H-Index-based equity linked trust ("H-Index ELT"), which could be paid to the customers for fulfilling the obligations in accordance with the Financial Supervisory Service's Dispute Resolution Standards and the resolution of the Board of Directors.

Also, there is an investigation by the Fair Trade Commission regarding unfair collaborative practices by four commercial banks are in progress, and the results cannot be predicted at this moment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

34. Statements of cash flows

Cash and cash equivalents reported in the accompanying consolidated statements of cash flows as of June 30, 2024 and December 31, 2023 are as follows:

| | <u>June 30, 2024</u> | <u>December 31, 2023</u> |
|--------------------------------------------------------------|----------------------|--------------------------|
| Cash | ₩ 2,281,937 | 2,131,816 |
| Reserve deposits | 11,674,223 | 10,732,094 |
| Other deposits | 14,225,571 | 15,192,866 |
| Cash and due from banks | <u>28,181,731</u> | <u>28,056,776</u> |
| Less: Restricted due from banks (*) | (280,805) | (244,751) |
| Less: Due with original maturities of more than three months | (100,003) | (196,117) |
| | <u>₩ 27,800,923</u> | <u>27,615,908</u> |

(*) Items which meet the definition of cash in K-IFRS No. 1007 '*Statements of Cash Flows*' are excluded.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions

(a) Receivable and payable balance with the related parties

Significant balances with the related parties as of June 30, 2024 and December 31, 2023 are as follows:

| Related party | Account | June 30, 2024 | December 31, 2023 |
|--------------------------------------|--------------------------------|------------------|----------------------|
| The parent company | | | |
| Shinhan Financial Group | Current tax assets | ₩ 30,570 | 2,856 |
| | Deposits | 1,123 | 22 |
| | Current tax liabilities | 115,650 | 118,716 |
| | Other liabilities | 69,624 | 65,424 |
| Entities under common control | | | |
| Shinhan Card Co., Ltd. | Derivative assets | 594 | 305 |
| | Loans | 123,802 | 168,836 |
| | Allowance for loan loss | (305) | (1,211) |
| | Other assets | 3,473 | 1,173 |
| | Deposits | 159,333 | 200,188 |
| | Derivative liabilities | 106,625 | 54,177 |
| | Provisions | 1,812 | 739 |
| | Other liabilities (*3) | 56,306 | 58,171 |
| Shinhan Securities Co., Ltd. | Cash and due from banks | 9 | 8 |
| | Financial assets at FVTPL (*2) | 3,528 | 3,939 |
| | Derivative assets | 3,513 | 11,114 |
| | Loans | 43,344 | 29,919 |
| | Allowance for loan loss | (359) | (143) |
| | Other assets (*1) | 48,438 | 11,076 |
| | Deposits | 737,880 | 748,851 |
| | Derivative liabilities | 12,315 | 2,199 |
| | Provisions | 107 | 155 |
| | Other liabilities (*4) | 108,387 | 71,265 |
| Shinhan Life Insurance Co., Ltd. | Derivative assets | 75,984 | 22,351 |
| | Loans | 19 | 15 |
| | Other assets | 202,381 | 209,269 |
| | Deposits | 140,317 | 204,378 |
| | Derivative liabilities | 2,244 | 24,866 |
| | Provisions | 19 | 20 |
| | Other liabilities (*5) | 39,787 | 41,089 |
| Shinhan Capital Co., Ltd. | Loans | 280,000 | 280,000 |
| | Allowance for loan loss | (34) | (30) |
| | Other assets | 1,310 | 124 |
| | Deposits | 1,733 | 1,093 |
| | Provisions | 7 | 10 |
| | Other liabilities (*6) | 17,197 | 13,490 |
| Jeju Bank | Loans | - | 1,825 |
| | Allowance for loan loss | - | (1) |
| | Other assets | 4,228 | 1 |
| | Deposits | 3,900 | 2,612 |
| | Other liabilities | 6,367 | 2,139 |
| Shinhan Asset Management Co., Ltd. | Financial assets at FVTPL (*2) | 1,351 | 34,456 |
| | Deposits | 22,261 | 9,670 |
| | Other liabilities (*7) | 1,096 | 1,094 |
| Shinhan DS | Loans | 2 | 6 |
| | Other assets | 33,647 | 31,395 |
| | Deposits | 4,193 | 5,081 |
| | Other liabilities | 18,249 | 8,035 |
| Shinhan Savings Bank | Other liabilities | 10,218 | 10,356 |
| Shinhan Fund Partners | Deposits | 16,676 | 22,177 |
| | Other liabilities | 115 | 398 |
| Shinhan AI | Deposits | 31,592 | 30 |
| | Other liabilities | 172 | - |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(a) Receivable and payable balance with the related parties (continued)

Significant balances with the related parties as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| Related party | Account | June 30, 2024 | December 31, 2023 |
|----------------------------------------------------------------------------------|-------------------------|------------------|----------------------|
| Entities under common control (continued) | | | |
| Shinhan REITs Management | Deposits | ₩ 11,249 | 8,361 |
| | Other liabilities | 7 | 371 |
| Shinhan Asset Trust Co., Ltd. | Loans | 3,999 | 3,606 |
| | Deposits | 183,876 | 189,534 |
| | Other liabilities (*8) | 534 | 575 |
| Shinhan Venture Investment Co., Ltd. | Deposits | 12 | 8,041 |
| | Other liabilities | - | 14 |
| Shinhan EZ General Insurance Co., Ltd. | Other assets | 1 | - |
| | Deposits | 58 | 170 |
| One-Shinhan Connect Fund 1 | Deposits | 385 | 289 |
| One-Shinhan Connect Fund 2 | Deposits | 128 | 364 |
| IMM Long-term Solutions Private Equity Fund | Deposits | 1 | 3 |
| Shinhan hyper connect venture fund I | Deposits | 16,049 | 5,435 |
| SH Global Private Real Estate Investment Trust No.5 | Derivative assets | 21,423 | 4,282 |
| | Derivative liabilities | 69 | - |
| Shinhan AIM Fund of Fund 15 | Derivative assets | 110 | - |
| Shinhan AIM Fund of Fund 4 | Derivative assets | 1,134 | - |
| | Derivative liabilities | - | 204 |
| SH Veneta Toll Road Pro. Private Special Asset Investment Trust(Infra) | Derivative liabilities | - | 32 |
| Shinhan AIM Real Estate Fund No.22-A | Derivative assets | 3,442 | 1,158 |
| Shinhan AIM Credit Fund 4-B | Derivative assets | 3,064 | - |
| | Derivative liabilities | - | 1,730 |
| Shinhan AIM Credit Fund 6-A | Derivative assets | 149 | - |
| SH US Nevada Photovoltaic Private Special Asset Investment Trust | Derivative assets | 100 | - |
| Investments in associates and associates of entities under common control | | | |
| ICSF (The Korea's Information Center for Savings & Finance) | Deposits | 13 | 7 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | Deposits | 884 | 923 |
| Logisvalley Shinhan REIT Co., Ltd. | Deposits | 2,290 | 1,134 |
| | Loans | 33,000 | 33,000 |
| | Allowance for loan loss | (36) | (36) |
| Shinhan Global Active REIT Co., Ltd. (*9) | Deposits | 10,487 | 206 |
| | Derivative assets | 8,939 | - |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(a) Receivable and payable balance with the related parties (continued)

Significant balances with the related parties as of June 30, 2024 and December 31, 2023 are as follows: (continued)

| Related party | Account | June 30, 2024 | December 31, 2023 |
|----------------------------------------------------------------------------------------------|-------------------------|------------------|----------------------|
| Investments in associates and associates of entities under common control (continued) | | ₩ | |
| WaveTechnology Co., Ltd. | Deposits | 254 | 17 |
| Cascade Tech Co., Ltd. | Deposits | 22 | - |
| Douzone Techfin Co., Ltd. | Deposits | 23,858 | - |
| Korea Digital Asset Custody | Deposits | 77 | 34 |
| BNP Paribas Cardif Life Insurance | Deposits | 7,150 | 2,984 |
| Shinhan Global Healthcare Fund 2 | Deposits | 1 | 1 |
| Shinhan-Albatross tech investment Fund | Deposits | 2,579 | 2,229 |
| Shinhan Time 1st Investment fund | Deposits | 64 | 151 |
| CJL No.1 Private Equity Fund | Deposits | 98 | 265 |
| SBC PFV Co., Ltd. | Deposits | 2,228 | 13,113 |
| | Loans | 870,000 | - |
| | Allowance for loan loss | (1,406) | - |
| NH-J&-IBKC Label Technology Fund | Deposits | 205 | 301 |
| Korea Credit Bureau | Deposits | 53 | 640 |
| KOREA FINANCE SECURITY | Deposits | 100 | 132 |
| Goduck Gangil1 PFV Co., Ltd. | Deposits | 4 | 11 |
| Goduck Gangil10 PFV Co., Ltd. | Deposits | 7,777 | 7,568 |
| | Loans | - | 1,100 |
| | Allowance for loan loss | - | (5) |
| iPIXEL Co., Ltd. | Deposits | 988 | 11 |
| SEOKWANG T&I | Deposits | - | 1 |
| Capston General Private Real Estate Investment Trust No.26 | Deposits | - | 1 |
| STIC ALT Global II Private Equity Fund | Deposits | 2,463 | - |
| Rifa Private Real Estate Investment Trust 31 | Loans | 14,000 | - |
| | Allowance for loan loss | (47) | - |
| Key management personnel | | | |
| | Loans | 3,319 | 5,005 |
| | Allowance for loan loss | (1) | (2) |
| | Provisions | 1 | 2 |

(*1) Includes right-of-use assets.

(*2) It includes the amount related to investments in structured entities.

(*3) As of June 30, 2024 and December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩31,298 million and ₩29,701 million, respectively.

(*4) As of June 30, 2024 and December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩33,615 million and ₩31,555 million, respectively.

(*5) As of June 30, 2024 and December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩34,808 million and ₩32,470 million, respectively.

(*6) As of June 30, 2024 and December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩333 million and ₩338 million, respectively.

(*7) As of June 30, 2024 and December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩666 million and ₩677 million, respectively.

(*8) As of June 30, 2024 and December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩167 million and ₩169 million, respectively.

(*9) It includes the amount related to transactions of subsidiaries of associates.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(b) Income and expense with the related parties

Significant transactions with the related parties for the six-month periods ended June 30, 2024 and 2023 are as follows:

| Related party | Account | June 30, 2024 | June 30, 2023 | |
|----------------------------------------|---------------------------------------|----------------------------|---------------|-------|
| The parent company | | | | |
| Shinhan Financial Group | Fees and commission income | ₩ 1 | 2 | |
| | Other operating income | 1,069 | 777 | |
| | Interest expense | (233) | (253) | |
| | Fees and commission expense | (23,221) | (20,841) | |
| | Other operating expense | (68) | (342) | |
| Entities under common control | | | | |
| Shinhan Card Co., Ltd. | Interest income | 5,413 | 8,718 | |
| | Fees and commission income | 83,968 | 90,294 | |
| | Gain related to derivatives | 3,481 | 4,760 | |
| | Other operating income | 3,368 | 3,157 | |
| | Interest expense (*2) | (1,893) | (384) | |
| | Fees and commission expense | (4,855) | (4,156) | |
| | Loss related to derivatives | (57,059) | (21,393) | |
| | Reversal of (provision for) allowance | 905 | (118) | |
| | Other operating expense | (1,081) | (150) | |
| | Shinhan Securities Co., Ltd. | Interest income | 971 | 1,179 |
| | | Fees and commission income | 2,363 | 2,072 |
| Financial assets measured at FVTPL(*1) | | (411) | 619 | |
| Gain related to derivatives | | 12,198 | 24,889 | |
| Other operating income | | 4,021 | 3,978 | |
| Interest expense (*3) | | (7,953) | (7,476) | |
| Loss related to derivatives | | (52,724) | (18,253) | |
| Reversal of (provision for) allowance | | (216) | (94) | |
| Other operating expense | | (25) | (206) | |
| Shinhan Life Insurance Co., Ltd. | | Fees and commission income | 5,164 | 1,898 |
| | Gain related to derivatives | 97,339 | 31,734 | |
| | Other operating income | 2,458 | 2,001 | |
| | Interest expense (*4) | (3,730) | (1,903) | |
| | Fees and commission expense | (6) | (285) | |
| | Loss related to derivatives | (1,574) | (6,915) | |
| | Other operating expense | 1 | - | |
| | Shinhan Capital Co., Ltd. | Interest income | 7,354 | 1,173 |
| Fees and commission income | | 37 | 12 | |
| Other operating income | | 684 | 566 | |
| Interest expense (*5) | | (264) | (238) | |
| Reversal of (provision for) allowance | | (4) | (24) | |
| Other operating expense | | 2 | - | |
| Jeju Bank | | Interest income | 1 | 1 |
| | Other operating income | 337 | 318 | |
| | Interest expense | (37) | (33) | |
| | Reversal of (provision for) allowance | 1 | 1 | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(b) Income and expense with the related parties (continued)

Significant transactions with the related parties for the six-month periods ended June 30, 2024 and 2023 are as follows:
(continued)

| Related party | Account | June 30, 2024 | June 30, 2023 |
|------------------------------------------------------------------------|----------------------------------------|------------------|------------------|
| Entities under common control | | | |
| Shinhan Asset Management Co., Ltd. | Financial assets measured at FVTPL(*1) | ₩ 8,406 | 125 |
| | Fees and commission income | 39 | 2 |
| | Gain related to derivatives | 60 | - |
| | Other operating income | 75 | 71 |
| | Interest expense (*6) | (8) | (105) |
| | Fees and commission expense | (842) | (643) |
| Shinhan DS | Other operating income | 655 | 507 |
| | Interest expense | (292) | (190) |
| | Other operating expense | (46,868) | (40,641) |
| Shinhan Savings Bank | Fees and commission income | 415 | 634 |
| | Other operating income | 550 | 441 |
| | Interest expense | (202) | (144) |
| Shinhan Fund Partners | Fees and commission income | 24 | 44 |
| | Other operating income | 86 | 84 |
| | Interest expense | (299) | (195) |
| Shinhan REITs Management | Interest expense | (133) | (55) |
| Shinhan AI | Other operating income | 17 | 53 |
| | Fees and commission expense | - | (3,471) |
| | Interest expense | (340) | - |
| Shinhan Asset Trust Co., Ltd. | Interest income | (1,829) | (2,262) |
| | Fees and commission income | 10 | 9 |
| | Interest expense (*7) | (1,527) | (730) |
| | Fees and commission expense | - | (25) |
| Shinhan Venture Investment Co., Ltd. | Fees and commission income | - | 1 |
| | Interest expense | (30) | (159) |
| Shinhan EZ General Insurance Co., Ltd | Fees and commission income | 3 | 2 |
| One-Shinhan Connect Fund 1 | Fees and commission income | 12 | 13 |
| | Interest expense | - | (8) |
| One-Shinhan Connect Fund 2 | Fees and commission income | 3 | 4 |
| | Interest expense | - | (11) |
| IMM Long-term Solutions Private Equity Fund | Fees and commission income | 17 | - |
| | Interest expense | - | (2) |
| Shinhan hyper connect venture fund 1 | Interest expense | (8) | - |
| | Fees and commission income | 9 | - |
| SH Global Private Real Estate Investment Trust No.5 | Gain related to derivatives | 17,376 | 8,066 |
| | Loss related to derivatives | (69) | (34) |
| SH US Nevada Photovoltaic Private Special Asset Investment Trust | Gain related to derivatives | 100 | 2,311 |
| Shinhan AIM Real Estate Fund No.15 | Gain related to derivatives | 417 | - |
| | Loss related to derivatives | - | (6) |
| Shinhan AIM Fund of Fund 4 | Gain related to derivatives | 1,338 | 1,427 |
| | Loss related to derivatives | - | (141) |
| SH Veneta Toll Road Pro. Private Special Asset Investment Trust(Infra) | Gain related to derivatives | 280 | 2,026 |
| | Loss related to derivatives | - | (145) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. **Related party transactions (continued)**

(b) Income and expense with the related parties (continued)

Significant transactions with the related parties for the six-month periods ended June 30, 2024 and 2023 are as follows:
(continued)

| <u>Related party</u> | <u>Account</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|----------------------------------------------------------------------------------|---------------------------------------|----------------------|----------------------|
| Entities under common control (continued) | | | |
| Shinhan AIM Real Estate Fund No.22-A | Gain related to derivatives | ₩ 2,284 | 1,595 |
| Shinhan AIM Credit Fund 6-A | Gain related to derivatives | 149 | - |
| SH Global Green Energy Partnership | Gain related to derivatives | - | 771 |
| Private Special Asset Investment Trust No.1 | Loss related to derivatives | - | (147) |
| Kyobo-AXA Czech Republic-Praha Private Realestate Trust No.1 (*9) | Gain related to derivatives | - | 638 |
| SH Lifetime Income TIF Mixed Asset Investment Trust | Gain related to derivatives | 22 | - |
| Shinhan Dollar Income Private Security Investment Trust No.2 (*9) | Loss related to derivatives | - | (1,876) |
| SH Long-Term Growth TDF 2035 Security Investment Trust | Gain related to derivatives | 55 | - |
| Shinhan AIM Credit Fund 4-B | Gain related to derivatives | 4,794 | - |
| Investments in associates and associates of entities under common control | | | |
| BNP Paribas Cardif Life Insurance Co., Ltd. | Fees and commission income | 337 | 994 |
| | Interest expense | (6) | (49) |
| KOREA FINANCE SECURITY | Fees and commission income | 2 | 2 |
| Korea Credit Bureau | Fees and commission income | 7 | 8 |
| Goduck Gangil1 PFV Co., Ltd. | Interest income | - | 108 |
| | Reversal of (provision for) allowance | - | 11 |
| SBC PFV Co., Ltd. | Fees and commission income | 6,590 | - |
| | Interest expense | (12) | (8) |
| | Interest income | 457 | - |
| | Reversal of (provision for) allowance | (1,406) | - |
| Goduck Gangil10 PFV Co., Ltd. | Interest income | 5 | 43 |
| | Interest expense | (176) | (349) |
| | Reversal of (provision for) allowance | 5 | 1 |
| CJL No.1 Private Equity Fund | Interest expense | (2) | (5) |
| Logisvalley Shinhan REIT Co., Ltd. | Interest income | 847 | 983 |
| | Interest expense | (1) | (1) |
| | Reversal of (provision for) allowance | - | (4) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(b) Income and expense with the related parties (continued)

Significant transactions with the related parties for the six-month periods ended June 30, 2024 and 2023 are as follows:
(continued)

| <u>Related party</u> | <u>Account</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> |
|----------------------------------------------------------------------------------------------|---------------------------------------|----------------------|----------------------|
| Investments in associates and associates of entities under common control (continued) | | | |
| Shinhan-Albatross Tech Investment Fund | Interest expense | ₩ (5) | (2) |
| Shinhan Global Active REIT Co., Ltd. (*8) | Interest expense | (2) | (1) |
| | Gain related to derivatives | 8,016 | - |
| Cascade Tech Co., Ltd | Reversal of (provision for) allowance | 6 | - |
| Douzone Techfin Co., Ltd. | Fees and commission income | 1 | - |
| | Interest expense | (310) | - |
| Songpa Biz-Cluster PFV Co., Ltd. | Interest expense | (1) | - |
| NH-J&-IBKC Label Technology Fund | Interest expense | (4) | (7) |
| STIC ALT Global II Private Equity Fund | Interest expense | (1) | - |
| Rifa Private Real Estate Investment Trust 31 | Interest income | 425 | - |
| | Reversal of (provision for) allowance | (47) | - |
| Key management personnel | | | |
| | Interest income | 67 | 134 |

(*1) The amount of investment related to structured entities is included.

(*2) The amount includes ₩1,329 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*3) The amount includes ₩1,399 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*4) The amount includes ₩1,433 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*5) The amount includes ₩(10) million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*6) The amount includes ₩(20) million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*7) The amount includes ₩(5) million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*8) It includes the amount related to transactions of subsidiaries of associates.

(*9) It is excluded from the related parties during the former accounting period.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(c) Salaries with key management

Details of transactions with key management for the six -month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | June 30, 2023 | |
|---------------------------------------|---------------|-----------|---------------|-----------|
| | Three month | Six month | Three month | Six month |
| Short and long-term employee benefits | ₩ 2,855 | 5,156 | 4,225 | 5,942 |
| Post-employment benefits | 96 | 188 | 90 | 182 |
| Share-based payment transactions | 1,860 | 4,114 | 768 | 1,975 |
| | ₩ 4,810 | 9,458 | 5,083 | 8,099 |

(d) Details of the guarantees provided between the related parties, etc.

The guarantee provided between the related parties as of June 30, 2024, and December 31, 2023 are as follows:

| Guaranteed parties | Amount of guarantees | | Account |
|----------------------------------------------|----------------------|-------------------|-----------------------------------------------------|
| | June 30, 2024 | December 31, 2023 | |
| Shinhan Securities Co., Ltd. | ₩ 19,000 | 19,000 | Purchase note agreement |
| | 346,897 | 397,633 | Unused credit |
| Shinhan Card Co., Ltd. | 515,669 | 476,221 | Unused credit |
| | 18,894 | 36,877 | Financial guarantee |
| Shinhan Life Insurance Co., Ltd. | 100,086 | 100,087 | (Letter of credit method) Unused credit |
| Shinhan Capital Co., Ltd. | 40,000 | 40,000 | Unused credit |
| BNP Paribas Cardif Life Insurance Co., Ltd. | - | 10,000 | Unused credit |
| SBC PFV Co., Ltd. | 100,000 | - | Unused credit |
| Rifa Private Real Estate Investment Trust 31 | 44,649 | - | Unused credit |
| Shinhan DS | 47 | 42 | Unused credit |
| | 22 | 21 | Performance guarantee (Payment guarantee method) |
| Structured entities | 809,800 | 742,125 | Securities acquisition agreement (*) |
| Key management personnel | 2,752 | 3,241 | Unused credit limit |
| | ₩ 1,997,816 | 1,825,247 | |

(*) The amount is for subsidiaries and associates, which are structured entities, under common control.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(e) Collaterals provided to the related parties

i) Details of collaterals provided to the related parties as of June 30, 2024 and December 31, 2023 are as follows:

| | Related party | Pledged assets | June 30, 2024 | | December 31, 2023 | |
|-------------------------------|----------------------------------|----------------|------------------|------------------------|-------------------|------------------------|
| | | | Carrying amounts | Amounts collateralized | Carrying amounts | Amounts collateralized |
| Entities under common control | Shinhan Life Insurance Co., Ltd. | Securities | ₩ - | - | 10,008 | 10,008 |

ii) Details of collaterals provided by the related parties as of June 30, 2024 and December 31, 2023 are as follows:

| | Related party | Pledged assets | June 30, | December 31, |
|-------------------------------|----------------------------------------------|--------------------------------------|-------------|--------------|
| | | | 2024 | 2023 |
| Entities under common control | Shinhan Securities Co., Ltd. | Deposits | ₩ 267,100 | 309,650 |
| | Jeju Bank | Government bonds | 40,000 | 40,000 |
| | Shinhan Life Insurance Co., Ltd. | Government bonds | 84,200 | 10,000 |
| | Shinhan Card Co., Ltd. | Deposits | 180 | 180 |
| | | Bonds | 237,986 | 237,986 |
| Investment in associates | Shinhan Capital Co., Ltd. | Government bonds and corporate bonds | 364,000 | 364,000 |
| | BNP Paribas Cardif Life Insurance Co., Ltd. | Public bonds | - | 2,400 |
| | SBC PFV Co., Ltd. | trust | 1,320,000 | - |
| | Logisvalley Shinhan REIT Co., Ltd. | trust | 39,600 | 39,600 |
| | Rifa Private Real Estate Investment Trust 31 | trust | 16,800 | - |
| Key management personnel | | Real estate | 6,876 | 4,417 |
| | | Deposits etc. | 1,366 | 1,127 |
| | | Guarantee | 2,135 | 1,308 |
| | | | ₩ 2,380,243 | 1,010,668 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(f) Transactions with related parties

(i) Loan transactions with related parties for the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|----------------------------------|-------------------------------------------------|---------------------------|-------------|------------------|------------------------|
| | Related party | Beginning balance (*1) | Rental (*2) | Recovery (*2) | Ending balance (*1) |
| Entities under common control | Shinhan DS | ₩ 6 | 3 | (7) | 2 |
| | Shinhan Securities Co., Ltd. | 29,919 | 69,512 | (56,087) | 43,344 |
| | Shinhan Card Co., Ltd. | 168,836 | 133,855 | (178,889) | 123,802 |
| | Shinhan Life Insurance Co., Ltd. | 15 | 24 | (20) | 19 |
| | Jeju Bank | 1,825 | - | (1,825) | - |
| | Shinhan Capital Co., Ltd. | 280,000 | 17,306 | (17,306) | 280,000 |
| Investment in associates | Goduck Gangil10 PFV Co., Ltd. | 1,100 | - | (1,100) | - |
| | Logisvalley Shinhan REIT Co., Ltd. | 33,000 | 34,175 | (34,175) | 33,000 |
| | Cascade Tech Co., Ltd. | - | 66 | (66) | - |
| | Rifa Private Real Estate Investment Trust 31 | - | 14,000 | - | 14,000 |
| | SBC PFV Co., Ltd. | - | 870,000 | - | 870,000 |
| Key management personnel | | 5,005 | 993 | (2,679) | 3,319 |
| | | ₩ 519,706 | 1,139,934 | (292,154) | 1,367,486 |

(*1) The amount is before deducting allowance.

(*2) Some of the limit loans are shown in net amount.

| | | December 31, 2023 | | | |
|----------------------------------|---------------------------------------|---------------------------|-------------|------------------|------------------------|
| | Related party | Beginning balance (*1) | Rental (*2) | Recovery (*2) | Ending balance (*1) |
| Entities under common control | Shinhan DS | ₩ 10 | 16 | (20) | 6 |
| | Shinhan Securities Co., Ltd. | 23,634 | 108,281 | (101,996) | 29,919 |
| | Shinhan Card Co., Ltd. | 494,622 | 285,122 | (610,908) | 168,836 |
| | Shinhan Life Insurance Co., Ltd. | 33 | 20 | (38) | 15 |
| | Jeju Bank | 1,906 | 1,892 | (1,973) | 1,825 |
| | Shinhan Capital Co., Ltd. | - | 281,621 | (1,621) | 280,000 |
| Investment in associates | Goduck Gangil1 PFV Co., Ltd. | 6,825 | - | (6,825) | - |
| | Goduck Gangil10 PFV Co., Ltd. | 3,100 | - | (2,000) | 1,100 |
| | Logisvalley Shinhan REIT Co., Ltd. | 43,000 | 33,000 | (43,000) | 33,000 |
| Key management personnel | | 6,563 | 3,154 | (4,712) | 5,005 |
| | | ₩ 579,693 | 713,106 | (773,093) | 519,706 |

(*1) The amount is before deducting allowance.

(*2) Some of the limit loans are shown in net amount.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(f) Transactions with related parties (continued)

(ii) Borrowing and repayment transactions with related parties for the six-month period ended June 30, 2024 and for the year ended December 31, 2023 are as follows:

| | | | June 30, 2024 | | | |
|----------------------------------|-----------------------------------------|-------------------------------------|----------------------|---------|-------------------|-------------------|
| | Related party | Account | Beginning balance | Rental | Recovery, etc. | Ending balance |
| Entities under common control | Shinhan Securities Co., Ltd. | Deposit (*) ₩ | 52,948 | 158,929 | (32,096) | 179,781 |
| | Shinhan Card Co., Ltd. | Deposit (*) | 51,648 | - | (51,217) | 431 |
| | Shinhan Fund Partners | Deposit (*) | 15,000 | - | - | 15,000 |
| | Shinhan DS | Deposit (*) | 3,223 | 85 | - | 3,308 |
| | Shinhan Asset Trust Co., Ltd. | Deposit (*) | 50,172 | 85,243 | (50,172) | 85,243 |
| | Shinhan Life Insurance Co., Ltd. | Deposit (*) | 45,545 | - | (25,662) | 19,883 |
| | Shinhan REITs Management | Deposit (*) | 8,100 | 2,182 | - | 10,282 |
| | Shinhan Venture Investment Co., Ltd. | Deposit (*) | 8,000 | - | (8,000) | - |
| | Shinhan AI | Deposit (*) | - | 31,000 | - | 31,000 |
| | Investment in associates | NH-J&-IBKC Label Technology Fund | Deposit (*) | 248 | - | (95) |
| CJL No.1 Private Equity Fund | | Deposit (*) | 265 | - | (167) | 98 |
| Douzone Techfin Co., Ltd. | | Deposit (*) | - | 24,000 | (2,000) | 22,000 |
| | | | ₩ 235,149 | 301,439 | (169,409) | 367,179 |

(*) The details of settlements among related parties' depository liabilities that can be deposited and withdrawn on demand, are excluded.

| | | | December 31, 2023 | | | |
|----------------------------------|------------------------------------------------|----------------|----------------------|---------|-------------------|-------------------|
| | Related party | Account | Beginning balance | Rental | Recovery, etc. | Ending balance |
| Entities under common control | Shinhan Securities Co., Ltd. | Deposit (*1) ₩ | 502,280 | 23,624 | (472,956) | 52,948 |
| | Shinhan Card Co., Ltd. | Deposit (*1) | 1,794 | 57,885 | (8,031) | 51,648 |
| | Shinhan Asset Management Co., Ltd. | Deposit (*1) | 10,341 | - | (10,341) | - |
| | Shinhan Fund Partners (*2) | Deposit (*1) | 5,000 | 29,000 | (19,000) | 15,000 |
| | Shinhan DS | Deposit (*1) | 6,786 | - | (3,563) | 3,223 |
| | Shinhan Asset Trust Co., Ltd. | Deposit (*1) | 100,000 | 50,172 | (100,000) | 50,172 |
| | Shinhan Life Insurance Co., Ltd. | Deposit (*1) | 31,098 | 18,937 | (4,490) | 45,545 |
| | Shinhan REITs Management | Deposit (*1) | 3,000 | 6,100 | (1,000) | 8,100 |
| | Shinhan Venture Investment Co., Ltd. | Deposit (*1) | 10,500 | 5,000 | (7,500) | 8,000 |
| | IMM Long-term Solutions Private Equity Fund | Deposit (*1) | 609 | - | (609) | - |
| Investment in associates | NH-J&-IBKC Label Technology Fund (*3) | Deposit (*1) | - | 335 | (87) | 248 |
| | CJL No.1 Private Equity Fund (*3) | Deposit (*1) | 603 | - | (338) | 265 |
| | | | ₩ 672,011 | 191,053 | (627,915) | 235,149 |

(*1) The details of settlements among related parties' depository liabilities that can be deposited and withdrawn on demand, are excluded.

(*2) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.

(*3) The amount of ₩400 million of deposits of Deepblue No.1 private equity fund, which was excluded as a related party as of December 31, 2023, was excluded from the beginning balance.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(g) Major commitments related to derivatives

As of June 30, 2024 and December 31, 2023, the major commitments related to derivative assets and liabilities with related parties are as follows:

| | <u>Related party</u> | <u>Classification of commitments</u> | <u>June 31, 2024</u> | <u>December 31, 2023</u> | |
|-------------------------------|----------------------------------------------------------------------------------|-----------------------------------------|----------------------|--------------------------|------------------|
| Entities under common control | Shinhan Life Insurance Co., Ltd. | Derivatives | ₩ 1,498,412 | 1,507,630 | |
| | Shinhan Card Co., Ltd. | Derivatives | 1,021,734 | 857,363 | |
| | Shinhan Securities Co., Ltd. | Derivatives | 759,039 | 687,749 | |
| | SH US Nevada Photovoltaic Private Special Asset Investment Trust | Derivatives | 6,946 | - | |
| | SH Veneta Toll Road Pro. Private Special Asset Investment Trust(Infra) | Derivatives | - | 29,103 | |
| | Shinhan AIM Fund of Fund 4 | Derivatives | 40,710 | 30,715 | |
| | Shinhan AIM Real Estate Fund No.22-A | Derivatives | 39,480 | 26,573 | |
| | SH Global Private Real Estate Investment Trust No.5 | Derivatives | 215,048 | 196,505 | |
| | Shinhan AIM Credit Fund 4-B | Derivatives | 71,843 | 66,682 | |
| | Shinhan AIM Credit Fund 6-A | Derivatives | 4,631 | - | |
| | Shinhan AIM Real Estate Fund No.15 | Derivatives | 12,017 | - | |
| | Entities under common control and investments in associates under common control | Shinhan Global Active REIT Co., Ltd (*) | Derivatives | 98,676 | - |
| | | | | ₩ <u>3,768,536</u> | <u>3,402,320</u> |

(*) It includes the amount related to transactions of subsidiaries of associates.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(h) Major investment and collection transactions

Major investments and collection transactions with related parties or the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|------------|------------|-------|
| | | Related party | Investment | Collection | |
| Investments in associates | Shinhan SKS Corporate Recovery Private Equity Fund | ₩ | 7,233 | 308 | |
| | Neoplux Technology Valuation Investment Fund | | - | 9,647 | |
| | Shinhan-Neoplux Energy Newbiz Fund | | - | 6,776 | |
| | BTS 2nd Private Equity Fund | | 2,920 | - | |
| | Shinhan hyper connect venture Fund 1 | | 9,000 | - | |
| | Shinhan hyper future's venture Fund 1 | | 1,703 | - | |
| | SBC PFV Co., Ltd. | | 4,375 | - | |
| | Songpa Biz-Cluster PFV Co.,Ltd. | | 7,200 | - | |
| | Douzone Techfin Co.,Ltd. | | 27,000 | - | |
| | Newlake Growth Capital Partners2 PEF | | - | 21 | |
| | One Shinhan Mezzanine Fund 1 | | 10,000 | - | |
| | HDFC Credila Financial Services | | 250,270 | - | |
| | Shinhan Private Equity Fund II | | - | 42,861 | |
| | Korea Credit Bureau | | - | 45 | |
| | Goduck Gangil1 PFV Co., Ltd. | | - | 148 | |
| | Goduck Gangil10 PFV Co., Ltd. | | - | 149 | |
| | Shinhan-Albatross Tech Investment Fund | | - | 3,054 | |
| | Entities under common control and investments in associates under common control | SHBNPP Mokpo New Port Professional Investment Type Private Special Asset Investment Trust | | - | 1,205 |
| | | SHBNPP Venture Professional Investment Type Private Investment Trust No.1 | | - | 5,979 |
| | | SHINHAN NPS RENEWABLE FUND NO.1 | | 110 | 51 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.2 | | | - | 6,501 | |
| SHBNPP WTE(Iste To Energy) Professional Investment Type Private Special Asset Investment Trust No.1 | | | 3,609 | 83 | |
| Shinhan AIM FoF Fund 6 | | | 4,631 | - | |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.3 | | | 3,500 | 1,440 | |
| SH Venture Professional Investment Type Private Investment Trust No.4 | | | 7,000 | - | |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.3 | | | 623 | 94 | |
| Shinhan Digital New Deal Private Mixed Asset | | | 1,705 | 139 | |
| SH Mezzanine Investment Type Private Security Investment Trust No.3 | | | - | 1,734 | |
| Shinhan Subway Line No.9 Private Mixed Asset | | | - | 3,432 | |
| Shinhan AIM FoF Fund 9-C | | | 639 | 57 | |
| SH Venture Private Investment Trust No.5 | | | 7,000 | - | |
| Shinhan Greenway Corporate Investment FUND NO.1 | | | 3,000 | - | |
| SH BGT Private Special Asset Investment Trust No.2 | | | 384 | - | |
| SH Venture Private Investment Trust No.6 | | | 7,000 | - | |
| SH-LS Global Green Way Private Special Asset Investment Trust | | | 5,208 | - | |
| Shinhan KKR Global Program Private Investment Trust | | | 2,604 | - | |
| SH Dollar Short-term Security Investment Trust No.1 | | | 69,460 | 14,111 | |
| SH Brookfield Infrastructure Fund V Private Special Asset Investment Trust No.2-A | | | 1,395 | 820 | |
| SH Special Situation Private Real Estate Feeder Investment Trust No.1 | | | 12,872 | - | |
| Shinhan Corporate Opportunities Investment private Mixed Asset Investment Trust | | | 9,333 | - | |
| SH Green Infrastructure Private Special Asset Investment Trust No.1 | | | 4,197 | - | |
| Shinhan global Green Way European Infrastructure Private Special Asset Investment Trust No.1 | | | 7,154 | - | |
| Shinhan Infrastructure Development Private Mixed Asset Investment Trust No.2 | | | 3,389 | - | |
| SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | | | - | 4,160 | |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | | | - | 14 | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties or the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows: (continued)

| | | June 30, 2024 | | |
|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|---------------|----------------|----------------|
| | | Related party | Investment | Collection |
| Entities under common control and investments in associates under common control (continued) | SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust | ₩ | - | 9,406 |
| | SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 | | - | 54 |
| | Mastern Opportunity Seeking Real Estate Fund II | | - | 188 |
| | SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | | 7,399 | 1,814 |
| | IGIS Private Real Estate Investment Trust 517-1 | | 1,750 | - |
| | SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.3 | | 6,792 | - |
| | Truston Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.3 | | 574 | - |
| | IMM Long-term Solutions Private Equity Fund | | - | 12,593 |
| | T CORE INDUSTRIAL TECHNOLOGY 1ST VENTURE PEF | | - | 119 |
| | Shinhan-soo secondary Fund | | 1,350 | - |
| | SHINHAN-NEO Market-Frontier 2nd Fund | | 1,500 | 1,798 |
| | Shinhan VC Tomorrow Venture Fund 1 | | 5,000 | - |
| | SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | | - | 3,189 |
| | SKS-YOZMA No.1 Fund | | - | 1,003 |
| | Penture K-content Fund | | 3,000 | - |
| | | ₩ | <u>501,879</u> | <u>133,353</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements (Continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties or the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows: (continued)

| | | December 31, 2023 | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------|------------|
| | | Related party | Investment | Collection |
| Investments in associates | Shinhan-Albatross Technology Investment Fund | ₩ | - | 1,000 |
| | Korea Credit Bureau | | - | 45 |
| | Neoplux Technology Valuation Investment Fund | | - | 3,331 |
| | All Together Korea Fund 6 | | 105 | 105 |
| | All Together Korea Fund 7 | | 105 | 105 |
| | One Shinhan Connect Fund 1 | | - | 208 |
| | One Shinhan Connect Fund 2 | | - | 6,130 |
| | Shinhan SKS Corporate Recovery Private Equity Fund | | 6,682 | 298 |
| | One Shinhan Futures Fund 1 | | - | 612 |
| | One Shinhan Futures Fund 3 | | - | 309 |
| | DDI LVC Master Real Estate Investment Trust Co., Ltd. | | 450 | - |
| | BTS 2nd Private Equity Fund | | 2,200 | - |
| | One Shinhan Mezzanine Fund 1 | | 10,000 | - |
| | Shinhan hyper connect venture Fund 1 | | 15,200 | - |
| | Shinhan Global Flagship Venture Fund1 | | 18,000 | - |
| | One Shinhan Futures Fund 2 | | - | 199 |
| | Shinhan hyper future's venture Fund 1 | | 319 | - |
| | KST-SH Laboratory Investment Fund No.1 | | - | 260 |
| | SBC PFV Co., Ltd. | | 1,875 | - |
| | Entities under common control and investments in associates under common control | SH YoungNam LNG Combined Cycle Private Special Asset Investment Trust[Infra business] | | - |
| SHBNPP Mokpo New Port Professional Investment Type Private Special Asset Investment Trust | | | - | 1,822 |
| SHBNPP Real Estate Loan Professional Investment Type Private Real Estate Investment Trust No.1 | | | - | 8,821 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.1 | | | 1,204 | 3,199 |
| Shinhan AIM Social Enterprise Investment Fund I | | | 48 | - |
| SHINHAN NPS RENEWABLE FUND NO.1 | | | 212 | 7,238 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.2 | | | 3,500 | 3,389 |
| Shinhan AIM Social Enterprise Investment Fund II | | | 78 | - |
| SHBNPP WTE(Iste To Energy) Professional Investment Type Private Special Asset Investment Trust No.1 | | | 7,471 | 124 |
| Shinhan AIM FoF Fund 6 | | | 4,298 | 772 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.3 | | | 3,500 | - |
| SH BNPP Startup Venture Alpha Specialized Investment Private Equity Mixed Asset Trust No.1 | | | 525 | - |
| Shinhan ESG Bond Specialized Investment Trust No. 1 | | | - | 8,779 |
| Shinhan AIM Social Enterprise Investment Fund III | | | 1,250 | - |
| SH Venture Professional Investment Type Private Investment Trust No.4 | | | 14,000 | - |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.3 | | | 14,339 | 9 |
| SH Startup Venture Alpha Private Equity Mixed Asset Trust No.2 | | | 2,100 | - |
| Shinhan Digital New Deal Private Mixed Asset | | | 9,414 | 23 |
| Shinhan Subway Line No.9 Private Mixed Asset | | | - | 6,619 |
| Shinhan AIM FoF Fund 9-C | | | 4,335 | 398 |
| SH Venture Private Investment Trust No.5 | | 21,000 | - | |
| Shinhan Greenway Corporate Investment FUND NO.1 | | 12,500 | - | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties or the six-month periods ended June 30, 2024 and the year ended December 31, 2023 are as follows: (continued)

| | | December 31, 2023 | | |
|----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------|------------|------------|
| | | Related party | Investment | Collection |
| Entities under common control and investments in associates under common control (continued) | SH BGT Private Special Asset Investment Trust No.2 | ₩ | 8,154 | - |
| | SH-KT Logistics Investment Type Private Real Estate Investment Trust No.1[FoF] | | 20 | - |
| | Shinhan Infrastructure Development Private Mixed Asset Investment Trust | | 8,082 | - |
| | SH Venture Private Investment Trust No.6 | | 14,000 | - |
| | SH-LS Global Green Way Private Special Asset Investment Trust | | 13,218 | - |
| | Shinhan One Flagship Real Estate Development Fund 1 | | 6,255 | - |
| | Shinhan KKR Global Program Private Investment Trust(USD) | | 21,376 | - |
| | SH Dollar Short-term Security Investment Trust No.1[Bond] | | 12,894 | - |
| | SH Brookfield Infrastructure Fund V Private Special Asset Investment Trust No.2-A(USD)[FoFs] | | 6,125 | - |
| | SH Special Situation Private Real Estate Feeder Investment Trust No.1 | | 10,702 | - |
| | Shinhan Corporate Opportunities Investment private Mixed Asset Investment Tru | | 11,807 | - |
| | SH Green Infrastructure Private Special Asset Investment Trust No.1 | | 1,213 | - |
| | Shinhan The Credit Private Mixed Asset Trust No.01 | | 10,000 | - |
| | DB EB private investment Fund2 | | 2,000 | - |
| | SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | | - | 6,993 |
| | SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | | - | 11,610 |
| | SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | | - | 877 |
| | SHBNPP BNCT Professional Investment Type Private Mixed Asset | | - | 18,743 |
| | SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust | | 2 | - |
| | SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 | | - | 2,690 |
| | Mastern Opportunity Seeking Real Estate Fund II | | - | 1,575 |
| | SIMONE Mezzanine Fund No.3 | | - | 1,312 |
| | PHAROS DK FUND | | - | 635 |
| | SH Estate Loan Private Investment No.2 | | 10,989 | 6,443 |
| | SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | | 1,396 | - |
| | IGIS Private Real Estate Investment Trust 517-1 | | 18,500 | - |
| | SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.3 | | 4,211 | - |
| | Shinhan Digital Healthcare New Technology Investment Fund 1 | | - | 292 |
| | Shinhan Time Secondary Blind Fund | | 1,500 | - |
| | Shinhan-soo secondary Fund | | 1,350 | - |
| | SHINHAN-NEO Market-Frontier 2nd Fund | | 1,500 | - |
| | T&F2019 SS Private Equity Fund Specializing in Start-up and Venture Business | | - | 842 |
| | SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | | - | 6,997 |
| J& Moorim Jade Investment Fund | | - | 226 | |
| NH Kyobo AI Solution Investment Fund | | - | 2,192 | |
| SKS-YOZMA No.1 Fund | | - | 2,070 | |
| Keystone Unicorn Private Equity Fund | | - | 2,250 | |
| Forward-NBH New Technology Fund 1 | | 2,000 | - | |
| Kiwoom Materials, Parts and Equipment 3 New Technology Business Investment Fund | | 2,000 | - | |
| VL Ziegler II Private Equity Fund | | 9,000 | - | |
| SQUARE NEW PARADIGM INVESTMENT FUND NO.1 | | 2,000 | - | |
| Kiwoom-Time Animation New Technology Business Investment Fund | | 2,000 | - | |
| Ascent-Welcome Fund2 | | 3,000 | - | |
| | | ₩ | 340,004 | 129,689 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

35. Related party transactions (continued)

(i) The main types of transactions between the Group and related parties include deposit transactions, loan transactions, credit offering transactions by local subsidiaries due to the acquisition of L/C opened by the bank, transactions related to business consignment, overdraft transactions related to credit card funds settlement and CLS payment service agreement transactions, etc.

(j) For the six-month periods ended June 30, 2024 and 2023, the Group purchased bonds through Shinhan Securities Co., Ltd. at ₩2,602,878 million and ₩1,960,862 million, respectively, while the amount sold is ₩1,268,999 million and ₩915,471 million, respectively.

(k) As of June 30, 2024 and December 31, 2023, the plan assets deposited in the DB type retirement pension operated and managed by Shinhan Life Insurance Co., Ltd. are ₩179,566 million and ₩187,228 million, respectively. The plan assets deposited in the DB type retirement pension operated by Shinhan Securities Co., Ltd. and managed by Shinhan Life Insurance Co., Ltd. are ₩22,427 million and ₩22,026 million, respectively.

(l) As of June 30, 2024 and December 31, 2023, the credit card limit contract amount provided by Shinhan Card Co., Ltd., a related party, is ₩67,480 million and ₩67,346 million, respectively.

(m) For the six-month periods ended June 30, 2024, the Group acquired the assets through an asset transfer deal with Shinhan AI's AI development department. The amount is ₩5,456 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

36. Condensed financial statements in subsidiaries

(a) Condensed statements of financial positions for the Bank (separate) and its subsidiaries as of June 30, 2024 and December 31, 2023 are as follows:

| Name of company | June 30, 2024 | | | December 31, 2023 | | |
|-------------------------------|---------------|-------------------|--------------|-------------------|-------------------|--------------|
| | Total assets | Total liabilities | Total equity | Total assets | Total liabilities | Total equity |
| Shinhan Bank | ₩ 498,811,972 | 466,882,058 | 31,929,914 | 469,727,053 | 438,670,141 | 31,056,912 |
| Shinhan Bank America | 2,334,960 | 2,076,473 | 258,487 | 2,256,668 | 2,016,393 | 240,275 |
| Shinhan Bank Canada | 1,106,053 | 1,005,476 | 100,577 | 1,035,231 | 939,250 | 95,981 |
| Shinhan Bank Europe GmbH | 1,134,303 | 1,012,876 | 121,427 | 1,085,421 | 976,323 | 109,098 |
| Shinhan Bank China Ltd. | 6,469,552 | 5,815,781 | 653,771 | 5,213,950 | 4,597,056 | 616,894 |
| Shinhan Bank Kazakhstan Ltd. | 2,481,219 | 2,302,120 | 179,099 | 1,344,932 | 1,219,802 | 125,130 |
| Shinhan Bank Cambodia | 1,179,530 | 799,980 | 379,550 | 1,087,730 | 743,577 | 344,153 |
| Shinhan Bank Japan | 14,223,126 | 13,216,265 | 1,006,861 | 13,708,217 | 12,715,499 | 992,718 |
| Shinhan Bank Vietnam Ltd. | 11,453,519 | 9,717,133 | 1,736,386 | 9,147,925 | 7,588,696 | 1,559,229 |
| Banco Shinhan de Mexico | 430,809 | 299,407 | 131,402 | 379,694 | 251,269 | 128,425 |
| PT Bank Shinhan Indonesia (*) | 2,002,884 | 1,588,410 | 414,474 | 1,943,475 | 1,545,711 | 397,764 |
| Structured entities | 10,112,423 | 10,163,771 | (51,348) | 10,010,605 | 10,072,258 | (61,653) |

(*) Fair value adjustments at the time of business combination are applied.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

36. Condensed financial statements in subsidiaries (continued)

(b) Condensed statements of comprehensive income for the Bank (separate) and its subsidiaries for the six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | | | June 30, 2023 | | |
|-------------------------------|------------------|-----------------------|-------------------------------------------|------------------|-----------------------|-------------------------------------------|
| | Operating income | Profit for the period | Total comprehensive income for the period | Operating income | Profit for the period | Total comprehensive income for the period |
| Shinhan Bank | ₩ 22,579,792 | 1,728,535 | 2,009,890 | 19,052,125 | 1,461,686 | 1,741,387 |
| Shinhan Bank America | 64,256 | (232) | 18,212 | 57,514 | 1,676 | 11,333 |
| Shinhan Bank Canada | 32,818 | 729 | 4,596 | 28,233 | 2,696 | 7,935 |
| Shinhan Bank Europe GmbH | 32,454 | 7,560 | 12,328 | 23,775 | 4,459 | 9,760 |
| Shinhan Bank China Ltd | 163,690 | 2,189 | 36,877 | 171,047 | 30,249 | 29,692 |
| Shinhan Bank Kazakhstan Ltd. | 159,805 | 48,195 | 53,969 | 72,945 | 22,625 | 25,713 |
| Shinhan Bank Cambodia | 40,904 | 8,508 | 35,397 | 41,198 | 5,103 | 13,952 |
| Shinhan Bank Japan | 161,054 | 71,451 | 14,143 | 145,142 | 61,229 | 15,684 |
| Shinhan Bank Vietnam Ltd. (*) | 424,594 | 141,277 | 177,157 | 396,760 | 126,014 | 184,209 |
| Banco Shinhan de Mexico | 19,030 | 4,378 | 2,977 | 15,244 | 4,007 | 22,567 |
| PT Bank Shinhan Indonesia (*) | 81,999 | 12,189 | 16,711 | 67,592 | 1,962 | 33,828 |
| Structured entities | 273,027 | 20,397 | 20,931 | 291,570 | 47,740 | 47,740 |

(*) Fair value adjustments at the time of business combination are applied.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

37. Interests in unconsolidated structured entities

(a) The nature and extent of interests in unconsolidated structured entities

The Group is involved in structured entities through investments in asset-backed securities, structured finance, and investment funds. The main characteristics of the structured entities are as follows:

| | <u>Description</u> |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assets-backed securitization | <p>Securitization vehicles are established to buy assets from originators and issue asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing (or committing to purchase) the asset-backed securities issued and/or providing other forms of credit enhancement.</p> <p>The Group does not consolidate a securitization vehicle if (i) the Group is unable to make or approve decisions as to the modification of the terms and conditions of the securities issued by such vehicle or disposal of such vehicles' assets, (ii) (even if the Group is able to do so) if the Group does not have the exclusive or primary power to do so, or (iii) if the Group does not have exposure, or right, to a significant amount of variable returns from such entity due to the purchase (or commitment to purchase) of asset-backed securities issued or subordinated obligations or by providing other forms of credit support.</p> |
| Structured financing | <p>Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (Mergers and Acquisitions), BTL (Build-Transfer-Lease), shipping finance, etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement.</p> |
| Investment fund | <p>Investment fund is a type of financial assets where investment funds raise funds from the general public to invest in a group of assets such as stocks or bonds and distribute their income and capital gains to their investors. The Group manages assets on behalf of other investors, such as investing in equity in investment funds, collective investment companies, and business members.</p> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

37. Interests in unconsolidated structured entities (continued)

(a) The nature and extent of interests in unconsolidated structured entities (continued)

The size of unconsolidated structured entities as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|--------------|---|---------------------------------|-------------------------|--------------------|-------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Total assets | ₩ | 169,492,378 | 440,619,324 | 285,165,896 | 895,277,598 |

| | | December 31, 2023 | | | |
|--------------|---|---------------------------------|-------------------------|--------------------|-------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Total assets | ₩ | 154,932,869 | 296,274,180 | 211,534,841 | 662,741,890 |

(b) Nature of risk associated with interests in unconsolidated structured entities

i) The carrying amounts of the assets and liabilities recognized relating to its interests in unconsolidated structured entities as of June 30, 2024 and December 31, 2023 are as follows:

| | | June 30, 2024 | | | |
|------------------------------|---|---------------------------------|-------------------------|--------------------|-------------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets: | | | | | |
| Loans at amortized cost | ₩ | 1,081,400 | 10,260,027 | 219,557 | 11,560,984 |
| Loans at FVTPL | | - | 21,746 | - | 21,746 |
| Securities at FVTPL | | 3,265,941 | 49,898 | 6,402,069 | 9,717,908 |
| Derivative assets | | 11,093 | - | - | 11,093 |
| Securities at FVTOCI | | 713,624 | 183,227 | - | 896,851 |
| Securities at amortized cost | | 4,835,266 | - | 65 | 4,835,331 |
| | ₩ | <u>9,907,324</u> | <u>10,514,898</u> | <u>6,621,691</u> | <u>27,043,913</u> |
| Liabilities: | | | | | |
| Derivative liabilities | ₩ | 6,786 | 405 | - | 7,191 |

| | | December 31, 2023 | | | |
|------------------------------|---|---------------------------------|-------------------------|--------------------|-------------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets: | | | | | |
| Loans at amortized cost | ₩ | 571,156 | 8,012,626 | 68,102 | 8,651,884 |
| Securities at FVTPL | | 3,463,636 | 51,392 | 5,626,022 | 9,141,050 |
| Derivative assets | | 674 | - | - | 674 |
| Securities at FVTOCI | | 572,626 | 180,179 | - | 752,805 |
| Securities at amortized cost | | 4,666,904 | - | 65 | 4,666,969 |
| | ₩ | <u>9,274,996</u> | <u>8,244,197</u> | <u>5,694,189</u> | <u>23,213,382</u> |
| Liabilities: | | | | | |
| Derivative liabilities | ₩ | 9,939 | 315 | - | 10,254 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 (Unaudited), and December 31, 2023

(In millions of Korean won)

37. Interests in unconsolidated structured entities (continued)

(b) Nature of risk associated with interests in unconsolidated structured entities (continued)

ii) *Maximum exposure to risk relating to interests in unconsolidated structured entities as of June 30, 2024 and December 31, 2023 are as follows:*

| | June 30, 2024 | | | |
|-------------------------|-----------------------------------------|---------------------------------|----------------------------|-------------------|
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets owned | ₩ 9,907,324 | 10,514,898 | 6,621,691 | 27,043,913 |
| Purchase commitments | 920,783 | 50,456 | 746,979 | 1,718,218 |
| Providing unused credit | 359,065 | 254,754 | 9,381 | 623,200 |
| | <u>₩ 11,187,172</u> | <u>10,820,108</u> | <u>7,378,051</u> | <u>29,385,331</u> |

| | December 31, 2023 | | | |
|-------------------------|-----------------------------------------|---------------------------------|----------------------------|-------------------|
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets owned | ₩ 9,274,996 | 8,244,197 | 5,694,189 | 23,213,382 |
| Purchase commitments | 958,869 | 10,462 | 777,162 | 1,746,493 |
| Providing unused credit | 348,690 | 289,753 | - | 638,443 |
| | <u>₩ 10,582,555</u> | <u>8,544,412</u> | <u>6,471,351</u> | <u>25,598,318</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Condensed Consolidated Interim Financial Statements (continued)

June 30, 2024 and 2023 , and December 31, 2023

(In millions of Korean won)

38. Information of trust business

(a) Total assets with trust business as of June 30, 2024 and December 31, 2023 and operating revenue for the six-month periods ended June 30, 2024 and 2023 are as follows:

| | Total assets | | Operating revenue | |
|----------------|------------------|----------------------|-------------------|------------------|
| | June 30, 2024 | December 31, 2023 | June 30, 2024 | June 30, 2023 |
| Consolidated | ₩ 3,509,566 | 3,603,114 | 93,137 | 145,953 |
| Unconsolidated | 123,353,286 | 122,245,925 | 1,379,457 | 1,265,958 |
| | ₩ 126,862,852 | 125,849,039 | 1,472,594 | 1,411,911 |

(b) Significant balances with trust business as of June 30, 2024 and December 31, 2023 are as follows:

| | June 30, 2024 | December 31, 2023 |
|-------------------------------------------------------------------|---------------|-------------------|
| Borrowings from trust accounts | ₩ 6,695,315 | 6,530,921 |
| Deposits | 7,910 | 9,533 |
| Accrued revenues from asset management fee from trust accounts | 57,403 | 34,762 |
| Accrued interest expense | 5,225 | 5,547 |

(c) Significant transactions with trust business for the six-month periods ended June 30, 2024 and 2023 are as follows:

| | June 30, 2024 | |
|--------------------------------------------|---------------|-----------|
| | Three-month | Six-month |
| Asset management fee from trust accounts | ₩ 40,729 | 83,285 |
| Termination fee | 628 | 1,185 |
| Interest expense for deposits | 67 | 141 |
| Interest on borrowings from trust accounts | 54,242 | 110,726 |

| | June 30, 2023 | |
|--------------------------------------------|---------------|-----------|
| | Three-month | Six-month |
| Asset management fee from trust accounts | ₩ 44,565 | 89,569 |
| Termination fee | 406 | 759 |
| Interest expense for deposits | 154 | 356 |
| Interest on borrowings from trust accounts | 36,104 | 72,982 |

**SCHEDULE C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF
AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Independent Auditors' Report

To the Board of Directors and Stockholder of
Shinhan Bank:

Opinion

We have audited the consolidated financial statements of Shinhan Bank and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as of December 31, 2023, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of material accounting policy information and other explanatory 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 then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' 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.

Other Matters

The procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

The consolidated financial statements of the Group for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on dated March 6, 2023.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We 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.

/s/ KPMG Samjong Accounting Corp.
Seoul, Korea
March 4, 2024

This report is effective as of March 4, 2024, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2023 and 2022

| <i>(In millions of Korean won)</i> | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|-------------------------------------------------------------------------|---------------|----------------------|--------------------|
| Assets | | | |
| Cash and due from banks | 3,6,9,40,41 | ₩ 28,056,776 | 22,569,882 |
| Securities at fair value through profit or loss | 3,7,41,43 | 23,663,110 | 21,201,704 |
| Derivative assets | 3,8,41,43 | 3,263,290 | 4,904,096 |
| Loans at amortized cost | 3,9,18,41,43 | 348,642,129 | 344,298,939 |
| Loans at fair value through profit or loss | 3,9 | 536,824 | 972,553 |
| Securities at fair value through other comprehensive income | 3,10,18,43 | 50,609,366 | 48,770,784 |
| Securities at amortized cost | 3,10,18,43 | 30,719,163 | 28,379,986 |
| Property and equipment | 5,11,12,17,18 | 2,518,593 | 2,537,482 |
| Intangible assets | 5,13 | 1,087,206 | 636,487 |
| Investments in subsidiaries and associates | 14 | 332,250 | 266,893 |
| Investment properties | 5,15 | 625,125 | 604,940 |
| Defined benefit assets | 24 | 277,784 | 530,174 |
| Current tax assets | 37 | 38,814 | 31,780 |
| Deferred tax assets | 37 | 135,371 | 437,896 |
| Other assets | 3,9,16,41 | 17,955,031 | 15,808,585 |
| Non-current assets held for sale | 17 | 36,444 | 29,211 |
| Total assets | | <u>₩ 508,497,276</u> | <u>491,981,392</u> |
| Liabilities | | | |
| Financial liabilities designated at fair value through profit or loss | 19 | ₩ 254,832 | 47,327 |
| Deposits | 3,20,41 | 370,959,649 | 373,104,189 |
| Financial liabilities at fair value through profit or loss | 3,21 | 419,342 | 424,964 |
| Derivative liabilities | 3,8,41,43 | 3,512,594 | 5,779,626 |
| Borrowings | 3,22,40,41 | 26,701,198 | 24,212,792 |
| Debt securities issued | 3,23,40 | 37,750,685 | 33,186,180 |
| Net defined benefit obligations | 24 | 6,977 | 7,020 |
| Provisions | 25,39,41 | 677,621 | 369,201 |
| Current tax liabilities | 37 | 164,681 | 478,724 |
| Deferred tax liabilities | 37 | 14,378 | 14,247 |
| Other liabilities | 3,12,26,41,44 | 34,504,106 | 23,189,862 |
| Total liabilities | | <u>474,966,063</u> | <u>460,814,132</u> |
| Equity | | | |
| Capital stock | 27 | 7,928,078 | 7,928,078 |
| Hybrid bonds | 27 | 1,988,535 | 2,088,542 |
| Capital surplus | 27 | 403,164 | 403,164 |
| Capital adjustments | 27,37 | 1,946 | 2,515 |
| Accumulated other comprehensive loss | 27,37 | (618,125) | (1,260,828) |
| Retained earnings | 27,28 | 23,815,520 | 21,997,438 |
| (Regulatory reserve for loan loss) | | <u>(2,500,641)</u> | <u>(2,631,990)</u> |
| (Required provision for (reversal of) regulatory reserve for loan loss) | | <u>((151,687))</u> | <u>((131,349))</u> |
| (Expected provision for (reversal of) regulatory reserve for loan loss) | | <u>((151,687))</u> | <u>((131,349))</u> |
| Total equity attributable to equity holder of Shinhan Bank | | 33,519,118 | 31,158,909 |
| Non-controlling interests | 27 | 12,095 | 8,351 |
| Total equity | | <u>33,531,213</u> | <u>31,167,260</u> |
| Total liabilities and equity | | <u>₩ 508,497,276</u> | <u>491,981,392</u> |

See accompanying notes to the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2023 and 2022

(In millions of Korean won, except earnings per share data)

| | <u>Notes</u> | <u>2023</u> | <u>2022</u> |
|--------------------------------------------------------------------------------------------|--------------|--------------------|--------------------|
| Interest income | | | |
| Financial instruments at fair value through profit or loss | | ₩ 584,502 | 401,732 |
| Financial instruments at fair value through other comprehensive income and amortized cost | | 19,796,687 | 13,684,084 |
| Interest expense | | <u>11,978,530</u> | <u>5,880,614</u> |
| Net interest income | 3,5,29,41,43 | 8,402,659 | 8,205,202 |
| Fees and commission income | | 1,266,531 | 1,280,575 |
| Fees and commission expense | | <u>355,580</u> | <u>325,265</u> |
| Net fees and commission income | 3,5,30,41,43 | 910,951 | 955,310 |
| Dividend income | 31,43 | 49,529 | 20,832 |
| Net gain on financial instruments at fair value through profit or loss | 32 | 740,907 | 11,427 |
| Net foreign currencies transaction gain | | 161,476 | 393,955 |
| Net gain on financial instruments designated at fair value through profit or loss | 19 | 2,495 | 2,673 |
| Net gain (loss) on disposal of securities at fair value through other comprehensive income | 10 | 21,697 | (1,209) |
| Net loss on disposal of securities at amortized cost | 10 | (107) | (60) |
| Provision for credit loss allowance | 3,9,41 | 865,048 | 598,289 |
| General and administrative expenses | 33,41 | 3,813,872 | 3,702,292 |
| Net other operating expenses | 5,35,41 | <u>(1,463,490)</u> | <u>(1,124,799)</u> |
| Operating income | | 4,147,197 | 4,162,750 |
| Net non-operating expenses | 5,36 | (114,648) | (77,425) |
| Share of profit of associates | 5,14 | <u>8,556</u> | <u>22,301</u> |
| Profit before income taxes | 5 | 4,041,105 | 4,107,626 |
| Income tax expense | 5,37 | <u>973,114</u> | <u>1,061,894</u> |
| Profit for the year | 5,28 | <u>3,067,991</u> | <u>3,045,732</u> |
| (Adjusted profit after reflection of regulatory reserve for loan loss | | | |
| For the year ended December 31, 2023: | | | |
| 3,219,679 million won | | | |
| For the year ended December 31, 2022: | | | |
| 3,177,081 million won) | | | |

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Continued)
For the years ended December 31, 2023 and 2022

(In millions of Korean won, except earnings per share data)

| | Notes | 2023 | 2022 |
|----------------------------------------------------------------------------------------------------------|---------|--------------------|------------------|
| Other comprehensive income (loss) for the year, net of income tax | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | | (7,811) | (19,417) |
| Unrealized net change in fair value of financial assets at fair value through other comprehensive income | | 774,304 | (788,642) |
| Shares in other comprehensive income (loss) of associates | | <u>7,156</u> | <u>(10,186)</u> |
| | | 773,649 | (818,245) |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurements of defined benefit plans | | (158,463) | 195,247 |
| Unrealized net change in fair value of financial assets at fair value through other comprehensive income | | <u>24,652</u> | <u>(28,496)</u> |
| | | (133,811) | 166,751 |
| Other comprehensive income (loss) for the year, net of income tax | 3,27,37 | ₩ <u>639,838</u> | <u>(651,494)</u> |
| Total comprehensive income for the year | | ₩ <u>3,707,829</u> | <u>2,394,238</u> |
| Profit attributable to: | | | |
| Equity holder of Shinhan Bank | | ₩ 3,067,681 | 3,045,012 |
| Non-controlling interests | | <u>310</u> | <u>720</u> |
| Profit for the year | 5 | ₩ <u>3,067,991</u> | <u>3,045,732</u> |
| Total comprehensive income attributable to: | | | |
| Equity holders of Shinhan Bank | | ₩ 3,707,329 | 2,393,359 |
| Non-controlling interests | | <u>500</u> | <u>879</u> |
| Total comprehensive income for the year | | ₩ <u>3,707,829</u> | <u>2,394,238</u> |
| Earnings per share: | | | |
| Basic and diluted earnings per share in won | 38 | ₩ 1,878 | 1,880 |

See accompanying notes to the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the year ended December 31, 2022

| | Attributable to equity holder of Shinhan Bank | | | | | | Total | |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------|-----------------|---------------------|-----------------------------------------------|-------------------|-------|---------------------------|
| | Capital stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | | Non-controlling interests |
| Balance at January 1, 2022 | ₩ 7,928,078 | 1,586,662 | 403,164 | 2,742 | (607,040) | 19,914,560 | 7,472 | 29,235,638 |
| Total comprehensive income (loss), net of income tax | | | | | | | | |
| Profit for the year | - | - | - | - | - | 3,045,012 | 720 | 3,045,732 |
| Other comprehensive income (loss) for the year | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | (19,590) | - | 173 | (19,417) |
| Unrealized net changes in fair values of financial assets at fair value through other comprehensive income | - | - | - | - | (819,236) | 2,135 | (37) | (817,138) |
| Share of other comprehensive loss of associates | - | - | - | - | (10,186) | - | - | (10,186) |
| Remeasurements of defined benefit plans | - | - | - | - | 195,224 | - | 23 | 195,247 |
| Total comprehensive income (loss) for the year | - | - | - | - | (653,788) | 3,047,147 | 879 | 2,394,238 |
| Transactions with owners in their capacity as owner | | | | | | | | |
| Annual dividends to equity holder | - | - | - | - | - | (900,000) | - | (900,000) |
| Dividends to hybrid bond holders | - | - | - | - | - | (64,269) | - | (64,269) |
| Issuance of hybrid bonds | - | 631,581 | - | - | - | - | - | 631,581 |
| Repayment of hybrid bonds | - | (129,701) | - | (299) | - | - | - | (130,000) |
| Share-based payment transactions | - | - | - | 72 | - | - | - | 72 |
| Total transactions with owners in their capacity as owners | - | 501,880 | - | (227) | - | (964,269) | - | (462,616) |
| Balance at December 31, 2022 | ₩ 7,928,078 | 2,088,542 | 403,164 | 2,515 | (1,260,828) | 21,997,438 | 8,351 | 31,167,260 |

See accompanying notes to the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Continued)

For the year ended December 31, 2023

| | Attributable to equity holder of Shinhan Bank | | | | | | | |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------|-----------------|---------------------|-----------------------------------------------|-------------------|---------------------------|-------------|
| | Capital stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | Non-controlling interests | Total |
| Balance at January 1, 2023 | ₩ 7,928,078 | 2,088,542 | 403,164 | 2,515 | (1,260,828) | 21,997,438 | 8,351 | 31,167,260 |
| Total comprehensive income (loss), net of income tax | | | | | | | | |
| Profit for the year | - | - | - | - | - | 3,067,681 | 310 | 3,067,991 |
| Other comprehensive income (loss) for the year | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | (7,995) | - | 184 | (7,811) |
| Unrealized net changes in fair values of financial assets at fair value through other comprehensive income | - | - | - | - | 802,015 | (3,055) | (4) | 798,956 |
| Share of other comprehensive loss of associates | - | - | - | - | 7,156 | - | - | 7,156 |
| Remeasurements of defined benefit plans | - | - | - | - | (158,473) | - | 10 | (158,463) |
| Total comprehensive income (loss) for the year | - | - | - | - | 642,703 | 3,064,626 | 500 | 3,707,829 |
| Transactions with owners in their capacity as owner | | | | | | | | |
| Annual dividends to equity holder | - | - | - | - | - | (1,157,105) | - | (1,157,105) |
| Dividends to hybrid bond holders | - | - | - | - | - | (89,140) | - | (89,140) |
| Issuance of hybrid bonds | - | 399,107 | - | - | - | - | - | 399,107 |
| Repayment of hybrid bonds | - | (499,114) | - | (886) | - | - | - | (500,000) |
| Share-based payment transactions | - | - | - | 18 | - | - | - | 18 |
| Additional investments in subsidiaries | - | - | - | - | - | - | 3,244 | 3,244 |
| Others | - | - | - | 299 | - | (299) | - | - |
| Total transactions with owners in their capacity as owners | - | (100,007) | - | (569) | - | (1,246,544) | 3,244 | (1,343,876) |
| Balance at December 31, 2023 | ₩ 7,928,078 | 1,988,535 | 403,164 | 1,946 | (618,125) | 23,815,520 | 12,095 | 33,531,213 |

See accompanying notes to the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

(In millions of Korean won)

| | 2023 | 2022 |
|--------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash flows from operating activities | | |
| Profit for the year | ₩ 3,067,991 | 3,045,732 |
| Adjustments for: | | |
| Income tax expense | 973,114 | 1,061,894 |
| Interest income | (20,381,189) | (14,085,816) |
| Interest expense | 11,978,530 | 5,880,614 |
| Dividend income | (49,529) | (20,832) |
| | <u>(7,479,074)</u> | <u>(7,164,140)</u> |
| Income and expense items without cash in/outflow: | | |
| Net loss (gain) on financial instruments at fair value through profit or loss | (589,019) | 277,946 |
| Net non-cash foreign currencies transaction gain | (12,985) | (154,165) |
| Net gain on financial instruments designated at fair value through profit or loss | (2,495) | (2,673) |
| Net loss (gain) on disposal of financial assets at fair value through other comprehensive income | (21,697) | 1,209 |
| Net loss on disposal of securities at amortized cost | 107 | 60 |
| Provision for credit loss allowance | 865,048 | 598,289 |
| Non-cash employee benefits | 100,936 | 129,036 |
| Depreciation and amortization | 495,746 | 436,776 |
| Net non-cash other operating expenses | 409,261 | 145,306 |
| Share of profit of associates | (8,556) | (22,301) |
| Net non-operating expenses | 54,977 | 36,237 |
| | <u>1,291,323</u> | <u>1,445,720</u> |
| Changes in assets and liabilities: | | |
| Deposits at amortized cost | 710,400 | 373,687 |
| Securities at fair value through profit or loss | (856,019) | 3,033,522 |
| Derivative assets | 3,850,984 | 2,367,751 |
| Loans at amortized cost | (5,439,288) | (19,254,073) |
| Loans at fair value through profit or loss | 435,505 | (87,247) |
| Other assets | (1,959,296) | 1,206,994 |
| Deposits due to customers | (2,030,733) | 18,432,707 |
| Financial liabilities at fair value through profit or loss | (66,307) | (198,102) |
| Derivative liabilities | (3,923,647) | (2,252,062) |
| Defined benefit liabilities | (43,906) | (262,188) |
| Provisions | (4,779) | (15,735) |
| Other liabilities | 9,432,298 | 1,791,472 |
| | <u>105,212</u> | <u>5,136,726</u> |
| Income tax paid | (1,229,041) | (845,674) |
| Interest received | 19,949,921 | 13,735,865 |
| Interest paid | (10,594,650) | (4,973,751) |
| Dividends received | 51,625 | 22,693 |
| Net cash inflow from operating activities | <u>₩ 5,163,307</u> | <u>10,403,171</u> |

SHINHAN BANK AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2023 and 2022

(In millions of Korean won)

| | <u>2023</u> | <u>2022</u> |
|---------------------------------------------------------------------------------------|---------------------|--------------------|
| Cash flows from investing activities | | |
| Net cash flow of derivative financial instruments for hedges | 13,687 | 4,022 |
| Proceeds from decrease of securities at fair value through profit or loss | 801,197 | 1,839,509 |
| Acquisition of securities at fair value through profit or loss | (2,045,508) | (1,944,891) |
| Proceeds from decrease of securities at fair value through other comprehensive income | 28,956,337 | 17,109,221 |
| Acquisition of securities at fair value through other comprehensive income | (29,196,992) | (18,398,922) |
| Proceeds from decrease of securities at amortized cost | 4,191,774 | 5,097,731 |
| Acquisition of securities at amortized cost | (6,360,709) | (12,077,239) |
| Proceeds from disposal of property and equipment | 1,807 | 960 |
| Acquisition of property and equipment | (166,282) | (229,149) |
| Proceeds from disposal of intangible assets | 5 | 3,547 |
| Acquisition of intangible assets | (343,814) | (397,443) |
| Proceeds from disposal of investments in associates | 10,979 | 15,616 |
| Acquisition of investments in associates | (54,936) | (72,739) |
| Proceeds from disposal of investment properties | 55 | - |
| Acquisition of investment properties | (5,367) | (6,883) |
| Proceeds from sale of non-current assets held for sale | 3,663 | 9,991 |
| Decrease in other assets | 545,601 | 645,080 |
| Increase in other assets | (539,326) | (534,297) |
| Net cash outflow from investing activities | <u>(4,187,829)</u> | <u>(8,935,886)</u> |
| Cash flows from financing activities | | |
| Net cash flow of derivative financial instruments for hedges | 333 | 56 |
| Increase in financial liabilities designated at fair value through profit or loss | 209,969 | 49,993 |
| Net increase in borrowings | 2,322,021 | 2,872,249 |
| Proceeds from issuance of debt securities | 32,950,691 | 23,488,790 |
| Repayment of debt securities | (28,692,806) | (27,078,364) |
| Dividends paid | (1,247,209) | (963,305) |
| Issuance of hybrid bonds | 399,107 | 631,581 |
| Repayment of hybrid bonds | (500,000) | (130,000) |
| Increase in other liabilities | 109,848 | 101,315 |
| Decrease in other liabilities | (289,089) | (287,678) |
| Increase in non-controlling interests | 3,244 | - |
| Net cash inflow (outflow) from financing activities | <u>5,266,109</u> | <u>(1,315,363)</u> |
| Effect of exchange rate fluctuations on cash and cash equivalents held | <u>(5,601)</u> | <u>(10,317)</u> |
| Net increase in cash and cash equivalents | <u>6,235,986</u> | <u>141,605</u> |
| Cash and cash equivalents at the beginning of the year (Note 40) | <u>21,379,922</u> | <u>21,238,317</u> |
| Cash and cash equivalents at the end of the year (Note 40) | <u>₩ 27,615,908</u> | <u>21,379,922</u> |

See accompanying notes to the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

1. **Reporting entity**

(a) **Overview**

Shinhan Bank Co., Ltd., the controlling company (hereinafter referred to as the “Bank”) has its headquarters at 20 Sejong-daero 9-gil, Jung-gu, Seoul. The consolidated financial statements for the reporting period ended on December 31, 2023 consist of shares in the Bank and its subsidiaries (hereinafter collectively referred to as the “Group”), and its associates and joint ventures.

The Bank is established with a new merger (October 1, 1943, bank named Choheung Bank Co., Ltd.) of Hansung Bank established on February 19, 1897 and Dongil Bank established on August 8, 1906.

The Bank acquired Chungbuk Bank and Kangwon Bank in 1999 and the former Shinhan Bank on April 1, 2006, and subsequently changed its name to Shinhan Bank. As of December 31, 2023, the Bank has 1,585,615,506 outstanding common shares with par value of ₩7,928,078 million which is 100% owned by Shinhan Financial Group Co., Ltd. (“Shinhan Financial Group”). As of December 31, 2023, the Bank operates through 609 domestic branches, 112 depository offices, 27 premises and 14 overseas branches.

(b) **Subsidiaries included in consolidation (structured entities excluded)**

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

| Controlling company | Name of subsidiary | Location | Closing month | Sectors | Ownership (%) | |
|---------------------|--------------------|------------|---------------|------------------|-------------------|-------------------|
| | | | | | December 31, 2023 | December 31, 2022 |
| Shinhan Bank | Shinhan America | U.S.A | December 31 | Bank | 100.00 | 100.00 |
| | Shinhan Europe | Germany | December 31 | Bank | 100.00 | 100.00 |
| | Shinhan Cambodia | Cambodia | December 31 | Bank | 97.50 | 97.50 |
| | Shinhan Kazakhstan | Kazakhstan | December 31 | Bank | 100.00 | 100.00 |
| | Shinhan Canada | Canada | December 31 | Bank | 100.00 | 100.00 |
| | Shinhan China | China | December 31 | Bank | 100.00 | 100.00 |
| | Shinhan Japan | Japan | March 31 | Bank | 100.00 | 100.00 |
| | Shinhan Vietnam | Vietnam | December 31 | Bank | 100.00 | 100.00 |
| | Shinhan Mexico | Mexico | December 31 | Bank | 99.99 | 99.99 |
| | Shinhan Indonesia | Indonesia | December 31 | Bank | 99.00 | 99.00 |
| Shinhan Japan | SBJ DNX | Japan | March 31 | Computer Service | 100.00 | 100.00 |

i) *Shinhan Bank America*

Shinhan Bank America (“Shinhan America”) is established through the merger of Chohung Bank of New York and California Chohung Bank. Shinhan America’s capital stock amounted to USD 173 million as of December 31, 2023.

ii) *Shinhan Bank Europe GmbH*

Shinhan Bank Europe GmbH (“Shinhan Europe”) is established in 1994 for obtaining the authorization of banking business. As of December 31, 2023, Shinhan Europe’s capital stock amounted to EUR 63 million.

iii) *Shinhan Bank Cambodia*

Shinhan Bank Cambodia (“Shinhan Cambodia”) is established on October 15, 2007 for obtaining the authorization of banking business. Shinhan Cambodia was renamed from Shinhan Khmer Bank PLC during the year ended December 31, 2018. Shinhan Cambodia’s capital stock amounted to USD 75 million as of December 31, 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

Reporting entity (continued)

(b) Subsidiaries included in consolidation (structured entities excluded) (continued)

iv) Shinhan Bank Kazakhstan Limited

Shinhan Bank Kazakhstan Limited (“Shinhan Kazakhstan”) is established on December 16, 2008 for the purpose of engaging banking business, etc. As of December 31, 2023, Shinhan Kazakhstan’s capital stock amounted to KZT 10,029 million.

v) Shinhan Bank Canada

Shinhan Bank Canada (“Shinhan Canada”) is established on March 9, 2009 for the purpose of engaging banking business, etc. As of December 31, 2023, Shinhan Canada’s capital stock amounted to CAD 80 million.

vi) Shinhan Bank China Limited

The local branch of the Group has been incorporated as the entity on May 12, 2008 for the purpose of engaging banking business, etc. As of December 31, 2023, Shinhan China’s capital stock amounted to CNY 2,000 million.

vii) Shinhan Bank Japan

The local branch of the Group has been converted its organization type to an entity on September 14, 2009. Shinhan Japan’s capital stock amounted to JPY 20,000 million as of December 31, 2023.

viii) Shinhan Bank Vietnam Ltd.

The local branch of the Group has been converted its organization type to an entity on November 16, 2009 for the purpose of engaging banking business, etc. and merged with Shinhan Vina Bank on November 28, 2011. On December 17, 2017, Shinhan Vietnam acquired the retail business of ANZ Vietnam. As of December 31, 2023, Shinhan Vietnam’s capital stock amounted to VND 5,709,900 million.

ix) Banco Shinhan de Mexico

Banco Shinhan de Mexico (“Shinhan Mexico”) is established on October 12, 2015 for obtaining the authorization of banking business. As of December 31, 2023, Shinhan Mexico’s capital stock amounted to MXN 1,583 million.

x) PT Bank Shinhan Indonesia

On November 30, 2015, the Group obtained the control of PT Bank Metro Express, which is established on September 8, 1967 for obtaining the authorization of banking business and is engaged in the banking business. PT Bank Metro Express is renamed as PT Bank Shinhan Indonesia (“Shinhan Indonesia”) in 2016 and merged PT Centratama Nasional Bank, a former subsidiary of the Bank, on December 6, 2016. As of December 31, 2023, Shinhan Indonesia’s capital stock amounted to IDR 944,278 million.

xi) SBJ DNX

It is established on April 1, 2020 for the purpose of operating the computer service business, and as of December 31, 2023, and SBJ DNX’s capital stock amounted to JPY 50 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

1. **Reporting entity (continued)**

(c) **Structured entities included in consolidation**

Structured entities included in consolidation as of December 31, 2023 are as follows:

| Structured entities | Location | Closing month | Sectors |
|-------------------------------|----------|---------------|--------------------------|
| MPC Yulchon 2nd | Korea | 3/6/9/12 | Other financial business |
| MPC Yulchon 1st | Korea | 3/6/9/12 | Other financial business |
| Shinhan-S-Russell Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| Shinhan-Daesung Contents Fund | Korea | 12 | Others |
| Tiger Eyes 3rd Co., Ltd. | Korea | 12 | Other financial business |
| Sunny Smart 4th Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-redefine 3rd Co., Ltd. | Korea | 7 | Other financial business |
| Maestro ER Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-redefine 10th Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Maestrogongdeok Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIBDAEMYUNG 1st Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIBLAB 2nd Co., Ltd. | Korea | 9 | Other financial business |
| MaestroDcube Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| MAESTRO Byeolnae Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| MAESTRO DS Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger 10th Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB JDT Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB YB Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| MAESTRO Aero Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| MAESTRO YS Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Bright 1st Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Games Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| Maestro Iksan Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger LIP Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Chemical Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB HwangGeum Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-bright Hongdae | Korea | 3/6/9/12 | Other financial business |
| BRIGHT WOONJEONG Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S BRIGHT CHEONHO Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB County 1st Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Mokpo Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Tech Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB SungSan Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S BRIGHT PANGYO Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger K Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Energy Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Shinhan-GIB-SKL Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Rich gate YONGSAN Co., Ltd. | Korea | 1/4/7/10 | Other financial business |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

1. Reporting entity (continued)

(c) Structured entities included in consolidation (continued)

| Structured entities | Location | Closing month | Sectors |
|--------------------------------|----------|---------------|--------------------------|
| Rich gate Shinseol Corp. | Korea | 3/6/9/12 | Other financial business |
| S BRIGHT ENERGY Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S BRIGHT IKSAN Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Jeju Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Magok Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Sahwa Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB HC 1st Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Munjung Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger First Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB RB 1st Co., Ltd. | Korea | 7 | Other financial business |
| Rich gate Box Corp. | Korea | 2/5/8/11 | Other financial business |
| S BRIGHT LDC Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Chowol Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Gyeongju Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Duwol Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Mighty 2nd Co., Ltd. | Korea | 11 | Other financial business |
| GIB ST 2nd Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Haeundae Co., Ltd. | Korea | 12 | Other financial business |
| Rich gate Alpha Corp. | Korea | 1/4/7/10 | Other financial business |
| GIB AL 1st Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB Sinchon Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Rich gate Baegot Corp. | Korea | 2/5/8/11 | Other financial business |
| Rich gate Jaseok Corp. | Korea | 2/5/8/11 | Other financial business |
| Shinhan GIB Mirae Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S First 1st Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Dujong Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Pungmu Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Shinhan GIB Hwaseong Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Rich gate N Corp. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Jinro Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Doan Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB Yucheon Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Yongmun Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| OSHC Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Sinsa Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB Segyo Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Gildong Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB JD Co., Ltd. | Korea | 6 | Other financial business |
| GIB Sahwa Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-Tiger Oil Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S-First L Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB Mighty 3rd Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| Gangnam Landmark 1st Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| RICHGATE GANGNAM Co., Ltd. | Korea | 1/4/7/10 | Other financial business |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

1. **Reporting entity (continued)**

(c) **Structured entities included in consolidation (continued)**

| Structured entities | Location | Closing month | Sectors |
|-------------------------------------------------------------------------------------------|----------|---------------|--------------------------|
| S-Tiger SP Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB SOOPYO Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB SINJEONG Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIBMAJANG Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB HOMEPLUS. Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB YD Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S TIGER BIZON Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER SI Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| RICH GATE GANGSEO Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER HD Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB GYEONGAN Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| GIB NAMSA Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S TIGER LEC Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| Hana Micron 2nd Co.,Ltd. | Korea | 1/4/7/10 | Other financial business |
| RICH GATE H | Korea | 3/6/9/12 | Other financial business |
| S TIGER MOBILE INC. | Korea | 2/5/8/11 | Other financial business |
| GIB Eunpyeong Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| Rich gate GS Corp. | Korea | 1/4/7/10 | Other financial business |
| Shinhan Display 4th Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S-Tiger Loex No.2 Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S Project D Co., Ltd | Korea | 1/4/7/10 | Other financial business |
| S TIGER H Co., Ltd. | Korea | 1/4/7/10 | Other financial business |
| S TIGER HL Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S Solution C Co., Ltd | Korea | 2/5/8/11 | Other financial business |
| S TIGER NM Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| SH ROAD 2ND CO., Ltd. | Korea | 4/7/10/1 | Other financial business |
| S TIGER LPD CO., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S FIRST HD Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| S TIGER EMT Co., Ltd. | Korea | 2/5/8/11 | Other financial business |
| GIB SOSA CO., Ltd. | Korea | 1/4/7/10 | Other financial business |
| GIB Porter 2nd Co., Ltd. | Korea | 3/6/9/12 | Other financial business |
| S Solution B.O.,Ltd. | Korea | 8 | Other financial business |
| S TIGER CLEAN CO., Ltd. | Korea | 4/7/10/1 | Other financial business |
| S Solution YD Co., Ltd | Korea | 1/4/7/10 | Other financial business |
| S SOLUTION PM CO., LTD | Korea | 2/5/8/11 | Other financial business |
| S SOLUTION BO 2nd CO., LTD | Korea | 1 | Other financial business |
| SOYANG 68 PTE. LTD. | Korea | 12 | Other financial business |
| SOYANG 101 PTE. LTD. | Korea | 12 | Other financial business |
| Development Trust | Korea | 12 | Trust |
| Non-specified Money Trust | Korea | 12 | Trust |
| Old-age Living Pension Trust | Korea | 12 | Trust |
| New-Personal Pension Trust | Korea | 12 | Trust |
| Personal Pension Trust | Korea | 12 | Trust |
| Retirement Trust | Korea | 12 | Trust |
| New Old-age Living Pension Trust | Korea | 12 | Trust |
| Pension Trust | Korea | 12 | Trust |
| Household Money Trust (Shinhan) | Korea | 12 | Trust |
| Corporation Money Trust (Shinhan) | Korea | 12 | Trust |
| Shinhan SG Rail Professional Investment Type Private Special Asset Investment Trust No. 2 | Korea | 1/4/7/10 | Beneficiary certificate |
| Shinhan AIM Private Real Estate Investment Trust No.31 | Korea | 6/12 | Beneficiary certificate |
| KIRAM HO CHI MINH OFFICE GENERAL PRIVATE PLACEMENT REAL ESTATE INVESTMENT TRUST(USD) | Korea | 8 | Beneficiary certificate |
| Shinhan Green Energy Growth Engine Private Investment Trust No.1 | Korea | 3/6/9/12 | Beneficiary certificate |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

1. Reporting entity (continued)

(c) Structured entities included in consolidation (continued)

The Group consolidates a structured entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to most significantly affect those returns through its power over the structured entity based on the terms in the agreement relating to the establishment of the structured entity. There is no non-controlling interest in the structured entities since the ownership interest in the structured entities is presented as a liability of the Group.

As of December 31, 2023 and 2022, the Group provides credit guarantees (ABCP purchase agreement, etc.) amounting to ₩5,444,283 million and ₩4,573,327 to the structured entities described above.

(d) Changes in subsidiaries

Subsidiaries newly included or excluded for the year ended December 31, 2023 are as follows:

| | Subsidiaries |
|--------------------------------------|--------------------------------------------------------------------------------------------|
| Newly included subsidiaries | Green Bio No.3 Co., Ltd. |
| for the year ended December 31, 2023 | GIB Eunpyeong Co., Ltd. |
| | Rich gate GS Corp. |
| | Shinhan Display 4th Co., Ltd. |
| | S-Tiger Loex No.2 Co., Ltd. |
| | S Project D Co., Ltd. |
| | S TIGER H Co., Ltd. |
| | S TIGER HL Co., Ltd. |
| | S Solution C Co., Ltd. |
| | S TIGER NM Co., Ltd. |
| | SH ROAD 2ND CO., Ltd. |
| | S TIGER LPD CO., Ltd. |
| | S FIRST HD Co., Ltd. |
| | S TIGER EMT Co., Ltd. |
| | GIB SOSA CO., Ltd. |
| | GIB Porter 2nd Co., Ltd. |
| | S Solution B.O., Ltd. |
| | S TIGER CLEAN CO., Ltd. |
| | KIRAM HO CHI MINH OFFICE GENERAL PRIVATE PLACEMENT REAL ESTATE INVESTMENT TRUST(USD) |
| | Shinhan Green Energy Growth Engine Private Investment Trust No.1 |
| | S Solution YD Co., Ltd. |
| | S SOLUTION PM CO., LTD |
| | S SOLUTION BO 2nd CO., LTD |
| | SOYANG 68 PTE. LTD |
| | SOYANG 101 PTE. LTD. |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

1. Reporting entity (continued)

(d) Changes in subsidiaries (continued)

Subsidiaries newly included or excluded for the year ended December 31, 2023 are as follows:(continued)

| | Subsidiaries |
|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Excluded subsidiaries for the year ended December 31, 2023 | GIB Haan Co., Ltd. S-Force 2nd Co., Ltd. S-Tiger Loex Co., Ltd. Shinhan Display 3rd Co., Ltd. MAESTRO H Co., Ltd. GIB DM Co., Ltd. Rich gate 14th Corp. GIB Porter 1st Co., Ltd. GIB ST Co., Ltd. GIB Caps Co., Ltd. GIB Mighty 1st Co., Ltd. SH ROAD No.1 Co., Ltd. MAESTRO landmark Co., Ltd. MAESTRO H 2nd Co., Ltd. GIB EMT Co., Ltd. MAESTROST Co., Ltd. Shinhan GIB Rozen Co., Ltd. GIB portfolio a 3rd Co., Ltd. GIB Mobility 1st Co., Ltd. Green Bio No.3 Co., Ltd. MPC Yulchon Green 1st |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies

The material accounting policies applied by the Group are as follows:

(a) Basis of financial statements preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (“K-IFRS”), as prescribed in the *Article 5(1)1 Act on External Audits of Corporations in the Republic of Korea*.

The financial statements for the current and comparative periods (December 31, 2023 and 2022) were prepared in accordance with the accounting policies described below.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss (“FVTPL”) are measured at fair value
- financial instruments at fair value through other comprehensive income (“FVTOCI”) are measured at fair value
- share-based payment arrangements are initially measured at fair value on grant date
- changes in fair value attributable to the risk being hedged for financial instruments designated as hedged items in qualifying fair value hedge relationships are recognized in profit or loss
- liabilities for defined benefit plans are recognized as net of the total present value of defined benefit obligations less the fair value of plan assets

(c) Functional and presentation currency

The respective financial statements of the Group entities are prepared in the functional currency of the respective operation. These consolidated financial statements are presented in Korean won, which is the Bank’s functional currency and the currency of the primary economic environment in which the Bank operates. Subsidiaries whose functional currency is not Korean won are as follows:

| <u>Functional currency</u> | <u>Subsidiaries</u> |
|----------------------------|-----------------------------------|
| USD | Shinhan America, Shinhan Cambodia |
| EUR | Shinhan Europe |
| KZT | Shinhan Kazakhstan |
| CAD | Shinhan Canada |
| CNY | Shinhan China |
| JPY | Shinhan Japan, SBJ DNX |
| VND | Shinhan Vietnam |
| MXN | Shinhan Mexico |
| IDR | Shinhan Indonesia |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(d) Use of estimates and judgements

In preparation of the financial statements according to K-IFRS, the use of estimates and assumptions is required for the application of accounting policies or matters affecting the reporting amounts of assets, liabilities and revenues and expenses as of December 31, 2023. When estimates and assumptions based on management's judgment as of December 31, 2023 differ from the actual, actual results may differ from these estimates.

Estimates and underlying assumptions are continually reviewed, and changes in accounting estimates are recognized during the period in which the estimate is changed and the future period in which it will be affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the significant effect on the amount recognized in the consolidated financial statements is described in Note 4.

The Group recognizes credit loss allowance for expected credit losses on debt instruments, loans and receivables that are measured at amortized cost or at FVTOCI, loan commitments and financial guarantee contracts upon adoption of K-IFRS No.1109, '*Financial Instruments*'. The measurement of such allowance is determined by techniques, assumptions and input variables used by the Group to measure expected future cash flows of individual financial instruments and to measure expected credit losses in a collective manner. The details of techniques, assumptions and input variables used to measure the credit loss allowance for expected credit losses as of December 31, 2023 are described in Note 3.

The Group estimates expected credit losses in accordance with K-IFRS No. 1109, '*Financial Instruments*,' using future economic outlook information. Considering increased uncertainties in both domestic and international economies, such as inflation and rising market interest rates, The Group utilizes future economic outlook information on key variables such as GDP growth rate, consumer price index inflation rate, and unemployment rate to estimate forecasted default rates and loss rates upon default. The Group continually monitors the impact of domestic and international economic uncertainties on the economy. The effect of these uncertainties on the Group's expected credit losses is disclosed in Note 9, *Loan (2) changes in allowance for impairment and book value*.

(e) New and amended standards and interpretations adopted by the Group

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2023.

i) Amendments to K-IFRS No. 1001 'Presentation of Financial Statements' – Disclosure of Accounting Policies

The amendments define material accounting policy information and require disclosure of material accounting policy information. The amendments do not have a significant impact on the consolidated financial statements.

ii) Amendments to K-IFRS No.1001 'Presentation of Financial Statements'– Disclosure of gains or losses on valuation of financial liabilities with variable exercise price

The amendments require disclosure of the carrying amount of financial liabilities and the related gain or loss, if all or part of financial instruments with the adjustable exercise price are classified as financial liabilities. The amendments do not have a significant impact on the consolidated financial statements.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(e) New and amended standards and interpretations adopted by the Group (continued)

iii) Amendments to K-IFRS No. 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates

The amendments define accounting estimates and clarify the way to distinguish changes in accounting policies from changes in accounting estimates. The amendments do not have a significant impact on the consolidated financial statements.

iv) Amendments to K-IFRS No. 1012 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments add a requirement to the initial recognition exemption by requiring entities to recognize the deferred tax on transactions that give rise to equal amounts of taxable and deductible temporary differences. The amendments do not have a significant impact on the consolidated financial statements.

v) K-IFRS No. 1117 'Insurance Contracts'

K-IFRS No. 1117 'Insurance Contracts' replace K-IFRS No. 1104 'Insurance Contracts'. K-IFRS No. 1117 measures insurance liability at its present value (i.e. at the reporting date) by using updated discount rates which reflect current market-based information such as assumptions and risks. According to K-IFRS No. 1117, insurance revenue is recognized on an accrual basis including services (insurance coverage) provided to the policyholder for each accounting period.

In addition, investment components (such as cancellation or maturity refunds) being repaid to the policyholder even if an insured event does not occur, are excluded from insurance revenue. Insurance finance income or expenses and investment income or expenses are presented separately to enable information users to understand the sources of profit or losses. The amendments do not have a significant impact on the consolidated financial statements.

vi) Global minimum corporate tax

Under the Global minimum corporate tax legislation effective from 2024, the Group may be required to pay additional tax on the difference between the effective tax rate and the minimum tax rate of 15% for each jurisdiction in which its components operate. While the Group is deemed to be subject to the Global minimum corporate tax legislation, there will be no impact on the corporate tax expenses for the period ended December 31, 2023, as Korea's legislation related to Global minimum corporate tax will be effective from January 1, 2024.

The Group is applying the temporary exemption provision for deferred corporate tax under K-IFRS No. 1012, and therefore does not recognize deferred corporate tax assets and liabilities related to global minimum tax legislation, nor does it disclose information related to deferred corporate tax.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(e) New and amended standards and interpretations adopted by the Group (continued)

The following new and amended standards and interpretations that have been established or announced but have not been adopted by the Group since the effective date has not yet been reached.

i) Amendments to K-IFRS No. 1001 'Presentation of Financial Statements' - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. In addition, the settlement of liability includes the transfer of the entity's own equity instruments, except when an option to settle them by the entity's own equity instruments in compound financial instruments meets the definition of equity instruments and is recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group is currently reviewing the impact of the amendments on the consolidated financial statements.

(f) Approval date of the financial statements

The consolidated financial statements of the Group were authorized for issue by the Board of Directors on February 7, 2024, and the consolidated financial statements will be submitted for approval to the stockholder's meeting held on March 21, 2024.

(g) Basis of consolidation

i) Subsidiaries

The Group establishes or invests in numerous structured entities; however, it does not directly or indirectly hold shares in these entities. When considering the terms of agreements under which the structured entities are established, if the Group is deemed to have the ability to obtain substantially all of the profits or losses from the operations of the structured entities and to exercise control over the activities of the structured entities that could significantly impact those profits or losses, it includes them in the consolidation scope.

There is no non-controlling interest in structured entities because the ownership interests in structured entities are shown as liabilities of the Group.

ii) Intra-group transactions eliminated on consolidation

Intra-group balances, transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

iii) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interests balance below zero.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(h) Business combinations

i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No.1012, '*Income Taxes*'
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019, '*Employee Benefits*'
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured in accordance with special provisions
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in K-IFRS No.1102, '*Share-based Payment*'
- Non-current assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No.1105, '*Non-current Assets Held for Sale and Discontinued Operations*'

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. **Material accounting policies (continued)**

(h) Business combinations (continued)

ii) Goodwill

The Group measures goodwill at the acquisition date as:
the fair value of the consideration transferred; plus
the recognized amount of any non-controlling interests in the acquiree; plus
if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

When the Group additionally acquires non-controlling interest, the Group does not recognize goodwill since the transaction is regarded as equity transaction.

As part of its transition to K-IFRS, the Group elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with K-IFRS. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Principles ("GAAP").

(i) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 percent of the voting power of another entity.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

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

The investment in an associate and a joint venture is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate and the joint venture after the date of acquisition.

If an associate or a joint venture uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(j) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The segment reporting to a chief executive officer includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly general expenses and income tax assets and liabilities. The Group considers the Chief Executive Officer ("CEO") of the Bank as the chief operating decision maker.

(k) Foreign currency translation

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

(l) Cash and cash equivalents

The Group classifies cash balances, call deposits and highly liquid investment assets with original maturities of three months or less from the acquisition date that are easily converted into a fixed amount of cash and are subject to an insignificant risk of changes in their fair value as cash and cash equivalents.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(m) Non-derivative financial assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of the instrument. In addition, a regular way purchase or sale (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market concerned) is recognized on the trade date.

i) Financial assets designated at FVTPL

Financial assets can be irrevocably designated as measured at FVTPL despite of classification standards stated below, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases. However, once the financial assets are designated at FVTPL, it is irrevocable.

ii) Equity instruments

For the equity instruments that are not held for trading, at initial recognition, the Group may make an irrevocable election to present subsequent changes in fair value in other comprehensive income. Equity instruments that are not classified as financial assets at FVTOCI are classified as financial assets at FVTPL.

The Group subsequently measures all equity investments at fair value. Valuation gains or losses of the equity instruments that are classified as financial assets at FVTOCI previously recognized as other comprehensive income is not reclassified as profit or loss on derecognition. The Group recognizes dividends in profit or loss when the Group's right to receive payments of the dividend is established.

Valuation gains or losses due to changes in fair value of the financial assets at FVTPL are recognized as gains or losses on financial assets at FVTPL. Impairment loss (reversal) on equity instruments at FVTOCI is not recognized separately.

iii) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model in which the asset is managed and the contractual cash flow characteristics of the asset. Debt instruments are classified as financial assets at amortized cost, at FVTOCI, or at FVTPL. Debt instruments are reclassified only when the Group's business model changes.

① Financial assets at amortized cost

Assets that are held within a business model whose objective is to hold assets to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Impairment losses, and gains or losses on derecognition of the financial assets at amortized cost are recognized in profit or loss. Interest income on the effective interest method is included in the 'Interest income' in the consolidated statement of comprehensive income.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

1. Material accounting policies (continued)

(m) Non-derivative financial assets (continued)

iii) Debt instruments (continued)

② Financial assets at FVTOCI

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Other than impairment losses, interest income amortized using effective interest method and foreign exchange differences, gains or losses of the financial assets at FVTOCI are recognized as other comprehensive income in equity. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss. The interest income on the effective interest method is included in the 'Interest income' in the consolidated statement of comprehensive income. Foreign exchange differences and impairment losses are included in the 'Net foreign currency transaction gain' and 'Provision for credit loss allowance' in the consolidated statement of comprehensive income, respectively.

③ Financial assets at FVTPL

Debt securities other than financial assets at amortized costs or FVTOCI are classified at FVTPL. Unless hedge accounting is applied, gains or losses from financial assets at FVTPL are recognized as profit or loss and are included in 'Net gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

iv) Embedded derivatives

Financial assets with embedded derivatives are classified regarding the entire hybrid contract, and the embedded derivatives are not separately recognized. The entire hybrid contract is considered when it is determined whether the contractual cash flows represent solely payments of principal and interest.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. **Material accounting policies (continued)**

(n) Expected credit loss on financial assets

As for financial assets at amortized cost and financial assets at FVTOCI, the expected credit loss is evaluated at the end of each period and recognized as loss allowances.

Since initial recognition, a loss allowance shall be measured by the three stages in the table below depending on the extent of significant increase in credit risk.

| Stage | Category | Description |
|--------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Stage 1 | Credit risk has not increased significantly since initial recognition | 12 month expected credit losses: Expected credit loss resulting from potential default of financial instruments occurring over 12 months from the end of reporting period |
| Stage 2 | Credit risk has increased significantly since initial recognition | Lifetime expected credit losses: Expected credit loss resulting from all potential default of financial instruments occurring over the expected life |
| Stage 3 | Credit-impaired financial assets | |

However, as for the financial assets whose credit is impaired at the initial recognition, only the cumulative change in the lifetime expected credit loss is recognized as the loss allowance.

The 'lifetime' refers to the expected life to the contractual maturity of the financial asset.

i) Forward looking information

The Group determines a material increase in credit risk and estimates the expected credit loss on a forward-looking basis.

The measuring factors of the expected credit loss are assumed to have certain relationship with the economic cycle. Through relationship analysis between the macroeconomic variables and the credit risk measuring factors, the forward-looking information is reflected in the expected credit loss estimation.

ii) Financial assets at amortized cost

The expected credit loss on the financial assets at amortized cost is recognized as the difference between the present value of the contractual cash flow and the present value of the expected cash flow. The expected cash flow is estimated separately for the individually material financial assets.

For the financial assets which are not individually material, they are included in a group of assets with a similar credit risk and expected credit loss is estimated collectively.

The expected credit losses of financial assets measured as amortized cost are presented net of loss allowance, and the allowance is derecognized together with the asset when it is determined to be unrecoverable. When the loan previously written-off is subsequently collected, it is recognized as an increase in loss allowance. At the end of the reporting period, the Group recognizes in profit or loss the amount of the change in loss allowance.

iii) Financial assets at FVTOCI

The expected credit loss on the financial assets at FVTOCI is calculated using the same method as that on the financial assets at amortized cost, however the changes in loss allowance are recognized as other comprehensive income. As for disposal and repayment, the loss allowance is reclassified from other comprehensive income to profit or loss.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(o) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequently, after the initial recognition, derivatives are measured at fair value at the end of every reporting period, and changes therein are accounted for as described below.

i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge), and foreign currency risk of net investment in foreign operation (net investment hedges).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

① Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Group discontinues fair value hedge accounting if risk management strategy or purpose will be changed, the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(o) Derivative financial instruments (continued)

i) Hedge accounting (continued)

② Cash flow hedges

When a derivative that meet the application requirements of cash flow hedges is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the consolidated statements of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

Once hedge accounting is discontinued, any cumulative gain or loss existing in equity at that time and is recognized over the period the forecast transaction occurs as profit or loss. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in equity is immediately recognized in the profit or loss.

③ Hedge of net investment

The portion of the change in fair value of a financial instrument designated as a hedging instrument that meets the requirements for hedge accounting for a net investment in a foreign operation is recognized in other comprehensive income and the ineffective portion of the hedge is recognized in profit or loss. The portion recognized as other comprehensive income that is effective as a hedge is recognized in the statement of comprehensive income as a result of reclassification adjustments in accordance with K-IFRS No. 1021, "The Effect of Changes in Foreign Exchange Rates" at the time of disposing of its overseas operations or disposing of a portion of its overseas operations to profit or loss.

ii) Embedded derivatives

If a hybrid contract contains a host that is not an financial asset, embedded derivatives are separated from the host contract and accounted for separately only if the economic characteristics and risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not designated at FVTPL. Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

iii) Derivative financial instruments held for trading

Changes in the fair value of derivative financial instruments not designated as a hedging instrument are recognized immediately in profit or loss.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(o) Derivative financial instruments (continued)

iv) Day one profit or loss

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there may be a difference between the transaction price and the amount determined using that valuation technique. As for these circumstances, the difference between the fair value at the initial recognition and the transaction price is not recognized as profit or loss but deferred. The deferred difference is amortized by using straight line method over the life of the financial instruments.

(p) Property and equipment

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis over the estimated useful lives, which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset:

The estimated useful lives for the years ended December 31, 2023 and 2022 are as follows:

| Descriptions | Useful lives |
|------------------|--------------|
| Buildings | 40 years |
| Other properties | 4~5 years |

(q) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is carried out on a straight-line basis over their estimated useful lives from the date they are available for use, with a residual value of zero. However, for certain intangible assets, where the period over which they are expected to be available for use is not reasonably determinable, the useful life of the intangible assets is considered indefinite, and therefore, not subject to amortization.

| Descriptions | Useful lives |
|------------------------------|-----------------------------|
| Software | 5 years |
| Capitalized development cost | 5 years |
| Other intangible assets | 5 years or contract periods |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(r) Investment properties

An investment property is initially recognized at cost including any directly attributable expenditure. Subsequent to initial recognition, the asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The depreciation method and the estimated useful lives for the current and comparative periods are as follows:

| Descriptions | Depreciation method | Useful lives |
|--------------|---------------------|--------------|
| Buildings | Straight-line | 40 years |

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as changes in accounting estimates.

(s) Leases

The Group leases various tangible assets, such as real estate and vehicles, and the terms of the lease are negotiated individually and include a variety of terms and conditions. There are no other restrictions imposed by the lease contracts, except that the lease assets cannot be provided as collaterals for borrowings.

At the commencement date of the lease, the Group recognizes a right-of-use asset and a lease liability. The payment of each lease is allocated to the repayment of the liability and finance cost. The Group recognizes in profit or loss the amount calculated to produce a constant periodic rate of interest on the lease liability balance for each period as finance costs.

Right-of-use assets are depreciated using a straight-line method from the inception of the lease over the lease term of the right-of-use assets.

Lease liabilities are measured at present value of the lease payments that are not paid at the commencement date of the lease agreement and included in other liabilities. Lease payments included in the measurement of the lease liabilities consist of the following:

- Fixed lease payments (including in-substance fixed payments, less any lease incentives receivable)
- Variable lease payments depending on an index or a rate
- Amounts expected to be paid by the lessee under a residual value guarantee
- The exercise price under a purchase option that the lessee is reasonably certain to exercise
- Payments of penalties for early terminating a lease unless the lessee is reasonably certain not to terminate early

If the implicit interest rate in the lease can be readily determined, the lease payments shall be discounted using that rate, and if that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(s) Leases (continued)

The Group includes right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they are owned. Any right-of-use asset that meets the definition of investment property is presented as investment property.

Lease payments associated with short-term leases or leases of low-value assets are recognized as an expense on a straight line basis over the lease term.

Additional considerations for the Group's accounting as a lessee include:

Extension options and termination options are generally included in multiple real estate lease contracts. When estimating the lease term, the Group considers all relevant facts and circumstances that create an economic incentive to exercise the option to extend the lease, or not to exercise the option to terminate the lease. Period covered by an extension option (or period covered by termination option) is included in lease term only if the lessee is reasonably certain to exercise (or not to exercise) the option. If the lessee and the lessor have the right to terminate without the consent of the other parties, the termination period shall be determined in consideration of the economic disadvantages incurred in terminating the contract. When significant events occur or there are significant changes in circumstances that have affected the lessee's control and the lease term before, the parties reassess whether they are quite certain to exercise the option of extension (or not).

(t) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

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

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(u) Non-derivative financial liabilities

The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

Transaction costs on the financial liabilities at FVTPL are recognized in profit or loss as incurred.

i) Financial liabilities designated at FVTPL

Financial liabilities can be irrevocably designated as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or a group of financial instruments is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. However, once the financial assets are designated at FVTPL, it is irrevocable. The amount of change in the fair value of the financial liabilities designated at FVTPL that is attributable to changes in the credit risk of that liabilities shall be presented in other comprehensive income.

ii) Financial liabilities at FVTPL

Since initial recognition, financial liabilities at FVTPL is measured at fair value, and changes in the fair value are recognized as profit or loss.

iii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities, and other financial liabilities include deposits, borrowings, debentures etc. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequently, after the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e., when the obligation specified in the contract is discharged, cancelled, or expires).

(v) Paid-in capital

i) Hybrid bonds

The Group classifies an issued financial instrument, or its component parts, as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. Hybrid bonds where the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as an equity instrument and presented in equity..

ii) Non-controlling interests

Non-controlling interests, which represent the equity in a subsidiary not attributable, directly or indirectly, to a parent's ownership interests, consist of the amount of those non-controlling interests at the date of the original combination calculated in accordance with K-IFRS No.1103, 'Business Combinations' and the non-controlling interests share of changes in equity since the date of the combination.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(w) Employee benefits

i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

ii) Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

iii) Retirement benefits: defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(x) Share-based payment transactions

The Group has granted share-based payment based on Shinhan Financial Group's share to the employees. In accordance with a repayment arrangement with Shinhan Financial Group, the Group is required to pay Shinhan Financial Group for the provision of the share-based payments. The Group recognizes the costs as expenses and accrued expenses in liabilities for the service period. When vesting conditions are not satisfied because of death, retirement or dismissal of employees during the specified service period, no amount is recognized for goods or services received on a cumulative basis. Share-based payment arrangements are accounted for as equity-settled share-based payment transactions, regardless of the repayment arrangement with Shinhan Financial Group. The share-based compensation agreement that the Group has given to its executives and employees is measured in cash-settled.

(y) Provisions

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

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions shall be used only for expenditures for which the provisions are originally recognized.

(z) Financial guarantee contracts

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

Financial guarantee contracts are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee contract.

After initial recognition, financial guarantee contracts are measured at the higher of:

- Loss allowance in accordance with *K-IFRS No.1109, 'Financial Instruments'*
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of *K-IFRS No.1115, 'Revenue from Contracts with Customers'*

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(aa) Recognition of revenues and expenses

The Group's revenues are recognized using five-step revenue recognition model as follows: ① 'Identifying the contract' → ② 'Identifying performance obligations' → ③ 'Determining the transaction price' → ④ 'Allocating the transaction price to performance obligations' → ⑤ 'Recognizing the revenue by satisfying performance obligations'.

i) Interest income and expenses

Interest income and expense are recognized in profit or loss using the effective interest method.

ii) Fees and commission

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.

① Fees that are an integral part of the effective interest rate of a financial instrument.

Such fees are generally treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, preparing and processing documents, closing the transaction and the origination fees received on issuing financial liabilities. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss, the fees are recognized as revenue when the instrument is initially recognized.

② Fees earned as services are provided

Fees and commission income, including investment management fees, sales commission, and account servicing fees, are recognized as revenue when the related service as a performance obligation is provided.

③ Fees that are earned on the execution of a significant act

The fees that are earned on the execution of a significant act including commission on the allotment of shares or other securities to a client, placement fee for arranging a loan between a borrower and an investor and sales commission, are recognized as revenue when the significant act as a performance obligation has been completed.

iii) Dividends income

Dividend income is recognized when the shareholder's right to receive payment is established.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. Material accounting policies (continued)

(ab) Income tax

Shinhan Financial Group, the parent company, files its national income tax return with the Korean tax authorities under the consolidated corporate tax system, which allows it to make national income tax payments based on the consolidated profits or losses of the Shinhan Financial Group and its wholly owned domestic subsidiaries including the Group. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected profits or losses of eligible companies in accordance with the consolidated corporate tax system. Consolidated corporate tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their stand-alone financial statements.

The Group recognizes deferred tax liabilities for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes deferred tax assets for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

If any additional income tax expense exists by payment of dividends, the Group recognizes it when the liability relating to the payment is recognized.

Tax uncertainties arise from the Group's tax policies, which may lead to disputes with tax authorities regarding tax assessments due to the complexity of transactions or differences in tax interpretations. The Group accounts for these uncertainties in accordance with K-IFRIC 2123. Specifically, amounts paid to tax authorities as a result of assessments but expected to be refunded in the future are recognized as tax assets, while amounts expected to be paid as a result of tax audits are recognized as tax liabilities.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

2. **Material accounting policies (continued)**

(ac) Accounting for trust accounts

The Group accounts for trust accounts separately from its bank accounts under *the Financial Investment Services and Capital Markets Act*. Loans to trust accounts are included in other assets. Borrowings from trust accounts are included in other liabilities. Trust fees and commissions in relation to the service provided to trust accounts by the Group are recognized as fees and commission income.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management

3-1. Credit risk

Credit risk is the risk of financial loss of the Group if a customer or counterparty fails to meet its contractual obligation. Credit risk is classified as the most important risk to be managed in the Group's business activities, and management carefully manages the maximum credit risk exposure. Credit exposure arises principally from due from banks, the lending process related to loans, investment activities in debt securities, drafts in the Group's asset portfolio and off-balance sheet items including loan commitments, etc.

(a) Credit risk management

The Group's basic policy on credit risk management is determined by the Risk Policy Committee. The Risk Policy Committee consists of the Chief Risk Officer (CRO) as the chairman, the Chief Credit Officer (CCO), the head of the business group, and the head of the risk management department, and decides the credit risk management plan and the direction of the loan policy for the entire bank. Apart from the Risk Policy Committee, the Credit Review Committee is established to separate credit monitoring, such as large loans and limit approval, and is composed of CCO, the chairman, CRO and the head of the Credit-related Business Group, the head of the Credit Planning Department, and the senior examination personnel to enhance the credit quality of the loan.

The risk management of the asset is primarily carried out by all operating units that hold and manage the asset subject to credit risk, and the credit risk management departments, such as the Risk Management Department and the Credit Planning Department, are in charge of the credit risk management of the Bank as a whole. The Risk Management Department and the Risk Engineering Department manage credit portfolio by managing credit risk limits and credit maximum exposure limits for the same parties, affiliates, industries, and countries set by the Risk Policy Committee. The Group also measures and manages risk components such as PD (Probability of Default), LGD (Loss Given Default), and EAD (Exposure at Default) through the operation of the credit evaluation system and collateral management system. As an organization for supporting and checking loan decisions, the Credit Planning Department manages the credit policy and system of the entire bank, and the Credit Assessment Department conducts independent credit rating and loan decision making. In addition, the Credit Review Department conducts individual credit review on large loans.

Each of the Group's borrowers (retail and corporate borrowers) is assigned with a credit rating, which is based on a comprehensive internal credit evaluation system that considers a variety of criteria. For retail borrowers, the credit rating takes into account the borrower's personal information, transaction performance with the Group and external credit rating information. For corporate borrowers, the credit rating takes into account financial indicators as well as non-financial indicators such as industry risk, operational risk and management risk, among others. The credit rating, once assigned, serves as the fundamental instrument in the Group's credit risk management, and is applied in a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing and estimation of allowance for credit loss.

The Group's credit evaluation system, which reflects the requirements of Basel III, consists of ACE (Automatic Credit Evaluation), credit evaluation system for retail SOHO with a maximum exposure of ₩1 billion or less, and Advanced Internal Rating System (AIRS).

The assessment of corporate loans is conducted through a collective decision-making system, ensuring objective and careful decision-making. In the case of a general credit, the credit is approved by agreement between the branch's RM (Relationship Manager) and examination personnel of each business division. In case of a large or an important credit, the credit is approved by Credit Officer Committee, etc. In particular, the Credit Review Committee, which is the highest decision-making body of loans, examines important loans, such as large loans that exceed the limit. The credit for retail is evaluated in Retail Credit Assessment Department, by automated credit scoring system (CSS) based on objective statistical methods and the Bank's credit policy.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-1. Credit risk (continued)

(a) Credit risk management (continued)

The Group operates an ongoing monitoring system for the regular management of individual credit. The examination personnel and RM are required to conduct Loan Reviews by automatically searching companies expected to become insolvent among the corporate loan clients, and the Credit Review Department, which is independent from the business group, determines the adequacy of Loan Review results and requests credit rating adjustment of the company as necessary. In accordance with these procedures, companies expected to become insolvent are classified as an early warning company, watchlist companies, and a normal company, and distinctive management is carried out in accordance with the management guidelines for each risk stage to prevent the insolvency of the loans at an early stage. The financial analysis support system affiliated with a professional credit evaluation agency supports credit screening and management, and the Credit Planning Department calculates and manages industrial grades and analyzes and provides industry trends and company information.

(b) Risk limit management and risk mitigation policy

To control the credit risk of the Group at an appropriate level, the following risk limit management system is established and operated.

- Credit risk limits are set and managed by business sector, customer, product, industry, etc. based on credit VaR (Value at Risk) and maximum exposure amount.
- The Risk Management Department establishes and manages limits for credit VaR, and maximum exposure limits. The Credit Planning Department and the Credit Assessment Department conduct maximum exposure limit management for credit risk management.
- The Risk Management Department and Risk Engineering Department establish a credit risk limit operation plan for the entire bank at least once a year and submit it to the Risk Policy Committee.
- Each business unit monitors and complies with credit risk limits assigned to each business unit.
- The risk is reviewed on an annual basis or within the period if deemed necessary, and the limit of risk is set and managed for each sector, such as by the individual, industry and country.
- The maximum exposure for each borrower, including institutions, is managed by sub-level limits that are individually set for accounts in the consolidated financial statements and off-balance sheet accounts, and risk limits for daily transactions related to commodity trading including foreign currency forward trading, are also determined.
- Actual maximum exposures against the limits are managed daily.
- Maximum credit risk exposure is managed in the process of analyzing the interest and principal repayment ability of the borrower, and if necessary, changes the loan limit in the process.

Other risk management measures are as follows.

i) Collateral

The Group has adopted policies and procedures to mitigate credit risk. In connection with credit risk, collateral bond is generally used, and the Group has adopted a policy for pledging certain types of assets. The main types of collateral are as follows:

- Mortgage
- Real estate, inventories, accounts receivable, etc.
- Financial instruments such as debt securities and equity securities

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-1. Credit risk (continued)

(b) Risk limit management and risk mitigation policy (continued)

i) Collateral (continued)

Long-term loans are generally collateralized. On the other hand, revolving personal loans are generally unsecured. In addition, to minimize losses due to credit risk, the Group establishes additional collateral for the counterparty in the event of an indication of impairment of the asset.

Collateral for financial assets other than loans differ based on the nature of the products. Except for special cases such as Asset Backed Securities (ABS), unsecured securities are common in the case of debt securities.

ii) Derivative financial instruments

The Group maintains a credit limit on the amount and duration of derivative financial instruments that are in between the disposal agreements after purchase.

iii) Master netting agreements

The Group limits its maximum exposure to credit losses by entering into master netting agreements with counterparties in performing significant number of transactions.

Master netting agreements generally do not result in offsetting assets and liabilities in the consolidated financial statements, as transactions are usually set at a gross amount basis. However, the right to offset, which is legally enforceable and affects the realization of individual financial assets and the settlement of financial liabilities, may arise under master netting agreements, and the credit risk of financial assets associated with this is reduced by master netting agreements within the scope of financial liabilities.

The Group's overall maximum exposure to credit risk that is part of master netting agreements can vary substantially within a short period of time due to the influence of each transaction covered by the agreements.

iv) Credit related contracts

Guarantees and credit provision have credit risks similar to credit. As letter of credit (which guarantees credit on behalf of the customer by issuing a note to a third party for the amount requested under specific terms and conditions) is secured by the underlying commodities associated with them, it involves less risk. The credit provision arrangements represent the unused portion of the credit limit in the form of a credit, guarantee or letter of credit. In relation to the credit risk of a credit provision arrangement, the Group is potentially exposed to the same amount as the total unused arrangements. Long-term contracts generally have a greater degree of credit risk than short-term, and the Group monitors the maturity of credit arrangements.

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model)

i) Determining significant increases in credit risk since initial recognition

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When assessing a significant increase in credit risk, the Group uses the change in the risk of a default occurring over the expected life of the financial assets instead of the change in the amount of expected credit losses.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

i) Determining significant increases in credit risk since initial recognition (continued)

To make that assessment, the Group compares the risk of a default occurring on the financial instruments at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort as indicative of significant increases in credit risk since initial recognition. These information includes the default experience data held by the Group and the analysis by internal credit risk rating specialists.

i)-1. Measuring the risk of default

The Group assigns an internal credit risk rating to each individual exposure based on observable data and historical experiences that have been found to have a reasonable correlation with the risk of default. The internal credit risk rating is determined by considering both qualitative and quantitative factors that indicate the risk of default, which may vary depending on the nature of the exposure and the type of borrower.

The internal credit risk rating, based on the borrower's information related to each individual exposure at the time of initial recognition, may change depending on the results of ongoing monitoring and reviews.

i)-2. Measuring term structure of probability of default

Internal credit risk rating is the main input variable to determine the term structure for the risk of default. The Group accumulates information after analyzing the information regarding exposure to credit risk and default information by the type of product and borrower and results of internal credit risk assessment. For some portfolios, the Group uses information obtained from external credit rating agencies when performing these analyses.

The Group applies statistical techniques to estimate the probability of default for the remaining life of the exposure from the accumulated data and to estimate changes in the estimated probability of default over time.

i)-3. Significant increases in credit risk

The Group uses the indicators defined as per portfolio to determine the significant increase in credit risk and such indicators generally consist of changes in the risk of default estimated from changes in the internal credit risk rating, qualitative factors, days of delinquency, and others. The method used to determine whether credit risk of financial instruments has significantly increased after the initial recognitions is summarized as follows:

| Corporate exposures | Retail exposures |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Significant change in credit ratings | Significant change in credit ratings |
| Continued past due more than 30 days | Continued past due more than 30 days |
| Loan classification of precautionary or below | Loan classification of precautionary or below |
| Monitoring grade under early warning signal model | Monitoring grade under early warning signal model |
| Negative net assets | Specific pool segment |
| Adverse audit opinion or disclaimer of opinion | Collective loans for housing for which the constructors are insolvent |
| Interest coverage ratio below 1 for a consecutive period of three years or negative cash flows from operating activities for a consecutive period of two years | Loans identified with other indicators to confirm significant increases in credit risk |
| Loans identified with other indicators to confirm significant increases in credit risk | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

i)-3. Significant increases in credit risk (continued)

The Group assumes the credit risk of financial instrument has been increased significantly since initial recognition if a specific exposure is past due more than 30 days. The Group counts the number of days past due from the earliest date on which the Group fails to fully receive the contractual payments from the borrower and does not take into account the grace period granted to the borrower.

The Group regularly reviews the criteria for determining if there have been significant increases in credit risk from the following perspective.

- A significant increase in credit risk shall be identified prior to the occurrence of default.
- The criteria established to judge the significant increase in credit risk shall represent proactive prediction than the days of delinquency criteria.
- As a result of applying the judgment criteria, financial assets shall not be to move too frequently between the 12-months expected credit losses measurement and the lifetime expected credit losses measurement.

ii) Modified financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset is not derecognized, the Group assesses whether there has been a significant increase in the credit risk of the financial assets by comparing the risk of a default occurring at initial recognition based on the original, unmodified contractual terms and the risk of a default occurring at the end of the reporting period based on the modified contractual terms.

The Group may adjust the contractual cash flows of loans to customers who are in financial difficulties to manage the risk of default and enhance the collectability (hereinafter referred to as 'debt restructuring'). These adjustments generally involve extension of maturity, changes in interest payment schedule, and changes in other contractual terms.

Debt restructuring is a qualitative indicator of a significant increase in credit risk and the Group recognizes lifetime expected credit losses for the exposure expected to be the subject of such adjustments. If a borrower faithfully makes payments of contractual cash flows that are modified in accordance with the debt restructuring or if the borrower's internal credit rating has recovered to the level prior to the recognition of the lifetime expected credit losses, the Group recognizes the 12-months expected credit losses for that exposure again.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iii) Risk of default

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

The Group uses the following indicators when determining whether a borrower is in default:

- Qualitative factors (e.g., breach of contractual terms),
- Quantitative factors (e.g., if the same borrower does not perform more than one payment obligations to the Group, the number of days past due per payment obligation. However, in the case of a specific portfolio, the Group uses the number of days past due for each financial instrument.)
- Internal observation and external data

The definition of default applied by the Group generally conforms to the definition of default defined for regulatory capital management purposes; however, depending on the situations, the information used to determine whether a default has incurred, and the extent thereof may vary.

iv) Reflection of forward-looking information

The Group reflects forward-looking information presented by a group of internal experts based on various information when measuring expected credit losses. The Group utilizes economic forecasts disclosed by domestic and foreign research institutes, governments, and public institutions to forecast forward-looking information.

The Group reflects future macroeconomic conditions anticipated from a neutral standpoint that is free from bias in measuring expected credit losses. Expected credit losses in this respect reflect conditions that are most likely to occur and are based on the same assumptions that the Group used in its business plan and management strategy.

The Group analyzes the data experienced in the past and the scenario data, derives correlations between major macroeconomic variables and credit risks required for predicting credit risk and credit loss for each portfolio, and then reflected future forecast information through regression estimation. To reflect the and internal and external economic uncertainties, the Group reviewed not only the existing 3 scenarios ('upside', 'central', and 'downside') but also an additional scenario, the 'worst' scenario for final forward-looking information.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

The economic variables considered by the Group for the years ended December 31, 2023 and 2022 are as follows for each scenario;

① Upside scenario

| Major variables(*1)(*2)(*3) | Correlation | 2023.4Q | 2024 | | | |
|--------------------------------------------------|-------------|---------|-------|-------|-----|-----|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate (YoY %) | (-) | 2.1 | 2.2 | 2.1 | 2.2 | 2.1 |
| Private consumption index (YoY %) | (-) | 1.8 | 1.7 | 2.3 | 2.5 | 2.4 |
| Facility investment growth rate (YoY %) | (-) | (6.4) | (0.6) | (0.2) | 4.0 | 5.0 |
| Consumer price index growth rate (%) | (+) | 3.2 | 2.6 | 2.4 | 2.1 | 1.8 |
| Balance on current account (100 million dollars) | (-) | 140 | 80 | 90 | 130 | 150 |
| Government bond 3y yields (%) | - | 3.7 | 3.6 | 3.6 | 3.3 | 3.1 |

② Central scenario

| Major variables(*1)(*2)(*3) | Correlation | 2023.4Q | 2024 | | | |
|--------------------------------------------------|-------------|---------|-------|-------|-----|-----|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate (YoY %) | (-) | 1.5 | 1.6 | 1.4 | 1.5 | 1.8 |
| Private consumption index (YoY %) | (-) | 0.9 | 0.7 | 1.2 | 1.4 | 2.0 |
| Facility investment growth rate (YoY %) | (-) | (7.5) | (2.0) | (1.7) | 2.4 | 3.9 |
| Consumer price index growth rate (%) | (+) | 3.4 | 2.8 | 2.8 | 2.5 | 2.1 |
| Balance on current account (100 million dollars) | (-) | 130 | 70 | 80 | 110 | 140 |
| Government bond 3y yields (%) | - | 3.7 | 3.6 | 3.6 | 3.5 | 3.3 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

③ Downside scenario

| Major variables(*1)(*2)(*3) | Correlation | 2023.4Q | 2024 | | | |
|--------------------------------------------------|-------------|---------|-------|-------|-----|-----|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate (YoY %) | (-) | 1.1 | 1.1 | 0.8 | 0.9 | 1.2 |
| Private consumption index (YoY %) | (-) | 0.4 | - | 0.3 | 0.6 | 1.0 |
| Facility investment growth rate (YoY %) | (-) | (8.3) | (3.8) | (4.0) | 0.2 | 1.4 |
| Consumer price index growth rate (%) | (+) | 3.6 | 3.2 | 3.2 | 3.0 | 2.7 |
| Balance on current account (100 million dollars) | (-) | 120 | 60 | 70 | 100 | 120 |
| Government bond 3y yields (%) | - | 3.7 | 3.7 | 3.6 | 3.6 | 3.6 |

④ Worst scenario

| Major variables(*1)(*2)(*4) | Correlation | 1 year of crisis situations |
|--------------------------------------------------|-------------|-----------------------------|
| GDP growth rate (YoY %) | (-) | (5.1) |
| Private consumption index (YoY %) | (-) | (11.9) |
| Facility investment growth rate (YoY %) | (-) | (38.6) |
| Consumer price index growth rate (%) | (+) | 7.5 |
| Balance on current account (100 million dollars) | (-) | 401 |
| Government bond 3y yields (%) | - | 6.7 |

(*1) As a result of reviewing the correlation of each variable, the GDP growth rates and consumer price index growth rate were applied among the major variables to reflect the final forward-looking information. The Group additionally selected the unemployment rate in addition to the table above.

(*2) The Group reflected the forward-looking information, considering the default forecast period of the Group.

(*3) The macroeconomic outlook figures are estimated by the Group for the purpose of calculating expected credit losses based on information from domestic and foreign research institutes. Therefore, it could be different from other institutions' estimates.

(*4) It was reflected in consideration of the period of the currency crisis in Korea.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

① Upside scenario

| Major variables(*1)(*2)(*3) | Correlation | 2022.4Q | 2023 | | | |
|--------------------------------------------------|-------------|---------|------|------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate (YoY %) | (-) | 1.4 | 1.6 | 1.7 | 2.5 | 3.9 |
| Private consumption index (YoY %) | (-) | 3.6 | 4.9 | 2.8 | 2.1 | 3.6 |
| Facility investment growth rate (YoY %) | (-) | 6.6 | 1.5 | 2.0 | (4.2) | 5.3 |
| Consumer price index growth rate (%) | (+) | 5.3 | 5.0 | 4.0 | 3.4 | 3.0 |
| Balance on current account (100 million dollars) | (-) | 15.0 | 30.0 | 40.0 | 80.0 | 100.0 |
| Government bond 3y yields (%) | - | 3.9 | 3.7 | 4.0 | 4.0 | 4.0 |

② Central scenario

| Major variables(*1)(*2)(*3) | Correlation | 2022.4Q | 2023 | | | |
|--------------------------------------------------|-------------|---------|------|------|-------|------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate (YoY %) | (-) | 1.4 | 0.4 | 0.5 | 1.2 | 3.7 |
| Private consumption index (YoY %) | (-) | 3.6 | 3.8 | 1.5 | 0.6 | 2.8 |
| Facility investment growth rate (YoY %) | (-) | 6.6 | 0.8 | 1.0 | (5.3) | 4.6 |
| Consumer price index growth rate (%) | (+) | 5.3 | 5.3 | 4.4 | 3.8 | 3.4 |
| Balance on current account (100 million dollars) | (-) | 15.0 | 20.0 | 30.0 | 60.0 | 80.0 |
| Government bond 3y yields (%) | - | 3.9 | 4.0 | 4.2 | 4.2 | 4.2 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

iv) Reflection of forward-looking information (continued)

③ Downside scenario

| Major variables(*1)(*2)(*3) | Correlation | 2022.4Q | 2023 | | | |
|--------------------------------------------------|-------------|---------|-------|-------|-------|------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate (YoY %) | (-) | 1.4 | (0.4) | (0.5) | (0.1) | 2.9 |
| Private consumption index (YoY %) | (-) | 3.6 | 2.9 | 0.3 | (0.8) | 1.9 |
| Facility investment growth rate (YoY %) | (-) | 6.6 | 0.2 | 0.3 | (6.4) | 3.4 |
| Consumer price index growth rate (%) | (+) | 5.3 | 5.7 | 4.8 | 4.4 | 3.8 |
| Balance on current account (100 million dollars) | (-) | 15.0 | 10.0 | 20.0 | 40.0 | 60.0 |
| Government bond 3y yields (%) | - | 3.9 | 4.3 | 4.6 | 4.6 | 4.6 |

④ Worst scenario

| Major variables(*1)(*2)(*4) | Correlation | 1 year of crisis situations |
|--------------------------------------------------|-------------|-----------------------------|
| GDP growth rate (YoY %) | (-) | (5.1) |
| Private consumption index (YoY %) | (-) | (11.9) |
| Facility investment growth rate (YoY %) | (-) | (38.6) |
| Consumer price index growth rate (%) | (+) | 7.5 |
| Balance on current account (100 million dollars) | (-) | 401.1 |
| Government bond 3y yields (%) | - | 4.39 |

(*1) As a result of reviewing the correlation of each variable, the GDP growth rates and consumer price index growth rate were applied among the major variables to reflect the final forward-looking information. The Group additionally selected the unemployment rate in addition to the table above.

(*2) The Group reflected the forward-looking information, considering the default forecast period of the Group.

(*3) The macroeconomic outlook figures are estimated by the Group for the purpose of calculating expected credit losses based on information from domestic and foreign research institutes. Therefore, it could be different from other institutions' estimates.

(*4) It was reflected in consideration of the period of the currency crisis in Korea.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(c) **Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)**

iv) *Reflection of forward-looking information (continued)*

The predicted correlations between the macroeconomic variables and the risk of default, used by the Group, are derived based on long-term data over the past ten years.

The recent historical default rate is an important reference when estimating the default rate in consideration of the future economic outlook. Although the economy has slowed down by COVID-19 since 2020, the actual default rate of the Group has remained stable due to various government support in response to the COVID-19. The Group operates the financial relief programs such as deferral of interest payments and repayment in installments, and manages credit risk of the loans subject to such deferral program by classifying those loans as Stage 2 and performing additional expected loss assessment to reflect the potential insolvency. In addition, the Group also manages credit risk through an additional assessment of expected loss for other non-retail and retail SOHO loans from borrowers with the loans subject to the deferral program, for the loans with extension of maturity by the financial relief programs, and for the loans classified as estimated loss.

As of December 31, 2023, the credit exposure of non-retail loans and retail SOHO loans to borrowers who applied for the deferral programs of interest payments and repayment in installments are ₩1,124,547 million, and the allowances are ₩138,357 million.

As of December 31, 2023 and 2022, the exposure and allowances of loans to borrowers who applied extension of maturity and deferral of interest payments and repayment in installments are as follows:

| | | December 31, 2023 | |
|-------------------------------------------------------------|---|--------------------------|-------------------|
| | | Exposure | Allowances |
| Deferral of interest payments | ₩ | 72,811 | 10,276 |
| Deferral of repayment in installments | | 633,473 | 65,373 |
| Deferral of interest payments and repayment in installments | | 36,656 | 5,618 |
| Extension of maturity (*) | | 5,501,221 | 97,375 |
| | ₩ | <u>6,244,161</u> | <u>178,642</u> |

(*) It includes exposures of ₩40,413 million and allowances of ₩4,525 million for loans applied for extension maturity.

| | | December 31, 2022 | |
|-------------------------------------------------------------|---|--------------------------|-------------------|
| | | Exposure | Allowances |
| Deferral of interest payments | ₩ | 165,442 | 26,582 |
| Deferral of repayment in installments | | 1,105,481 | 123,735 |
| Deferral of interest payments and repayment in installments | | 66,218 | 9,814 |
| Extension of maturity (*) | | 7,528,585 | 116,447 |
| | ₩ | <u>8,865,726</u> | <u>276,578</u> |

(*) It includes exposures of ₩46,188 million and allowances of ₩6,080 million for loans applied for extension maturity.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

**(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model)
(continued)**

iv) Reflection of forward-looking information (continued)

To reflect the internal and external uncertainties, the Group has additionally applied the scenario of worst to three macroeconomic variable scenarios: upside, central, and downside as of December 31, 2023. The probability weight of each scenario is determined by considering the probability distribution of the economic growth rate (GDP) estimated based on the economic growth rate forecast for each scenario that reflected future forecast information presented by the internal expert group.

If the probability weights for each scenario are assumed to be 100% and the other assumptions are the same, the sensitivity analysis of the Group's expected credit loss provisions and their impact on provisions is as follows:

| <u>Scenarios</u> | <u>Probability weight</u> | | <u>Hypothesis</u> | <u>Difference from book value</u> |
|------------------|---------------------------|---|-------------------|-----------------------------------|
| Upside | 10% | ₩ | 1,810,061 | (326,493) |
| Central | 20% | | 1,821,255 | (315,299) |
| Downside | 50% | | 1,837,299 | (299,255) |
| Worst | 20% | | 4,406,840 | 2,270,286 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

v) Measurement of expected credit losses

Key variables used in measuring expected credit losses are as follows:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

These variables have been estimated from historical experience data by using the statistical techniques developed internally by the Group and have been adjusted to reflect forward-looking information.

Estimates of PD over a specified period are estimated by reflecting characteristics of counterparties and their exposure, based on a statistical model at a specific point of time. The Group uses its own information to develop a statistical credit assessment model used for the estimation, and additional information observed in the market is considered for some portfolios such as a group of large corporates. When a counterparty or exposure is concentrated in specific grades, the method of measuring PD for those grades would be adjusted, and the PD by grade is estimated by considering contractual maturity of the exposure.

LGD refers to the expected loss if a borrower default. The Group calculates LGD based on the experience recovery rate measured from past default exposures and forward-looking information. The model for measuring LGD is developed to reflect type of collateral, seniority of collateral, type of borrower, and cost of recovery. In particular, LGD for retail loan products uses loan to value (LTV) as a key variable. The recovery rate reflected in the LGD calculation is based on the present value of recovery amount, discounted at the effective interest rate.

EAD refers to the expected exposure at the time of default. The Group derives EAD reflecting a rate at which the current exposure is expected to be used additionally up to the point of default within the contractual limit. EAD of financial assets is equal to the total carrying amount of the asset, and EAD of loan commitments or financial guarantee contracts is calculated as the sum of the amount already withdrawn and the amount expected to be used in the future.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(c) Techniques, assumptions, and input variables used to measure impairment (Expected credit loss model) (continued)

v) Measurement of expected credit losses (continued)

When measuring expected credit losses on financial assets, the Group reflects a period of expected credit loss measurement based on a contractual maturity. The contractual maturity is computed considering the extension right held by the borrower.

Risk factors such as PD, LGD and EAD are collectively estimated according to the following criteria:

- Type of products
- Internal credit risk rating
- Type of collateral
- Loan to value (“LTV”)
- Industry that the borrower belongs to
- Location of the borrower or collateral
- Days of delinquency

The criteria classifying groups is periodically reviewed to maintain homogeneity of the group and adjusted if necessary. The Group uses external benchmark information to supplement internal information for a particular portfolio that did not have sufficient internal data accumulated from the past experiences.

vi) Write-off of financial assets

The Group writes off a portion of or entire loan or debt security that is not expected to receive its principal and interest. In general, the Group conducts write-off when it is deemed that the borrower has no sufficient resources or income to repay the principal and interest. Such determination on write-off is carried out in accordance with the internal rules of the Group. Apart from write-off, the Group may continue to exercise its right of collection under its own recovery policy even after the write-off of financial assets.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(d) **Maximum exposure to credit risk**

The Group's maximum exposure to credit risk of the financial instruments held as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------------------|--------------------------|--------------------------|
| Due from banks(*1)(*2): | | |
| Banks | ₩ 5,802,428 | 6,687,333 |
| Government/Public sector/Central bank/Etc. | 20,122,532 | 13,622,717 |
| | <u>25,924,960</u> | <u>20,310,050</u> |
| Loans at amortized cost(*1)(*2): | | |
| Banks | 4,562,086 | 8,857,702 |
| Retail | | |
| Mortgage lending | 60,430,803 | 56,469,256 |
| Others | 104,481,422 | 109,004,701 |
| | <u>164,912,225</u> | <u>165,473,957</u> |
| Government/Public sector/Central bank/Etc. | 938,209 | 1,077,981 |
| Corporate | | |
| Large enterprises | 50,607,007 | 45,855,175 |
| Small and medium-sized enterprises | 115,251,803 | 111,967,778 |
| Special finance | 12,107,422 | 10,822,148 |
| Others | 266 | 103 |
| | <u>177,966,498</u> | <u>168,645,204</u> |
| Credit cards | 263,111 | 244,095 |
| | <u>348,642,129</u> | <u>344,298,939</u> |
| Loans at FVTPL(*2): | | |
| Banks | 207,997 | 109,099 |
| Corporate | | |
| Large enterprises | 318,929 | 863,454 |
| Small and medium-sized enterprises | 9,898 | - |
| | <u>328,827</u> | <u>863,454</u> |
| | <u>536,824</u> | <u>972,553</u> |
| Securities at FVTPL: | | |
| Debt securities | 23,309,849 | 20,900,078 |
| Gold/silver deposits | 103,706 | 75,969 |
| | <u>23,413,555</u> | <u>20,976,047</u> |
| Securities at FVTOCI(*1) | 49,356,133 | 47,554,952 |
| Securities at amortized cost(*1) | 30,719,163 | 28,379,986 |
| Derivative assets | 3,263,290 | 4,904,096 |
| Other financial assets(*1)(*3) | 17,602,815 | 15,463,269 |
| Off-balance accounts: | | |
| Guarantee contracts | 18,303,129 | 17,995,698 |
| Loan commitments and other credit related liabilities | 118,705,455 | 111,110,774 |
| | <u>137,008,584</u> | <u>129,106,472</u> |
| | <u>₩ 636,467,453</u> | <u>611,966,364</u> |

(*1) The maximum exposure amounts for due from banks, loans, securities, and other financial assets are measured as the amount net of unamortized balances and allowances.

(*2) Due from banks and loans are classified as similar credit risk group to be with consistent calculating capital adequacy ratio under New Basel Capital Accord (Basel III).

(*3) Other financial assets comprise accounts receivable, accrued income, guarantee deposits, domestic exchange settlement receivables, suspense payments, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(e) **Credit risk exposure by credit risk grade**

i) The maximum exposure of financial instruments to credit risk by credit risk grade as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | | | |
|-----------------------------------------------------|------------------------|------------|-------------------------|------------|-----------|-------------|-------------|-------------|-------------|---------------------------------------------|
| | 12-month expected loss | | Life-time expected loss | | | | Total | Allowances | Net | Mitigation of credit risk due to collateral |
| | Grade 1 | Grade 2 | Grade 1 | Grade 2 | Impaired | | | | | |
| Due from banks: | | | | | | | | | | |
| Banks | ₩ 5,234,461 | 577,305 | - | 79 | - | 5,811,845 | (9,417) | 5,802,428 | - | |
| Government/ Public sector/Central bank/Etc | 18,505,158 | 1,624,253 | - | 2,876 | - | 20,132,287 | (9,755) | 20,122,532 | - | |
| | 23,739,619 | 2,201,558 | - | 2,955 | - | 25,944,132 | (19,172) | 25,924,960 | - | |
| Loans at amortized cost: | | | | | | | | | | |
| Banks | 2,494,834 | 1,682,230 | 392,061 | - | - | 4,569,125 | (7,039) | 4,562,086 | 39,768 | |
| Retail | | | | | | | | | | |
| Residential real estate mortgage loan | 57,136,887 | 418,877 | 1,481,107 | 1,305,504 | 123,895 | 60,466,270 | (35,467) | 60,430,803 | 56,221,635 | |
| Others | 92,473,369 | 2,607,381 | 7,205,464 | 2,181,624 | 571,410 | 105,039,248 | (557,826) | 104,481,422 | 62,397,303 | |
| Government/ Public sector/Central bank/Etc | 883,527 | 55,117 | - | - | - | 938,644 | (435) | 938,209 | - | |
| Corporate | | | | | | | | | | |
| Large enterprises | 33,223,181 | 9,695,809 | 4,544,591 | 3,396,669 | 101,629 | 50,961,879 | (354,872) | 50,607,007 | 12,837,159 | |
| Small and medium- sized enterprises | 66,197,486 | 24,317,763 | 9,013,533 | 16,389,258 | 467,423 | 116,385,463 | (1,133,660) | 115,251,803 | 85,399,795 | |
| Special finance | 2,958,969 | 8,450,006 | 125,232 | 646,130 | 34,687 | 12,215,024 | (107,602) | 12,107,422 | 6,672,132 | |
| Others | - | 15 | - | 318 | - | 333 | (67) | 266 | - | |
| Credit cards | 8 | 262,794 | - | 4,484 | 10,086 | 277,372 | (14,261) | 263,111 | 84 | |
| | 255,368,261 | 47,489,992 | 22,761,988 | 23,923,987 | 1,309,130 | 350,853,358 | (2,211,229) | 348,642,129 | 223,567,876 | |
| Securities at FVTOCI (*) | 39,277,252 | 9,986,930 | - | 91,951 | - | 49,356,133 | - | 49,356,133 | - | |
| Securities at amortized cost | 28,616,446 | 2,104,884 | - | 7,524 | - | 30,728,854 | (9,691) | 30,719,163 | - | |
| | ₩ 347,001,578 | 61,783,364 | 22,761,988 | 24,026,417 | 1,309,130 | 456,882,477 | (2,240,092) | 454,642,385 | 223,567,876 | |

(*) Credit loss allowance recognized in other comprehensive income on securities at FVTOCI is ₩20,717 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(e) **Credit risk exposure by credit risk grade (continued)**

i) The maximum exposure of financial instruments to credit risk by credit risk grade as of December 31, 2023 and 2022 are as follows:(continued)

| | December 31, 2022 | | | | | | | | |
|-----------------------------------------------------|------------------------|------------|-------------------------|------------|-----------|-------------|-------------|-------------|---------------------------------------------|
| | 12-month expected loss | | Life-time expected loss | | | Total | Allowances | Net | Mitigation of credit risk due to collateral |
| | Grade 1 | Grade 2 | Grade 1 | Grade 2 | Impaired | | | | |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 4,822,966 | 1,875,057 | - | 177 | - | 6,698,200 | (10,867) | 6,687,333 | - |
| Government/ Public sector/Central bank/Etc | 12,560,296 | 1,068,372 | - | 556 | - | 13,629,224 | (6,507) | 13,622,717 | - |
| | 17,383,262 | 2,943,429 | - | 733 | - | 20,327,424 | (17,374) | 20,310,050 | - |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 6,501,512 | 2,255,363 | 111,593 | - | - | 8,868,468 | (10,766) | 8,857,702 | 42,418 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | 53,501,020 | 228,730 | 1,967,926 | 716,564 | 76,723 | 56,490,963 | (21,707) | 56,469,256 | 53,729,184 |
| Others | 98,302,645 | 3,138,300 | 6,354,309 | 1,296,396 | 404,929 | 109,496,579 | (491,878) | 109,004,701 | 66,719,130 |
| Government/ Public sector/Central bank/Etc | 1,063,999 | 2,863 | 12,055 | - | - | 1,078,917 | (936) | 1,077,981 | - |
| Corporate | | | | | | | | | |
| Large enterprises | 30,191,499 | 10,823,234 | 2,368,333 | 2,725,435 | 132,406 | 46,240,907 | (385,732) | 45,855,175 | 10,942,389 |
| Small and medium- sized enterprises | 67,181,097 | 23,458,473 | 8,491,172 | 13,379,684 | 438,675 | 112,949,101 | (981,323) | 111,967,778 | 80,698,917 |
| Special finance | 2,154,704 | 8,515,020 | 26,997 | 156,358 | - | 10,853,079 | (30,931) | 10,822,148 | 4,668,799 |
| Others | - | 43 | - | 86 | - | 129 | (26) | 103 | - |
| Credit cards | 14 | 244,400 | - | 3,111 | 4,325 | 251,850 | (7,755) | 244,095 | 64 |
| | 258,896,490 | 48,666,426 | 19,332,385 | 18,277,634 | 1,057,058 | 346,229,993 | (1,931,054) | 344,298,939 | 216,800,901 |
| Securities at FVTOCI(*) | 38,391,288 | 9,096,464 | - | 67,200 | - | 47,554,952 | - | 47,554,952 | - |
| Securities at amortized cost | 26,735,483 | 1,643,688 | - | 10,517 | - | 28,389,688 | (9,702) | 28,379,986 | - |
| | ₩ 341,406,523 | 62,350,007 | 19,332,385 | 18,356,084 | 1,057,058 | 442,502,057 | (1,958,130) | 440,543,927 | 216,800,901 |

(*) Credit loss allowance recognized in other comprehensive income on securities at FVTOCI is ₩ 24,746 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(e) **Credit risk exposure by credit risk grade (continued)**

ii) Credit risk exposure per credit grade of off-balance sheet accounts as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|-------------------------------------------------------------|---|-------------------------------------|----------------------------------|--------------|--------------------|
| | | 12-month expected credit loss | Lifetime expected credit loss | | Total |
| | | | Not impaired | Impaired | |
| Guarantee contracts: | | | | | |
| Grade 1 | ₩ | 15,025,558 | 528,642 | - | 15,554,200 |
| Grade 2 | | 2,577,640 | 169,579 | - | 2,747,219 |
| Impaired | | - | - | 1,710 | 1,710 |
| | | <u>17,603,198</u> | <u>698,221</u> | <u>1,710</u> | <u>18,303,129</u> |
| Loan commitment and other credit related liabilities: | | | | | |
| Grade 1 | | 92,601,651 | 7,399,358 | - | 100,001,009 |
| Grade 2 | | 16,637,264 | 2,067,182 | - | 18,704,446 |
| Impaired | | - | - | - | - |
| | | <u>109,238,915</u> | <u>9,466,540</u> | <u>-</u> | <u>118,705,455</u> |
| | ₩ | <u>126,842,113</u> | <u>10,164,761</u> | <u>1,710</u> | <u>137,008,584</u> |

| | | December 31, 2022 | | | |
|-------------------------------------------------------------|---|-------------------------------------|----------------------------------|---------------|--------------------|
| | | 12-month expected credit loss | Lifetime expected credit loss | | Total |
| | | | Not impaired | Impaired | |
| Guarantee contracts: | | | | | |
| Grade 1 | ₩ | 13,997,614 | 385,819 | - | 14,383,433 |
| Grade 2 | | 3,313,927 | 199,925 | - | 3,513,852 |
| Impaired | | - | - | 98,413 | 98,413 |
| | | <u>17,311,541</u> | <u>585,744</u> | <u>98,413</u> | <u>17,995,698</u> |
| Loan commitment and other credit related liabilities: | | | | | |
| Grade 1 | | 89,495,753 | 4,215,975 | - | 93,711,728 |
| Grade 2 | | 15,415,924 | 1,983,122 | - | 17,399,046 |
| Impaired | | - | - | - | - |
| | | <u>104,911,677</u> | <u>6,199,097</u> | <u>-</u> | <u>111,110,774</u> |
| | ₩ | <u>122,223,218</u> | <u>6,784,841</u> | <u>98,413</u> | <u>129,106,472</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(e) **Credit risk exposure by credit risk grade (continued)**

iii) *Credit risk exposure per collateral of financial instruments as of December 31, 2023 and 2022 are as follows:*

| | | December 31, 2023 | | | |
|------------------------|---|----------------------------------------------|------------------------------------------|-----------------|--------------------|
| | | 12-month expected credit loss | Lifetime expected credit loss | | |
| | | | Not impaired | Impaired | Total |
| Guarantees | ₩ | 55,962,228 | 10,079,869 | 419,564 | 66,461,661 |
| Deposits and savings | | 2,336,337 | 305,542 | 5,577 | 2,647,456 |
| Property and equipment | | 1,597,705 | 464,740 | 10,269 | 2,072,714 |
| Real estate | | 136,372,675 | 18,688,625 | 268,997 | 155,330,297 |
| | ₩ | <u>196,268,945</u> | <u>29,538,776</u> | <u>704,407</u> | <u>226,512,128</u> |
| | | | | | |
| | | December 31, 2022 | | | |
| | | 12-month expected credit loss | Lifetime expected credit loss | | |
| | | | Not impaired | Impaired | Total |
| Guarantees | ₩ | 60,505,261 | 8,502,095 | 226,585 | 69,233,941 |
| Deposits and savings | | 2,482,402 | 232,114 | 2,360 | 2,716,876 |
| Property and equipment | | 1,541,842 | 391,621 | 11,523 | 1,944,986 |
| Real estate | | 129,871,227 | 15,916,705 | 240,894 | 146,028,826 |
| | ₩ | <u>194,400,732</u> | <u>25,042,535</u> | <u>481,362</u> | <u>219,924,629</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-1. **Credit risk (continued)**

(e) **Credit risk exposure by credit risk grade (continued)**

iv) *Credit risk exposure per LTV of mortgage loans as of December 31, 2023 and 2022 are as follows:*

| | | December 31, 2023 | | | | | |
|-------------------------|---|------------------------------|----------------------------|----------------------------|-----------------------------|------------------|-------------------|
| | | LTV of mortgage loans | | | | | |
| | | 40% or less | Above 40% ~ 60% | Above 60% ~ 80% | Above 80% ~ 100% | Others | Total |
| Loans at amortized cost | ₩ | 19,649,364 | 16,130,038 | 16,508,710 | 5,196,866 | 2,981,292 | 60,466,270 |
| Less: allowance | | (1,910) | (5,416) | (17,853) | (7,248) | (3,040) | (35,467) |
| | ₩ | <u>19,647,454</u> | <u>16,124,622</u> | <u>16,490,857</u> | <u>5,189,618</u> | <u>2,978,252</u> | <u>60,430,803</u> |
| | | December 31, 2022 | | | | | |
| | | LTV of mortgage loans | | | | | |
| | | 40% or less | Above 40% ~ 60% | Above 60% ~ 80% | Above 80% ~ 100% | Others | Total |
| Loans at amortized cost | ₩ | 20,442,384 | 15,871,664 | 15,634,149 | 2,335,250 | 2,207,516 | 56,490,963 |
| Less: allowance | | (1,031) | (3,266) | (12,224) | (2,702) | (2,484) | (21,707) |
| | ₩ | <u>20,441,353</u> | <u>15,868,398</u> | <u>15,621,925</u> | <u>2,332,548</u> | <u>2,205,032</u> | <u>56,469,256</u> |

v) *Credit qualities are classified based on the internal credit rating as follows:*

| Type of Borrower | Grade 1 | Grade 2 |
|---------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------|
| Retail | Pool of retail loans with probability of default of less than 2.25% | Pool of retail loans with probability of default of 2.25% or more |
| Governments, Public sector, Central bank | OECD sovereign credit rating of 6 or above | OECD sovereign credit rating of below 6 |
| Banks and Corporations | Internal credit rating of BBB+ or above | Internal credit rating of below BBB+ |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(f) Nature and effect of modification in contractual cash flows

i) For the financial assets for which the loss allowances have been measured at amounts equal to the lifetime expected credit losses, and the contractual cash flows are modified for the years ended December 31, 2023 and 2022, the amortized costs before modification amounted to ₩72,026 million and ₩50,916 million, respectively, and the net losses resulting from the modification amounted to ₩30,101 million and ₩16,297 million, respectively.

ii) As of December 31, 2023 and 2022, the book value of financial asset, for which contractual cash flows have been modified while the loss allowance is measured at an amount equal to lifetime expected credit losses at initial recognition, and the loss allowance reverted to being measured at an amount equal to 12-month expected credit losses for the years ended December 31, 2023 and 2022 are ₩40,595 million and ₩5,686 million.

(g) The contractual amounts outstanding on financial assets that are written-off but are still subject to enforcement activity as of December 31, 2023 and 2022, are ₩5,696,505 million and ₩5,594,676 million, respectively.

(h) As of December 31, 2023 and 2022, there are no assets acquired by the execution of collateral.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(i) Concentration by geographic location

An analysis of concentration by geographic location for financial instruments excluding equity securities as of December 31, 2023 and 2022 is as follows:

| Classification(*) | December 31, 2023 | | | | | | | | | | Total | |
|-------------------------------------------------------|-------------------|------------|-----------|------------|-----------|------------|-----------|------------|--|--|-------------|--|
| | Korea | U.S.A | U.K | Japan | Germany | Vietnam | China | Others | | | | |
| Due from banks: | | | | | | | | | | | | |
| Banks | ₩ 324,319 | 2,841,241 | 19,183 | 362,621 | 623,153 | 303,221 | 557,827 | 770,863 | | | 5,802,428 | |
| Government/Public sector/Central bank/Etc. | 16,340,799 | 455,682 | 2 | 1,360,853 | 1,942 | 303,831 | 341,837 | 1,317,586 | | | 20,122,532 | |
| | 16,665,118 | 3,296,923 | 19,185 | 1,723,474 | 625,095 | 607,052 | 899,664 | 2,088,449 | | | 25,924,960 | |
| Loans at amortized cost: | | | | | | | | | | | | |
| Banks | | | | | | | | | | | | |
| Retail | 1,171,988 | 5,963 | 152,790 | 9,178 | 322,948 | 1,151,214 | 955,985 | 792,020 | | | 4,562,086 | |
| Residential real estate mortgage loan | 52,687,023 | 233,892 | 2,421 | 4,640,584 | 672 | 699,642 | 656,067 | 1,510,502 | | | 60,430,803 | |
| Others | 100,197,102 | 179,771 | 5,450 | 42,172 | 1,497 | 2,377,119 | 1,219,593 | 458,718 | | | 104,481,422 | |
| Government/Public sector/Central bank/Etc. | 662,101 | - | - | - | 221,018 | - | - | 55,090 | | | 938,209 | |
| Corporate | | | | | | | | | | | | |
| Large enterprises | 42,828,265 | 1,822,234 | 77,633 | 466,208 | 83,686 | 1,387,301 | 1,346,285 | 2,595,395 | | | 50,607,007 | |
| Small and medium-sized enterprises | 102,963,774 | 1,156,533 | 179,667 | 4,726,966 | 61,906 | 2,023,841 | 1,151,306 | 2,987,810 | | | 115,251,803 | |
| Special finance | 9,493,215 | 793,927 | 178,451 | 698,000 | 14,175 | 43,312 | - | 886,342 | | | 12,107,422 | |
| Others | 262 | 3 | - | 1 | - | - | - | - | | | 266 | |
| Credit cards | 11,445 | 1,020 | 106 | 61 | 31 | 249,009 | 79 | 1,360 | | | 263,111 | |
| | 310,015,175 | 4,193,343 | 596,518 | 10,583,170 | 705,933 | 7,931,438 | 5,329,315 | 9,287,237 | | | 348,642,129 | |
| Loans at FVTPL: | | | | | | | | | | | | |
| Banks | 207,997 | - | - | - | - | - | - | - | | | 207,997 | |
| Corporate | | | | | | | | | | | | |
| Large enterprises | 318,929 | - | - | - | - | - | - | - | | | 318,929 | |
| Small and medium-sized enterprises | 9,898 | - | - | - | - | - | - | - | | | 9,898 | |
| | 536,824 | - | - | - | - | - | - | - | | | 536,824 | |
| Securities at FVTPL: | | | | | | | | | | | | |
| Debt securities | 22,618,302 | 110,026 | 19,036 | 55,480 | 29,247 | - | - | 477,758 | | | 23,309,849 | |
| Gold/silver deposits | - | - | 103,706 | - | - | - | - | - | | | 103,706 | |
| | 22,618,302 | 110,026 | 122,742 | 55,480 | 29,247 | - | - | 477,758 | | | 23,413,555 | |
| Securities at FVTOCI | 43,108,301 | 3,132,644 | 234,080 | 445,201 | 38,468 | 51,473 | 671,330 | 1,674,636 | | | 49,356,133 | |
| Securities at amortized cost | 28,670,122 | 108,121 | - | 565,286 | - | 654,073 | 110,463 | 611,098 | | | 30,719,163 | |
| Off-balance accounts: | | | | | | | | | | | | |
| Guarantee contracts | 16,885,664 | 155,883 | 7,607 | 55,086 | 15,639 | 197,052 | 595,236 | 390,962 | | | 18,303,129 | |
| Loan commitments and other credit related liabilities | 107,816,525 | 1,301,469 | 221,991 | 446,365 | 92,419 | 2,017,126 | 2,210,056 | 4,599,504 | | | 118,705,455 | |
| | ₩ 546,316,031 | 12,298,409 | 1,202,123 | 13,874,062 | 1,506,801 | 11,458,214 | 9,816,064 | 19,129,644 | | | 615,601,348 | |

(*) Geographical breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(i) Concentration by geographic location (continued)

An analysis of concentration by geographic location for financial instruments excluding equity securities as of December 31, 2023 and 2022 is as follows: (continued)

| Classification(*) | December 31, 2022 | | | | | | | Total | |
|-------------------------------------------------------|-------------------|------------|-----------|------------|-----------|------------|------------|------------|-------------|
| | Korea | U.S.A | U.K | Japan | Germany | Vietnam | China | | Others |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 915,724 | 2,105,351 | 520,636 | 447,278 | 434,080 | 589,131 | 934,504 | 740,629 | 6,687,333 |
| Government/Public sector/Central bank/Etc | 9,801,519 | 915,306 | - | 1,404,163 | 21,674 | 345,142 | 441,551 | 693,362 | 13,622,717 |
| | 10,717,243 | 3,020,657 | 520,636 | 1,851,441 | 455,754 | 934,273 | 1,376,055 | 1,433,991 | 20,310,050 |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 1,516,985 | 4,773 | 25,270 | 431,744 | 241,290 | 971,869 | 2,901,828 | 2,763,943 | 8,857,702 |
| Retail | | | | | | | | | |
| Residential real estate mortgage loan | 48,677,828 | 293,915 | 4,641 | 4,326,107 | 1,663 | 671,907 | 1,190,622 | 1,302,573 | 56,469,256 |
| Others | 105,714,674 | 108,124 | 3,488 | 31,203 | 2,053 | 1,966,639 | 830,547 | 347,973 | 109,004,701 |
| Government/Public sector/Central bank/Etc | 670,050 | - | - | - | 405,073 | - | - | 2,858 | 1,077,981 |
| Corporate | | | | | | | | | |
| Large enterprises | 38,787,387 | 1,599,839 | 51,119 | 515,975 | 26,792 | 1,342,401 | 1,258,553 | 2,273,109 | 45,855,175 |
| Small and medium-sized enterprises | 101,148,206 | 978,308 | 95,019 | 3,799,641 | 70,005 | 1,643,809 | 1,436,034 | 2,796,756 | 111,967,778 |
| Special finance | 7,990,243 | 803,632 | 197,345 | 830,825 | 8,408 | 87,887 | - | 903,808 | 10,822,148 |
| Others | 75 | 12 | - | - | - | - | - | 16 | 103 |
| Credit cards | 10,840 | 963 | 91 | 65 | 32 | 230,770 | 104 | 1,230 | 244,095 |
| | 304,516,288 | 3,789,566 | 376,973 | 9,935,560 | 755,316 | 6,915,282 | 7,617,688 | 10,392,266 | 344,298,939 |
| Loans at FVTPL: | | | | | | | | | |
| Banks | 109,099 | - | - | - | - | - | - | - | 109,099 |
| Corporate | | | | | | | | | |
| Large enterprises | 863,454 | - | - | - | - | - | - | - | 863,454 |
| | 972,553 | - | - | - | - | - | - | - | 972,553 |
| Securities at FVTPL: | | | | | | | | | |
| Debt securities | 20,259,961 | 129,986 | 4,817 | 32,171 | 21,649 | - | 2,713 | 448,781 | 20,900,078 |
| Gold/silver deposits | - | - | 75,969 | - | - | - | - | - | 75,969 |
| | 20,259,961 | 129,986 | 80,786 | 32,171 | 21,649 | - | 2,713 | 448,781 | 20,976,047 |
| Securities at FVTOCI | 42,254,619 | 2,673,595 | 157,951 | 348,241 | 34,065 | 92,940 | 688,085 | 1,305,456 | 47,554,952 |
| Securities at amortized cost | 26,781,017 | 106,480 | - | 214,653 | - | 726,476 | 110,884 | 440,476 | 28,379,986 |
| Off-balance accounts: | | | | | | | | | |
| Guarantee contracts | 16,185,620 | 118,951 | 23,481 | 47,806 | 44,203 | 303,054 | 1,015,543 | 257,040 | 17,995,698 |
| Loan commitments and other credit related liabilities | 100,816,038 | 732,156 | 314,626 | 539,431 | 41,461 | 1,834,268 | 2,455,130 | 4,377,664 | 111,110,774 |
| | ₩ 522,503,339 | 10,571,391 | 1,474,453 | 12,969,303 | 1,352,448 | 10,806,293 | 13,266,098 | 18,655,674 | 591,598,999 |

(*) Geographical breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(j) Concentration by industry sector

An analysis of concentration by industry sector for financial instruments excluding equity securities as of December 31, 2023 and 2022 are as follows:

| Classification(*) | December 31, 2023 | | | | | | | Total |
|-------------------------------------------------------|-----------------------|---------------|----------------------|-------------------------|--------------|------------------------|-------------|-------------|
| | Finance and insurance | Manufacturing | Retail and wholesale | Real estate and service | Construction | Lodging and restaurant | Others | |
| Due from banks: | | | | | | | | |
| Banks | ₩ 5,802,428 | - | - | - | - | - | - | 5,802,428 |
| Government/Public sector/Central bank/Etc | 20,122,532 | - | - | - | - | - | - | 20,122,532 |
| | 25,924,960 | - | - | - | - | - | - | 25,924,960 |
| Loans at amortized cost: | | | | | | | | |
| Banks | 4,142,348 | - | - | - | - | - | 419,738 | 4,562,086 |
| Retail | - | - | - | - | - | - | - | - |
| Residential real estate mortgage loan | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |
| Government/Public sector/Central bank/Etc | 905,204 | - | - | - | - | - | 60,430,803 | 60,430,803 |
| Corporate | | | | | | | | |
| Large enterprises | 6,632,453 | 23,867,255 | 5,116,884 | 2,678,372 | 1,268,558 | 441,493 | 10,601,992 | 50,607,007 |
| Small and medium-sized enterprises | 1,204,569 | 33,112,872 | 16,992,589 | 32,303,271 | 2,082,311 | 5,325,468 | 24,230,723 | 115,251,803 |
| Special finance | 3,093,921 | 26,121 | - | 5,290,639 | 223,970 | 93,967 | 3,378,804 | 12,107,422 |
| Others | - | - | 12 | 1 | - | 174 | 79 | 266 |
| Credit cards | - | - | - | - | - | - | - | 263,111 |
| | 15,978,495 | 57,006,248 | 22,109,485 | 40,272,283 | 3,574,839 | 5,861,102 | 38,664,341 | 348,642,129 |
| Loans at FVTPL: | | | | | | | | |
| Banks | - | - | - | 49,526 | 99,043 | - | 59,428 | 207,997 |
| Corporate | - | - | - | - | - | - | - | - |
| Small and medium-sized enterprises | - | 198,002 | 99,667 | - | - | - | 21,260 | 318,929 |
| Large enterprises | 9,898 | 198,002 | 99,667 | 49,526 | 99,043 | - | 80,688 | 9,898 |
| | 9,898 | 198,002 | 99,667 | 49,526 | 99,043 | - | 80,688 | 556,824 |
| Securities at FVTPL: | | | | | | | | |
| Debt securities | 12,868,932 | 2,203,227 | 963,008 | 628,611 | 172,598 | 48,557 | 6,424,916 | 23,309,849 |
| Gold/silver deposits | 103,706 | - | - | - | - | - | - | 103,706 |
| | 12,972,638 | 2,203,227 | 963,008 | 628,611 | 172,598 | 48,557 | 6,424,916 | 23,413,555 |
| Securities at FVTOCI | | | | | | | | |
| Securities at amortized cost | 21,168,220 | 1,809,333 | 484,331 | 651,660 | 534,712 | 20,172 | 24,687,705 | 49,356,133 |
| Off-balance sheet accounts: | 11,229,254 | 9,961 | - | 235,243 | 209,190 | - | 19,035,515 | 30,719,163 |
| Guarantee contracts | 2,517,428 | 9,125,572 | 3,486,714 | 119,473 | 152,112 | 36,364 | 2,586,541 | 18,303,129 |
| Loan commitments and other credit related liabilities | 18,056,936 | 31,564,590 | 9,672,493 | 3,806,811 | 1,673,648 | 287,277 | 15,015,969 | 118,705,455 |
| | ₩ 107,857,829 | 101,916,933 | 36,815,698 | 45,763,607 | 6,416,142 | 6,253,472 | 106,495,675 | 615,601,348 |

(*) Industrial breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

3. Financial risk management (continued)

3-1. Credit risk (continued)

(j) Concentration by industry sector (continued)

An analysis of concentration by industry sector for financial instruments excluding equity securities as of December 31, 2023 and 2022 are as follows: (continued)

| Classification(*) | December 31, 2022 | | | | | | | Total | |
|-------------------------------------------------------|-----------------------|---------------|----------------------|-------------------------|--------------|------------------------|------------|-------------|-------------|
| | Finance and insurance | Manufacturing | Retail and wholesale | Real estate and service | Construction | Lodging and restaurant | Others | | |
| Due from banks: | | | | | | | | | |
| Banks | ₩ 6,687,333 | - | - | - | - | - | - | 6,687,333 | |
| Government/Public sector/Central bank/Etc | 13,622,717 | - | - | - | - | - | - | 13,622,717 | |
| | 20,310,050 | - | - | - | - | - | - | 20,310,050 | |
| Loans at amortized cost: | | | | | | | | | |
| Banks | 8,206,048 | - | - | - | 29,979 | - | 621,675 | 8,857,702 | |
| Retail | - | - | - | - | - | - | - | - | |
| Residential real estate mortgage loan | - | - | - | - | - | - | - | 56,469,256 | |
| Others | 1,066,103 | - | - | - | - | - | 11,878 | 1,077,981 | |
| Government/Public sector/Central bank/Etc | | | | | | | | | |
| Corporate | 6,721,331 | 21,426,796 | 4,502,482 | 2,566,132 | 863,862 | 532,425 | 9,242,147 | 45,855,175 | |
| Large enterprises | 1,211,710 | 34,951,501 | 17,117,543 | 29,910,350 | 2,122,623 | 5,216,746 | 21,437,305 | 111,967,778 | |
| Small and medium-sized enterprises | 2,347,474 | 9,299 | 19,657 | 4,579,303 | 354,216 | 120,974 | 3,391,225 | 10,822,148 | |
| Special finance | - | - | 26 | 2 | - | - | 75 | 103 | |
| Others | - | - | - | - | - | - | - | - | |
| Credit cards | 19,552,666 | 56,387,596 | 21,639,708 | 37,055,787 | 3,370,680 | 5,870,145 | 34,704,305 | 244,095 | |
| | | | | | | | | 344,298,939 | |
| Loans at FVTPL: | | | | | | | | | |
| Banks | - | - | - | 69,533 | - | - | 39,566 | - | 109,099 |
| Corporate | 247,197 | 504,572 | 89,651 | - | - | - | 22,034 | - | 863,454 |
| Large enterprises | 10,861,305 | 1,652,645 | 988,310 | 889,125 | 187,188 | 59,459 | 6,262,046 | - | 20,900,078 |
| Securities at FVTPL: | 75,969 | - | - | - | - | - | - | - | 75,969 |
| Debt securities | 21,057,528 | 1,989,003 | 417,514 | 547,578 | 562,659 | 28,371 | 22,952,299 | - | 47,554,952 |
| Gold/silver deposits | 10,238,931 | 9,931 | - | 158,196 | 218,861 | - | 17,754,067 | - | 28,379,986 |
| Securities at amortized cost | 2,340,397 | 8,934,828 | 3,380,682 | 115,812 | 224,239 | 89,300 | 2,560,434 | - | 17,995,698 |
| Off-balance sheet accounts: | | | | | | | | | |
| Guarantee contracts | 18,194,380 | 27,582,399 | 9,883,883 | 2,799,711 | 1,801,246 | 308,030 | 12,322,373 | - | 111,110,774 |
| Loan commitments and other credit related liabilities | 102,878,423 | 97,060,974 | 36,399,748 | 41,635,742 | 6,364,873 | 6,355,305 | 96,617,124 | - | 591,598,999 |
| | ₩ | | | | | | | | |

(*) Industrial breakdown is the book value, net of unamortized balances and allowance for impairment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-2. Market risk

Market risk is the risk of loss that can be caused by changes in market price such as interest rates, equity prices, and foreign exchange rates, etc. The Group manages securities, foreign exchange positions, derivative financial instruments, etc. held for the purpose of obtaining short-term trading gains as trading positions. In addition, the Group manages interest-sensitive assets consisting of loans, deposits, and debt securities not for the purpose of obtaining short-term trading gains, interest-sensitive liabilities consisting of deposits, borrowings, and debt securities issued, and interest-sensitive derivatives used as hedging instruments as non-trading position. The Group carries out decision-making functions such as policy establishment and setting limits on market risk management by the Risk Policy Committee, and the Risk Engineering Department provides comprehensive market risk management, market risk system management, and Middle Office functions for all operating departments and desks.

The basis of market risk management is limit management to maintain the maximum possible loss due to market risk within a certain level. The Risk Policy Committee sets and operates the one-day risk limit, loss limit, sensitivity limit, investment limit and position limit, and stress loss limit for each operating department and desk. The Risk Engineering Department monitors the operating status independently from the operating department and reports regularly to the Risk Policy Committee and Risk Management Committee. In addition, the Fair Value Assurance Council and the Risk Engineering Department conduct a review of the fair value evaluation method and risk assessment before the launch (or transactions) of new products in each business unit. The Risk Review Council for derivatives and structured products supports rational decision-making such as checking risk factors and reviewing investment limits, so that objective analysis and review of risk factors can be conducted in advance.

(a) Market risk management of trading positions

The transaction data of foreign exchange, stocks, bonds, and derivatives, which are subject to measurement of market risk in trading positions, are managed by entering transactions into the front system and automatically interface with the Market Risk Management System (MARS) to measure daily risk and limit management. In addition, to supplement risk measurement through statistical methods and to manage the sensitivity and the size of losses in a dynamic economic environment, stress testing is regularly conducted to ensure that losses are managed within a certain range in the event of the Group crisis.

i) Measurement method on market risk arising from trading positions

The Group had historically calculated market risk using the historical simulation Value at Risk (VaR) methodology based on Basel II standards until the introduction of Basel III regulations in 2023. Due to the new Basel III regulations, the Group now calculates market risk incurred in trading positions using the standardized calculation methods for market risk capital requirements specified in the Banking Supervisory Rules <Appendix 3-2>, as outlined by the Basel Committee on Banking Supervision. For market risk arising from trading positions, regulatory capital is categorized into required capital for Sensitivity-based approach, Default Risk Capital, and Residual Risk Capital concerning market risk sensitivity.

- Sensitivity-based risk refers to losses that can be caused by a change in the value of the product due to a change in the risk factor inherent within the product.
- Default risk refers to losses that can occur due to a default of an issuer, not losses on financial instruments due to credit spread fluctuations or changes in credit ratings.
- Residual risk is the concept of imposing additional regulatory capital risk if there is a specificity of the profit or loss structure or if the underlying asset is special.

The limit for each type of market risk is set within the Bank's total risk limit, and all regulatory capital is calculated using the revised standardised approach for market risk based on Basel III and used as a means of market risk management. The Risk Engineering Department manages the limits set by the Risk Management Committee or the Risk Policy Committee. For the efficient management of foreign exchange, stocks, bonds, and derivatives, the following market risk limits are set by all administration, management department, and desk, and compliance with the limits is monitored first on a daily basis. If the set limit is exceeded, the head of the operation department reports the details of the excess, the reason for any excess, and the resolution to the head of the group to reduce it within the next working day.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-2. **Market risk (continued)**

(a) Market risk management of trading positions (continued)

ii) Risk of trading positions

The minimum, maximum, average Risk for the year ended December 31, 2023, and the regulatory capital for market risk at December 31, 2023 under Basel III revised standardised approach are as follows:

| | | December 31, 2023 | | | |
|-------------------------------|---|-------------------|----------------|----------------|----------------|
| | | Average | Maximum | Minimum | Year-end |
| Sensitivity risk | | | | | |
| GIRR (*1) | ₩ | 116,399 | 155,797 | 101,067 | 107,348 |
| CSR (non-securitization) (*2) | | 154,644 | 165,117 | 142,492 | 153,034 |
| CSR (securitization: Non-CTP) | | 28,170 | 34,370 | 21,625 | 26,187 |
| Equity securities | | 43,875 | 47,598 | 30,750 | 30,750 |
| Foreign currency | | 438,405 | 458,406 | 423,287 | 458,406 |
| Commodity | | 142 | 292 | - | 119 |
| | | <u>780,069</u> | <u>820,230</u> | <u>750,291</u> | <u>775,844</u> |
| Default risk | | | | | |
| Non-securitization | | 105,604 | 113,798 | 88,899 | 107,695 |
| Securitization (excludes CTP) | | 59,721 | 64,795 | 55,054 | 59,549 |
| | | <u>165,325</u> | <u>175,923</u> | <u>146,003</u> | <u>167,244</u> |
| Residual risks | | | | | |
| | | 2,063 | 2,175 | 1,719 | 1,719 |
| | ₩ | <u>947,456</u> | <u>992,483</u> | <u>898,320</u> | <u>944,807</u> |

(*1) GIRR: General Interest Rate Risk

(*2) CSR: Credit Spread Risk

The minimum, maximum, average VaR and the VaR for the year ended December 31, 2022 are as follows:

| | | December 31, 2022 | | | |
|--------------------------|---|-------------------|----------------|----------------|----------------|
| | | Average | Maximum | Minimum | Year-end |
| Interest rate risk | ₩ | 44,719 | 64,628 | 24,322 | 53,777 |
| Equity risk | | 20,303 | 24,879 | 13,443 | 21,659 |
| Foreign currency risk(*) | | 191,013 | 262,319 | 161,760 | 252,453 |
| Volatility risk | | 84 | 211 | 25 | 110 |
| Commodity risk | | 13 | 193 | - | 27 |
| Covariance | | (33,760) | (77,335) | (10,872) | (62,957) |
| | ₩ | <u>222,372</u> | <u>274,895</u> | <u>188,678</u> | <u>265,069</u> |

(*) The Group measured foreign currency risk arising from trading positions and non-trading positions.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-2. Market risk (continued)

(b) Market risk management of non-trading positions

The most critical market risk that arises from non-trading positions is the interest rate risk. Accordingly, the Group measures and manages market risk for non-trading positions by considering the effects of interest rate changes on both its net asset value and net interest income.

The Group carries out decision-making functions such as establishing policies and setting detailed limits on interest rate risk management by the Risk Policy Committee, and within these principles and limits, management departments by account, such as overseas branches, subsidiaries, and finance departments, trust headquarters, and general finance departments, primarily recognize and manage interest rate risk. The Risk Management Department and the Risk Engineering Department support the Risk Policy Committee's decision on interest rate risk, monitor whether the interest rate risk limit is exceeded, and evaluate and manage the overall interest rate risk.

The Group measures and manages interest rate risk using various analysis methods such as interest rate gap, duration gap, and scenario based NII (Net Interest Income) simulation through the Asset Liability Management (ALM) system. Limits for interest rate VaR and interest rate EaR (Earnings at Risk) and interest rate gap ratios are set and monitored monthly. In addition, stress testing evaluates the impact on interest rate risk in various crisis situations.

i) Measurement method on market risk arising from non-trading positions

The Group calculates and manages the amount of change in economic value of equity (interest rate VaR) and the maximum expected interest loss (interest rate EaR) over the next year on the application of the IRRBB standardised approach interest rate scenario provided by the Bank for International Settlements ("BIS"). It also manages the risk of interest rate market risk by reflecting the customer behaviour ratio based on IRRBB standardised approach.

In order to calculate the interest rate risk, the Group uses the six scenarios defined by the Basel Committee, 1) Parallel shock up, 2) Parallel shock down, 3) Steepener shock, 4) Flattener shock, 5) Short rates shock up, and 6) Short rates shock down. Based on the six scenarios, the changes in economic value of equity are measured to calculate the maximum loss (VaR: Value at Risk) and the changes in net interest income are measured to calculate the maximum expected changes in profit or loss (EaR: Earning at Risk) based on the two scenarios (parallel shock increases and decreases).

ii) Interest rate VaR and EaR for non-trading positions

Interest rate VaR (maximum expected loss among Δ EVE) and EaR (maximum expected changes in profit of loss among Δ NII) for non-trading positions which were measured by the IRRBB standardised approach provided by BIS as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------|--------------------------|--------------------------|
| Interest rate VaR | ₩ 1,185,973 | 1,046,136 |
| Interest rate EaR | 394,996 | 599,941 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-2. Market risk (continued)

(c) Foreign exchange risk

The Group manages foreign currency risk based on general positions which includes all spot and future foreign currency positions, etc. The Risk Policy Committee oversees the Group's foreign exchange exposure for both trading and non-trading activities by establishing limits for the net foreign currencies open position. The Group's foreign exchange position is centralized at the S&T Center. Dealers in S&T Center manage the Group's overall position within the set limits through trading of spot exchange and foreign currency related derivatives. The Group's foreign exchange transactions are mainly conducted in the U.S. dollar (USD), Japanese yen (JPY), Euro (EUR) and Chinese yuan (CNY). Other foreign currencies are limitedly traded.

Foreign currency denominated assets and liabilities as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | Total |
|---------------------------------|--------------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | USD | JPY | EUR | CNY | Others | |
| Assets | | | | | | |
| Cash and due from banks ₩ | 9,188,642 | 2,039,170 | 68,656 | 629,844 | 3,735,614 | 15,661,926 |
| Securities at FVTPL | 1,483,375 | 3,317 | 326,277 | - | 188,659 | 2,001,628 |
| Derivative assets | 406,267 | 1,448 | 3,530 | 32 | 16,490 | 427,767 |
| Loans at amortized cost | 23,097,671 | 11,701,633 | 1,506,431 | 4,018,660 | 11,307,958 | 51,632,353 |
| Securities at FVTOCI | 6,067,584 | 175,740 | 3,739 | 564,791 | 1,131,565 | 7,943,419 |
| Securities at amortized cost | 166,427 | 553,509 | - | 110,532 | 1,281,941 | 2,112,409 |
| Other financial assets | 4,490,867 | 637,607 | 823,623 | 441,906 | 905,669 | 7,299,672 |
| | <u>44,900,833</u> | <u>15,112,424</u> | <u>2,732,256</u> | <u>5,765,765</u> | <u>18,567,896</u> | <u>87,079,174</u> |
| Liabilities | | | | | | |
| Deposits | 22,488,939 | 14,309,156 | 1,529,622 | 4,131,142 | 12,439,502 | 54,898,361 |
| Financial liabilities at FVTPL | - | - | - | - | 419,342 | 419,342 |
| Derivative liabilities | 577,069 | - | 12,208 | 583 | 42,961 | 632,821 |
| Borrowings | 8,382,968 | 1,390,750 | 208,335 | 115,798 | 746,699 | 10,844,550 |
| Debt securities issued | 6,325,087 | 337,684 | 713,295 | - | 1,205,056 | 8,581,122 |
| Other financial liabilities | 4,989,482 | 183,500 | 769,799 | 777,986 | 772,651 | 7,493,418 |
| | <u>42,763,545</u> | <u>16,221,090</u> | <u>3,233,259</u> | <u>5,025,509</u> | <u>15,626,211</u> | <u>82,869,614</u> |
| Net assets (liabilities) | 2,137,288 | (1,108,666) | (501,003) | 740,256 | 2,941,685 | 4,209,560 |
| Off-balance sheet items | | | | | | |
| Derivative exposures | (153,920) | 1,708,664 | (236,969) | (326,125) | (611,718) | 379,932 |
| Net position ₩ | <u>1,983,368</u> | <u>599,998</u> | <u>(737,972)</u> | <u>414,131</u> | <u>2,329,967</u> | <u>4,589,492</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-2. **Market risk (continued)**

(c) Foreign exchange risk (continued)

Foreign currency denominated assets and liabilities as of December 31, 2023 and 2022 are as follows: (continued)

| | December 31, 2022 | | | | | Total |
|---------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | USD | JPY | EUR | CNY | Others | |
| Assets | | | | | | |
| Cash and due from banks ₩ | 5,201,254 | 1,961,565 | 96,335 | 688,837 | 4,329,609 | 12,277,600 |
| Securities at FVTPL | 1,114,580 | - | 249,734 | - | 217,562 | 1,581,876 |
| Derivative assets | 588,838 | 337 | 6,632 | 53 | 7,437 | 603,297 |
| Loans at amortized cost | 28,607,384 | 10,608,558 | 1,704,749 | 5,021,722 | 9,842,180 | 55,784,593 |
| Securities at FVTOCI | 5,328,349 | 180,352 | 3,236 | 498,367 | 980,859 | 6,991,163 |
| Securities at amortized cost | 177,584 | 203,102 | - | 110,997 | 1,162,523 | 1,654,206 |
| Other financial assets | 2,850,535 | 597,067 | 556,962 | 344,126 | 1,498,527 | 5,847,217 |
| | <u>43,868,524</u> | <u>13,550,981</u> | <u>2,617,648</u> | <u>6,664,102</u> | <u>18,038,697</u> | <u>84,739,952</u> |
| Liabilities | | | | | | |
| Deposits | 24,902,919 | 11,772,467 | 1,628,441 | 5,017,756 | 11,785,781 | 55,107,364 |
| Financial liabilities at FVTPL | 2,958 | - | - | - | 422,006 | 424,964 |
| Derivative liabilities | 698,396 | - | 27,933 | 155 | 50,918 | 777,402 |
| Borrowings | 8,672,448 | 1,347,623 | 182,926 | 85,862 | 820,957 | 11,109,816 |
| Debt securities issued | 6,218,177 | 352,677 | 675,600 | 108,864 | 1,180,452 | 8,535,770 |
| Other financial liabilities | 3,666,954 | 259,683 | 621,756 | 889,138 | 1,462,188 | 6,899,719 |
| | <u>44,161,852</u> | <u>13,732,450</u> | <u>3,136,656</u> | <u>6,101,775</u> | <u>15,722,302</u> | <u>82,855,035</u> |
| Net assets (liabilities) | (293,328) | (181,469) | (519,008) | 562,327 | 2,316,395 | 1,884,917 |
| Off-balance sheet items | | | | | | |
| Derivative exposures | 1,652,732 | 782,057 | 199,034 | (50,107) | (748,669) | 1,835,047 |
| Net position ₩ | <u>1,359,404</u> | <u>600,588</u> | <u>(319,974)</u> | <u>512,220</u> | <u>1,567,726</u> | <u>3,719,964</u> |

(d) Interest rate risk management

The Group is closely monitoring the output and market of various industrial working groups that manage the transition to new interest rate benchmarks. It includes announcements made by LIBOR regulators.

Regulators have clearly stated that they will not persuade or force banks to submit LIBOR by the end of 2021. In response to this announcement, the Group has established a LIBOR-related response plan consisting of work flows such as risk management, accounting, tax, law, IT, and customer management. The plan is dedicated to the Chief Financial Officer (CFO) and important matters are reported to the Board of Directors. The purpose of the plan is to identify the impact and risks associated with reforming interest rate indicators within the business and prepare and implement action plans to facilitate the transition to alternative benchmark rates. As of December 31, 2023, the Group has largely concluded most transition and replacement plans, aiming to finalize the contingency plan in accordance with regulatory guidelines.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-3. Liquidity risk

The Group performs decision-making functions related to liquidity risk management, such as policy formulation and detailed limit setting, at the Risk Policy Committee. Following these principles and within the established limits, subsidiary including overseas branches, treasury departments, trust departments, and comprehensive finance departments, recognize and manage liquidity risk as their primary responsibility. The Risk Management Department and Risk Engineering Department support the Risk Policy Committee in decisions related to liquidity risk, monitor liquidity risk tolerance limits, and evaluate and manage entire liquidity risk for the Group.

The Group manages liquidity risk based on following basic principles:

- Raise funding in sufficient amounts at the optimal time and reasonable costs;
- Maintain risk at appropriate levels and preemptively manage them through a prescribed risk limit system and an early warning signal detection system;
- Develop a funding strategy that effectively diversifies the sources and maturities of funds to minimize losses and secure stable revenue;
- Monitor and manage daily and intra-daily liquidity positions and risk exposures as to timely payment and settlement due under both normal and crisis situations;
- Conduct periodic contingency analysis in anticipation of any potential liquidity crisis and establish and implement emergency plans in case of a crisis;
- Consider liquidity-related costs, benefits and risks in determining the price of products and services, employee performance evaluations and approval of launching new products and services.

The Group uses various analysis methods such as liquidity gap, liquidity ratio, loan-deposit ratio, and real liquidity gap reflecting the customer behaviour model through the ALM system, while managing its liquidity risks on Korean won and foreign currency through various indices including risk limits, early warning index, and monitoring index. Demand deposits, in analysing the maturity structures of assets and liabilities, can be classified as short-term because they can be withdrawn whenever a customer requests; however, considering customers' behaviours that usually maintain an average balance of a certain percentage, non-core deposits are classified to be short-term.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-3. **Liquidity risk (continued)**

(a) Contractual maturities for financial instruments

Contractual maturities for financial assets and financial liabilities as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | Total |
|-------------------------------------------|----------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|----------------------|--------------------|
| | 1 month or less | 1 month~ 3 months or less | 3 months~ 6 months or less | 6 months~ 1 year or less | 1 year~ 5 years or less | More than 5 years | |
| Assets | | | | | | | |
| Cash and due from banks | ₩ 27,600,504 | 389,908 | 49,707 | 54,495 | - | - | 28,094,614 |
| Securities at FVTPL | 20,309,418 | 7,005 | 49,876 | 27,473 | 490,267 | 2,779,071 | 23,663,110 |
| Derivative assets | 3,193,984 | 4,716 | 6,652 | 12,884 | 72,860 | 22,761 | 3,313,857 |
| Loans at amortized cost | 22,985,494 | 39,655,127 | 56,508,937 | 87,034,365 | 110,969,662 | 94,810,333 | 411,963,918 |
| Loans at FVTPL | 99,427 | 415,897 | 21,500 | - | - | - | 536,824 |
| Securities at FVTOCI | 39,952,055 | 277,530 | 360,000 | 2,072,605 | 7,364,179 | 582,997 | 50,609,366 |
| Securities at amortized cost | 888,721 | 3,218,004 | 1,884,170 | 4,056,606 | 19,756,822 | 3,165,961 | 32,970,284 |
| Other financial assets | 14,549,049 | - | - | 89,701 | - | 1,209,962 | 15,848,712 |
| | ₩ <u>129,578,652</u> | <u>43,968,187</u> | <u>58,880,842</u> | <u>93,348,129</u> | <u>138,653,790</u> | <u>102,571,085</u> | <u>567,000,685</u> |
| Liabilities | | | | | | | |
| Deposits | ₩ 199,512,658 | 48,950,478 | 41,868,866 | 63,645,375 | 23,592,133 | 2,907,239 | 380,476,749 |
| Financial liabilities at FVTPL | 410,380 | 357 | 586 | 1,202 | 6,816 | - | 419,341 |
| Derivative liabilities | 2,911,343 | 29,309 | 42,175 | 80,368 | 385,147 | 68,456 | 3,516,798 |
| Borrowings | 9,311,244 | 3,497,822 | 3,356,370 | 5,118,301 | 4,620,190 | 1,418,382 | 27,322,309 |
| Debt securities issued | 1,535,259 | 4,915,211 | 3,872,222 | 11,476,685 | 16,452,450 | 2,077,562 | 40,329,389 |
| Financial liabilities designated at FVTPL | - | 2,255 | 10,822 | - | 284,064 | - | 297,141 |
| Other financial liabilities | 29,611,633 | 25,664 | 35,514 | 135,527 | 210,776 | 44,086 | 30,063,200 |
| | ₩ <u>243,292,517</u> | <u>57,421,096</u> | <u>49,186,555</u> | <u>80,457,458</u> | <u>45,551,576</u> | <u>6,515,725</u> | <u>482,424,927</u> |

These amounts include both the principal and interest cash flows of financial assets and financial liabilities. The undiscounted cash flows are classified based on the earliest dates for obligated repayment. Financial assets at FVTPL that can be disposed of immediately and financial instruments at FVTOCI except for assets restricted for sale are classified as the shortest maturity within one month.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-3. **Liquidity risk (continued)**

(a) Contractual maturities for financial assets (continued)

Contractual maturities for financial assets and financial liabilities as of December 31, 2023 and 2022 are as follows:
(continued)

| | December 31, 2022 | | | | | | Total |
|-------------------------------------------|--------------------|---------------------------------|----------------------------------|--------------------------------|-------------------------------|----------------------|-------------|
| | 1 month or less | 1 month~ 3 months or less | 3 months~ 6 months or less | 6 months~ 1 year or less | 1 year~ 5 years or less | More than 5 years | |
| Assets | | | | | | | |
| Cash and due from banks | ₩ 21,335,153 | 708,790 | 451,703 | 122,487 | - | - | 22,618,133 |
| Securities at FVTPL | 18,571,082 | 3,131 | 21,263 | 29,584 | 411,482 | 2,165,162 | 21,201,704 |
| Derivative assets | 4,824,149 | 2,336 | 3,466 | 7,204 | 50,984 | 24,583 | 4,912,722 |
| Loans at amortized cost | 25,466,474 | 39,254,939 | 52,878,562 | 84,692,694 | 114,421,259 | 78,255,311 | 394,969,239 |
| Loans at FVTPL | 139,540 | 781,525 | 29,454 | - | 22,034 | - | 972,553 |
| Securities at FVTOCI | 41,386,166 | 215,000 | 496,625 | 950,714 | 5,149,929 | 572,350 | 48,770,784 |
| Securities at amortized cost | 459,842 | 1,812,362 | 1,138,319 | 3,466,130 | 21,311,738 | 2,429,089 | 30,617,480 |
| Other financial assets | 12,634,824 | - | - | 91,777 | - | 1,190,143 | 13,916,744 |
| | ₩ 124,817,230 | 42,778,083 | 55,019,392 | 89,360,590 | 141,367,426 | 84,636,638 | 537,979,359 |
| Liabilities | | | | | | | |
| Deposits | ₩ 206,118,736 | 42,065,346 | 40,644,536 | 68,947,374 | 20,050,918 | 2,595,957 | 380,422,867 |
| Financial liabilities at FVTPL | 424,964 | - | - | - | - | - | 424,964 |
| Derivative liabilities | 4,896,437 | 25,005 | 36,447 | 62,289 | 269,131 | 52,538 | 5,341,847 |
| Borrowings | 6,837,358 | 3,642,929 | 3,727,586 | 4,697,388 | 4,643,514 | 1,311,573 | 24,860,348 |
| Debt securities issued | 1,824,687 | 5,938,290 | 6,229,650 | 9,165,966 | 8,830,476 | 3,154,340 | 35,143,409 |
| Financial liabilities designated at FVTPL | - | - | 2,090 | - | 54,180 | - | 56,270 |
| Other financial liabilities | 19,733,853 | 24,207 | 32,611 | 153,613 | 194,456 | 52,197 | 20,190,937 |
| | ₩ 239,836,035 | 51,695,777 | 50,672,920 | 83,026,630 | 34,042,675 | 7,166,605 | 466,440,642 |

These amounts include both the principal and interest cash flows of financial assets and financial liabilities. The undiscounted cash flows are classified based on the earliest dates for obligated repayment. Financial assets at FVTPL that can be disposed of immediately and financial instruments at FVTOCI except for assets restricted for sale are classified as the shortest maturity within one month.

(b) Contractual maturities for off-balance sheet items

Financial guarantees such as guarantee contracts, loan commitments and others provided by the Group are classified based on the earliest date at which the Group should fulfill the obligation under the guarantee when the counterparty requests for the payment.

Off-balance sheet accounts as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------------------------|-------------------|-------------------|
| Guarantee contracts | ₩ 18,303,129 | 17,995,698 |
| Loan commitments and other credit related liabilities | 118,705,455 | 111,110,774 |
| | ₩ 137,008,584 | 129,106,472 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-4. Measurement of fair value

The fair values of financial instruments being traded in an active market are determined by the published market prices at each period end. The published market prices of financial instruments being held by the Group are based on Dealer price quotations provided by the trading agencies.

The fair value of financial instruments not traded in active markets, such as OTC (Over-the-Counter market) derivatives, is determined using valuation methods or utilizing independent external valuation agency's valuation results.

The Group uses diverse valuation techniques under reasonable assumptions which are based on the current market conditions as of the end of the reporting period.

The fair value of financial instruments is determined using valuation techniques such as a method of using recent transactions between independent parties with reasonable judgment and willingness to trade, a method of referring to the current fair value of other financial instruments that are substantially identical, discounted cash flow model and option pricing models. For example, the fair value of an interest rate swap is calculated as the present value of the expected future cash flows, and the fair value of foreign exchange forward contract is calculated by applying the public forward exchange rate at the end of the reporting period.

The Group classifies and discloses fair value of the financial instruments into the following three-level hierarchy:

- (i) Level 1: Financial instruments measured at quoted prices from active markets are classified as level 1.
- (ii) Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- (iii) Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as level 3.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value

i) The table below analyzes financial instruments measured at the fair value as of December 31, 2023 and 2022 by the level in the fair value hierarchy into which the fair value measurement is categorized:

| | December 31, 2023 | | | |
|--------------------------------------------|-------------------|-------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Loans at FVTPL: | | | | |
| Loans | ₩ - | 515,563 | 21,261 | 536,824 |
| Securities at FVTPL: | | | | |
| Debt securities | 1,645,756 | 17,220,513 | 4,443,580 | 23,309,849 |
| Equity securities | 62,593 | - | 186,962 | 249,555 |
| Gold/silver deposits | 103,706 | - | - | 103,706 |
| | <u>1,812,055</u> | <u>17,220,513</u> | <u>4,630,542</u> | <u>23,663,110</u> |
| Derivative assets: | | | | |
| Trading | 1,097 | 3,190,310 | 59 | 3,191,466 |
| Hedging | - | 71,824 | - | 71,824 |
| | <u>1,097</u> | <u>3,262,134</u> | <u>59</u> | <u>3,263,290</u> |
| Securities at FVTOCI: | | | | |
| Debt securities | 16,609,416 | 32,746,717 | - | 49,356,133 |
| Equity securities | 725,796 | - | 527,437 | 1,253,233 |
| | <u>17,335,212</u> | <u>32,746,717</u> | <u>527,437</u> | <u>50,609,366</u> |
| ₩ | <u>19,148,364</u> | <u>53,744,927</u> | <u>5,179,299</u> | <u>78,072,590</u> |
| Financial liabilities | | | | |
| Financial liabilities designated at FVTPL: | | | | |
| Debt securities issued | ₩ - | 254,832 | - | 254,832 |
| Financial liabilities at FVTPL: | | | | |
| Gold/silver deposits | 419,342 | - | - | 419,342 |
| Derivative liabilities: | | | | |
| Trading | 1,037 | 2,894,562 | - | 2,895,599 |
| Hedging | - | 392,800 | 224,195 | 616,995 |
| | <u>1,037</u> | <u>3,287,362</u> | <u>224,195</u> | <u>3,512,594</u> |
| ₩ | <u>420,379</u> | <u>3,542,194</u> | <u>224,195</u> | <u>4,186,768</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

i) The table below analyzes financial instruments measured at the fair value as of December 31, 2023 and 2022 by the level in the fair value hierarchy into which the fair value measurement is categorized: (continued)

| | December 31, 2022 | | | |
|--------------------------------------------|---------------------|-------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Loans at FVTPL: | | | | |
| Loans | ₩ - | 950,519 | 22,034 | 972,553 |
| Securities at FVTPL: | | | | |
| Debt securities | 721,935 | 16,390,587 | 3,787,556 | 20,900,078 |
| Equity securities | 58,951 | - | 166,706 | 225,657 |
| Gold/silver deposits | 75,969 | - | - | 75,969 |
| | <u>856,855</u> | <u>16,390,587</u> | <u>3,954,262</u> | <u>21,201,704</u> |
| Derivative assets: | | | | |
| Trading | 233 | 4,821,409 | 1,300 | 4,822,942 |
| Hedging | - | 81,154 | - | 81,154 |
| | <u>233</u> | <u>4,902,563</u> | <u>1,300</u> | <u>4,904,096</u> |
| Securities at FVTOCI: | | | | |
| Debt securities | 18,027,749 | 29,527,203 | - | 47,554,952 |
| Equity securities | 691,227 | - | 524,605 | 1,215,832 |
| | <u>18,718,976</u> | <u>29,527,203</u> | <u>524,605</u> | <u>48,770,784</u> |
| | ₩ <u>19,576,064</u> | <u>51,770,872</u> | <u>4,502,201</u> | <u>75,849,137</u> |
| Financial liabilities | | | | |
| Financial liabilities designated at FVTPL: | | | | |
| Debt securities issued | ₩ - | 47,327 | - | 47,327 |
| Financial liabilities at FVTPL: | | | | |
| Securities sold | 2,958 | - | - | 2,958 |
| Gold/silver deposits | 422,006 | - | - | 422,006 |
| | <u>424,964</u> | <u>-</u> | <u>-</u> | <u>424,964</u> |
| Derivative liabilities: | | | | |
| Trading | 2 | 4,883,364 | 110 | 4,883,476 |
| Hedging | - | 552,392 | 343,758 | 896,150 |
| | <u>2</u> | <u>5,435,756</u> | <u>343,868</u> | <u>5,779,626</u> |
| | ₩ <u>424,966</u> | <u>5,483,083</u> | <u>343,868</u> | <u>6,251,917</u> |

ii) There were no transfers between level 1 and level 2 financial instruments measured at fair value for the years ended December 31, 2023 and 2022.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

iii) Changes in level 3 of the fair value hierarchy

Changes in level 3 of the fair value hierarchy for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | |
|-------------------------------------------------------|-------------------|------------------------|-------------------------|----------------------|---------------------------|-----------|
| | Loans at FVTPL | Securities at FVTPL | Securities at FVTOCI | Derivative assets | Derivative liabilities | Total |
| Beginning balance | ₩ 22,034 | 3,954,262 | 524,605 | 1,300 | (343,868) | 4,158,333 |
| Total gain or loss: | | | | | | |
| Recognized in profit or loss (*1) | (773) | (111,325) | - | (96) | 119,564 | 7,370 |
| Recognized in other comprehensive income (loss) | - | - | 2,689 | - | - | 2,689 |
| Purchases/issues | - | 1,377,024 | 143 | 38 | - | 1,377,205 |
| Settlements | - | (597,076) | - | (1,183) | 109 | (598,150) |
| Transfers into level 3 (*2) | - | 32,716 | - | - | - | 32,716 |
| Transfers from level 3 (*2) | - | (25,059) | - | - | - | (25,059) |
| Ending balance | ₩ 21,261 | 4,630,542 | 527,437 | 59 | (224,195) | 4,955,104 |

| | December 31, 2022 | | | | | |
|-------------------------------------------------------|-------------------|------------------------|-------------------------|----------------------|---------------------------|-----------|
| | Loans at FVTPL | Securities at FVTPL | Securities at FVTOCI | Derivative assets | Derivative liabilities | Total |
| Beginning balance | ₩ 106,997 | 3,231,614 | 458,229 | 860 | (183,597) | 3,614,103 |
| Total gain or loss: | | | | | | |
| Recognized in profit or loss (*1) | (12,543) | (83,978) | - | 793 | (160,439) | (256,167) |
| Recognized in other comprehensive income (loss) | - | - | (8,044) | - | - | (8,044) |
| Purchases/issues | - | 1,102,545 | 85,330 | - | (298) | 1,187,577 |
| Settlements | (72,420) | (342,725) | (10,910) | (429) | 466 | (426,018) |
| Transfers into level 3 (*2) | - | 68,083 | - | - | - | 68,083 |
| Transfers from level 3 (*2) | - | (21,277) | - | 76 | - | (21,201) |
| Ending balance | ₩ 22,034 | 3,954,262 | 524,605 | 1,300 | (343,868) | 4,158,333 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial assets measured at fair value (continued)

(*1) Gains or losses among the changes in level 3 of the fair value hierarchy and gains or losses related to financial instruments that the Group held as of December 31, 2023 and 2022, are presented in the consolidated statements of comprehensive income as follows:

| | December 31, 2023 | | December 31, 2022 | |
|--------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| | Gains or losses recognized in profit or loss | Gains or losses recognized in profit or loss for financial instruments held at the end of the period | Gains or losses recognized in profit or loss | Gains or losses recognized in profit or loss for financial instruments held at the end of the year |
| Net gain on financial instruments at FVTPL | ₩ (112,194) | (110,774) | (95,157) | (104,108) |
| Net other operating expense | 119,564 | 119,564 | (161,010) | (161,010) |
| | ₩ 7,370 | 8,790 | (256,167) | (265,118) |

(*2) Changes in the availability of observable market data for the financial instruments have resulted in transfers between levels. The Group has recognized changes in levels at the end of the reporting period when events or situations that cause transfers between levels occur.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments

① Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|------------------------------|-------------------------------------------|-------------------------------|-------------------|------------------------------------------|-----------------------------------------------------------------------------------------------|
| | | Type of financial instruments | Book value | Valuation techniques | Inputs |
| Financial assets | | | | | |
| | Loans at FVTPL | ₩ | 515,563 | Discounted cash flow | Discount rate |
| | Securities at FVTPL | Debt securities | 17,220,513 | Discounted cash flow, Net asset value | Discount rate, Price of underlying assets; such as stocks and bonds |
| | Derivative assets | Trading | 3,190,310 | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | Hedging | 71,824 | | |
| | | | <u>3,262,134</u> | | |
| | Securities at FVTOCI | Debt securities | 32,746,717 | Discounted cash flow | Discount rate |
| | | ₩ | <u>53,744,927</u> | | |
| Financial liabilities | | | | | |
| | Financial liabilities designated at FVTPL | Debt securities | ₩ 254,832 | Option model | Discount rate, volatility |
| | Derivative liabilities | Trading | 2,894,562 | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | Hedging | 392,800 | | |
| | | | <u>3,287,362</u> | | |
| | | ₩ | <u>3,542,194</u> | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments (continued)

① Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 as of December 31, 2023 and 2022 are as follows: (continued)

| | | December 31, 2022 | | |
|------------------------------|-------------------------------------------|---------------------|------------------------------------------|-----------------------------------------------------------------------------------------------|
| | Type of financial instruments | Book value | Valuation techniques | Inputs |
| Financial assets | | | | |
| | Loans at FVTPL | ₩ 950,519 | Discounted cash flow | Discount rate |
| | Securities at FVTPL | 16,390,587 | Discounted cash flow, Net asset value | Discount rate, Price of underlying assets; such as stocks and bonds |
| | Derivative assets | 4,821,409 | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | <u>81,154</u> | | |
| | | <u>4,902,563</u> | | |
| | Securities at FVTOCI | 29,527,203 | Discounted cash flow | Discount rate |
| | | ₩ <u>51,770,872</u> | | |
| Financial liabilities | | | | |
| | Financial liabilities designated at FVTPL | ₩ 47,327 | Option model | Discount rate, volatility |
| | Derivative liabilities | 4,883,364 | Option model, Discounted cash flow | Discount rate, foreign exchange rate, volatility, stock price, commodity index, etc. |
| | | <u>552,392</u> | | |
| | | <u>5,435,756</u> | | |
| | | ₩ <u>5,483,083</u> | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments (continued)

② The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of December 31, 2023 and 2022, the valuation technique and significant but not observable input variables used to measure the fair value of financial instruments classified as fair value level 3 are as follows:

| | | December 31, 2023 | | | | | |
|-----------------------|----------------------------------------------------------------------------------------------|-----------------------------|--------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial instruments | Valuation technique | Type of financial assets | Book value | Input | Significant unobservable input | Range of input | Relationship of unobservable inputs to fair value |
| Loans at FVTPL | Option model (*1) | Loans | ₩ 21,261 | Volatility of underlying assets, Discount rate | Volatility of underlying assets | 28.35% | The higher the volatility, the higher the volatility of fair value |
| Securities at FVTPL | Net asset value method, Option model (*1)(*2) | Debt securities | 4,443,580 | Volatility of underlying assets, Discount rate, Correlation coefficient | Volatility of underlying assets, Discount rate, Correlation coefficient | 19.53%~60.88% 7.40%~16.17% 17.85%~51.47% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases, The effects of trading instruments and market conditions increase or decrease fair value with changes in correlation coefficients |
| | Discounted cash flow, Comparable company analysis | Equity securities | 186,962 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 26.12% 4.92%~17.19% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases |
| | | | <u>4,630,542</u> | | | | |
| Derivative assets | Option model (*2) | Equity and foreign exchange | 59 | Volatility of underlying assets, Price of underlying assets, Foreign exchange rates | Volatility of underlying assets | 23.68% | The higher the volatility, the higher the volatility of fair value |
| Securities FVTOCI | Net asset value method, Discounted cash flow, Comparable company analysis, Option model (*1) | Equity securities | 527,437 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 20.6% 9.25%~19.9% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases |
| | | | ₩ <u>5,179,299</u> | | | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

iv) *Valuation techniques and inputs used in measuring fair value of financial instruments (continued)*

② The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of December 31, 2023 and 2022, the valuation technique and significant but not observable input variables used to measure the fair value of financial liabilities classified as fair value level 3 are as follows: (continued)

| | | | December 31, 2023 | | | | |
|------------------------|---------------------|--------------------------|-------------------|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Valuation technique | Type of financial assets | Book value | Input | Significant unobservable input | Range of input | Relationship of unobservable inputs to fair value |
| Financial liabilities | | | | | | | |
| Derivative liabilities | Option model (*2) | Interest rates related | ₩ 224,195 | Volatility of underlying assets Regression coefficient, Correlation coefficient, Interest rate | Volatility of underlying assets Regression coefficient, Correlation coefficient | 0.61%~1.06% 0.0023%~2.7056% 58.95%~90.34% | The higher the volatility, the higher the volatility of fair value, The effects of trading instruments and market conditions increase or decrease fair value with changes in regression and correlation coefficients |
| | | | ₩ <u>224,195</u> | | | | |

(*1) The Group uses Binomial Tree and LSMC option model.

(*2) Option models that the Group uses in derivative valuation include Black-Scholes model, Hull-White model, depending on the type of product, methods such as Monte Carlo simulation.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments(continued)

② The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of December 31, 2023 and 2022, the valuation technique and significant but not observable input variables used to measure the fair value of financial instruments classified as fair value level 3 are as follows: (continued)

| | | December 31, 2022 | | | | | |
|-----------------------|----------------------------------------------------------------------------------------------|-----------------------------|--------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial instruments | Valuation technique | Type of financial assets | Book value | Input | Significant unobservable input | Range of input | Relationship of unobservable inputs to fair value |
| Loans at FVTPL | Option model (*1) | Loans | ₩ 22,034 | Volatility of underlying assets, Discount rate | Volatility of underlying assets | 41.99% | The higher the volatility, the higher the volatility of fair value |
| Securities at FVTPL | Net asset value method, Option model (*1)(*2) | Debt securities | 3,787,556 | Volatility of underlying assets, Discount rate, Correlation coefficient | Volatility of underlying assets, Discount rate, Correlation coefficient | 23.97%~35.54% 7.56%~15.15% 7.45%~66.90% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases, The effects of trading instruments and market conditions increase or decrease fair value with changes in correlation coefficients |
| | Discounted cash flow, Comparable company analysis | Equity securities | 166,706 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 25.30% 5.59%~15.18% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases |
| | | | <u>3,954,262</u> | | | | |
| Derivative assets | Option model (*2) | Equity and foreign exchange | 1,300 | Volatility of underlying assets, Price of underlying assets, Foreign exchange rates | Volatility of underlying assets | 4.89%~31.73% | The higher the volatility, the higher the volatility of fair value |
| Securities FVTOCI | Net asset value method, Discounted cash flow, Comparable company analysis, Option model (*1) | Equity securities | 524,605 | Volatility of underlying assets, Discount rate, Stock price | Volatility of underlying assets, Discount rate | 28.62% 9.08%~19.14% | The higher the volatility, the higher the volatility of fair value, Fair value increases as discount rate decreases |
| | | | ₩ <u>4,502,201</u> | | | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(a) Financial instruments measured at fair value (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments (continued)

② The Group uses the valuation values of external independent and qualified evaluators or internal evaluation models to determine the fair value of group assets at the end of each reporting period. As of December 31, 2023 and 2022, the valuation technique and significant but not observable input variables used to measure the fair value of financial liabilities classified as fair value level 3 are as follows: (continued)

| | | | | December 31, 2022 | | | |
|------------------------------|--------------------------|------------------------|------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation technique | Type of financial assets | Book value | Input | Significant unobservable input | Range of input | Relationship of unobservable inputs to fair value | |
| Financial liabilities | | | | | | | |
| | Option model (*2) | Equity related ₩ | 110 | Volatility of underlying assets, Price of underlying assets, Foreign exchange rates | Volatility of underlying assets | 4.89%~43.22% | The higher the volatility, the higher the volatility of fair value |
| Derivative liabilities | Option model (*2) | Interest rates related | 343,758 | Volatility of underlying assets Regression coefficient, Correlation coefficient, Interest rate | Volatility of underlying assets Regression coefficient, Correlation coefficient | 0.64%~1.02% 0.0026%~1.4568% 52.90%~90.34% | The higher the volatility, the higher the volatility of fair value, The effects of trading instruments and market conditions increase or decrease fair value with changes in regression and correlation coefficients |
| | | | <u>₩ 343,868</u> | | | | |

(*1) The Group uses Binomial Tree and LSMC option model.

(*2) Option models that the Group uses in derivative valuation include Black-Scholes model, Hull-White model, depending on the type of product, methods such as Monte Carlo simulation.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(a) Financial instruments measured at fair value (continued)

v) *Sensitivity to changes in unobservable inputs.*

For level 3 fair value measurement, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effect on profit (loss), and other comprehensive income (loss) as of December 31, 2023 and 2022 are as follows:

| Type of financial instruments (*1) | | December 31, 2023 | | | |
|------------------------------------|------------------------|----------------------------|--------------------|------------------------------------------------|--------------------|
| | | Profit (loss) for the year | | Other comprehensive income (loss) for the year | |
| | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Loans at FVTPL(*2) | ₩ | 1 | - | - | - |
| Securities at FVTPL | | | | | |
| | Debt securities(*2) | 1,521 | (1,437) | - | - |
| | Equity securities(*3) | 5,035 | (3,743) | - | - |
| Securities at FVTOCI(*3) | Equity securities | - | - | 14,105 | (11,374) |
| | ₩ | 6,557 | (5,180) | 14,105 | (11,374) |
| Derivative liabilities(*2) | Interest rates related | ₩ 10,995 | (10,419) | - | - |
| | ₩ | 10,995 | (10,419) | - | - |

(*1) ₩4,651,295 million of financial instruments classified as level 3 are excluded from sensitivity analysis since calculation of sensitivity according to the fluctuation of input variables is impracticable.

(*2) Based on 10% of increase or decrease in unobservable volatility of underlying assets or correlation coefficient.

(*3) Based on changes in unobservable growth rate (-1.0%~1.0%) and discount rate (-1%p~1%p).

| Type of financial instruments (*1) | | December 31, 2022 | | | |
|------------------------------------|-------------------------------------|----------------------------|--------------------|------------------------------------------------|--------------------|
| | | Profit (loss) for the year | | Other comprehensive income (loss) for the year | |
| | | Favorable change | Unfavorable change | Favorable change | Unfavorable change |
| Loans at FVTPL(*2) | ₩ | 246 | (251) | - | - |
| Securities at FVTPL | | | | | |
| | Debt securities(*2) | 5,145 | (4,763) | - | - |
| | Equity securities(*3) | 6,271 | (4,613) | - | - |
| Derivative assets(*2) | Equity and foreign exchange related | 243 | (242) | - | - |
| Securities at FVTOCI(*3) | Equity securities | - | - | 13,431 | (10,682) |
| | ₩ | 11,905 | (9,869) | 13,431 | (10,682) |
| Derivative liabilities(*2) | Equity and foreign exchange related | ₩ 17 | (19) | - | - |
| | Interest rates related | 4,960 | (6,131) | - | - |
| | ₩ | 4,977 | (6,150) | - | - |

(*1) ₩3,893,450 million of financial instruments classified as level 3 are excluded from sensitivity analysis since calculation of sensitivity according to the fluctuation of input variables is impracticable.

(*2) Based on 10% of increase or decrease in unobservable volatility of underlying assets or correlation coefficient.

(*3) Based on changes in unobservable growth rate (-1.0%~1.0%) and discount rate (-1%p~1%p).

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(b) Financial instruments measured at amortized cost

i) The method of measuring the fair value of financial instruments measured at amortized cost is as follows:

| <u>Type</u> | <u>Measurement methods of fair value</u> |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash and due from banks | The book value and the fair value for cash are identical and most of deposits are floating interest rate deposits or next day deposits of a short-term instrument. Therefore, the carrying value for deposits approximates fair value. |
| Loans at amortized cost | The fair value of loans at amortized cost is measured by discounting the expected cash flows anticipated to be received at the market interest rate, credit risk of a borrower, etc. |
| Securities at amortized cost | An external professional evaluation agency is used to calculate the valuation amount using the market information. The agency calculates the fair value based on active market prices, and DCF model is used to calculate the fair value if there is no quoted price. |
| Deposits and borrowings | The book value is used as a fair value for short-term bonds such as demand deposits, cash management account deposits, call money, and the fair value of others is measured by discounting the contractual cash flows at the market interest rate that takes into account the residual risk. |
| Debt securities | An external professional evaluation agency is used to calculate the valuation amount using the market information, and the fair value is calculated using DCF model. |
| Other financial assets and other financial liabilities | The book value is used as fair value for short-term and transitional accounts, such as spot exchange, and unpaid/uncollected domestic exchange of payments, and for the remaining financial instruments, the present value of the contractual cash flows at a discount rate which considered residual risk at the market interest rate is calculated as a fair value. |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

ii) The book value and the fair value of financial instruments measured at amortized cost as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | |
|----------------------------------------------|-------------------|------------------------|-------------|-------------|-------------|
| | Book value | | | | Fair value |
| | Balance | Unamortized balance | Allowance | Total | |
| Assets | | | | | |
| Cash and due from banks: | | | | | |
| Cash | ₩ 2,131,816 | - | - | 2,131,816 | 2,131,816 |
| Due from banks | 25,944,133 | - | (19,173) | 25,924,960 | 25,924,960 |
| Loans at amortized cost: | | | | | |
| Household loans | 141,541,256 | 396,422 | (455,101) | 141,482,577 | 141,836,304 |
| Corporate loans | 201,214,888 | 88,204 | (1,709,997) | 199,593,095 | 200,970,534 |
| Public and other loans | 4,247,228 | (4,573) | (26,669) | 4,215,986 | 4,253,065 |
| Loans to bank | 3,092,561 | - | (5,201) | 3,087,360 | 3,087,091 |
| Credit card receivables | 277,372 | - | (14,261) | 263,111 | 276,658 |
| Securities at amortized cost: | | | | | |
| Government bonds | 18,557,061 | - | (2,323) | 18,554,738 | 18,484,419 |
| Financial institutions bonds | 5,828,569 | - | (4,212) | 5,824,357 | 5,866,109 |
| Corporate bonds and others | 6,154,094 | - | (3,156) | 6,150,938 | 6,063,418 |
| Others | 189,130 | - | - | 189,130 | 189,130 |
| Other financial assets | 17,966,007 | (40,173) | (323,019) | 17,602,815 | 17,896,590 |
| | ₩ 427,144,115 | 439,880 | (2,563,112) | 425,020,883 | 426,980,094 |
| Liabilities | | | | | |
| Deposits: | | | | | |
| Demand deposits | ₩ 150,527,999 | - | - | 150,527,999 | 150,527,999 |
| Time deposits | 196,048,390 | - | - | 196,048,390 | 196,344,702 |
| Negotiable certificates of deposits | 11,752,483 | - | - | 11,752,483 | 11,806,982 |
| Note discount deposits | 7,664,701 | - | - | 7,664,701 | 7,664,012 |
| CMA | 4,950,392 | - | - | 4,950,392 | 4,950,392 |
| Others | 15,684 | - | - | 15,684 | 15,682 |
| Borrowings: | | | | | |
| Call money | 1,800,849 | - | - | 1,800,849 | 1,800,849 |
| Bill sold | 11,252 | - | - | 11,252 | 11,208 |
| Bonds sold under repurchase agreements | 3,994,125 | - | - | 3,994,125 | 3,994,125 |
| Borrowings | 20,897,013 | (2,041) | - | 20,894,972 | 20,960,556 |
| Debt securities issued: | | | | | |
| Debt securities issued in Korean won | 29,226,709 | (27,731) | - | 29,198,978 | 29,138,611 |
| Debt securities issued in foreign currencies | 8,581,123 | (29,416) | - | 8,551,707 | 8,581,212 |
| Other financial liabilities | 34,215,371 | (46,114) | - | 34,169,257 | 34,143,633 |
| | ₩ 469,686,091 | (105,302) | - | 469,580,789 | 469,939,963 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

ii) The book value and the fair value of financial instruments measured at amortized cost as of December 31, 2023 and 2022 are as follows: (continued)

| | | December 31, 2022 | | | | |
|-------------------------------|---|-------------------|------------------------|-------------|-------------|-------------|
| | | Book value | | | | |
| | | Balance | Unamortized balance | Allowance | Total | Fair value |
| Assets | | | | | | |
| Cash and due from banks: | | | | | | |
| | ₩ | 2,259,832 | - | - | 2,259,832 | 2,259,832 |
| | | 20,327,424 | - | (17,374) | 20,310,050 | 20,310,050 |
| Loans at amortized cost: | | | | | | |
| | | 141,550,553 | 394,250 | (420,977) | 141,523,826 | 139,448,925 |
| | | 192,795,291 | 111,255 | (1,471,833) | 191,434,713 | 190,897,442 |
| | | 3,680,407 | (1,024) | (21,237) | 3,658,146 | 3,655,430 |
| | | 7,447,411 | - | (9,252) | 7,438,159 | 7,419,082 |
| | | 251,850 | - | (7,755) | 244,095 | 251,406 |
| Securities at amortized cost: | | | | | | |
| | | 17,242,773 | - | (1,720) | 17,241,053 | 16,725,311 |
| | | 5,367,661 | - | (3,766) | 5,363,895 | 5,327,714 |
| | | 5,545,119 | - | (4,216) | 5,540,903 | 5,208,079 |
| | | 234,135 | - | - | 234,135 | 234,135 |
| | | 15,773,321 | (36,887) | (273,165) | 15,463,269 | 15,697,088 |
| | ₩ | 412,475,777 | 467,594 | (2,231,295) | 410,712,076 | 407,434,494 |
| Liabilities | | | | | | |
| Deposits: | | | | | | |
| | ₩ | 156,340,586 | - | - | 156,340,586 | 156,340,586 |
| | | 190,637,968 | - | - | 190,637,968 | 190,285,047 |
| | | 14,843,073 | - | - | 14,843,073 | 14,670,388 |
| | | 6,631,858 | - | - | 6,631,858 | 6,631,276 |
| | | 4,634,010 | - | - | 4,634,010 | 4,634,010 |
| | | 16,694 | - | - | 16,694 | 16,692 |
| Borrowings: | | | | | | |
| | | 1,199,600 | - | - | 1,199,600 | 1,199,601 |
| | | 15,057 | - | - | 15,057 | 15,006 |
| | | 135,711 | - | - | 135,711 | 135,710 |
| | | 22,865,012 | (2,588) | - | 22,862,424 | 22,714,236 |
| Debt securities issued: | | | | | | |
| | | 24,692,498 | (12,474) | - | 24,680,024 | 24,359,200 |
| | | 8,535,770 | (29,614) | - | 8,506,156 | 8,468,816 |
| | | 22,888,291 | (19,857) | - | 22,868,434 | 22,595,576 |
| | ₩ | 453,436,128 | (64,533) | - | 453,371,595 | 452,066,144 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

iii) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statements of financial position as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|----------------------------------------------|-------------------|-------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and due from banks: | | | | |
| Cash | ₩ 2,131,816 | - | - | 2,131,816 |
| Due from banks | - | 25,924,960 | - | 25,924,960 |
| Loans at amortized cost: | | | | |
| Household loans | - | - | 141,836,304 | 141,836,304 |
| Corporate loans | - | - | 200,970,534 | 200,970,534 |
| Public and other loans | - | - | 4,253,065 | 4,253,065 |
| Loans to bank | - | 1,662,446 | 1,424,645 | 3,087,091 |
| Credit card receivables | - | - | 276,658 | 276,658 |
| Securities at amortized cost: | | | | |
| Government bonds | 7,029,533 | 11,454,886 | - | 18,484,419 |
| Financial institutions bonds | 2,005,877 | 3,860,232 | - | 5,866,109 |
| Corporate bonds and others | - | 6,063,418 | - | 6,063,418 |
| Others | - | 189,130 | - | 189,130 |
| Other financial assets | - | 14,324,970 | 3,571,620 | 17,896,590 |
| | ₩ 11,167,226 | 63,480,042 | 352,332,826 | 426,980,094 |
| Liabilities | | | | |
| Deposits: | | | | |
| Demand deposits | ₩ - | 150,527,999 | - | 150,527,999 |
| Time deposits | - | - | 196,344,702 | 196,344,702 |
| Negotiable certificates of deposits | - | - | 11,806,982 | 11,806,982 |
| Note discount deposits | - | - | 7,664,012 | 7,664,012 |
| CMA | - | 4,950,392 | - | 4,950,392 |
| Others | - | - | 15,682 | 15,682 |
| Borrowings: | | | | |
| Call money | - | 1,800,849 | - | 1,800,849 |
| Bill sold | - | - | 11,208 | 11,208 |
| Bonds sold under repurchase agreements | - | - | 3,994,125 | 3,994,125 |
| Borrowings | - | - | 20,960,556 | 20,960,556 |
| Debt securities issued: | | | | |
| Debt securities issued in Korean won | - | 27,778,145 | 1,360,466 | 29,138,611 |
| Debt securities issued in foreign currencies | - | 8,581,212 | - | 8,581,212 |
| Other financial liabilities | - | 18,539,772 | 15,603,861 | 34,143,633 |
| | ₩ - | 212,178,369 | 257,761,594 | 469,939,963 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

iii) The fair value hierarchy of financial instruments which are not measured at fair value in the consolidated statements of financial position as of December 31, 2023 and 2022 are as follows: (continued)

| | December 31, 2022 | | | |
|----------------------------------------------|-------------------|-------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Cash and due from banks: | | | | |
| Cash | ₩ 2,259,832 | - | - | 2,259,832 |
| Due from banks | - | 20,310,050 | - | 20,310,050 |
| Loans at amortized cost: | | | | |
| Household loans | - | - | 139,448,925 | 139,448,925 |
| Corporate loans | - | - | 190,897,442 | 190,897,442 |
| Public and other loans | - | - | 3,655,430 | 3,655,430 |
| Loans to bank | - | 5,911,562 | 1,507,520 | 7,419,082 |
| Credit card receivables | - | - | 251,406 | 251,406 |
| Securities at amortized cost: | | | | |
| Government bonds | 5,620,012 | 11,105,299 | - | 16,725,311 |
| Financial institutions bonds | 1,898,457 | 3,429,257 | - | 5,327,714 |
| Corporate bonds and others | - | 5,208,079 | - | 5,208,079 |
| Others | - | 234,135 | - | 234,135 |
| Other financial assets | - | 11,946,279 | 3,750,809 | 15,697,088 |
| | ₩ 9,778,301 | 58,144,661 | 339,511,532 | 407,434,494 |
| Liabilities | | | | |
| Deposits: | | | | |
| Demand deposits | ₩ - | 156,340,586 | - | 156,340,586 |
| Time deposits | - | - | 190,285,047 | 190,285,047 |
| Negotiable certificates of deposits | - | - | 14,670,388 | 14,670,388 |
| Note discount deposits | - | - | 6,631,276 | 6,631,276 |
| CMA | - | 4,634,010 | - | 4,634,010 |
| Others | - | - | 16,692 | 16,692 |
| Borrowings: | | | | |
| Call money | - | 1,199,601 | - | 1,199,601 |
| Bill sold | - | - | 15,006 | 15,006 |
| Bonds sold under repurchase agreements | - | - | 135,710 | 135,710 |
| Borrowings | - | - | 22,714,236 | 22,714,236 |
| Debt securities issued: | | | | |
| Debt securities issued in Korean won | - | 23,387,638 | 971,562 | 24,359,200 |
| Debt securities issued in foreign currencies | - | 8,468,816 | - | 8,468,816 |
| Other financial liabilities | - | 8,487,115 | 14,108,461 | 22,595,576 |
| | ₩ - | 202,517,766 | 249,548,378 | 452,066,144 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(b) Financial instruments measured at amortized cost (continued)

iv) Valuation techniques and inputs used in measuring fair value of financial instruments classified as level 2 or level 3 as of December 31, 2023 and 2022 are as follows:

| December 31, 2023 | | | | |
|-------------------|-------------------------------|----------------------|----------------------|----------------------------------------------------------------|
| Level | Type of financial instruments | Fair value (*) | Valuation technique | Inputs |
| Level 2 | Securities at amortized cost | ₩ 21,567,666 | | Discount rate |
| Level 3 | Loans at amortized cost | 348,761,206 | Discounted cash flow | Discount rate, Credit spread, Prepayment rate |
| | Other financial assets | 3,571,620 | | Discount rate |
| | | ₩ <u>373,900,492</u> | | |
| Level 2 | Debt securities issued | ₩ 36,359,357 | | Discount rate |
| | Deposits(*) | 214,212,875 | | Discount rate |
| | Borrowings(*) | 14,852,579 | Discounted cash flow | Discount rate |
| Level 3 | Debt securities issued | 1,360,466 | | Discount rate, Regression coefficient, Correlation coefficient |
| | Other financial liabilities | 15,603,861 | | Discount rate |
| | | ₩ <u>282,389,138</u> | | |

(*) There is no disclosure for valuation techniques and input variables related to items where the carrying amount is recognized as a reasonable approximation of fair value and the carrying amount is disclosed at fair value.

| December 31, 2022 | | | | |
|-------------------|-------------------------------|----------------------|----------------------|----------------------------------------------------------------|
| Level | Type of financial instruments | Fair value (*) | Valuation technique | Inputs |
| Level 2 | Securities at amortized cost | ₩ 19,976,770 | | Discount rate |
| Level 3 | Loans at amortized cost | 335,760,723 | Discounted cash flow | Discount rate, Credit spread, Prepayment rate |
| | Other financial assets | 3,750,809 | | Discount rate |
| | | ₩ <u>359,488,302</u> | | |
| Level 2 | Debt securities issued | ₩ 31,856,454 | | Discount rate |
| | Deposits(*) | 209,709,502 | | Discount rate |
| | Borrowings(*) | 14,779,693 | Discounted cash flow | Discount rate |
| Level 3 | Debt securities issued | 971,562 | | Discount rate, Regression coefficient, Correlation coefficient |
| | Other financial liabilities | 14,108,461 | | Discount rate |
| | | ₩ <u>271,425,672</u> | | |

(*) There is no disclosure for valuation techniques and input variables related to items where the carrying amount is recognized as a reasonable approximation of fair value and the carrying amount is disclosed at fair value.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. Financial risk management (continued)

3-4. Measurement of fair value (continued)

(c) Deferred transaction date gain or loss

The changes in transaction date (Day 1) gain and loss that occurred at the initial recognition of financial instruments measured at fair value for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|----------------|------------------------------|----------------------------|----------------------------------------|---------------------------|
| | Beginning balance | New transaction | Profit and loss recognition | Ending balance |
| Equity options | ₩ 160 | - | (112) | 48 |

| | December 31, 2022 | | | |
|----------------|------------------------------|----------------------------|----------------------------------------|---------------------------|
| | Beginning balance | New transaction | Profit and loss recognition | Ending balance |
| Loans at FVTPL | ₩ (330) | - | 330 | - |
| Equity options | 92 | 261 | (193) | 160 |
| | ₩ (238) | 261 | 137 | 160 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(d) Classification by category of financial instruments

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

| | | December 31, 2023 | | | | | |
|------------------------------|---|---------------------------|----------------------------|---------------------------------------|------------------------------------|------------------------------|--------------------|
| | | Financial assets at FVTPL | Financial assets at FVTOCI | Financial assets designated at FVTOCI | Financial assets at amortized cost | Derivatives held for hedging | Total |
| Assets | | | | | | | |
| Due from banks | ₩ | - | - | - | 25,924,960 | - | 25,924,960 |
| Securities at FVTPL | | 23,663,110 | - | - | - | - | 23,663,110 |
| Derivative assets | | 3,191,466 | - | - | - | 71,824 | 3,263,290 |
| Loans at FVTPL | | 536,824 | - | - | - | - | 536,824 |
| Loans at amortized cost | | - | - | - | 348,642,129 | - | 348,642,129 |
| Securities at FVTOCI | | - | 49,356,133 | 1,253,233 | - | - | 50,609,366 |
| Securities at amortized cost | | - | - | - | 30,719,163 | - | 30,719,163 |
| Other financial assets | | - | - | - | 17,602,815 | - | 17,602,815 |
| | ₩ | <u>27,391,400</u> | <u>49,356,133</u> | <u>1,253,233</u> | <u>422,889,067</u> | <u>71,824</u> | <u>500,961,657</u> |

| | | Financial instruments at FVTPL | | | | | |
|-------------------------------------------|---|--------------------------------|-------------------------------------------|-----------------------------------------|------------------------------|--------------------|--|
| | | Financial liabilities at FVTPL | Financial liabilities designated at FVTPL | Financial liabilities at amortized cost | Derivatives held for hedging | Total | |
| Liabilities | | | | | | | |
| Deposits | ₩ | - | - | 370,959,649 | - | 370,959,649 | |
| Financial liabilities at FVTPL | | 419,342 | - | - | - | 419,342 | |
| Financial liabilities designated at FVTPL | | - | 254,832 | - | - | 254,832 | |
| Derivative liabilities | | 2,895,599 | - | - | 616,995 | 3,512,594 | |
| Borrowings | | - | - | 26,701,198 | - | 26,701,198 | |
| Debt securities issued | | - | - | 37,750,685 | - | 37,750,685 | |
| Other financial liabilities | | - | - | 34,169,257 | - | 34,169,257 | |
| | ₩ | <u>3,314,941</u> | <u>254,832</u> | <u>469,580,789</u> | <u>616,995</u> | <u>473,767,557</u> | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(d) Classification by category of financial instruments (continued)

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

| | | December 31, 2022 | | | | | |
|----------------------------------------------|---|--------------------------------------|----------------------------------------------------|--------------------------------------------------|------------------------------------------|------------------------------------|--------------------|
| | | Financial assets at FVTPL | Financial assets at FVTOCI | Financial assets designated at FVTOCI | Financial assets at amortized cost | Derivatives held for hedging | Total |
| Assets | | | | | | | |
| Due from banks | ₩ | - | - | - | 20,310,050 | - | 20,310,050 |
| Securities at FVTPL | | 21,201,704 | - | - | - | - | 21,201,704 |
| Derivative assets | | 4,822,942 | - | - | - | 81,154 | 4,904,096 |
| Loans at FVTPL | | 972,553 | - | - | - | - | 972,553 |
| Loans at amortized cost | | - | - | - | 344,298,939 | - | 344,298,939 |
| Securities at FVTOCI | | - | 47,554,951 | 1,215,833 | - | - | 48,770,784 |
| Securities at amortized cost | | - | - | - | 28,379,986 | - | 28,379,986 |
| Other financial assets | | - | - | - | 15,463,269 | - | 15,463,269 |
| | ₩ | <u>26,997,199</u> | <u>47,554,951</u> | <u>1,215,833</u> | <u>408,452,244</u> | <u>81,154</u> | <u>484,301,381</u> |
| Financial instruments at FVTPL | | | | | | | |
| | | Financial liabilities at FVTPL | Financial liabilities designated at FVTPL | Financial liabilities at amortized cost | Derivatives held for hedging | Total | |
| Liabilities | | | | | | | |
| Deposits | ₩ | - | - | 373,104,189 | - | 373,104,189 | |
| Financial liabilities at FVTPL | | 424,964 | - | - | - | 424,964 | |
| Financial liabilities designated at FVTPL | | - | 47,327 | - | - | 47,327 | |
| Derivative liabilities | | 4,883,475 | - | - | 896,151 | 5,779,626 | |
| Borrowings | | - | - | 24,212,792 | - | 24,212,792 | |
| Debt securities issued | | - | - | 33,186,180 | - | 33,186,180 | |
| Other financial liabilities | | - | - | 22,868,434 | - | 22,868,434 | |
| | ₩ | <u>5,308,439</u> | <u>47,327</u> | <u>453,371,595</u> | <u>896,151</u> | <u>459,623,512</u> | |

There are no financial instruments that are reclassified between categories of financial instruments as of December 31, 2023 and 2022.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-4. **Measurement of fair value (continued)**

(e) Financial income and costs by category for years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | |
|----------------------------------------------|---|---------------------------------|-----------------------------------------------|------------------------------------------------------------|-----------|--------------|-----------------------------------------|
| | | Interest income (expense) | Fees and commission income (expense) | Reversal of (Provision for) credit loss allowance | Others | Total | Other comprehensive income (loss) |
| Deposits | ₩ | 358,638 | - | (1,757) | - | 356,881 | - |
| Securities at FVTPL | | 555,253 | 12,731 | - | 756,034 | 1,324,018 | - |
| Securities at FVTOCI | | 1,282,973 | 17,105 | 3,698 | 78,568 | 1,382,344 | 1,108,605 |
| Securities at amortized cost | | 954,911 | - | 654 | (107) | 955,458 | - |
| Loans at FVTPL | | 29,249 | - | - | 44,672 | 73,921 | - |
| Loans at amortized cost | | 17,110,113 | 122,822 | (828,091) | 33,919 | 16,438,763 | - |
| Other financial assets | | 90,052 | 117,819 | (17,877) | 4,212 | 194,206 | - |
| Financial liabilities at FVTPL | | - | (45) | - | (56,772) | (56,817) | - |
| Financial liabilities designated at FVTPL | | (9,804) | - | - | 2,495 | (7,309) | - |
| Financial liabilities at amortized cost | | (11,968,726) | (589) | - | (281,813) | (12,251,128) | (4,767) |
| Net derivatives held for hedging | | - | - | - | 286,494 | 286,494 | 864 |
| Allowance for off-balance sheet items | | - | - | (21,675) | - | (21,675) | - |
| | ₩ | 8,402,659 | 269,843 | (865,048) | 867,702 | 8,675,156 | 1,104,702 |
| | | December 31, 2022 | | | | | |
| | | Interest income (expense) | Fees and commission income (expense) | Reversal of (Provision for) credit loss allowance | Others | Total | Other comprehensive income (loss) |
| Deposits | ₩ | 149,225 | - | (607) | - | 148,618 | - |
| Securities at FVTPL | | 388,236 | 14,000 | - | 47,778 | 450,014 | - |
| Securities at FVTOCI | | 822,079 | 10,205 | 3,372 | (57,622) | 778,034 | (1,115,966) |
| Securities at amortized cost | | 590,960 | - | (463) | (60) | 590,437 | - |
| Loans at FVTPL | | 13,496 | - | - | (312) | 13,184 | - |
| Loans at amortized cost | | 12,064,439 | 102,685 | (578,730) | 13,035 | 11,601,429 | - |
| Other financial assets | | 57,380 | 148,440 | (3,401) | 2,203 | 204,622 | - |
| Financial liabilities at FVTPL | | - | (225) | - | (33,846) | (34,071) | - |
| Financial liabilities designated at FVTPL | | (1,296) | - | - | 2,673 | 1,377 | - |
| Financial liabilities at amortized cost | | (5,879,317) | (63) | - | 775,708 | (5,103,672) | (29,116) |
| Net derivatives held for hedging | | - | - | - | (737,257) | (737,257) | 3,324 |
| Allowance for off-balance sheet items | | - | - | (18,460) | - | (18,460) | - |
| | ₩ | 8,205,202 | 275,042 | (598,289) | 12,300 | 7,894,255 | (1,141,758) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

3. Financial risk management (continued)

3-5. Capital risk management

In response to the increased risk of financial institutions following financial deregulation in the 1980s, capital regulations applicable to banks are adopted in 1988, which focused primarily on capital adequacy and asset soundness as a measure of risk. Building upon the initial Basel Capital Accord of 1988, capital regulations are developed to reflect additional risks as well. To improve risk management and increasing capital adequacy of banks, Basel Committee on Bank Supervision (BCBS) prepared and announced new Basel Capital Accord (Basel III), and capital adequacy standards based on Basel III is implemented by Regulation on Supervision of Banking Business beginning on December 1, 2013. Under these regulations, all domestic banks including the Group are required to maintain a certain ratio or higher of the common stock capital ratio, basic capital ratio, and total equity capital ratio step by step from the effective date and report whether the Group meet the capital adequacy ratio to the Financial Supervisory Service according to banking-related legislation.

Under *the Banking Act*, the capital of a bank is divided into two categories.

(a) Tier 1 capital (Common equity Tier 1 capital + Additional Tier 1 capital)

i) Common equity Tier 1 capital: Common equity Tier 1 capital that can be compensated firstly and lastly at the time of bank liquidation and is not repaid except at the time of liquidation, including common stock, capital surplus, accumulated other comprehensive income, other capital surplus, capital adjustment, and part of the non-controlling interests of the Bank's subsidiaries.

ii) Other Tier 1 capital: Additional Tier 1 capital consists of equity instrument that meet certain criteria for perpetual nature of the equity instrument, any related capital surplus, instruments issued by consolidated subsidiaries of the Bank and held by third parties that meet certain criteria.

(b) Tier 2 capital (Supplementary capital)

The Group includes capital securities that meet the recognition requirements to compensate for the Group's losses upon liquidation. This includes some of the associated capital surplus and the amount of external investors' holdings of supplementary capital issued by subsidiaries. Also, it includes the provisions that meet Basel III requirements.

The Group calculates the ratio of equity capital by dividing the equity capital (the amount deducted from the sum of the above basic capital and supplementary capital) into risk-weighted assets. Risk weighted assets are calculated by applying higher weights to reflect the actual risk of the Group. It comprises the sum of credit risk weighted assets, operational risk weighted assets, market risk weighted assets and additional risk assets.

The Group evaluates and manages the capital adequacy ratio pursuant to internally developed standards. It means that the Group assesses whether the level on ratio of available capital to economic capital is sufficient, or not. The Group manages the economic adequacy by the amount of each risk type including credit, market, operation, interest rate, liquidity, concentration, and foreign currency settlement risk, as well as the total amounts of all of those risk types.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-5. **Capital risk management (continued)**

Details of capital categories and the capital adequacy ratio of the Group as of December 31, 2023 and 2022 are as follows:

| Category | December 31, 2023 | December 31, 2022 |
|------------------------------------|-------------------|-------------------|
| Capital: | | |
| Common equity Tier 1 capital | ₩ 29,029,531 | 26,729,156 |
| Additional Tier 1 capital | 1,988,535 | 1,788,975 |
| Tier 1 capital | 31,018,066 | 28,518,131 |
| Tier 2 capital | 4,882,409 | 5,241,681 |
| | ₩ 35,900,475 | 33,759,812 |
| Risk-weighted assets: (*) | | |
| Credit risk-weighted assets | ₩ 170,786,341 | 165,459,759 |
| Market risk-weighted assets | 11,810,088 | 12,959,292 |
| Operating risk-weighted assets | 15,988,517 | 11,560,955 |
| | ₩ 198,584,946 | 189,980,006 |
| Capital adequacy ratio: | | |
| Common equity Tier 1 capital ratio | 14.62% | 14.07% |
| Tier 1 capital ratio | 15.62% | 15.01% |
| Tier 2 capital ratio | 2.46% | 2.76% |
| Total capital ratio | 18.08% | 17.77% |

(*) The additional risk weighted assets resulting from the insufficient capital under capital floor is included in credit risk-weighted assets.

The criteria for capital adequacy to be complied with by the Group are 8.0% or more of the total equity capital ratio, 6.0% or higher of the basic capital ratio, and 4.5% or more of the common stock capital ratio. In addition, the minimum regulatory BIS capital ratio required to be observed from 2019 has been raised to up to 14% as the capital regulation based on the Basel III standard is enforced from 2016. This is based on the addition of capital conservation buffer (2.5%p) and Domestic Systematically Important Banks (D-SIB) buffer (1.0%p) and countercyclical capital buffer (2.5%p) to the existing lowest common equity capital ratio, the capital conservation buffer and D-SIB buffer will be raised by 2.5% and 1.0% each year by applying the transitional criteria from 2019, and countercyclical capital buffer can be charged up to 2.5%p during credit expansion period. As of December 31, 2023, the minimum regulatory BIS capital ratio to be observed is 11.5%, which is the standard for applying capital conservation buffer (2.5%p), D-SIB buffer (1.0%p), and countercyclical capital buffer (0%p).

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-6. **Transaction as a transfer of financial instrument**

(a) Transferred financial instruments that are not derecognized

i) Bonds sold under repurchase agreements at a fixed price as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------|--------------------------|--------------------------|
| Transferred assets: | | |
| Securities at FVTOCI | ₩ 758,429 | - |
| Securities at amortized cost | 3,622,838 | 258,579 |
| | <u>₩ 4,381,267</u> | <u>258,579</u> |
| Associated liabilities: | | |
| Bonds sold under repurchase agreements | ₩ 3,994,125 | 135,710 |

ii) When the Group's securities are transferred, the Group transfers the ownership of the securities, but upon termination, the Group will have to return the securities. As a result, securities loaned as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>Lender</u> |
|-------------------------------|--------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------|
| Securities at FVTOCI: | | | |
| Government bonds | ₩ 3,689,953 | 2,830,091 | Korea Securities Finance Corp., Korea Securities Depository |
| Financial institutions bonds | 60,693 | 267,702 | Korea Securities Finance Corp., Korea Securities Depository |
| Securities at amortized cost: | | | |
| Government bonds | 1,570,134 | 898,347 | Korea Securities Finance Corp., Korea Securities Depository NH investment & securities co., Ltd. |
| Financial institutions bonds | 289,987 | 89,665 | Korea Securities Finance Corp., Korea Securities Depository |
| | <u>₩ 5,610,767</u> | <u>4,085,805</u> | |

iii) *Securitization of financial assets*

The Group uses the securitization of financial assets as a means of financing and to transfer risk. Generally, these securitization transactions result in the transfer of contractual cash flows to the debt securities holders issued from the financial asset portfolio. The Group recognizes debt securities issued without derecognition of assets under individual agreements, partially recognizes assets to the extent of the Group's level of involvement in assets, or recognizes rights and obligations arising from the derecognition and transfer of assets as separate assets and liabilities. The Group derecognizes the entire asset only if it transfers contractual rights to the cash flows of financial assets or if it holds contractual rights but bears contractual obligations to pay cash flows to the other party without significant delays or reinvestment and transfers most of the risks and benefits of ownership (e.g., credit risk, interest rate risk, prepayment risk, etc.). For the years ended December 31, 2023 and 2022, the carrying amounts of financial assets related to securitization transactions that have neither been transferred nor derecognized are ₩5,744,227 million and ₩ 4,765,561 million, respectively; the carrying amounts of related liabilities are ₩2,985,714 million and ₩2,102,965 million, respectively.

(b) Financial instruments that are qualified for derecognition but under continuing involvement.

There is no financial instrument that meets the conditions of derecognition and in which the Group has continuing involvement as of December 31, 2023 and 2022.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-7. **Offsetting financial assets and financial liabilities**

Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | |
|------------------------------------------------------------------------------|---|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------|------------------|
| | | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the statement of financial position | Net amounts of financial assets and liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | |
| | | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the statement of financial position | Net amounts of financial assets and liabilities presented in the statement of financial position | Financial instruments | Cash collateral received | Net amount |
| Financial assets | | | | | | | |
| Derivative assets (*1) | ₩ | 3,230,215 | - | 3,230,215 | 11,825,025 | 26,461 | 1,556,528 |
| Other financial assets (*1) | | 10,177,799 | - | 10,177,799 | | | |
| Bonds sold under repurchase agreements related collateral of securities (*2) | | 4,303,641 | - | 4,303,641 | 3,951,190 | - | 352,451 |
| Bonds purchased under resale agreement (Loans) (*2) | | 2,261,833 | - | 2,261,833 | 2,261,833 | - | - |
| Securities lent (*2) | | 5,517,009 | - | 5,517,009 | 5,517,009 | - | - |
| Domestic exchange settlements receivables (*3) | | 47,413,117 | 42,479,436 | 4,933,681 | - | - | 4,933,681 |
| Receivable from disposal of securities, etc. (*4) | | 24,811 | 2,210 | 22,601 | - | - | 22,601 |
| | ₩ | <u>72,928,425</u> | <u>42,481,646</u> | <u>30,446,779</u> | <u>23,555,057</u> | <u>26,461</u> | <u>6,865,261</u> |
| Financial liabilities | | | | | | | |
| Derivative liabilities (*1) | ₩ | 3,468,740 | - | 3,468,740 | 11,623,905 | - | 832,651 |
| Other financial liabilities (*1) | | 8,987,816 | - | 8,987,816 | | | |
| Bonds sold under repurchase agreements (Borrowings) (*2) | | 3,994,125 | - | 3,994,125 | 3,951,190 | - | 42,935 |
| Securities sold | | - | - | - | - | - | - |
| Domestic exchange settlement payables (*3) | | 51,631,363 | 42,479,436 | 9,151,927 | 9,151,927 | - | - |
| Payable from purchase of securities, etc. (*4) | | 2,728 | 2,210 | 518 | 518 | - | - |
| | ₩ | <u>68,084,772</u> | <u>42,481,646</u> | <u>25,603,126</u> | <u>24,727,540</u> | <u>-</u> | <u>875,586</u> |

(*1) The Bank and its subsidiaries have certain derivative transactions subject to the ISDA (International Swaps and Derivatives Association) agreement. According to the ISDA agreement, when credit events (e.g. default) of counterparties occur, the net amount after offsetting the amounts obligated by each party is settled.

(*2) Resale and repurchase agreement, securities borrowing and lending agreement are also similar to ISDA agreement with respect to enforceable netting agreements.

(*3) The Group has legally enforceable right to set off and settles financial assets and liabilities on a net basis. Therefore, domestic exchanges settlement receivables (payables) are recorded on a net basis in the consolidated statements of financial position.

(*4) Receivables and payables related to settlement of purchase and disposition of enlisted securities are offset and the net amount is presented in the consolidated statement of financial position because the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis. The effect of offsetting due to the establishment of 'Central Counter Party ("CCP")' system is included in the amount.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

3. **Financial risk management (continued)**

3-7. **Offsetting financial assets and financial liabilities (continued)**

Details of financial assets and financial liabilities subject to offsetting, enforceable master netting agreements and similar agreements as of December 31, 2023 and 2022 are as follows (continued):

| | | December 31, 2022 | | | | | |
|------------------------------------------------------------------------------|---|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|--------------------------------|------------------|
| | | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the statement of financial position | Net amounts of financial assets and liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | |
| | | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities set off in the statement of financial position | Net amounts of financial assets and liabilities presented in the statement of financial position | Financial instruments | Cash collateral received | Net amount |
| Financial assets | | | | | | | |
| Derivative assets (*1) | ₩ | 4,884,335 | - | 4,884,335 | 10,043,722 | 74,895 | 1,783,544 |
| Other financial assets (*1) | | 7,017,826 | - | 7,017,826 | | | |
| Bonds sold under repurchase agreements related collateral of securities (*2) | | 258,579 | - | 258,579 | 132,217 | - | 126,362 |
| Bonds purchased under resale agreement (Loans) (*2) | | 3,083,597 | - | 3,083,597 | 3,083,597 | - | - |
| Securities lent (*2) | | 4,085,806 | - | 4,085,806 | 4,085,806 | - | - |
| Domestic exchange settlements receivables (*3) | | 44,745,207 | 39,051,457 | 5,693,750 | - | - | 5,693,750 |
| Receivable from disposal of securities, etc. (*4) | | 18,901 | 3,245 | 15,656 | - | - | 15,656 |
| | ₩ | <u>64,094,251</u> | <u>39,054,702</u> | <u>25,039,549</u> | <u>17,345,342</u> | <u>74,895</u> | <u>7,619,312</u> |
| Financial liabilities | | | | | | | |
| Derivative liabilities (*1) | ₩ | 5,648,398 | - | 5,648,398 | 9,825,349 | - | 1,633,012 |
| Other financial liabilities (*1) | | 5,809,963 | - | 5,809,963 | | | |
| Bonds sold under repurchase agreements (Borrowings) (*2) | | 135,710 | - | 135,710 | 132,217 | - | 3,493 |
| Securities sold | | 2,958 | - | 2,958 | 2,958 | - | - |
| Domestic exchange settlement payables (*3) | | 41,282,964 | 39,051,457 | 2,231,507 | 2,231,507 | - | - |
| Payable from purchase of securities, etc. (*4) | | 4,235 | 3,245 | 990 | 990 | - | - |
| | ₩ | <u>52,884,228</u> | <u>39,054,702</u> | <u>13,829,526</u> | <u>12,193,021</u> | <u>-</u> | <u>1,636,505</u> |

(*1) The Bank and its subsidiaries have certain derivative transactions subject to the ISDA (International Swaps and Derivatives Association) agreement. According to the ISDA agreement, when credit events (e.g. default) of counterparties occur, the net amount after offsetting the amounts obligated by each party is settled.

(*2) Resale and repurchase agreement, securities borrowing and lending agreement are also similar to ISDA agreement with respect to enforceable netting agreements.

(*3) The Group has legally enforceable right to set off and settles financial assets and liabilities on a net basis. Therefore, domestic exchanges settlement receivables (payables) are recorded on a net basis in the consolidated statements of financial position.

(*4) Receivables and payables related to settlement of purchase and disposition of enlisted securities are offset and the net amount is presented in the consolidated statement of financial position because the Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis. The effect of offsetting due to the establishment of 'Central Counter Party ("CCP")' system is included in the amount.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

4. Significant estimates and judgments

The preparation of consolidated financial statements requires the application of certain critical estimates and judgments relative to the future. Management's estimated outcomes may differ from actual outcomes. The change in an accounting estimate is recognized prospectively in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

(a) Income taxes

The Group is subject to tax laws from various countries. In the normal course of business, there are various types of transactions and different accounting methods that may add uncertainties to the decision of the final income taxes. The Group has recognized current and deferred taxes that reflect tax consequences based on the best estimates in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is determined.

(b) Fair value of financial instruments

The fair values of financial instruments which are not actively traded in the market are determined by using valuation techniques. The Group determines valuation techniques and assumptions based on significant market conditions at the end of each reporting period. Diverse valuation techniques are used to determine the fair value of financial instruments, from generic valuation techniques to internally developed valuation models that incorporate various types of assumptions and variables.

(c) Allowances for loan losses, guarantees and unused loan commitments

The Group determines and recognizes allowances for losses on debt securities, loans and other receivables measured at amortized cost or FVTOCI, and recognizes provisions for guarantees and unused loan commitments through impairment testing. The accuracy of allowances for credit losses is determined by the estimation of expected cash flows for individually assessed allowances, and methodology and assumptions used for collectively assessed allowances and provisions for groups of loans, guarantees and unused loan commitments.

(d) Defined benefit obligation

The present value of defined benefit obligations can vary depending on various factors determined by actuarial methods. Assumptions used to determine the net cost (benefit) of pensions include discount rates, and changes in these assumptions will affect the book value of defined benefit obligations. The consolidated entity determines appropriate discount rates every six months. These rates represent the interest rates that should be used to determine the present value of estimated future cash outflows expected to occur upon settlement of defined benefit obligations. The entity expresses pensions in the currency in which they are paid and considers the interest rates of high-quality corporate bonds with maturities similar to those of the related pension liabilities when determining appropriate discount rates. Other significant assumptions related to defined benefit obligations are based on certain current market situations.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

5. Operating segment

(a) The general descriptions of the Group's operating segments

The Group has four reportable segments which are strategic business units. Each of these segments is providing different services and managed separately.

| Description | Area of business |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| Retail banking | Loans to or deposits from individual customers, wealth management customers, and institutions such as hospitals, airports and schools. |
| Corporate banking | Loans to or deposits from corporations, including small or medium sized companies and businesses related to investment banking. |
| International group | Supervision of overseas subsidiaries and branch operations and other international businesses. |
| Others | Fund management, investment in securities, others and various support businesses |

(b) The following table provides information of financial performance of each reportable segment for the years ended December 31, 2023 and 2022.

| | December 31, 2023 | | | | | Total |
|------------------------------------------|-------------------|-------------------|---------------------|-------------|---------------------------|-------------|
| | Retail banking | Corporate banking | International group | Others | Consolidation adjustments | |
| Categories | | | | | | |
| Net interest income (expense) | ₩ 4,431,882 | 3,475,901 | 1,121,545 | (624,495) | (2,174) | 8,402,659 |
| Net fees and commission income (expense) | 336,452 | 459,289 | 129,648 | (6,522) | (7,916) | 910,951 |
| Net other income (expense)(*) | (2,460,353) | (661,312) | (131,709) | (1,835,784) | (77,255) | (5,166,413) |
| Operating income (expense) | 2,307,981 | 3,273,878 | 1,119,484 | (2,466,801) | (87,345) | 4,147,197 |
| Net non-operating income (expenses) | (27,009) | (23,389) | (29,476) | (24,976) | (9,798) | (114,648) |
| Share of profit of associates | - | - | - | - | 8,556 | 8,556 |
| Profit (loss) before income tax | 2,280,972 | 3,250,489 | 1,090,008 | (2,491,777) | (88,587) | 4,041,105 |
| Income tax expense | (557,660) | (794,691) | (252,417) | 623,236 | 8,418 | (973,114) |
| Profit (loss) for the year | ₩ 1,723,312 | 2,455,798 | 837,591 | (1,868,541) | (80,169) | 3,067,991 |
| Attributable to: | | | | | | |
| Equity holder of the Bank | ₩ 1,723,312 | 2,455,798 | 837,591 | (1,868,541) | (80,479) | 3,067,681 |
| Non-controlling interests | - | - | - | - | 310 | 310 |

(*) Profit or loss effect of hedging on net investments in foreign operations was included.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

5. Operating segment (continued)

(b) The following table provides information of financial performance of each reportable segment for for the years ended December 31, 2023 and 2022 (continued).

| | | December 31, 2022 | | | | | |
|------------------------------------------|---|-------------------|-------------------|---------------------|-------------|---------------------------|-------------|
| | | Retail banking | Corporate banking | International group | Others | Consolidation adjustments | Total |
| Categories | | | | | | | |
| Net interest income | ₩ | 4,574,304 | 3,420,604 | 1,063,425 | (856,903) | 3,772 | 8,205,202 |
| Net fees and commission income (expense) | | 340,473 | 470,522 | 119,878 | 32,643 | (8,206) | 955,310 |
| Net other income (expense)(*) | | (2,253,168) | (714,261) | (503,923) | (1,603,483) | 77,073 | (4,997,762) |
| Operating income (expense) | | 2,661,609 | 3,176,865 | 679,380 | (2,427,743) | 72,639 | 4,162,750 |
| Net non-operating income (expense) | | (36,930) | (24,006) | 8,911 | (23,802) | (1,598) | (77,425) |
| Share of loss of associates | | - | - | - | - | 22,301 | 22,301 |
| Profit (loss) before income tax | | 2,624,679 | 3,152,859 | 688,291 | (2,451,545) | 93,342 | 4,107,626 |
| Income tax expense | | (688,346) | (826,866) | (163,636) | 615,069 | 1,885 | (1,061,894) |
| Profit (loss) for the year | ₩ | 1,936,333 | 2,325,993 | 524,655 | (1,836,476) | 95,227 | 3,045,732 |
| Attributable to: | | | | | | | |
| Equity holder of the Bank | ₩ | 1,936,333 | 2,325,993 | 524,655 | (1,836,476) | 94,507 | 3,045,012 |
| Non-controlling interests | | - | - | - | - | 720 | 720 |

(*) Profit or loss effect of hedging on net investments in foreign operations was included.

(c) The following table provides information of net interest income of each reportable operating segment from external consumers and net interest income (expenses) between operating segments for the years ended December 31, 2023 and 2022.

| | | December 31, 2023 | | | | | |
|-------------------------------------|---|-------------------|-------------------|---------------------|-------------|---------------------------|-----------|
| | | Retail banking | Corporate banking | International group | Others | Consolidation adjustments | Total |
| Net interest income (expense) from: | | | | | | | |
| External customers | ₩ | 1,359,877 | 4,970,289 | 1,269,062 | 803,431 | - | 8,402,659 |
| Internal transactions | | 3,072,005 | (1,494,388) | (147,517) | (1,427,926) | (2,174) | - |
| | ₩ | 4,431,882 | 3,475,901 | 1,121,545 | (624,495) | (2,174) | 8,402,659 |

| | | December 31, 2022 | | | | | |
|-------------------------------------|---|-------------------|-------------------|---------------------|-------------|---------------------------|-----------|
| | | Retail banking | Corporate banking | International group | Others | Consolidation adjustments | Total |
| Net interest income (expense) from: | | | | | | | |
| External customers | ₩ | 2,442,269 | 3,881,809 | 1,126,161 | 754,963 | - | 8,205,202 |
| Internal transactions | | 2,132,035 | (461,205) | (62,736) | (1,611,866) | 3,772 | - |
| | ₩ | 4,574,304 | 3,420,604 | 1,063,425 | (856,903) | 3,772 | 8,205,202 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

5. **Operating segment (continued)**

(d) Financial information of geographical area

i) The following table provides information of operating income from external consumers by geographical area for the years ended December 31, 2023 and 2022.

| | Operating revenue | | Operating expenses | | Operating income | |
|----------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Domestic | ₩ 34,011,622 | 32,933,062 | 30,859,198 | 29,575,056 | 3,152,424 | 3,358,006 |
| Overseas | 3,448,056 | 2,581,399 | 2,453,283 | 1,776,655 | 994,773 | 804,744 |
| | ₩ 37,459,678 | 35,514,461 | 33,312,481 | 31,351,711 | 4,147,197 | 4,162,750 |

ii) The following table provides information of non-current assets by geographical area as of December 31, 2023 and 2022.

| Classification(*) | December 31, 2023 | December 31, 2022 |
|-------------------|-------------------|-------------------|
| Domestic | ₩ 3,962,041 | 3,459,593 |
| Overseas | 268,883 | 319,316 |
| | ₩ 4,230,924 | 3,778,909 |

(*) Non-current assets include property and equipment, intangible assets and investment properties.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

6. Cash and due from banks

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

| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|---|--------------------------|--------------------------|
| Cash | ₩ | 2,131,816 | 2,259,832 |
| Deposits in Korean won: | | | |
| Reserve deposits | | 10,732,094 | 8,477,472 |
| Others | | 4,511 | 53,986 |
| | | <u>10,736,605</u> | <u>8,531,458</u> |
| Deposits in foreign currencies: | | | |
| Deposits | | 12,110,033 | 8,506,913 |
| Time deposits | | 2,547,930 | 2,836,102 |
| Others | | 549,564 | 452,951 |
| | | <u>15,207,527</u> | <u>11,795,966</u> |
| Allowance for impairment | | (19,172) | (17,374) |
| | ₩ | <u>28,056,776</u> | <u>22,569,882</u> |

(b) Restricted due from banks as of December 31, 2023 and 2022, are as follows:

| <u>Classification</u> | | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>The laws of evidence, etc.</u> |
|---------------------------------|---|--------------------------|--------------------------|------------------------------------------------------|
| Deposits in Korean won: | | | | |
| Reserve deposits | ₩ | 10,732,094 | 8,477,472 | Article 55 of the Bank of Korea Act |
| Others | | 627 | 547 | Article 387 of Capital Market Act of Korea Act, etc. |
| | | <u>10,732,721</u> | <u>8,478,019</u> | |
| Deposits in foreign currencies: | | | | |
| Deposits | | 6,024,167 | 1,675,889 | Article 55 of the Bank of Korea Act, etc. |
| Time deposits | | 74,141 | 66,533 | New York State, etc. |
| Others | | 17,707 | 44,257 | Banking Law |
| | | <u>6,116,015</u> | <u>1,786,679</u> | Derivative contracts |
| | ₩ | <u>16,848,736</u> | <u>10,264,698</u> | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

7. Securities at fair value through profit or loss

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------|--------------------------|--------------------------|
| Debt securities: | | |
| Government bonds | ₩ 861,768 | 760,724 |
| Financial institution bonds | 3,915,483 | 3,353,917 |
| Corporate bonds | 2,230,936 | 2,357,745 |
| Bills bought | 6,597,980 | 4,110,319 |
| CMA | 3,473,984 | 3,850,613 |
| Beneficiary certificates | 4,047,138 | 4,664,866 |
| Others | 2,182,560 | 1,801,894 |
| | <u>23,309,849</u> | <u>20,900,078</u> |
| Equity securities: | | |
| Stocks | 249,555 | 225,657 |
| Gold/silver deposits | 103,706 | 75,969 |
| | <u>₩ 23,663,110</u> | <u>21,201,704</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives**

(a) The notional amounts of derivatives as of December 31, 2023 and 2022, are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|--------------------------|--------------------------|
| Foreign currency related | | |
| Over the counter: | | |
| Currency forwards | ₩ 118,477,888 | 113,580,287 |
| Currency swaps | 43,805,271 | 40,947,512 |
| Currency options | 1,244,696 | 1,327,752 |
| Exchange traded: | | |
| Currency futures | 38,682 | 38,019 |
| | <u>163,566,537</u> | <u>155,893,570</u> |
| Interest rates related | | |
| Over the counter: | | |
| Interest rate forwards | 205,451 | - |
| Interest rate swaps | 30,490,027 | 30,748,577 |
| Interest rate options | 470,000 | 145,424 |
| Exchange traded: | | |
| Interest rate futures | 654,794 | 159,744 |
| Interest rate swaps(*) | 44,929,609 | 38,396,230 |
| | <u>76,749,881</u> | <u>69,449,975</u> |
| Equity related | | |
| Over the counter: | | |
| Equity options | 207,508 | 217,834 |
| Exchange traded: | | |
| Equity futures | 15,789 | 25,132 |
| Equity options | 2,494 | - |
| | <u>225,791</u> | <u>242,966</u> |
| Commodity related | | |
| Over the counter: | | |
| Commodity swap and forwards | 160,445 | 241,494 |
| Commodity options | 8,000 | 8,000 |
| | <u>168,445</u> | <u>249,494</u> |
| Hedge | | |
| Fair value hedge: | | |
| Interest rate swaps | 10,112,789 | 13,530,243 |
| Net investment hedge: | | |
| Currency forwards | 683,382 | 253,460 |
| | <u>10,796,171</u> | <u>13,783,703</u> |
| | <u>₩ 251,506,825</u> | <u>239,619,708</u> |

(*) The notional amount of derivatives which is settled in the 'Central Counter Party ("CCP")' system.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives (continued)**

(b) Fair values of derivatives as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---------------------------------|-------------------|------------------|-------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign currency related | | | | |
| Over the counter: | | | | |
| Currency forwards | ₩ 1,362,435 | 1,195,174 | 2,667,464 | 2,445,020 |
| Currency swaps | 1,414,202 | 1,234,284 | 1,589,098 | 1,833,258 |
| Currency options | 12,621 | 13,065 | 14,776 | 13,603 |
| | <u>2,789,258</u> | <u>2,442,523</u> | <u>4,271,338</u> | <u>4,291,881</u> |
| Interest rates related | | | | |
| Over the counter: | | | | |
| Interest rate forwards | - | 15,907 | - | - |
| Interest rate swaps | 398,077 | 417,489 | 536,144 | 588,793 |
| Interest rate options | - | 17,005 | 3,203 | - |
| Exchange traded: | | | | |
| Interest rate futures | 1,097 | 982 | - | - |
| | <u>399,174</u> | <u>451,383</u> | <u>539,347</u> | <u>588,793</u> |
| Equity related | | | | |
| Over the counter: | | | | |
| Equity options | 30 | 1,637 | 1,258 | 1,279 |
| Exchange traded: | | | | |
| Equity futures | - | 54 | 233 | 2 |
| Equity options | - | 2 | - | - |
| | <u>30</u> | <u>1,693</u> | <u>1,491</u> | <u>1,281</u> |
| Commodity related | | | | |
| Over the counter: | | | | |
| Commodity swap and forwards | 3,004 | - | 10,766 | 4 |
| Commodity options | - | - | - | 1,516 |
| | <u>3,004</u> | <u>-</u> | <u>10,766</u> | <u>1,520</u> |
| Hedge | | | | |
| Fair value hedge: | | | | |
| Interest rate swaps | 65,786 | 614,219 | 77,757 | 895,005 |
| Net investment hedge: | | | | |
| Currency forwards | 6,038 | 2,776 | 3,397 | 1,146 |
| | <u>71,824</u> | <u>616,995</u> | <u>81,154</u> | <u>896,151</u> |
| ₩ | <u>3,263,290</u> | <u>3,512,594</u> | <u>4,904,096</u> | <u>5,779,626</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives (continued)**

(c) Gain or loss on valuation of derivatives for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|---------------------------------|-------------------|------------------|-------------------|------------------|
| | Gain | Loss | Gain | Loss |
| Foreign currency related | | | | |
| Over the counter: | | | | |
| Currency forwards | ₩ 1,091,585 | 1,050,074 | 2,407,263 | 2,397,550 |
| Currency swaps | 528,512 | 385,811 | 1,210,590 | 1,408,598 |
| Currency options | 7,435 | 6,043 | 12,138 | 7,890 |
| | <u>1,627,532</u> | <u>1,441,928</u> | <u>3,629,991</u> | <u>3,814,038</u> |
| Interest rates related | | | | |
| Over the counter: | | | | |
| Interest rate forwards | - | 15,907 | - | - |
| Interest rate swaps | 278,327 | 168,795 | 541,025 | 545,698 |
| Interest rate options | 1,927 | 4,994 | 1,898 | 36 |
| Exchange traded: | | | | |
| Interest rate futures | 1,097 | 983 | - | - |
| | <u>281,351</u> | <u>190,679</u> | <u>542,923</u> | <u>545,734</u> |
| Equity related | | | | |
| Over the counter: | | | | |
| Equity options | 2,141 | 162 | 4,416 | 271 |
| Exchange traded: | | | | |
| Equity futures | - | 54 | 233 | 2 |
| Equity options | 7 | - | - | - |
| | <u>2,148</u> | <u>216</u> | <u>4,649</u> | <u>273</u> |
| Commodity related | | | | |
| Over the counter: | | | | |
| Commodity swap and forwards | 3,004 | - | 10,766 | 4 |
| Commodity options | 1,516 | - | 5,840 | - |
| | <u>4,520</u> | <u>-</u> | <u>16,606</u> | <u>4</u> |
| Hedge | | | | |
| Fair value hedge: | | | | |
| Interest rate swaps | 268,960 | 22,365 | 67,614 | 807,803 |
| Net investment hedge: | | | | |
| Currency forwards | 3,416 | 705 | 5,886 | 8,708 |
| | <u>272,376</u> | <u>23,070</u> | <u>73,500</u> | <u>816,511</u> |
| ₩ | <u>2,187,927</u> | <u>1,655,893</u> | <u>4,267,669</u> | <u>5,176,560</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives (continued)**

(d) Hedge accounting

i) Purpose and strategy of hedge accounting

The Group trades derivative financial instruments to hedge the interest rate risk and foreign exchange risk arising from the group's assets and liabilities. The Group applies fair value risk hedge accounting using interest rate swaps to avoid the risk of changes in fair value due to changes in market interest rates on structured bonds in won, foreign currency issued financial bonds, structured deposits in won and foreign currency investment bonds. In addition, to avoid the risk of foreign currency exchange rate fluctuations at foreign operations, the Group applies net investment risk hedge accounting for foreign operations that utilize currency forwards and non-derivative financial instruments.

ii) Nominal amounts and average hedge ratios for hedging instruments as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | | |
|---------------------------------------------------------------|---|-------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------|------------|
| | | 1 year or less | 1 year ~ 2 years or less | 2 years ~ 3 years or less | 3 years ~ 4 years or less | 4 years ~ 5 years or less | More than 5 years | Total |
| Fair value hedges | | | | | | | | |
| Interest rate swaps | ₩ | 2,555,318 | 141,038 | 1,366,764 | 572,494 | 1,739,426 | 3,737,749 | 10,112,789 |
| Average price conditions(*1) | | 0.48% | 0.82% | 1.04% | 0.93% | 1.11% | 0.64% | 0.75% |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Hedge of net investments in foreign operations(*2) | | | | | | | | |
| Currency forwards | | 683,382 | - | - | - | - | - | 683,382 |
| Borrowings in foreign currencies | | 63,352 | - | - | - | - | - | 63,352 |
| Debt securities issued in foreign currencies | | 241,882 | 140,159 | 412,608 | 59,323 | 549,471 | - | 1,403,443 |
| | ₩ | 988,616 | 140,159 | 412,608 | 59,323 | 549,471 | - | 2,150,177 |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | - | 100% |

(*1) Interest rate swaps consist of 3M CD, USD SOFR, 3M USD Libor, 3M Euribor and 3M AUD Bond.

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,278.63, EUR/KRW 1,298.11, JPY/KRW 9.46, CAD/KRW 921.27, CNY/KRW 177.98 and AUD/KRW 877.18.

| | | December 31, 2022 | | | | | | |
|----------------------------------------------------------------|---|-------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|----------------------|------------|
| | | 1 year or less | 1 year ~ 2 years or less | 2 years ~ 3 years or less | 3 years ~ 4 years or less | 4 years ~ 5 years or less | More than 5 years | Total |
| Fair value hedges | | | | | | | | |
| Interest rate swaps | ₩ | 4,553,650 | 2,540,240 | 143,969 | 1,337,001 | 586,760 | 4,368,623 | 13,530,243 |
| Average price conditions (*1) | | 0.42% | 0.48% | 0.73% | 0.84% | 0.71% | 0.60% | 0.55% |
| Average hedge ratio | | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Hedge of net investments in foreign operations (*2) | | | | | | | | |
| Currency forwards | | 253,460 | - | - | - | - | - | 253,460 |
| Borrowings in foreign currencies | | 239,044 | - | - | - | - | - | 239,044 |
| Debt securities issued in foreign currencies | | 359,079 | 64,858 | 113,450 | 510,608 | - | - | 1,047,995 |
| | ₩ | 851,583 | 64,858 | 113,450 | 510,608 | - | - | 1,540,499 |
| Average hedge ratio | | 100% | 100% | 100% | 100% | - | - | 100% |

(*1) Interest rate swaps consist of 3M CD, USD SOFR, 3M USD Libor, 3M Euribor and 3M AUD Bond.

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,217.73, EUR/KRW 1,298.11, JPY/KRW 10.13, CAD/KRW 948.79, CNY/KRW 190.96 and AUD/KRW 877.18.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives (continued)**

(e) Impact of hedge accounting on the consolidated financial statements

i) Impact on hedging instruments in the consolidated statements of financial position, as of December 31, 2023 and 2022, and consolidated statements of comprehensive income and consolidated statements of changes in equity for the years ended are as follows:

| | | December 31, 2023 | | | | | | |
|--------------------------------------------------------|----------------------------------------------|----------------------------------------------|-------------------|------------------------|------------|------------------------------------------------|------------------------------------------------|------------------------------------|
| | | Consolidated statement of financial position | | | | Consolidated statement of comprehensive income | | |
| | | Notional amounts | Derivative assets | Derivative liabilities | Borrowings | Debt securities issued | Other comprehensive income (loss) for the year | Changes in fair value for the year |
| Fair value hedges | | | | | | | | |
| Interest rate risk | Interest rate swaps | ₩ 10,112,789 | 65,786 | 614,219 | - | - | - | 246,595 |
| Hedge of net investments in foreign operations: | | | | | | | | |
| | Currency forwards | 683,382 | 6,038 | 2,776 | - | - | 864 | 4,537 |
| | Borrowings in foreign currencies | 63,352 | - | - | 63,352 | - | (4,382) | (4,382) |
| Foreign exchange Risk | Debt securities issued in foreign currencies | 1,403,443 | - | - | - | 1,398,977 | (385) | (385) |
| | | 2,150,177 | 6,038 | 2,776 | 63,352 | 1,398,977 | (3,903) | (230) |
| | | ₩ 12,262,966 | 71,824 | 616,995 | 63,352 | 1,398,977 | (3,903) | 246,365 |

| | | December 31, 2022 | | | | | | |
|--------------------------------------------------------|----------------------------------------------|----------------------------------------------|-------------------|------------------------|------------|------------------------------------------------|---------------------------------------|------------------------------------|
| | | Consolidated statement of financial position | | | | Consolidated statement of comprehensive income | | |
| | | Notional amounts | Derivative assets | Derivative liabilities | Borrowings | Debt securities issued | Other comprehensive loss for the year | Changes in fair value for the year |
| Fair value hedges | | | | | | | | |
| Interest rate risk | Interest rate swaps | ₩ 13,530,243 | 77,757 | 895,005 | - | - | - | (740,189) |
| Hedge of net investments in foreign operations: | | | | | | | | |
| | Currency forwards | 253,460 | 3,397 | 1,146 | - | - | 3,324 | (772) |
| | Borrowings in foreign currencies | 239,044 | - | - | 239,044 | - | 14,100 | 14,100 |
| Foreign exchange Risk | Debt securities issued in foreign currencies | 1,047,995 | - | - | - | 1,043,317 | (43,216) | (43,216) |
| | | 1,540,499 | 3,397 | 1,146 | 239,044 | 1,043,317 | (25,792) | (29,888) |
| | | ₩ 15,070,742 | 81,154 | 896,151 | 239,044 | 1,043,317 | (25,792) | (770,077) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives (continued)**

(e) Impact of hedge accounting on the consolidated financial statements (continued)

ii) Impact on hedged items in the consolidated statements of financial position, as of December 31, 2023 and 2022, and consolidated statements of comprehensive income and consolidated statements of changes in equity for the years ended are as follows:

| | | December 31, 2023 | | | | | | |
|--------------------------------------------------------|---------------------------------------|----------------------------------------------|----------------|------------------------|------------------------------------------------|-----------------------------------------------|------------------------------------|------------------------------------------------|
| | | Consolidated statement of financial position | | | Consolidated statement of comprehensive income | Fair value hedges Adjusted accumulated amount | Changes in fair value for the year | Reserve of exchange differences on translation |
| | | Securities at FVTOCI | Deposits | Debt securities issued | Other comprehensive income for the year | | | |
| Fair value hedges: | Hedging instruments | | | | | | | |
| | Debt securities issued | ₩ - | - | 8,407,471 | - | (466,233) | (178,901) | - |
| Interest rate risk | Investment bonds | 685,340 | - | - | - | 41,643 | 12,381 | - |
| | Time deposits | - | 816,919 | - | - | (113,081) | (74,446) | - |
| | | <u>685,340</u> | <u>816,919</u> | <u>8,407,471</u> | <u>-</u> | <u>(537,671)</u> | <u>(240,966)</u> | <u>-</u> |
| Hedge of net investments in foreign operations: | | | | | | | | |
| Foreign exchange risk | Net investments in foreign operations | - | - | - | 3,903 | - | 3,903 | (36,931) |
| | | <u>₩ 685,340</u> | <u>816,919</u> | <u>8,407,471</u> | <u>3,903</u> | <u>(537,671)</u> | <u>(237,063)</u> | <u>(36,931)</u> |
| | | December 31, 2022 | | | | | | |
| | | Consolidated statement of financial position | | | Consolidated statement of comprehensive income | Fair value hedges Adjusted accumulated amount | Changes in fair value for the year | Reserve of exchange differences on translation |
| | | Securities at FVTOCI | Deposits | Debt securities issued | Other comprehensive income for the year | | | |
| Fair value hedges: | Hedging instruments | | | | | | | |
| | Debt securities issued | ₩ - | - | 12,169,122 | - | (673,601) | 679,835 | - |
| Interest rate risk | Investment bonds | 505,668 | - | - | - | 69,687 | (65,158) | - |
| | Time deposits | - | 542,473 | - | - | (187,527) | 93,762 | - |
| | | <u>505,668</u> | <u>542,473</u> | <u>12,169,122</u> | <u>-</u> | <u>(791,441)</u> | <u>708,439</u> | <u>-</u> |
| Hedge of net investments in foreign operations: | | | | | | | | |
| Foreign exchange risk | Net investments in foreign operations | - | - | - | 25,792 | - | 25,792 | (40,834) |
| | | <u>₩ 505,668</u> | <u>542,473</u> | <u>12,169,122</u> | <u>25,792</u> | <u>(791,441)</u> | <u>734,231</u> | <u>(40,834)</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

8. **Derivatives (continued)**

(e) Impact of hedge accounting on the consolidated financial statements (continued)

iii) The amounts recognized as gains or losses due to an ineffective portion of hedge for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|-----------------------------------------------------------|---|-------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|
| | | Gains on fair value hedges (hedged items) | Losses on fair value hedges (hedging instruments) | Hedge ineffectiveness recognized in profit or loss (*) |
| Fair value hedges | | | | |
| Interest rate swaps | ₩ | (240,966) | 246,595 | 5,629 |
| Hedge of net investments in foreign operations | | | | |
| Foreign exchange risk | | 3,903 | (230) | 3,673 |
| | ₩ | <u>(237,063)</u> | <u>246,365</u> | <u>9,302</u> |

(*) Recognized hedge ineffectiveness is included in other operating income and expenses in the consolidated statement of comprehensive income.

| | | December 31, 2022 | | |
|-----------------------------------------------------------|---|-------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|
| | | Gains on fair value hedges (hedged items) | Losses on fair value hedges (hedging instruments) | Hedge ineffectiveness recognized in profit or loss (*) |
| Fair value hedges | | | | |
| Interest rate swaps | ₩ | 708,439 | (740,189) | (31,750) |
| Hedge of net investments in foreign operations | | | | |
| Foreign exchange risk | | 25,792 | (29,888) | (4,096) |
| | ₩ | <u>734,231</u> | <u>(770,077)</u> | <u>(35,846)</u> |

(*) Recognized hedge ineffectiveness is included in other operating income and expenses in the consolidated statement of comprehensive income.

(f) The effects of quantifying the credit risk of derivatives mitigated by collateral held as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------|-------------------|-------------------|
| Deposits, securities, and etc | ₩ 904,229 | 1,486,480 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

8. Derivatives (continued)

(g) Hedge relationships affected by an interest rate benchmark reform

The revised Standard requires exception to the analysis of future information in relation to the application of hedge accounting, while uncertainty exists due to movements of the interest rate benchmark reform. The exception assumes that when assessing whether the expected cash flows that comply with existing interest rate benchmarks are highly probable, whether there is an economic relationship between the hedged item and the hedging instrument, and whether there is a high hedge effectiveness between the hedged item and the hedging instrument, the interest rate indicators that are based on the hedged item and the hedging instrument do not change due to the effect of the interest rate index reform.

KRW CD interest rates will be replaced by Korea Overnight Financing Repo Rates (KOFRR). The Group has assumed that in this hedging relationship, the spread which has changed based on Korea Overnight Financing Repo Rates would be similar to the spreads of interest rate swap used as the hedging instrument. Besides this, the Group did not make any assumption on further changes of conditions.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

9. Loans

(a) Details of loans as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|------------------------------------------|-------------------------|----------------|-------------------------|----------------|
| | Loans at amortized cost | Loans at FVTPL | Loans at amortized cost | Loans at FVTPL |
| Household loans | ₩ 141,541,256 | - | 141,550,553 | - |
| Corporate loans | 201,214,888 | 328,827 | 192,795,291 | 863,454 |
| Public and other loans | 4,247,228 | 207,997 | 3,680,407 | 109,099 |
| Loans to banks | 3,092,561 | - | 7,447,411 | - |
| Credit card receivables | 277,372 | - | 251,850 | - |
| | <u>350,373,305</u> | <u>536,824</u> | <u>345,725,512</u> | <u>972,553</u> |
| Deferred loan origination costs and fees | 480,053 | - | 504,481 | - |
| | <u>350,853,358</u> | <u>536,824</u> | <u>346,229,993</u> | <u>972,553</u> |
| Less: Allowance for impairment | (2,211,229) | - | (1,931,054) | - |
| | <u>₩ 348,642,129</u> | <u>536,824</u> | <u>344,298,939</u> | <u>972,553</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

9. Loans (continued)

(b) Changes in allowance for impairment and book value

i) Changes in allowance for impairment of due from banks, loans at amortized cost and other assets for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | | | | | | | | | | | | |
|----------------------------------------------|---------------------------------|---------------------------------|--------------|----------|---------------------------------|---------------------------------|--------------|----------|---------------------------------|---------------------------------|--------------|----------|---------------------------------|---------------------------------|--------------|----------|---------------------------------|---------------------------------|-----------|
| | Loans at amortized cost | | | | | | | | | | | | | | | | | | |
| | Due from banks | | | | Household | | | | Corporate | | | | Credit card | | Others | | Other assets | | |
| | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Total |
| Beginning balance | ₩ 17,273 | 101 | - | 156,600 | 119,591 | 144,786 | 468,070 | 734,526 | 269,237 | 3,237 | 1,079 | 3,440 | 14,577 | 9,217 | 6,694 | 266,590 | 4,176 | 2,399 | 2,221,593 |
| Transfer to 12 month expected credit losses | - | - | - | 21,542 | (20,882) | (660) | 80,500 | (80,425) | (75) | 99 | (93) | (6) | 213 | (213) | - | 285 | (257) | (28) | - |
| Transfer to lifetime expected credit losses | (7) | 7 | - | (20,001) | 35,680 | (15,679) | (60,911) | 65,243 | (4,332) | (85) | 87 | (2) | (305) | 305 | - | (258) | 263 | (5) | - |
| Transfer to credit-impaired financial assets | - | - | - | (3,848) | (16,131) | 19,979 | (2,093) | (18,134) | 20,227 | (535) | (127) | 662 | (7) | (25) | 32 | (43) | (205) | 248 | - |
| Provision for (reversal of) allowance (*1) | 1,380 | 377 | - | (114) | 47,899 | 232,438 | 205,510 | 66,929 | 260,008 | 1,619 | 1,102 | 9,453 | (252) | 1,095 | 2,403 | 2,761 | 1,217 | 13,900 | 847,725 |
| Write-offs | - | - | - | - | - | (305,078) | - | - | (269,314) | - | - | (5,723) | - | - | (2,127) | - | - | (445) | (582,687) |
| Effect of discounting | - | - | - | - | - | (11,425) | - | - | (19,897) | - | - | - | - | - | - | - | - | - | (31,322) |
| Disposal of loans | - | - | - | - | (177) | (3,569) | - | (240) | (53,498) | - | - | - | - | (9) | (115) | - | - | (178) | (57,786) |
| Recoveries | - | - | - | - | - | 78,278 | - | 58,637 | - | - | - | 415 | - | - | 451 | - | - | 152 | 137,933 |
| Others(*2) | 46 | (5) | - | (1,511) | (1,235) | (1,382) | (5,240) | (4,219) | (513) | (88) | (51) | (222) | (63) | - | - | 32,447 | - | - | 17,964 |
| Ending balance | ₩ 18,692 | 480 | - | 152,668 | 164,745 | 137,688 | 685,836 | 763,680 | 260,480 | 4,247 | 1,997 | 8,017 | 14,163 | 10,370 | 7,338 | 301,782 | 5,194 | 16,043 | 2,553,420 |

(*1) In order to respond to the end of the financial support program for COVID-19 and internal and external economic uncertainties, provision for allowance additionally accumulated during the current year is included.

The Group has set aside an additional provision of ₩242,747 million (including provisions for debt securities, provisions for off-balance accounts, etc.) through expected credit loss measurement methodology including expected PD and LGD, etc and an additional provision of ₩132,874 million by reflecting additional expected losses on loans in deferral of interest payments and installment of repayments for the year ended December 31, 2023.

(*2) Other changes are due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

9. Loans (continued)

(b) Changes in allowance for impairment and book value (continued)

i) Changes in allowance for impairment of due from banks, loans at amortized cost and other assets for the years ended December 31, 2023 and 2022 are as follows: (continued)

| | December 31, 2022 | | | | | | | | | | | | | | | | | | |
|----------------------------------------------|---------------------------------|---------------------------------|--------------|----------|---------------------------------|---------------------------------|--------------|-----------|---------------------------------|---------------------------------|--------------|----------|---------------------------------|---------------------------------|---------------------------------|----------|---------|-----------|-----------|
| | Due from banks | | | | Loans at amortized cost | | | | Other assets | | | | | | | | | | |
| | | | | | Corporate | | | | Credit card | | Others | | 12-month expected credit losses | | Lifetime expected credit losses | | Total | | |
| | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | Impaired | | | |
| Beginning balance | ₩ 16,151 | - | 97,560 | 64,357 | 128,407 | 443,168 | 628,563 | 282,293 | 1,935 | 713 | 4,081 | 10,589 | 9,257 | 5,494 | 155,928 | 2,519 | 2,529 | 1,853,723 | |
| Transfer to 12 month expected credit losses | - | - | 15,102 | (14,288) | (814) | 75,533 | (73,892) | (1,641) | 166 | (117) | (49) | 403 | (403) | - | 234 | (194) | (40) | - | |
| Transfer to lifetime expected credit losses | - | - | (7,463) | 23,835 | (16,372) | (43,665) | 45,444 | (1,779) | (51) | 57 | (6) | (122) | 122 | - | (104) | 125 | (21) | - | |
| Transfer to credit-impaired financial assets | - | - | (2,164) | (6,762) | 8,926 | (1,218) | (14,084) | 15,302 | (194) | (153) | 347 | (1) | (5) | 6 | (18) | (152) | 170 | - | |
| Provision for (reversal of) allowance (*1) | 689 | (82) | 53,591 | 52,482 | 161,060 | (5,773) | 148,433 | 156,858 | 1,380 | 579 | 3,781 | 3,706 | 246 | 2,387 | 458 | 1,878 | 1,064 | 582,737 | |
| Write-offs | - | - | - | - | (206,920) | - | - | (199,806) | - | - | (5,253) | - | - | - | (1,121) | - | - | (1,364) | (414,464) |
| Effect of discounting | - | - | - | - | (5,568) | - | - | (11,169) | - | - | - | - | - | - | - | - | - | (16,737) | - |
| Disposal of loans | - | - | - | (28) | (3,340) | - | (5) | (10,676) | - | - | - | - | - | (217) | - | - | (61) | (14,327) | - |
| Recoveries | - | - | - | 79,410 | - | - | 39,898 | - | - | - | 536 | - | - | 145 | - | - | 122 | 120,111 | - |
| Others(*2) | 433 | 4 | (26) | (5) | (3) | 25 | 67 | (43) | 1 | 3 | - | 2 | - | - | 110,092 | - | 110,550 | - | |
| Ending balance | ₩ 17,273 | 101 | 156,600 | 119,591 | 144,786 | 468,070 | 734,526 | 269,237 | 3,237 | 1,079 | 3,440 | 14,577 | 9,217 | 6,694 | 266,590 | 4,176 | 2,399 | 2,221,593 | |

(*1) Additional provision for credit loan allowance is recognized for the year ended December 31, 2023, to cope with prolonged COVID-19 and internal and external economic uncertainty. As of December 31, 2023, the Group has set aside an additional provision of ₩172,679 million (including provisions for debt securities, provisions for off-balance accounts, etc.) through the re-estimation of the forecast default rate that reflected the updated forward-looking information considering worst scenario for the year ended December 31, 2023 and an additional provision of ₩12,467 million through the additional selection and adjustment of cash flows for loans subject to individual assessment, and additional provision of ₩133,638 million was set aside by reflecting additional expected losses on loans in moratorium of interest payments and moratorium of repayment including mature-extended loans and estimated loss loans and mature-extended loans.

(*2) Other changes are due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

9. Loans (continued)

(b) Changes in allowance for impairment and book value (continued)

ii) Changes in book value of due from banks, loans at amortized cost and other assets for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | | | | | | | | | | | | | |
|----------------------------------------------|------------------------------------------|------------------------------------|----------|------------------------------------------|------------------------------------|----------|------------------------------------------|------------------------------------|----------|------------------------------------------|------------------------------------|-------------------------|------------------------------------------|------------------------------------|--------------|------------|-----------------|----------|-------------|--|
| | Due from banks | | | Household | | | | Corporate | | | | Loans at amortized cost | | | Other assets | | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | Total | | | | |
| | | Not impaired | Impaired | | Not impaired | Impaired | | Not impaired | Impaired | | |
| Beginning balance | W 20,326,691 | 733 | - | 133,623,495 | 7,943,389 | 377,919 | 163,247,982 | 28,997,841 | 660,723 | 244,414 | 3,111 | 4,325 | 10,447,025 | 665,678 | 14,091 | 15,630,676 | 101,309 | 4,449 | 382,293,851 | |
| Transfer to 12 month expected credit losses | | | | | | | | | | | | | | | | | | | | |
| Transfer to lifetime expected credit losses | | | | | | | | | | | | | | | | | | | | |
| Transfer to credit-impaired financial assets | | | | | | | | | | | | | | | | | | | | |
| Origination, recoveries, and others(* 1) | | | | | | | | | | | | | | | | | | | | |
| Write-offs | | | | | | | | | | | | | | | | | | | | |
| Disposal of loans | | | | | | | | | | | | | | | | | | | | |
| Ending balance | W 25,941,177 | 2,955 | - | 132,674,755 | 8,790,013 | 472,911 | 163,439,026 | 37,062,293 | 801,773 | 262,802 | 4,484 | 10,086 | 6,483,789 | 826,980 | 24,446 | 17,755,120 | 148,551 | 22,163 | 394,723,324 | |

(*) Other changes were due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022
(In millions of Korean won)

9. **Loans (continued)**

(b) Changes in allowance for impairment and book value (continued)

ii) Changes in book value of due from banks, loans at amortized cost and other assets for the years ended December 31, 2023 and 2022 are as follows (continued):

| | December 31, 2022 | | | | | | | | | | | | | | | | | | | |
|----------------------------------------------|---------------------------------|---------------------------------|--------------|---------------------------------|---------------------------------|--------------|---------------------------------|---------------------------------|--------------|---------------------------------|---------------------------------|--------------|---------------------------------|---------------------------------|--------------|------------|----------|-------|-------------|-----------|
| | Due from banks | | | Loans at amortized cost | | | | | | Other assets | | | | | | | | | | |
| | | | | Household | | Corporate | | Credit card | | Others | | | | | | | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | 12-month expected credit losses | Lifetime expected credit losses | Not impaired | | | | | |
| Beginning balance | ₩ 18,643,132 | 691 | - | 137,475,936 | 7,900,137 | 346,257 | 147,222,368 | 26,481,650 | 663,321 | 178,938 | 2,304 | 5,140 | 6,647,449 | 668,661 | 17,752 | 16,628,947 | 56,926 | 4,651 | 362,944,260 | |
| Transfer to 12 month expected credit losses | - | - | - | 3,331,001 | (3,323,000) | (8,001) | 7,263,929 | (7,257,084) | (6,845) | 413 | (350) | (63) | 55,767 | (55,767) | - | 15,483 | (15,393) | (90) | - | |
| Transfer to lifetime expected credit losses | - | - | - | (4,107,377) | 4,140,904 | (33,527) | (9,867,090) | 9,877,091 | (10,001) | (1,605) | 1,612 | (7) | (52,028) | 52,030 | (2) | (19,831) | 19,939 | (108) | - | |
| Transfer to credit-impaired financial assets | - | - | - | (135,798) | (138,470) | 274,268 | (164,674) | (297,966) | 462,640 | (3,184) | (327) | 3,511 | (18) | (12) | 30 | (688) | (1,807) | 2,495 | - | |
| Origination, recoveries, and others(*1) | 1,683,559 | 42 | - | (2,940,267) | (635,031) | 56,021 | 18,793,449 | 195,483 | (131,114) | 69,852 | (128) | 997 | 3,795,855 | 766 | 180 | (993,235) | 41,644 | (266) | 19,937,807 | |
| Write-offs | - | - | - | - | - | (206,920) | - | - | (199,806) | - | - | (5,253) | - | - | (1,121) | - | - | - | (1,364) | (414,464) |
| Disposal of loans | - | - | - | - | (1,151) | (50,179) | - | (1,333) | (117,472) | - | - | - | - | - | (2,748) | - | - | (869) | (173,752) | |
| Ending balance | ₩ 20,326,691 | 733 | - | 133,623,495 | 7,943,389 | 377,919 | 163,247,982 | 28,997,841 | 660,723 | 244,414 | 3,111 | 4,325 | 10,447,025 | 665,678 | 14,091 | 15,630,676 | 101,309 | 4,449 | 382,293,851 | |

(*1) Other changes were due to debt restructuring, debt-equity swap and foreign exchange rate, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

9. Loans (continued)

(c) Changes in deferred loan origination costs for the years ended December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------|---|--------------------------|--------------------------|
| Beginning balance | ₩ | 504,481 | 544,087 |
| Loan origination | | 234,860 | 215,314 |
| Amortization | | (259,288) | (254,920) |
| Ending balance | ₩ | <u>480,053</u> | <u>504,481</u> |

10. Securities at fair value through other comprehensive income and securities at amortized cost

(a) Details of securities at FVTOCI and securities at amortized cost as of December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------|---|--------------------------|--------------------------|
| Securities at FVTOCI: | | | |
| Debt securities: | | | |
| Government bonds | ₩ | 22,198,828 | 20,705,591 |
| Financial institutions bonds | | 18,069,411 | 16,904,523 |
| Corporate bonds | | 9,087,894 | 9,895,483 |
| Others | | - | 49,355 |
| | | <u>49,356,133</u> | <u>47,554,952</u> |
| Equity securities: | | | |
| Stocks | | 1,222,498 | 1,173,962 |
| Equity investments | | 1,464 | 3,075 |
| Others | | 29,271 | 38,795 |
| | | <u>1,253,233</u> | <u>1,215,832</u> |
| | ₩ | <u>50,609,366</u> | <u>48,770,784</u> |
| Securities at amortized cost: | | | |
| Debt securities: | | | |
| Government bonds | ₩ | 18,557,061 | 17,242,773 |
| Financial institutions bonds | | 5,828,569 | 5,367,661 |
| Corporate bonds | | 6,154,094 | 5,545,119 |
| Others | | 189,130 | 234,135 |
| | | <u>30,728,854</u> | <u>28,389,688</u> |
| Allowance for impairment | | (9,691) | (9,702) |
| | ₩ | <u>30,719,163</u> | <u>28,379,986</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

10. Securities at fair value through other comprehensive income and securities at amortized cost (continued)

(a) Details of securities at FVTOCI and securities at amortized cost as of December 31, 2023 and 2022 are as follows (continued):

Details of equity instruments designated at FVTOCI as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------|--------------------------|--------------------------|
| Marketable securities | ₩ 726,205 | 691,629 |
| Non-marketable securities | 496,292 | 482,333 |
| Others | 30,736 | 41,870 |
| | <u>₩ 1,253,233</u> | <u>1,215,832</u> |

Above equity securities are equity securities designated as FVTOCI, and for the retention required by the policy, the option of measuring FVTOCI is exercised.

Cumulative net gains or losses reclassified in equity upon disposition of equity securities for the years ended December 31, 2023 and 2022 are ₩(-)4,152 million and ₩2,943 million and there are no cumulated gains or losses replaced by the reclassification of the account for the years ended December 31, 2023 and 2022, respectively.

(b) Gains and losses on sale of securities at FVTOCI for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------|--------------------------|--------------------------|
| Gain on sale of securities at FVTOCI | ₩ 24,416 | 9,393 |
| Loss on sale of securities at FVTOCI | (2,719) | (10,602) |
| | <u>₩ 21,697</u> | <u>(1,209)</u> |

The Group disposed equity instruments that are measured at FVTOCI for debt-equity swap. At the time of disposal, fair value of equity instruments for the years ended December 31, 2023 and 2022 are ₩56,872million and ₩48,525million, and cumulative net gains or losses for the years ended December 31, 2023 and 2022 are ₩(-)4,152 million and ₩2,943 million, respectively.

(c) Gains and losses on sale of securities at amortized cost

Gains and losses on sale of securities at amortized cost for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------------------|--------------------------|--------------------------|
| Gain on disposal of securities at amortized cost | ₩ - | 5 |
| Loss on disposal of securities at amortized cost | (107) | (65) |
| | <u>₩ (107)</u> | <u>(60)</u> |

Securities at amortized cost are sold due to the partial redemption of payables.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

10. Securities at fair value through other comprehensive income and securities at amortized cost (continued)

(d) Changes in allowance for credit loss and total carrying amount of securities at FVTOCI and securities at amortized cost.

i) Changes in allowance for credit loss of securities at FVTOCI and securities at amortized cost for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | | |
|---------------------------------------------|---------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|-------------------------------|---|-------|
| | Securities at FVTOCI | | | | Securities at amortized cost | | | | |
| | Lifetime expected credit losses | | | | Lifetime expected credit losses | | | | |
| | 12-month expected credit losses | Not impaired financial assets | | Impaired financial assets | Total | 12-month expected credit losses | Not impaired financial assets | | Total |
| Impaired financial assets | | | Impaired financial assets | | | | | | |
| Beginning balance | ₩ | 24,634 | 112 | - | 24,746 | 9,545 | 157 | - | 9,702 |
| Transfer to 12-month expected credit losses | | 14 | (14) | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | | (111) | 111 | - | - | - | - | - | - |
| Transfer to impaired financial assets | | - | - | - | - | - | - | - | - |
| Reversal | | (4,396) | 698 | - | (3,698) | (631) | (23) | - | (654) |
| Disposals and Others(*) | | (332) | 1 | - | (331) | 637 | 6 | - | 643 |
| Ending balance | ₩ | 19,809 | 908 | - | 20,717 | 9,551 | 140 | - | 9,691 |

(*) Other changes are due to foreign exchange rate changes, etc.

| | December 31, 2022 | | | | | | | | |
|---------------------------------------------|---------------------------------|-------------------------------|---------------------------|---------------------------|---------------------------------|---------------------------------|-------------------------------|---|-------|
| | Securities at FVTOCI | | | | Securities at amortized cost | | | | |
| | Lifetime expected credit losses | | | | Lifetime expected credit losses | | | | |
| | 12-month expected credit losses | Not impaired financial assets | | Impaired financial assets | Total | 12-month expected credit losses | Not impaired financial assets | | Total |
| Impaired financial assets | | | Impaired financial assets | | | | | | |
| Beginning balance | ₩ | 28,137 | 602 | - | 28,739 | 9,060 | 463 | - | 9,523 |
| Transfer to 12-month expected credit losses | | 166 | (166) | - | - | 203 | (203) | - | - |
| Transfer to lifetime expected credit losses | | (20) | 20 | - | - | - | - | - | - |
| Transfer to impaired financial assets | | - | - | - | - | - | - | - | - |
| Provision(reversal) | | (3,016) | (355) | - | (3,371) | 557 | (94) | - | 463 |
| Disposals and Others(*) | | (633) | 11 | - | (622) | (275) | (9) | - | (284) |
| Ending balance | ₩ | 24,634 | 112 | - | 24,746 | 9,545 | 157 | - | 9,702 |

(*) Other changes are due to foreign exchange rate changes, etc.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

10. Securities at fair value through other comprehensive income and securities at amortized cost (continued)

(d) Changes in allowance for credit loss and total carrying amount of securities at FVTOCI and securities at amortized cost (continued).

ii) Changes in carrying amount of securities at FVTOCI and securities at amortized cost for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | | |
|---------------------------------------------|---------------------------------|------------------|-----------------|---------------------------|---------------------------------|---------------------------------|-------------------|---|---------------------------|
| | Securities at FVTOCI | | | | Securities at amortized cost | | | | |
| | Lifetime expected credit losses | | | | Lifetime expected credit losses | | | | |
| | 12-month expected credit losses | Not impaired | | Impaired financial assets | Total | 12-month expected credit losses | Credit unimpaired | | Impaired financial assets |
| financial assets | | financial assets | financial asset | | | | financial assets | | |
| Beginning balance | ₩ 47,487,752 | 67,200 | - | 47,554,952 | 28,379,171 | 10,517 | - | - | 28,389,688 |
| Transfer to 12-month expected credit losses | 18,873 | (18,873) | - | - | - | - | - | - | - |
| Transfer to lifetime expected credit losses | (47,209) | 47,209 | - | - | - | - | - | - | - |
| Transfer to impaired financial asset | - | - | - | - | - | - | - | - | - |
| Net increase (decrease) in balance | 1,804,766 | (3,585) | - | 1,801,181 | 2,342,159 | (2,993) | - | - | 2,339,166 |
| Ending balance | ₩ 49,264,182 | 91,951 | - | 49,356,133 | 30,721,330 | 7,524 | - | - | 30,728,854 |

| | December 31, 2022 | | | | | | | | |
|---------------------------------------------|---------------------------------|------------------|-----------------|---------------------------|---------------------------------|---------------------------------|-------------------|---|---------------------------|
| | Securities at FVTOCI | | | | Securities at amortized cost | | | | |
| | Lifetime expected credit losses | | | | Lifetime expected credit losses | | | | |
| | 12-month expected credit losses | Not impaired | | Impaired financial assets | Total | 12-month expected credit losses | Credit unimpaired | | Impaired financial assets |
| financial assets | | financial assets | financial asset | | | | financial assets | | |
| Beginning balance | ₩ 47,431,890 | 152,786 | - | 47,584,676 | 21,298,476 | 36,290 | - | - | 21,334,766 |
| Transfer to 12-month expected credit losses | 61,740 | (61,740) | - | - | 18,544 | (18,544) | - | - | - |
| Transfer to lifetime expected credit losses | (23,619) | 23,619 | - | - | - | - | - | - | - |
| Transfer to impaired financial asset | - | - | - | - | - | - | - | - | - |
| Net increase (decrease) in balance | 17,741 | (47,465) | - | (29,724) | 7,062,151 | (7,229) | - | - | 7,054,922 |
| Ending balance | ₩ 47,487,752 | 67,200 | - | 47,554,952 | 28,379,171 | 10,517 | - | - | 28,389,688 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

11. Property and equipment

(a) Details of property and equipment as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|---------------------|---|--------------------------|---------------------------------|------------------------|
| | | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ | 1,285,436 | - | 1,285,436 |
| Buildings(*) | | 1,004,307 | (480,557) | 523,750 |
| Right-of-use assets | | 1,024,744 | (600,371) | 424,373 |
| Others | | 1,534,547 | (1,249,513) | 285,034 |
| | ₩ | <u>4,849,034</u> | <u>(2,330,441)</u> | <u>2,518,593</u> |

(*) ₩5 million of government subsidy is deducted from book value.

| | | December 31, 2022 | | |
|---------------------|---|--------------------------|---------------------------------|------------------------|
| | | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | ₩ | 1,317,048 | - | 1,317,048 |
| Buildings(*) | | 905,103 | (431,256) | 473,847 |
| Right-of-use assets | | 864,469 | (462,887) | 401,582 |
| Others | | 1,576,295 | (1,231,290) | 345,005 |
| | ₩ | <u>4,662,915</u> | <u>(2,125,433)</u> | <u>2,537,482</u> |

(*) ₩65 million of government subsidy is deducted from book value.

(b) Changes in property and equipment for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | |
|---------------------------------------------------------|---|--------------------------|------------------|----------------------------|----------------|------------------|
| | | Land | Buildings | Right-of-use assets | Others | Total |
| Beginning balance | ₩ | 1,317,048 | 473,847 | 401,582 | 345,005 | 2,537,482 |
| Acquisitions (*1)(*2) | | 1,478 | 105,044 | 263,754 | 59,647 | 429,923 |
| Disposals and write-offs (*3) | | (521) | (947) | (17,416) | (644) | (19,528) |
| Depreciation | | - | (50,933) | (225,304) | (118,993) | (395,230) |
| Amounts transferred to investment properties | | (30,999) | (2,330) | - | - | (33,329) |
| Amounts transferred to non-current assets held for sale | | (1,688) | (755) | - | - | (2,443) |
| Effects of foreign currency movements | | 118 | (176) | 1,757 | 19 | 1,718 |
| Ending balance | ₩ | <u>1,285,436</u> | <u>523,750</u> | <u>424,373</u> | <u>285,034</u> | <u>2,518,593</u> |

(*1) ₩82,179 million transferred from construction-in progress is included.

(*2) ₩6,413 million of provision for the asset retirement related to newly acquired assets is included.

(*3) ₩446 million of write-off is included.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

11. **Property and equipment (continued)**

(b) Changes in property and equipment for the years ended December 31, 2023 and 2022 are as follows: (continued):

| | December 31, 2022 | | | | |
|---------------------------------------------------------|-------------------|-----------|------------------------|-----------|-----------|
| | Land | Buildings | Right-of-use assets | Others | Total |
| Beginning balance | ₩ 1,305,608 | 488,066 | 416,538 | 277,173 | 2,487,385 |
| Acquisitions (*1)(*2) | 631 | 49,071 | 256,705 | 176,239 | 482,646 |
| Disposals and write-offs (*3) | (209) | (405) | (67,717) | (1,646) | (69,977) |
| Depreciation | - | (45,190) | (208,222) | (107,471) | (360,883) |
| Amounts transferred to investment properties | 12,703 | (15,830) | - | - | (3,127) |
| Amounts transferred to non-current assets held for sale | (1,666) | (1,395) | - | - | (3,061) |
| Effects of foreign currency movements | (19) | (470) | 4,278 | 710 | 4,499 |
| Ending balance | ₩ 1,317,048 | 473,847 | 401,582 | 345,005 | 2,537,482 |

(*1) ₩33,983 million transferred from construction-in progress is included.

(*2) ₩6,276 million of provision for the asset retirement related to newly acquired assets is included.

(*3) ₩1,821 million of write-off is included.

(c) Insured assets and liability insurances as of December 31, 2023 are follows:

| Type of insurance | Insured assets | Amount covered | Insurance company |
|-----------------------------------------------------------------------|-------------------------------------------------------------|----------------|---------------------------------------------------------------------------------|
| Comprehensive insurance for financial institutions | Cash & securities | ₩ 20,000 | Samsung Fire & Marine Insurance Co., Ltd. and 5 other insurance companies |
| Property insurance | Real estate & movable properties for business purpose, etc. | 915,259 | Samsung Fire & Marine Insurance Co., Ltd., etc. and 4 other insurance companies |
| Burglary insurance | Cash & securities | 60,000 | Samsung Fire & Marine Insurance Co., Ltd., etc and 3 other insurance companies |
| Compensation liability insurance for officers | - | 50,000 | Meritz Fire & Marine Insurance Co., Ltd., etc. and 6 other insurance companies |
| Compensation liability insurance for personal information protection | - | 10,000 | DB Insurance Co., Ltd. |
| Compensation liability insurance for electronic financial transaction | - | 3,000 | Samsung Fire & Marine Insurance Co., Ltd. and 1 other insurance companies |
| Compensation liability insurance for casualty | Real estate | 1,000 | Samsung Fire & Marine Insurance Co., Ltd. |
| Compensation liability insurance for elevator accidents | - | 80 | Samsung Fire & Marine Insurance Co., Ltd. |
| Compensation liability insurance for gas accident | - | 500 | Meritz Fire & Marine Insurance Co., Ltd. |
| | | ₩ 1,059,839 | |

Besides the insurances listed above, the Group also has automobile liability insurance, medical insurance for employees, and casualty insurance for protecting property and employees.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

12. Leases

(a) Details of lease right-of-use assets by class of underlying asset of the lessee as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|---------------|---|-------------------|--------------------------|----------------|
| | | Acquisition cost | Accumulated depreciation | Book value |
| Real property | ₩ | 937,796 | (545,733) | 392,063 |
| Vehicle | | 50,230 | (28,659) | 21,571 |
| Others | | 36,718 | (25,979) | 10,739 |
| | ₩ | <u>1,024,744</u> | <u>(600,371)</u> | <u>424,373</u> |

| | | December 31, 2022 | | |
|---------------|---|-------------------|--------------------------|----------------|
| | | Acquisition cost | Accumulated depreciation | Book value |
| Real property | ₩ | 787,846 | (412,616) | 375,230 |
| Vehicle | | 44,974 | (28,814) | 16,160 |
| Others | | 31,649 | (21,457) | 10,192 |
| | ₩ | <u>864,469</u> | <u>(462,887)</u> | <u>401,582</u> |

(b) Changes in underlying assets for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|---------------------------------------|---|-------------------|---------------|---------------|----------------|
| | | Real property | Vehicle | Others | Total |
| Beginning balance | ₩ | 375,230 | 16,160 | 10,192 | 401,582 |
| Acquisitions | | 238,924 | 17,980 | 6,850 | 263,754 |
| Disposals | | (13,976) | (2,253) | (1,187) | (17,416) |
| Depreciation | | (209,872) | (10,316) | (5,116) | (225,304) |
| Effects of foreign currency movements | | 1,757 | - | - | 1,757 |
| Ending balance | ₩ | <u>392,063</u> | <u>21,571</u> | <u>10,739</u> | <u>424,373</u> |

| | | December 31, 2022 | | | |
|---------------------------------------|---|-------------------|---------------|---------------|----------------|
| | | Real property | Vehicle | Others | Total |
| Beginning balance | ₩ | 388,658 | 16,040 | 11,840 | 416,538 |
| Acquisitions | | 242,593 | 10,511 | 3,601 | 256,705 |
| Disposals | | (65,506) | (1,375) | (836) | (67,717) |
| Depreciation | | (194,744) | (9,067) | (4,411) | (208,222) |
| Effects of foreign currency movements | | 4,229 | 51 | (2) | 4,278 |
| Ending balance | ₩ | <u>375,230</u> | <u>16,160</u> | <u>10,192</u> | <u>401,582</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

12. Leases (continued)

(c) Details of maturity of lease liabilities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | | | |
|---------------|---|--------------------|----------------------------------|--------------------------------------|---------------------------------|--------------------------------|----------------------|----------------|
| | | 1 month or less | 1 month ~ 3 months or less | 3 months ~ 6 months or less | 6 months ~ 1 year or less | 1 year ~ 5 years or less | More than 5 years | Total |
| Assets | | | | | | | | |
| Real property | ₩ | 27,177 | 23,571 | 32,413 | 50,645 | 200,406 | 49,958 | 384,170 |
| Vehicle | | 6,828 | 1,659 | 2,353 | 4,477 | 14,170 | - | 29,487 |
| Others | | 614 | 619 | 1,175 | 2,385 | 6,119 | - | 10,912 |
| | ₩ | <u>34,619</u> | <u>25,849</u> | <u>35,941</u> | <u>57,507</u> | <u>220,695</u> | <u>49,958</u> | <u>424,569</u> |

| | | December 31, 2022 | | | | | | |
|---------------|---|--------------------|----------------------------------|--------------------------------------|---------------------------------|--------------------------------|----------------------|----------------|
| | | 1 month or less | 1 month ~ 3 months or less | 3 months ~ 6 months or less | 6 months ~ 1 year or less | 1 year ~ 5 years or less | More than 5 years | Total |
| Assets | | | | | | | | |
| Real property | ₩ | 19,470 | 22,290 | 29,712 | 49,620 | 184,247 | 58,127 | 363,466 |
| Vehicle | | 6,463 | 1,376 | 1,872 | 3,372 | 9,965 | - | 23,048 |
| Others | | 439 | 541 | 1,079 | 2,076 | 6,592 | 10 | 10,737 |
| | ₩ | <u>26,372</u> | <u>24,207</u> | <u>32,663</u> | <u>55,068</u> | <u>200,804</u> | <u>58,137</u> | <u>397,251</u> |

The abovementioned amounts shown above are classified by the earliest maturity dates on which the Group's payment obligation arises based on undiscounted cash flows.

(d) For the years ended December 31, 2023 and 2022, the lease payment for low value assets is ₩3,637 million and ₩4,194 million. Short-term lease payment does not exist.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

13. Intangible assets

(a) Details of intangible assets as of December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------|---|--------------------------|--------------------------|
| Goodwill | ₩ | 31,784 | 32,082 |
| Software | | 143,655 | 149,661 |
| Development cost | | 203,780 | 144,191 |
| Memberships | | 46,900 | 46,897 |
| Others(*) | | 661,087 | 263,656 |
| | ₩ | <u>1,087,206</u> | <u>636,487</u> |

(*) Others include intangible assets related to the rights to be the depository bank of municipal and provincial governments, etc.

(b) Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | | | | | |
|------------------------------------------|---|--------------------------|-----------------|-------------------------|-------------------|----------------|------------------|
| | | <u>Goodwill</u> | <u>Software</u> | <u>Development cost</u> | <u>Membership</u> | <u>Others</u> | <u>Total</u> |
| Beginning balance | ₩ | 32,082 | 149,661 | 144,191 | 46,897 | 263,656 | 636,487 |
| Acquisitions | | - | 45,105 | 108,870 | - | 564,523 | 718,498 |
| Disposal | | - | - | - | (5) | - | (5) |
| Impairment | | - | (2,833) | - | - | - | (2,833) |
| Amortization(*1) | | - | (48,763) | (49,281) | - | (166,965) | (265,009) |
| Effects of foreign currency movements | | (298) | 485 | - | 8 | (127) | 68 |
| Ending balance(*2) | ₩ | <u>31,784</u> | <u>143,655</u> | <u>203,780</u> | <u>46,900</u> | <u>661,087</u> | <u>1,087,206</u> |

(*1) ₩164,492 million among amortization cost of other intangible assets is included in other operating expenses.

(*2) ₩418,784 million of other intangible assets is accounted for as account payables.

| | | <u>December 31, 2022</u> | | | | | |
|------------------------------------------|---|--------------------------|-----------------|-------------------------|-------------------|----------------|----------------|
| | | <u>Goodwill</u> | <u>Software</u> | <u>Development cost</u> | <u>Membership</u> | <u>Others</u> | <u>Total</u> |
| Beginning balance | ₩ | 28,199 | 104,475 | 78,159 | 48,379 | 283,914 | 543,126 |
| Acquisitions | | - | 84,235 | 98,249 | 1,814 | 95,402 | 279,700 |
| Disposal | | - | - | - | (3,299) | (67) | (3,366) |
| Amortization (*1) | | - | (39,810) | (32,217) | - | (115,811) | (187,838) |
| Effects of foreign currency movements | | 3,883 | 761 | - | 3 | 218 | 4,865 |
| Ending balance(*2) | ₩ | <u>32,082</u> | <u>149,661</u> | <u>144,191</u> | <u>46,897</u> | <u>263,656</u> | <u>636,487</u> |

(*1) ₩111,945 million among amortization cost of other intangible assets is included in other operating expenses.

(*2) ₩44,100 million of other intangible assets is accounted for as account payables.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

13. **Intangible assets (continued)**

(c) Goodwill

i) The carrying amounts of goodwill allocated to each Cash-Generating Unit (“CGU”) as of December 31, 2023 and 2022 are as follows:

| CGU | December 31, 2023 | December 31, 2022 |
|---------------------------|-------------------|-------------------|
| Shinhan Bank Vietnam Ltd. | ₩ 31,784 | 32,082 |

ii) Impairment test

The recoverable amount of all cash-generating units required for impairment testing is based on value in use. The recoverable amounts of CGUs are determined on the basis of value-in-use calculations using discounted cash flow (DCF) model.

① Measurement date and projection period

The recoverable amounts are measured as of June 30, 2023. The projection period used in value-in-use calculations is 5.5 years (July 2023 through December 2028) considering synergy effect of business combinations and the value-in-use after projection period is estimated on the assumption that the future cash flows will increase by perpetual growth rate for every year.

② Significant assumptions

The expected future cash flows from the cash-generating unit are based on the CPI growth rate, market size and the market share of the Group. Major unobservable assumptions applied during the forecast period are as follows:

(Unit: %)

| Cash-generating units | Net interest income growth rate | Net commission income growth rate | General administrative expenses growth rate | Growth rate |
|---------------------------|---------------------------------------|-----------------------------------------|------------------------------------------------------|-------------|
| Shinhan Bank Vietnam Ltd. | 5.34 | 2.35 | 7.23 | 2.76 |

The cost of equity capital is calculated by taking into account the systematic risk of the entity in the market risk premium paid in return for risk free rate. Permanent growth rate is estimated based on inflation and did not exceed the projected long-term average growth rate of the relevant industry report.

(Unit: %)

| Cash-generating units | Discount rate | Permanent growth rate |
|---------------------------|---------------|-----------------------|
| Shinhan Bank Vietnam Ltd. | 16.10 | 2.00 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

13. Intangible assets (continued)

(c) Goodwill (continued)

ii) Impairment test (continued)

③ The recoverable amounts and carrying amounts

The recoverable amounts and carrying amounts of the CGUs to which goodwill has been allocated as of valuation date are as follows:

| | | Shinhan Bank Vietnam Ltd. |
|-------------------------------------------------|---|--------------------------------------|
| Recoverable amount | ₩ | 1,754,840 |
| Carrying amount | | 1,528,283 |
| Recoverable amount in excess of carrying amount | ₩ | 226,557 |

Based on the impairment assessment conducted for the intangible asset of goodwill, it is determined that the carrying amount of the cash-generating unit to which the goodwill is allocated is not expected to exceed its recoverable amount.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

14. Investments in associates

(a) Investments in associates as of December 31, 2023 and 2022 are as follows:

| Investees | Location | Reporting date | Industry sector | Ownership (%) | |
|----------------------------------------------------------|----------|----------------|-----------------|-------------------|-------------------|
| | | | | December 31, 2023 | December 31, 2022 |
| BNP Paribas Cardif Life Insurance Co., Ltd.(*1)(*4) | Korea | September 30 | Insurance | 14.99 | 14.99 |
| KOREA FINANCE SECURITY(*1)(*4) | Korea | September 30 | Others | 14.91 | 14.91 |
| DOODOO LOGITECH(*2)(*3) | Korea | December 31 | Others | 27.96 | 27.96 |
| One Shinhan Future's Fund 1(*1) | Korea | September 30 | Investment | 27.78 | 27.78 |
| KST-SH Laboratory Investment Fund No.1(*1) | Korea | September 30 | Investment | 20.00 | 20.00 |
| One Shinhan Future's Fund 2(*1) | Korea | September 30 | Investment | 29.70 | 29.70 |
| One Shinhan Future's Fund 3(*1) | Korea | September 30 | Investment | 29.90 | 29.90 |
| One-Shinhan Connect New Technology Investment Fund 1(*1) | Korea | September 30 | Investment | 30.00 | 30.00 |
| One-Shinhan Connect New Technology Investment Fund 2(*1) | Korea | September 30 | Investment | 33.33 | 33.33 |
| Neoplux Technology Valuation Investment Fund | Korea | December 31 | Investment | 33.33 | 33.33 |
| Partners 4th Growth Investment Fund(*8) | Korea | - | Investment | - | 25.00 |
| Newlake Growth Capital Partners2 PEF(*8) | Korea | - | Investment | - | 23.01 |
| MIEL Co., Ltd.(*2)(*3) | Korea | December 31 | Others | 28.77 | 28.77 |
| MSTEEL Co., Ltd.(*7) | Korea | - | Others | - | 29.45 |
| BACK DOO Co., Ltd.(*2)(*3) | Korea | December 31 | Retail | 25.90 | 25.90 |
| Chungwon assets(*2)(*3) | Korea | December 31 | Manufacturing | 22.53 | 22.53 |
| Jinmyung Plus(*2)(*3) | Korea | December 31 | Manufacturing | 22.20 | 22.20 |
| SEOKWANG T&I (*2)(*3) | Korea | December 31 | Manufacturing | 28.55 | 28.55 |
| Korea Credit Bureau(*1)(*4) | Korea | September 30 | Credit | 4.50 | 4.50 |
| Goduck Gangil1 PFV Co., Ltd.(*1)(*4) | Korea | September 30 | Real estate | 1.04 | 1.04 |
| Goduck Gangil10 PFV Co., Ltd.(*1)(*4) | Korea | September 30 | Real estate | 14.00 | 14.00 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

14. **Investments in associates (continued)**

(a) Investments in associates as of December 31, 2023 and 2022 are as follows: (continued)

| Investees | Location | Reporting date | Industry sector | Ownership (%) | |
|------------------------------------------------------------------|----------|----------------|-----------------|-------------------|-------------------|
| | | | | December 31, 2023 | December 31, 2022 |
| SBC PFV Co., Ltd.(*1)(*4)(*6) | Korea | September 30 | Real estate | 12.50 | 12.50 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd.(*1)(*4) | Korea | September 30 | Real estate | 15.00 | 15.00 |
| Logisvalley Shinhan REIT Co., Ltd.(*1)(*4) | Korea | September 30 | Real estate | 14.95 | 14.95 |
| ICSF (The Korea's Information Center for Savings & Finance) (*3) | Korea | December 31 | Service | 32.26 | 32.26 |
| Shinhan-Albatross Technology Investment Fund(*1) | Korea | November 30 | Investment | 33.33 | 33.33 |
| Shinhan-Neoplux Energy Newbiz Fund | Korea | December 31 | Investment | 23.33 | 23.33 |
| Stassets-DA Value Healthcare Fund I(*8) | Korea | - | Investment | - | 24.10 |
| Shinhan SKS Corporate Recovery Private Equity Fund(*1) | Korea | November 30 | Investment | 23.90 | 23.99 |
| BTS 2nd Private Equity Fund(*1) | Korea | November 30 | Investment | 20.00 | 20.00 |
| Shinhan global flagship venture fund 1 | Korea | December 31 | Investment | 45.00 | 45.00 |
| One Shinhan Mezzanine Fund 1(*1)(*5) | Korea | September 30 | Investment | 46.51 | - |
| Shinhan hyper connect venture fund I(*1)(*5) | Korea | November 30 | Investment | 33.33 | - |
| Korea Digital Asset Custody(*1)(*4) | Korea | September 30 | Service | 9.77 | 14.09 |
| Shinhan VC tomorrow venture fund 1(*8) | Korea | - | Investment | - | 21.74 |
| All Together Korea Fund 6(*4)(*5) | Korea | December 31 | Investment | 99.98 | - |
| All Together Korea Fund 7(*4)(*5) | Korea | December 31 | Investment | 99.98 | - |
| Shinhan hyper future's venture fund 1 (*5) | Korea | December 31 | Investment | 29.90 | - |
| Shinhan Private Equity Fund II (*5) | Korea | December 31 | Investment | 26.09 | - |

(*1) Financial statements as of September 30, 2023 and November 30, 2023 are used for the equity method accounting since the financial statements as of December 31, 2023 are not available. Significant trades and events occurred within the period are properly reflected.

(*2) In the course of the rehabilitation process, the shares were acquired through debt-equity swap. Although voting rights cannot be exercised during the rehabilitation process, normal voting rights are exercised because the rehabilitation process was completed before December 31, 2023. Also, it has been reclassified to the investments in associates.

(*3) The latest financial statements available are used for the equity method accounting since the financial statements as of December 31, 2023 are not available. Significant trades and events occurred within the period are properly reflected.

(*4) The equity method is applied for evaluation since it has significant impact on the investee, such as participation in their decision making.

(*5) It is newly acquired or newly incorporated as investments in associates for the year ended December 31, 2023.

(*6) The percentage of voting rights held is 4.65%.

(*7) It was excluded from investments in associates due to incineration sales for the year ended December 31, 2023.

(*8) It is excluded from associates as it lacks the ability to participate in the decision-making process regarding the economic activities of the cooperative (company) as a limited partner (employee), for the purpose of deriving benefits.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2023 and 2022 are as follows:

| Associates | December 31, 2023 | | | | | | | | |
|-------------------------------------------------------------|--------------------------|---------------------------|---------------------------------------|--------------------------|-----------------------------------------------|------------------------------------------------------------------------------|-----------------------|----------------|-------------------|
| | Acqui- sition cost | Begin- ning balance | Acqui- sition (redemp- tion) | Gain from disposal | Share of profit (loss) of associates | Share of other compre- hensive income (loss) of associates | Dividends received | Others (*1) | Ending balance |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 42,204 | 30,173 | - | - | 919 | 8,183 | - | - | 39,275 |
| KOREA FINANCE SECURITY | 3,448 | 2,411 | - | - | (170) | 1,004 | - | - | 3,245 |
| DOODOO LOGITECH | - | 1 | - | - | - | - | - | - | 1 |
| One-Shinhan Future's New Technology Investment Fund 1 | 1,594 | 2,567 | (612) | - | 418 | - | - | - | 2,373 |
| KST-SH Laboratory Investment Fund No.1 | 1,740 | 1,889 | (260) | - | 61 | - | - | - | 1,690 |
| One-Shinhan Future's New Technology Investment Fund 2 | 2,771 | 3,263 | (199) | - | (17) | - | - | - | 3,047 |
| One-Shinhan Future's New Technology Investment Fund 3 | 289 | 565 | (309) | - | (29) | - | - | - | 227 |
| One-Shinhan Connect New Technology Investment Fund 1 | 70,729 | 77,509 | (208) | - | (2,247) | - | - | - | 75,054 |
| One-Shinhan Connect New Technology Investment Fund 2 | 8,870 | 14,318 | (6,130) | - | (380) | - | - | - | 7,808 |
| Neoplux Technology Valuation Investment Fund | 316 | 10,445 | (1,962) | - | 5,204 | - | (1,368) | - | 12,319 |
| Partners 4th Growth Investment Fund | - | 13,541 | - | (4,323) | - | - | - | (9,218) | - |
| Newlake Growth Capital Partners2 PEF | - | 9,612 | - | 388 | - | - | - | (10,000) | - |
| MIEL Co., Ltd.(*2) | - | - | - | - | - | - | - | - | - |
| BAEK DOO Co., Ltd. | - | 117 | - | - | 1 | - | - | - | 118 |
| Chungwon assets | - | 548 | - | - | (36) | - | - | - | 512 |
| Jinmyung Plus | - | 21 | - | - | 3 | (9) | - | - | 15 |
| SEOKWANG T&I | - | - | - | - | (80) | 342 | - | 336 | 598 |
| Korea Credit Bureau | 2,250 | 2,520 | - | - | 895 | - | (45) | - | 3,370 |
| Goduck Gangil1 PFV Co., Ltd. | 50 | 60 | - | - | 119 | - | - | - | 179 |
| Goduck Gangil10 PFV Co., Ltd. | 700 | 2,277 | - | - | 1,298 | - | - | - | 3,575 |
| SBC PFV Co., Ltd. | 18,125 | 14,231 | 1,875 | - | (716) | - | - | - | 15,390 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | 7,075 | 6,405 | 450 | - | (272) | - | - | - | 6,583 |
| Logisvalley Shinhan REIT Co., Ltd. | 2,925 | 2,836 | - | - | (153) | - | - | - | 2,683 |
| ICSF (The Korea's Information Center for Savings & Finance) | 300 | 175 | - | - | 5 | - | - | - | 180 |
| Shinhan-Albatross Technology Investment Fund | 900 | 9,168 | (999) | - | 3,037 | 127 | - | - | 11,333 |
| Shinhan-Neoplux Energy Newbiz Fund | 10,651 | 15,354 | - | - | 1,120 | - | - | - | 16,474 |
| Stassets-DA Value Healthcare Fund I | - | 2,379 | - | (1,871) | - | - | - | (508) | - |
| Shinhan SKS Corporate Recovery Private Equity Fund | 15,364 | 8,974 | 6,384 | - | 1,055 | - | - | - | 16,413 |
| BTS 2nd Private Equity Fund | 5,226 | 2,901 | 2,200 | - | (223) | - | - | - | 4,878 |
| Shinhan global flagship venture fund 1 | 36,000 | 17,588 | 18,000 | - | (998) | - | - | - | 34,590 |
| One Shinhan Mezzanine Fund 1 | 10,000 | - | 10,000 | - | 18 | - | - | - | 10,018 |
| Shinhan hyper connect venture fund I | 15,200 | - | 15,200 | - | (373) | - | - | - | 14,827 |
| Korea Digital Asset Custody | 505 | 272 | - | - | (192) | 91 | - | - | 171 |
| Shinhan VC tomorrow venture fund 1 | - | 14,773 | - | 227 | - | - | - | (15,000) | - |
| All Together Korea Fund 6 | 5,227 | - | 105 | - | 148 | - | (105) | 5,122 | 5,270 |
| All Together Korea Fund 7 | 5,227 | - | 105 | - | 148 | - | (105) | 5,122 | 5,270 |
| Shinhan hyper future's venture fund 1 | 319 | - | 319 | - | (11) | - | - | - | 308 |
| Shinhan Private Equity Fund II | 34,456 | - | - | - | - | - | - | 34,456 | 34,456 |
| ₩ | 302,461 | 266,893 | 43,959 | (5,579) | 8,552 | 9,738 | (1,623) | 10,310 | 332,250 |

(*1) No cash flow is involved as acquired from another account as reclassification.

(*2) This item has a book value of zero due to cumulative unrealized losses since its initial acquisition.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2023 and 2022 are as follows: (continued)

| Associates | December 31, 2022 | | | | | | | | |
|----------------------------------------------------------------|--------------------------|---------------------------|---------------------------------------|--------------------------|-----------------------------------------------|------------------------------------------------------------------------------|-----------------------|----------------|-------------------|
| | Acqui- sition cost | Beginn- ing balance | Acqui- sition (redemp- tion) | Gain from disposal | Share of profit (loss) of associates | Share of other comprehe- nsive income (loss) of associates | Dividends received | Others (*1) | Ending balance |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 42,204 | 44,028 | - | - | (1,776) | (12,079) | - | - | 30,173 |
| KOREA FINANCE SECURITY | 3,448 | 2,994 | - | - | (583) | - | - | - | 2,411 |
| One Shinhan Future's Fund 1 | 2,206 | 2,845 | (794) | - | 516 | - | - | - | 2,567 |
| KST-Shinhan Fund 1 | 2,000 | 1,408 | 500 | - | (19) | - | - | - | 1,889 |
| One Shinhan Future's Fund 2 | 2,970 | 2,892 | - | - | 371 | - | - | - | 3,263 |
| One Shinhan Future's Fund 3 | 598 | - | 598 | - | (33) | - | - | - | 565 |
| One-Shinhan Connect New Technology Investment Fund 1 | 70,937 | 70,940 | (1,063) | - | 7,632 | - | - | - | 77,509 |
| One-Shinhan Connect New Technology Investment Fund 2 | 15,000 | - | 15,000 | - | (682) | - | - | - | 14,318 |
| Neoplux Technology Valuation Investment Fund | 2,278 | 9,055 | - | - | 1,988 | - | (598) | - | 10,445 |
| Partners 4th Growth Investment Fund | 9,219 | 13,033 | (582) | - | 6,916 | (4,694) | (1,132) | - | 13,541 |
| KTB Newlake Global Healthcare PEF | - | 6,275 | (488) | 495 | - | - | - | (6,282) | - |
| Newlake Growth Capital Partners2 PEF | 10,000 | 9,939 | - | - | (191) | - | (136) | - | 9,612 |
| Songrim Co., Ltd. | - | - | - | - | - | - | - | - | - |
| MIEL Co., Ltd.(*2) | - | - | - | - | - | - | - | - | - |
| MSTEEL Co., Ltd.(*2) | - | 1,538 | - | - | (1,538) | - | - | - | - |
| JB AIR | - | 22 | - | - | (22) | - | - | - | - |
| BAEK DOO Co., Ltd. | - | 152 | - | - | (35) | - | - | - | 117 |
| Chungwon Assets | - | 239 | - | - | 165 | 144 | - | - | 548 |
| Jinmyung Plus | - | 26 | - | - | (5) | - | - | - | 21 |
| SEOKWANG T&I | - | - | - | - | - | - | - | - | - |
| Korea Credit Bureau | 2,250 | 3,847 | - | - | (1,327) | - | - | - | 2,520 |
| Goduck Gangil1 PFV Co., Ltd. | 50 | - | - | - | 60 | - | - | - | 60 |
| Goduck Gangil10 PFV Co., Ltd. | 700 | - | - | - | 2,277 | - | - | - | 2,277 |
| SBC PFV Co., Ltd | 16,250 | 14,790 | - | - | (559) | - | - | - | 14,231 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | 6,625 | - | 6,625 | - | (220) | - | - | - | 6,405 |
| Logisvalley Shinhan REIT Co.,Ltd. | 2,925 | - | 2,925 | - | (44) | (45) | - | - | 2,836 |
| ICSF (The Korea's Information Center for Savings & Finance) | 300 | 167 | - | - | 8 | - | - | - | 175 |
| Shinhan-Albatross Technology Investment Fund | 1,900 | 7,020 | (1,200) | - | 3,476 | (128) | - | - | 9,168 |
| Shinhan-Neoplux Energy Newbiz Fund | 10,651 | 10,598 | (288) | - | 5,044 | - | - | - | 15,354 |
| Stassets-DA Value Healthcare Fund I | 508 | 739 | (107) | - | 1,747 | - | - | - | 2,379 |
| Shinhan SKS Corporate Recovery Private Equity Fund | 8,980 | 3,928 | 4,965 | - | 81 | - | - | - | 8,974 |
| BTS 2nd Private Equity Fund | 3,026 | - | 3,026 | - | (125) | - | - | - | 2,901 |
| Shinhan global flagship venture fund 1 | 18,000 | - | 18,000 | - | (412) | - | - | - | 17,588 |
| Korea Digital Asset Custody | 505 | 435 | - | - | (179) | 16 | - | - | 272 |
| Shinhan VC tomorrow venture fund 1 | 15,000 | 5,000 | 10,000 | - | (227) | - | - | - | 14,773 |
| | ₩ 248,530 | 211,911 | 57,117 | 495 | 22,304 | (16,786) | (1,866) | (6,282) | 266,893 |

(*1) No cash flow is involved as acquired from another account as reclassification.

(*2) This item has a book value of zero due to cumulative unrealized losses since its initial acquisition.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. Investments in associates (continued)

(c) Condensed financial statements of associates as of December 31, 2023 and 2022 are as follows:

| Associates | December 31, 2023 | | | | | |
|-------------------------------------------------------------|-------------------|-------------|-------------------|----------------------------|----------------------------|-----------------------------------|
| | Assets | Liabilities | Operating revenue | Profit (loss) for the year | Other comprehensive income | Total comprehensive income (loss) |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 2,937,499 | 2,675,629 | 49,330 | (17,674) | 54,555 | 36,881 |
| KOREA FINANCE SECURITY DOODOO LOGITECH | 36,392 | 14,629 | 48,995 | (1,136) | - | (1,136) |
| One-Shinhan Future's New Technology Investment Fund 1 | 2 | - | - | - | - | - |
| KST-SH Laboratory Investment Fund No.1 | 8,542 | - | 1,757 | 1,501 | - | 1,501 |
| One-Shinhan Future's New Technology Investment Fund 2 | 8,454 | 3 | 496 | 306 | - | 306 |
| One-Shinhan Future's New Technology Investment Fund 3 | 10,257 | - | 153 | (56) | - | (56) |
| One-Shinhan Connect New Technology Investment Fund 1 | 760 | - | 2 | (96) | - | (96) |
| One-Shinhan Connect New Technology Investment Fund 2 | 250,194 | 13 | 21 | (7,490) | - | (7,490) |
| Neoplux Technology Valuation Investment Fund | 23,425 | 3 | - | (1,141) | - | (1,141) |
| MIEL Co., Ltd. | 41,060 | 4,105 | 18,567 | 15,613 | - | 15,613 |
| BAEK DOO Co., Ltd. | 422 | 565 | 36 | - | - | - |
| Chungwon assets | 796 | 342 | 1,145 | 5 | - | 5 |
| Jinmyung Plus | 3,124 | 854 | 4,297 | (160) | - | (160) |
| SEOKWANG T&I | 538 | 470 | 224 | 12 | - | 12 |
| Korea Credit Bureau | 2,752 | 657 | 2,294 | (279) | - | (279) |
| Goduck Gangil1 PFV Co., Ltd. | 129,166 | 54,287 | 160,189 | 19,880 | - | 19,880 |
| Goduck Gangil10 PFV Co., Ltd. | 209,519 | 192,311 | 340,451 | 11,493 | - | 11,493 |
| SBC PFV Co., Ltd. | 129,399 | 103,864 | 158,905 | 9,272 | - | 9,272 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | 472,884 | 309,802 | - | (5,733) | - | (5,733) |
| Logisvalley Shinhan REIT Co., Ltd. | 43,817 | 8 | - | (1,809) | - | (1,809) |
| ICSF (The Korea's Information Center for Savings & Finance) | 80,854 | 56,307 | 4,840 | (1,017) | - | (1,017) |
| Shinhan-Albatross | 560 | 2 | 102 | 16 | - | 16 |
| Shinhan-Neoplux Energy Newbiz Fund | 34,294 | 295 | 10,919 | 9,109 | 383 | 9,492 |
| Shinhan SKS Corporate Recovery Private Equity Fund | 72,487 | 1,883 | 10,434 | 4,802 | - | 4,802 |
| BTS 2nd Private Equity Fund | 68,817 | 152 | 4,900 | 4,419 | - | 4,419 |
| Shinhan Global Flagship Venture Fund I | 25,132 | 742 | 101 | (1,116) | - | (1,116) |
| Korea Digital Asset Custody | 76,867 | - | 453 | (2,217) | - | (2,217) |
| One Shinhan Mezzanine Fund I | 520 | 287 | 132 | (1,960) | - | (1,960) |
| Shinhan hyper connect venture fund I | 21,538 | - | 15 | 38 | - | 38 |
| All Together Korea Fund 6 | 44,932 | 450 | - | (1,118) | - | (1,118) |
| All Together Korea Fund 7 | 5,272 | 1 | 223 | 218 | - | 218 |
| Shinhan hyper future's venture fund I | 5,272 | 1 | 223 | 218 | - | 218 |
| Shinhan Private Equity Fund II | 1,060 | 30 | 4 | (38) | - | (38) |
| | 142,455 | 10,372 | 28,376 | 28,355 | - | 28,355 |
| | ₩ 4,889,062 | 3,428,064 | 847,584 | 62,217 | 54,938 | 117,155 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. **Investments in associates (continued)**

(c) Condensed financial statements of associates as of December 31, 2023 and 2022 are as follows: (continued)

| Associates | December 31, 2022 | | | | | |
|-------------------------------------------------------------|--------------------|------------------|-------------------|----------------------------|--------------------------|-----------------------------------|
| | Assets | Liabilities | Operating revenue | Profit (loss) for the year | Other comprehensive loss | Total comprehensive income (loss) |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 2,528,558 | 2,327,352 | 47,631 | (11,901) | (80,527) | (92,428) |
| KOREA FINANCE SECURITY | 29,060 | 12,892 | 54,341 | (3,909) | - | (3,909) |
| DOODOO LOGITECH | 3 | - | - | (1) | - | (1) |
| One-Shinhan Future's New Technology Investment Fund 1 | 9,245 | - | 2,177 | 1,859 | - | 1,859 |
| KST-SH Laboratory Investment Fund No.1 | 9,445 | - | 100 | (96) | - | (96) |
| One-Shinhan Future's New Technology Investment Fund 2 | 10,984 | - | 5 | 1,248 | - | 1,248 |
| One-Shinhan Future's New Technology Investment Fund 3 | 1,891 | - | - | (109) | - | (109) |
| One-Shinhan Connect New Technology Investment Fund 1 | 258,363 | - | 28,891 | 25,439 | - | 25,439 |
| One-Shinhan Connect New Technology Investment Fund 2 | 42,953 | - | - | (2,047) | - | (2,047) |
| Neoplux Technology Valuation Investment Fund | 31,820 | 487 | 3,864 | 5,964 | - | 5,964 |
| Partners 4th Growth Investment Fund | 54,661 | 496 | 14,432 | 27,663 | (18,774) | 8,889 |
| Newlake Growth Capital Partners2 PEF | 42,358 | 592 | - | (829) | - | (829) |
| MIEL Co., Ltd. | 422 | 565 | 36 | (1) | - | (1) |
| MSTEEL Co., Ltd. | 773 | 2,032 | 27,238 | (6,481) | - | (6,481) |
| BAEK DOO Co., Ltd. | 777 | 328 | 1,333 | (137) | - | (137) |
| Chungwon assets | 3,360 | 929 | 4,023 | 731 | - | 731 |
| Jinmyung Plus | 592 | 495 | 209 | (21) | - | (21) |
| SEOKWANG T&I | - | - | - | - | - | - |
| Korea Credit Bureau | 144,765 | 88,766 | 141,445 | (29,498) | - | (29,498) |
| Goduck Gangil1 PFV Co., Ltd. | 212,608 | 206,893 | 187,295 | 21,478 | - | 21,478 |
| Goduck Gangil10 PFV Co., Ltd. | 179,923 | 163,660 | 210,961 | 24,625 | - | 24,625 |
| SBC PFV Co., Ltd. | 444,206 | 290,391 | - | (4,471) | - | (4,471) |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | 42,665 | 43 | - | (1,466) | - | (1,466) |
| Logisvalley Shinhan REIT Co., Ltd. | 81,182 | 55,619 | 1,000 | (296) | - | (296) |
| ICSF (The Korea's Information Center for Savings & Finance) | 544 | 1 | 100 | 24 | - | 24 |
| Shinhan-Albatross | 27,870 | 363 | 1,469 | 10,429 | (383) | 10,046 |
| Shinhan-Neoplux Energy Newbiz Fund | 66,779 | 978 | 3,371 | 21,618 | - | 21,618 |
| Stassets-DA Value Healthcare Fund I | 9,877 | - | 335 | 7,250 | - | 7,250 |
| Shinhan SKS Corporate Recovery Private Equity Fund | 37,555 | 145 | 1,457 | 337 | - | 337 |
| BTS 2nd Private Equity Fund | 15,018 | 513 | 1 | (625) | - | (625) |
| Shinhan Global Flagship Venture Fund 1 | 39,083 | - | 187 | (917) | - | (917) |
| Korea Digital Asset Custody | 400 | 60 | - | (1,273) | - | (1,273) |
| Shinhan VC Tomorrow Venture Fund 1 | 68,808 | 850 | 163 | (1,042) | - | (1,042) |
| | ₩ <u>4,396,548</u> | <u>3,154,450</u> | <u>732,064</u> | <u>83,545</u> | <u>(99,684)</u> | <u>(16,139)</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. Investments in associates (continued)

(d) Reconciliation of associates' financial information presented to the carrying amount of the Group's interest in the associates as of December 31, 2023 and 2022 are as follows:

| December 31, 2023 | | | | | | |
|-------------------------------------------------------------|--------------------|--------------------------------------|--------------------------------------|--------------------------------|-------------------|-----------------|
| Associates | Net assets (A) | Proportion of ownership interest (B) | Equity amount of net asset (A) x (B) | Unrealized income and expenses | Other adjustments | Carrying amount |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 261,870 | 14.99% | 39,280 | (5) | - | 39,275 |
| KOREA FINANCE SECURITY | 21,762 | 14.91% | 3,245 | - | - | 3,245 |
| DOODOO LOGITECH | 2 | 27.96% | 1 | - | - | 1 |
| One-Shinhan Future's New Technology Investment Fund 1 | 8,542 | 27.78% | 2,373 | - | - | 2,373 |
| KST-SH Laboratory Investment Fund No.1 | 8,451 | 20.00% | 1,690 | - | - | 1,690 |
| One-Shinhan Future's New Technology Investment Fund 2 | 10,257 | 29.70% | 3,047 | - | - | 3,047 |
| One-Shinhan Future's New Technology Investment Fund 3 | 760 | 29.90% | 227 | - | - | 227 |
| One-Shinhan Connect New Technology Investment Fund 1 | 250,181 | 30.00% | 75,054 | - | - | 75,054 |
| One-Shinhan Connect New Technology Investment Fund 2 | 23,422 | 33.33% | 7,808 | - | - | 7,808 |
| Neoplux Technology Valuation Investment Fund | 36,955 | 33.33% | 12,319 | - | - | 12,319 |
| MIEL Co., Ltd.(*2) | (142) | 28.77% | (41) | - | 41 | - |
| BAEK DOO Co., Ltd. | 454 | 25.90% | 118 | - | - | 118 |
| Chungwon assets | 2,270 | 22.53% | 512 | - | - | 512 |
| Jinmyung Plus | 68 | 22.20% | 15 | - | - | 15 |
| SEOKWANG T&I | 2,095 | 28.55% | 598 | - | - | 598 |
| Korea Credit Bureau | 74,879 | 4.50% | 3,370 | - | - | 3,370 |
| Goduck Gangil1 PFV Co., Ltd. | 17,208 | 1.04% | 178 | - | - | 178 |
| Goduck Gangil10 PFV Co., Ltd. | 25,535 | 14.00% | 3,575 | - | - | 3,575 |
| SBC PFV Co., Ltd.(*3) | 163,082 | 12.50% | 20,385 | - | (4,995) | 15,390 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd.(*1) | 43,809 | 15.00% | 6,571 | - | 12 | 6,583 |
| Logisvalley Shinhan REIT Co., Ltd.(*1) | 24,547 | 14.95% | 3,670 | - | (986) | 2,684 |
| ICSF (The Korea's Information Center for Savings & Finance) | 559 | 32.26% | 180 | - | - | 180 |
| Shinhan-Albatross | 33,999 | 33.33% | 11,333 | - | - | 11,333 |
| Shinhan-Neoplux Energy Newbiz Fund | 70,604 | 23.33% | 16,474 | - | - | 16,474 |
| Shinhan SKS Corporate Recovery Private Equity Fund | 68,665 | 23.90% | 16,413 | - | - | 16,413 |
| BTS 2nd Private Equity Fund | 24,390 | 20.00% | 4,878 | - | - | 4,878 |
| Shinhan Global Flagship Venture Fund 1 | 76,867 | 45.00% | 34,590 | - | - | 34,590 |
| Korea Digital Asset Custody(*1) | 233 | 9.77% | 23 | - | 148 | 171 |
| One Shinhan Mezzanine Fund 1 | 21,538 | 46.51% | 10,018 | - | - | 10,018 |
| Shinhan hyper connect venture fund I | 44,482 | 33.33% | 14,827 | - | - | 14,827 |
| All Together Korea Fund 6 | 5,271 | 99.98% | 5,270 | - | - | 5,270 |
| All Together Korea Fund 7 | 5,271 | 99.98% | 5,270 | - | - | 5,270 |
| Shinhan hyper future's venture fund I | 1,030 | 29.90% | 308 | - | - | 308 |
| Shinhan Private Equity Fund II | 132,082 | 26.09% | 34,456 | - | - | 34,456 |
| | ₩ <u>1,460,998</u> | | <u>338,035</u> | <u>(5)</u> | <u>(5,780)</u> | <u>332,250</u> |

(*1) Other is the fair value adjustment amount incurred during acquisition.

(*2) Other adjustments represent the unrecognized share of accumulated losses resulting from the Group's discontinuing the use of equity method since its interest is reduced to zero by the accumulated losses of the investee.

(*3) It is the amount of adjustment that does not use of the equity method for preferred shares without voting rights issued by the investee.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. Investments in associates (continued)

(d) Reconciliation of associates' financial information presented to the carrying amount of the Group's interest in the associates as of December 31, 2023 and 2022 are as follows: (continued)

| Associates | December 31, 2022 | | | | | |
|-------------------------------------------------------------|--------------------|--------------------------------------|--------------------------------------|--------------------------------|-------------------|-----------------|
| | Net assets (A) | Proportion of ownership interest (B) | Equity amount of net asset (A) x (B) | Unrealized income and expenses | Other adjustments | Carrying amount |
| BNP Paribas Cardif Life Insurance Co., Ltd. | ₩ 201,205 | 14.99% | 30,181 | (8) | - | 30,173 |
| KOREA FINANCE SECURITY DOODOO LOGITECH | 16,168 | 14.91% | 2,411 | - | - | 2,411 |
| DOODOO LOGITECH | 3 | 27.96% | 1 | - | - | 1 |
| One-Shinhan Future's New Technology Investment Fund 1 | 9,245 | 27.78% | 2,568 | - | - | 2,568 |
| KST-SH Laboratory Investment Fund No.1 | 9,445 | 20.00% | 1,889 | - | - | 1,889 |
| One-Shinhan Future's New Technology Investment Fund 2 | 10,984 | 29.70% | 3,262 | - | - | 3,262 |
| One-Shinhan Future's New Technology Investment Fund 3 | 1,891 | 29.90% | 565 | - | - | 565 |
| One-Shinhan Connect New Technology Investment Fund 1 | 258,363 | 30.00% | 77,509 | - | - | 77,509 |
| One-Shinhan Connect New Technology Investment Fund 2 | 42,953 | 33.33% | 14,318 | - | - | 14,318 |
| Neoplux Technology Valuation Investment Fund | 31,333 | 33.33% | 10,445 | - | - | 10,445 |
| Partners 4th Growth Investment Fund | 54,165 | 25.00% | 13,541 | - | - | 13,541 |
| Newlake Growth Capital Partners2 PEF | 41,767 | 23.01% | 9,611 | - | - | 9,611 |
| MIEL Co., Ltd. (*2) | (142) | 28.77% | (41) | - | 41 | - |
| MSTEEL Co., Ltd. (*2) | (1,259) | 29.45% | (371) | - | 371 | - |
| BAEK DOO Co., Ltd. | 449 | 25.90% | 116 | - | - | 116 |
| Chungwon Assets | 2,430 | 22.53% | 547 | - | - | 547 |
| Jinmyung Plus | 97 | 22.20% | 22 | - | - | 22 |
| SEOKWANG T&I | - | 28.55% | - | - | - | - |
| Korea Credit Bureau | 55,999 | 4.50% | 2,520 | - | - | 2,520 |
| Goduck Gangil1 PFV Co., Ltd. | 5,715 | 1.04% | 59 | - | - | 59 |
| Goduck Gangil10 PFV Co., Ltd. | 16,263 | 14.00% | 2,277 | - | - | 2,277 |
| SBC PFV Co., Ltd.(*3) | 153,815 | 12.50% | 19,227 | - | (4,995) | 14,232 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd.(*1) | 42,621 | 15.00% | 6,393 | - | 12 | 6,405 |
| Logisvalley Shinhan REIT Co., Ltd.(*1) | 25,564 | 14.95% | 3,822 | - | (986) | 2,836 |
| ICSF (The Korea's Information Center for Savings & Finance) | 543 | 32.26% | 175 | - | - | 175 |
| Shinhan-Albatross | 27,507 | 33.33% | 9,168 | - | - | 9,168 |
| Shinhan-Neoplux Energy Newbiz Fund | 65,802 | 23.33% | 15,354 | - | - | 15,354 |
| Stassets-DA Value Healthcare Fund I | 9,877 | 24.10% | 2,380 | - | - | 2,380 |
| Shinhan SKS Corporate Recovery Private Equity Fund | 37,410 | 23.99% | 8,975 | - | - | 8,975 |
| BTS 2nd Private Equity Fund | 14,505 | 20.00% | 2,901 | - | - | 2,901 |
| Shinhan global flagship venture fund I | 39,083 | 45.00% | 17,587 | - | - | 17,587 |
| Korea Digital Asset Custody (*1) | 341 | 14.09% | 48 | - | 224 | 272 |
| Shinhan VC tomorrow venture fund I | 67,958 | 21.74% | 14,774 | - | - | 14,774 |
| | ₩ <u>1,242,100</u> | | <u>272,234</u> | <u>(8)</u> | <u>(5,333)</u> | <u>266,893</u> |

(*1) Other is the fair value adjustment amount incurred during acquisition.

(*2) Other adjustments represent the unrecognized share of accumulated losses resulting from the Group's discontinuing the use of equity method since its interest is reduced to zero by the accumulated losses of the investee.

(*3) It is the amount of adjustment that does not use of the equity method for preferred shares without voting rights issued by the investee.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

14. Investments in associates (continued)

(e) The unrecognized equity method losses and accumulated unrecognized equity losses for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | |
|------------------|---|------------------------------------|------------------------------------------------|
| | | Unrecognized equity method loss | Accumulated unrecognized equity method loss |
| MIEL Co., Ltd. | ₩ | - | (41) |
| | | December 31, 2022 | |
| | | Unrecognized equity method loss | Accumulated unrecognized equity method loss |
| MSTEEL Co., Ltd. | ₩ | (371) | (371) |
| MIEL Co., Ltd. | | - | (41) |
| | ₩ | (371) | (412) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

15. **Investment properties**

(a) Investment properties as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|-----------|---|--------------------------|---------------------------------|-------------------|
| | | <u>Acquisition cost</u> | <u>Accumulated depreciation</u> | <u>Book value</u> |
| Land | ₩ | 471,733 | - | 471,733 |
| Buildings | | 289,885 | (136,493) | 153,392 |
| | ₩ | <u>761,618</u> | <u>(136,493)</u> | <u>625,125</u> |

| | | December 31, 2022 | | |
|-----------|---|--------------------------|---------------------------------|-------------------|
| | | <u>Acquisition cost</u> | <u>Accumulated depreciation</u> | <u>Book value</u> |
| Land | ₩ | 442,102 | - | 442,102 |
| Buildings | | 289,101 | (126,263) | 162,838 |
| | ₩ | <u>731,203</u> | <u>(126,263)</u> | <u>604,940</u> |

(b) Changes in investment properties for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|-------------------------------------------------|---|--------------------------|------------------|----------------|
| | | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
| Beginning balance | ₩ | 442,102 | 162,838 | 604,940 |
| Acquisition | | 2,118 | 3,361 | 5,479 |
| disposal | | - | (55) | (55) |
| Depreciation | | - | (12,511) | (12,511) |
| Amounts transferred from property and equipment | | 30,999 | 2,330 | 33,329 |
| Amounts transferred to assets held for sale | | (3,486) | (2,571) | (6,057) |
| Ending balance | ₩ | <u>471,733</u> | <u>153,392</u> | <u>625,125</u> |

| | | December 31, 2022 | | |
|------------------------------------------------------|---|--------------------------|------------------|----------------|
| | | <u>Land</u> | <u>Buildings</u> | <u>Total</u> |
| Beginning balance | ₩ | 455,753 | 150,524 | 606,277 |
| Acquisition | | - | 10,091 | 10,091 |
| Depreciation | | - | (12,465) | (12,465) |
| Amounts transferred from (to) property and equipment | | (12,703) | 15,830 | 3,127 |
| Amounts transferred to assets held for sale | | (948) | (1,142) | (2,090) |
| Ending balance | ₩ | <u>442,102</u> | <u>162,838</u> | <u>604,940</u> |

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

15. Investment properties (continued)

(c) Fair value of investment properties as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------|--------------------------|--------------------------|
| Investment properties (*) | ₩ 883,528 | 740,387 |

(*) Fair value of investment properties is estimated based on the recent market transactions and certain significant unobservable inputs. Accordingly, fair value of investment properties is classified as level 3.

(d) Income and expenses on investment properties for the years ended December 31, 2023 and 2022 are as follows

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------------------------------------------|--------------------------|--------------------------|
| Rental income | ₩ 29,922 | 26,737 |
| Direct operating expenses for investment properties that generate rental income | 5,714 | 6,325 |

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Notes to the Consolidated Financial Statements (Continued)

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16. Other assets

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------|--------------------------|--------------------------|
| Accounts receivable | ₩ 9,609,606 | 6,947,041 |
| Domestic exchange settlement receivables | 4,933,681 | 5,693,750 |
| Guarantee deposits | 802,273 | 806,502 |
| Accrued income | 2,212,759 | 1,942,419 |
| Prepaid expense | 131,449 | 123,307 |
| Suspense payments | 402,540 | 376,719 |
| Sundry assets | 222,229 | 221,751 |
| Others | 3,686 | 7,148 |
| Present value discount | (40,173) | (36,887) |
| Allowance for impairment | (323,019) | (273,165) |
| | <u>₩ 17,955,031</u> | <u>15,808,585</u> |

17. Non-current assets held for sale

(a) Non-current assets held for sale as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------|--------------------------|--------------------------|
| Property and equipment | ₩ 36,444 | 29,211 |

The Group has classified property and equipment which are highly expected to be sold within one year from December 31, 2023 and 2022, as non-current assets held for sale.

(b) The cumulative income or loss recognized in other comprehensive income

There are no cumulative income or loss recognized in other comprehensive income relating to non-current assets held for sale as of December 31, 2023 and 2022.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

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(In millions of Korean won)

18. **Pledged assets**

(a) Assets pledged as collateral as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>Reasons for collateral</u> |
|------------------------------|--------------------------|--------------------------|------------------------------------------------------------------------------|
| Securities (*1): | | | |
| Securities at FVTOCI | ₩ 10,037,254 | 6,800,795 | Borrowings, Settlement security for Bank of Korea, Borrowing securities, etc |
| Securities at amortized cost | 17,398,390 | 14,638,624 | Borrowings, Settlement security for Bank of Korea, Customer RP, etc |
| | <u>27,435,643</u> | <u>21,439,419</u> | |
| Property and equipment (*2) | 2,967 | 4,246 | Establishment of the right to pledge, etc |
| | <u>₩ 27,438,610</u> | <u>21,443,665</u> | |

(*1) The carrying amounts of assets pledged as collateral that the third party had the right to sell or repledge regardless of the Group's default as of December 31, 2023 and 2022 are ₩ 4,737,345 million and ₩ 965,951 million, respectively.

(*2) The amounts are based on the notification amount of pledge.

(b) The fair value of collateral held that the Group has the right to sell or repledge regardless of pledger's default as of December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | | <u>December 31, 2022</u> | |
|------------|---|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | | <u>Collateral held</u> | <u>Collateral sold or repledged</u> | <u>Collateral held</u> | <u>Collateral sold or repledged</u> |
| Securities | ₩ | 2,764,174 | - | 3,750,199 | - |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

19. Financial liabilities designated at FVTPL

(a) Financial liabilities designated at FVTPL as of December 31, 2023 and 2022 are as follows:

| Classification(*1) | ₩ | December 31, 2023 | December 31, 2022 |
|----------------------------|---|-------------------|-------------------|
| Debt securities issued(*2) | ₩ | 254,832 | 47,327 |

(*1) In accordance with K-IFRS No. 1109 'Financial instruments', the Group has designated debt securities issued that are permitted to designate financial liabilities at FVTPL.

(*2) The carrying amount of financial liabilities designated at FVTPL was calculated based on the option valuation model.

(b) The difference between the carrying amount of financial liabilities designated at FVTPL and the amount required to be paid at contractual maturity as of December 31, 2023 and 2022.

| | | December 31, 2023 | | |
|------------------------|---|---------------------------------------------------|---------------------|------------|
| | | Redemption amount on a contractual maturity | Carrying amounts | Difference |
| Debt securities issued | ₩ | 260,000 | 254,832 | 5,168 |

| | | December 31, 2022 | | |
|------------------------|---|---------------------------------------------------|---------------------|------------|
| | | Redemption amount on a contractual maturity | Carrying amounts | Difference |
| Debt securities issued | ₩ | 50,000 | 47,327 | 2,673 |

(c) The details of net gain or loss (excluding interest income and interest expenses) related to financial liabilities designated at FVTPL for the year ended December 31, 2023 and 2022.

| | | December 31, 2023 | | |
|------------------------|---|------------------------------|-------------------------|-------|
| | | Gain or loss on valuation | Gain or loss on sale | Total |
| Debt securities issued | ₩ | 2,495 | - | 2,495 |

| | | December 31, 2022 | | |
|------------------------|---|------------------------------|-------------------------|-------|
| | | Gain or loss on valuation | Gain or loss on sale | Total |
| Debt securities issued | ₩ | 2,673 | - | 2,673 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

20. Deposits

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------|--------------------------|--------------------------|
| Demand deposits: | | |
| Korean won | ₩ 126,861,970 | 130,929,126 |
| Foreign currencies | 23,666,029 | 25,411,460 |
| | <u>150,527,999</u> | <u>156,340,586</u> |
| Time deposits: | | |
| Korean won | 169,183,751 | 165,865,497 |
| Foreign currencies | 26,977,720 | 24,959,998 |
| Gain on fair value hedge | (113,081) | (187,527) |
| | <u>196,048,390</u> | <u>190,637,968</u> |
| Negotiable certificates of deposits | 11,752,483 | 14,843,073 |
| Note discount deposits | 7,664,701 | 6,631,858 |
| CMA | 4,950,392 | 4,634,010 |
| Others | 15,684 | 16,694 |
| | <u>₩ 370,959,649</u> | <u>373,104,189</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

21. Financial liabilities at fair value through profit or loss

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

| | <u>December 31, 2023</u> | | <u>December 31, 2022</u> | |
|----------------------|--------------------------|------------------|--------------------------|------------------|
| | <u>Interest rate (%)</u> | <u>Amount</u> | <u>Interest rate (%)</u> | <u>Amount</u> |
| Securities sold: | | | | |
| Equity securities | - | ₩ - | - | ₩ 2,958 |
| Gold/silver deposits | - | 419,342 | - | 422,006 |
| | | ₩ <u>419,342</u> | | ₩ <u>424,964</u> |

(b) Net gain (loss) on financial liabilities at FVTPL for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------|--------------------------|--------------------------|
| Securities sold: | | |
| Gain on sale | ₩ 589 | 1,430 |
| Loss on sale | (51) | (794) |
| Loss on valuation | - | (44) |
| Gold/silver deposits: | | |
| Gain on sale | 2,000 | 3,535 |
| Loss on sale | (394) | (810) |
| Loss on valuation | (60,565) | (38,997) |
| | ₩ <u>(58,421)</u> | <u>(35,680)</u> |

SHINHAN BANK AND SUBSIDIARIES

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For the years ended December 31, 2023 and 2022

(In millions of Korean won)

22. **Borrowings**

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

| | December 31, 2023 | | December 31, 2022 | |
|-----------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Call money: | | | | |
| Korean won | 3.35~3.43 | ₩ 415,500 | - | ₩ - |
| Foreign currencies | 0.02~5.88 | 1,385,349 | 0.05~6.30 | 1,199,600 |
| | | <u>1,800,849</u> | | <u>1,199,600</u> |
| Bill sold | 0.00~3.65 | 11,252 | 0.00~3.95 | 15,057 |
| Bonds sold under repurchase agreements: | | | | |
| Korean won | 0.00~3.60 | 3,951,190 | 0.00~3.21 | 1,264 |
| Foreign currencies | 6.73~6.74 | 42,935 | 5.15~6.80 | 134,447 |
| | | <u>3,994,125</u> | | <u>135,711</u> |
| Borrowings in Korean won: | | | | |
| Borrowings from Bank of Korea | 2.00 | 2,508,491 | 0.25~1.75 | 4,999,051 |
| Others | 0.00~3.80 | 8,972,255 | 0.00~3.70 | 8,090,193 |
| | | <u>11,480,746</u> | | <u>13,089,244</u> |
| Borrowings in foreign currencies: | | | | |
| Overdraft due to banks | 0.00 | 34,072 | 0.00~0.30 | 48,072 |
| Borrowings from banks | 0.00~14.85 | 7,142,106 | 0.00~5.75 | 7,575,602 |
| Sub-lease | 0.00~2.28 | 8,216 | 0.00~2.28 | 8,719 |
| Others | 0.00~5.72 | 2,231,873 | 0.00~22.65 | 2,143,375 |
| | | <u>9,416,267</u> | | <u>9,775,768</u> |
| Deferred origination fees | | (2,041) | | (2,588) |
| | | <u>₩ 26,701,198</u> | | <u>₩ 24,212,792</u> |

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Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

23. Debt securities issued

Debt securities issued as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | December 31, 2022 | |
|-----------------------------------------------|-------------------|---------------------|-------------------|---------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Debt securities issued in Korean won: | | | | |
| Debt securities issued | 0.00~6.52 | ₩ 27,492,354 | 0.05~4.59 | ₩ 22,581,073 |
| Subordinated debt securities issued | 2.20~3.53 | 1,960,105 | 2.20~3.98 | 2,460,125 |
| Loss(Gain) on fair value hedges | | (225,750) | | (348,700) |
| Discount on debt securities issued | | (27,731) | | (12,474) |
| | | <u>29,198,978</u> | | <u>24,680,024</u> |
| Debt securities issued in foreign currencies: | | | | |
| Debt securities issued | 0.25~7.36 | 5,697,364 | 0.25~6.02 | 5,792,612 |
| Subordinated debt securities issued | 3.75~5.00 | 3,124,242 | 3.75~5.00 | 3,068,059 |
| Loss(Gain) on fair value hedges | | (240,483) | | (324,901) |
| Discount on debt securities issued | | (29,416) | | (29,614) |
| | | <u>8,551,707</u> | | <u>8,506,156</u> |
| | | <u>₩ 37,750,685</u> | | <u>₩ 33,186,180</u> |

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For the years ended December 31, 2023 and 2022

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24. **Defined benefit liabilities**

The Group operates a defined benefit pension system based on employees' length of service. The Group also trusts plan assets in trust companies, fund companies and other similar companies.

(a) Defined benefit plan assets and liabilities

Defined benefit plan assets and liabilities as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------------|--------------------------|--------------------------|
| Present value of defined benefit obligations | ₩ 1,618,969 | 1,395,869 |
| Fair value of plan assets | (1,889,776) | (1,919,023) |
| Net defined benefit assets | <u>₩ 270,807</u> | <u>523,154</u> |

(b) Changes in the present value of defined benefit obligations for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------|--------------------------|--------------------------|
| Beginning balance | ₩ 1,395,869 | 1,594,573 |
| Current service cost | 109,359 | 123,323 |
| Interest expense | 75,589 | 52,907 |
| Remeasurements(*1)(*2) | 185,395 | (295,701) |
| Effects of foreign currency movements | 1,349 | (453) |
| Benefits paid by the plan | (156,992) | (83,570) |
| Others | 8,400 | 4,790 |
| Ending balance | <u>₩ 1,618,969</u> | <u>1,395,869</u> |

(*1) Remeasurements for the year ended December 31, 2023 consist of ₩85,999 million of actuarial gain arising from changes in financial assumptions, ₩6,590 million of actuarial loss arising from changes in experience adjustments and ₩105,986 million of actuarial gain arising from changes in demographic assumptions.

(*2) Remeasurements for the year ended December 31, 2022 consist of ₩328,199 million of actuarial gain arising from changes in financial assumptions, ₩32,691 million of actuarial loss arising from changes in experience adjustments and ₩193 million of actuarial gain arising from changes in demographic assumptions.

(c) Changes in the fair value of plan assets for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------|--------------------------|--------------------------|
| Beginning balance | ₩ 1,919,023 | 1,703,164 |
| Interest income | 104,155 | 58,657 |
| Remeasurements | (30,147) | (26,111) |
| Contributions paid into the plan | 45,000 | 261,000 |
| Benefits paid by the plan | (148,255) | (77,687) |
| Ending balance | <u>₩ 1,889,776</u> | <u>1,919,023</u> |

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Notes to the Consolidated Financial Statements (Continued)

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24. **Defined benefit liabilities (continued)**

(d) The amount of major categories of the fair value of plan assets as of December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------|---|--------------------------|--------------------------|
| Deposits | ₩ | 1,624,197 | 1,719,109 |
| Others | | 265,579 | 199,914 |
| | ₩ | <u>1,889,776</u> | <u>1,919,023</u> |

(e) Actuarial assumptions as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> | <u>Descriptions</u> |
|-------------------------------|--------------------------|--------------------------|---------------------------|
| Discount rate | 5.10% | 5.83% | AA0 Corporate bond yields |
| Future salary increasing rate | 2.24% + Promotion rate | 2.36% + Promotion rate | Average for last 5 years |

(f) Sensitivity analysis

Sensitivity analysis of the present value fluctuations of defined benefit obligations as of December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | |
|-------------------------------|---|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| | | <u>Change in present value when the factor rises by 100 basis points</u> | <u>Change in present value when the factor falls by 100 basis points</u> |
| Discount rate | ₩ | (141,202) | 163,170 |
| Future salary increasing rate | | 166,325 | (146,187) |
| | | <u>December 31, 2022</u> | |
| | | <u>Change in present value when the factor rises by 100 basis points</u> | <u>Change in present value when the factor falls by 100 basis points</u> |
| Discount rate | ₩ | (113,751) | 130,445 |
| Future salary increasing rate | | 133,804 | (118,430) |

(g) The maturity analysis of undiscounted retirement benefit payments for the years ended December 31, 2023 and 2022 are as follows:

| | | <u>December 31, 2023</u> | | | | | |
|-----------------------|---|---------------------------|----------------------------------------|-----------------------------------------|------------------------------------------|-------------------------------|--------------|
| | | <u>1 year or less</u> | <u>1 year~ 2 years or less</u> | <u>2 years~ 5 years or less</u> | <u>5 years~ 10 years or less</u> | <u>More than 10 years</u> | <u>Total</u> |
| Salary payment amount | ₩ | 37,787 | 68,950 | 367,177 | 685,496 | 1,675,687 | 2,835,097 |
| | | <u>December 31, 2022</u> | | | | | |
| | | <u>1 year or less</u> | <u>1 year~ 2 years or less</u> | <u>2 years~ 5 years or less</u> | <u>5 years~ 10 years or less</u> | <u>More than 10 years</u> | <u>Total</u> |
| Salary payment amount | ₩ | 37,569 | 67,201 | 364,249 | 506,729 | 1,588,437 | 2,564,185 |

(h) The weighted average durations of defined benefit obligations as of December 31, 2023 and 2022 are 9.9 years and 9.3 years, respectively.

(i) The Group's estimated contribution will be ₩ 120,000 million as of December 31, 2023.

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(In millions of Korean won)

25. Provisions

(a) Changes in provision for unused credit commitments and guarantee contracts issued for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | | Total |
|---------------------------------------------|---------------------------------------------------|---------------------------------|---------------------------|---------------------------------|---------------------------------|---------------------------|----------|-------|
| | Loan commitments and other liabilities for credit | | | Guarantee contracts | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | | |
| | | Not impaired financial assets | Impaired financial assets | | Not impaired financial assets | Impaired financial assets | | |
| Beginning balance | ₩ 83,638 | 22,495 | - | 41,612 | 7,650 | 27 | 155,422 | |
| Transfer to 12-month expected credit losses | 5,252 | (5,252) | - | 3,918 | (3,918) | - | - | |
| Transfer to lifetime expected credit losses | (4,621) | 4,621 | - | (7,637) | 7,637 | - | - | |
| Transfer to impaired financial asset | (109) | (87) | 196 | (138) | - | 138 | - | |
| Provision(reversal) | 13,798 | 7,685 | (196) | 375 | 26 | (14) | 21,674 | |
| Foreign exchange movements | 1,025 | 26 | - | 294 | 92 | 1 | 1,438 | |
| Others(*) | - | - | - | (6,525) | (4,360) | (139) | (11,024) | |
| Ending balance | ₩ 98,983 | 29,488 | - | 31,899 | 7,127 | 13 | 167,510 | |

(*) These include the new occurrence of guarantee contracts, which are evaluated at the initial fair value, and the effects of changes due to the arrival of maturity and changes in discount rates.

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(In millions of Korean won)

25. Provisions (continued)

(a) Changes in provision for unused credit commitments and guarantee contracts issued for the years ended December 31, 2023 and 2022 are as follows:(continued)

| | December 31, 2022 | | | | | | | Total |
|---------------------------------------------|---------------------------------------------------|---------------------------------|---------------------------|---------------------------------|---------------------------------|---------------------------|---------|-------|
| | Loan commitments and other liabilities for credit | | | Guarantee contracts | | | | |
| | 12-month expected credit losses | Lifetime expected credit losses | | 12-month expected credit losses | Lifetime expected credit losses | | | |
| | | Not impaired financial assets | Impaired financial assets | | Not impaired financial assets | Impaired financial assets | | |
| Beginning balance | ₩ 69,281 | 20,427 | - | 47,825 | 6,562 | 27 | 144,122 | |
| Transfer to 12-month expected credit losses | 4,068 | (4,068) | - | 2,680 | (2,680) | - | - | |
| Transfer to lifetime expected credit losses | (2,882) | 2,882 | - | (3,714) | 3,714 | - | - | |
| Transfer to impaired financial asset | (45) | (48) | 93 | - | - | - | - | |
| Provision(reversal) | 15,284 | 3,171 | (93) | (552) | 648 | 5 | 18,463 | |
| Foreign exchange movements | (2,068) | 131 | - | 909 | 118 | - | (910) | |
| Others(*) | - | - | - | (5,536) | (712) | (5) | (6,253) | |
| Ending balance | ₩ 83,638 | 22,495 | - | 41,612 | 7,650 | 27 | 155,422 | |

(*) These include the new occurrence of guarantee contracts, which are evaluated at the initial fair value, and the effects of changes due to the arrival of maturity and changes in discount rates.

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(In millions of Korean won)

25. **Provisions (continued)**

(b) Changes in other provisions for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | | |
|-------------------------------|---|---------------------|--------------|--------------------------------|----------------|----------------|
| | | Asset retirement | Litigation | Non- guarantee contracts | Others | Total |
| Beginning balance | ₩ | 54,496 | 4,247 | 27,583 | 127,453 | 213,779 |
| Provision (reversal)(*1) | | 6,371 | 2,915 | (4,857) | 288,379 | 292,808 |
| Provision used | | (2,057) | - | - | (3,848) | (5,905) |
| Foreign exchange movements | | - | - | 412 | 1,127 | 1,539 |
| Others(*2) | | 6,413 | - | 23 | 1,454 | 7,890 |
| Ending balance | ₩ | <u>65,223</u> | <u>7,162</u> | <u>23,161</u> | <u>414,565</u> | <u>510,111</u> |

(*1) For the year ended December 31, 2023, a total of ₩292,074 million is included for support related to vulnerable groups such as self-employed individuals, small business owners, and institutions supporting vulnerable groups, under the 'Financial Support Plan for Livelihoods' initiated by banking institutions.

(*2) This is the effect of changing the discount rate.

| | | December 31, 2022 | | | | |
|-------------------------------|---|---------------------|--------------|--------------------------------|----------------|----------------|
| | | Asset retirement | Litigation | Non- guarantee contracts | Others | Total |
| Beginning balance | ₩ | 48,862 | 3,113 | 26,823 | 182,121 | 260,919 |
| Provision(reversal) | | 5,826 | 1,134 | (410) | (46,637) | (40,087) |
| Provision used | | (6,468) | - | - | (6,993) | (13,461) |
| Foreign exchange movements | | - | - | 1,351 | 353 | 1,704 |
| Others(*) | | 6,276 | - | (181) | (1,391) | 4,704 |
| Ending balance | ₩ | <u>54,496</u> | <u>4,247</u> | <u>27,583</u> | <u>127,453</u> | <u>213,779</u> |

(*) This is the effect of changing the discount rate.

(c) Asset retirement obligation liabilities

Asset retirement obligation liabilities represent the estimated cost to restore the existing leased properties which are 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 the lease contract. Such costs are reasonably estimated using the average lease period and the average restoration expenses. The average lease period is calculated based on the past ten-year historical data of the expired leases. The average restoration expense is calculated based on the actual costs incurred for the past three years using the three-year average inflation rate.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

26. Other liabilities

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

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------|--------------------------|--------------------------|
| Account payable | ₩ 10,065,763 | 7,077,295 |
| Borrowing from trust account | 6,530,921 | 6,563,116 |
| Accrued expenses | 4,720,037 | 3,333,172 |
| Liability incurred by agency relationship | 1,608,194 | 1,384,311 |
| Domestic exchange settlement payable | 9,151,927 | 2,231,507 |
| Lease liabilities(*) | 424,569 | 397,251 |
| Agency business income | 794,955 | 711,510 |
| Guarantee deposits received | 515,632 | 751,949 |
| Foreign exchange settlement payables | 302,320 | 359,394 |
| Suspense payable | 40,961 | 38,104 |
| Unearned income | 104,356 | 111,382 |
| Withholding value-added tax and other taxes | 223,832 | 194,723 |
| Dividends payable | - | 965 |
| Sundry liabilities | 66,753 | 55,040 |
| Present value discount | (46,114) | (19,857) |
| | ₩ <u>34,504,106</u> | <u>23,189,862</u> |

(*) For the year ended December 31, 2023, expenses for the variable lease payments that are not included in the measurement of lease liabilities amount to ₩21,157 million, the cash outflows from lease liabilities amount to ₩200,418 million, and interest expense on lease liabilities amount to ₩11,256 million. Expenses for variable lease payments not included in the measurement of lease liabilities for the year ended December 31, 2022 amount to ₩12,337 million, cash outflows from lease liabilities amount to ₩201,775 million, and interest expense on lease liability amounts to ₩8,134 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

27. **Equity**

(a) Equity as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-----------------------------------------------------------------|--------------------------|--------------------------|
| Capital stock: | | |
| Common stock | ₩ 7,928,078 | 7,928,078 |
| Other equity instruments: | | |
| Hybrid bonds | 1,988,535 | 2,088,542 |
| Capital surplus: | | |
| Share premium | 398,080 | 398,080 |
| Others | 5,084 | 5,084 |
| | <u>403,164</u> | <u>403,164</u> |
| Capital adjustments: | | |
| Stock options | 798 | 1,744 |
| Others | 1,148 | 771 |
| | <u>1,946</u> | <u>2,515</u> |
| Accumulated other comprehensive income (loss): | | |
| Net change in fair value of financial instruments at FVTOCI | (227,837) | (1,029,853) |
| Share of other comprehensive income of associates | (776) | (7,933) |
| Foreign currency translation differences for foreign operations | (170,240) | (162,244) |
| Remeasurements of defined benefit plans | (219,272) | (60,799) |
| Credit risk adjustment of financial liabilities | - | 1 |
| | <u>(618,125)</u> | <u>(1,260,828)</u> |
| Retained earnings: | | |
| Legal reserve(*1) | 2,915,735 | 2,652,548 |
| Voluntary reserve(*2) | 15,585,931 | 14,448,374 |
| Other reserve(*3) | 187,488 | 175,898 |
| Unappropriated retained earnings(*4) | 5,126,366 | 4,720,618 |
| | <u>23,815,520</u> | <u>21,997,438</u> |
| Non-controlling interests | 12,095 | 8,351 |
| | <u>₩ 33,531,213</u> | <u>31,167,260</u> |

(*1) According to the Article 40 of the Banking Act, the Group is required to appropriate an amount equal to a minimum of 10% of cash dividends paid for each accounting period as a legal reserve, until such reserve equals 100% of issued capital. The legal reserve is only available to be used to reduce accumulated deficit or transfer to capital stock.

(*2) The amounts include regulatory reserve for loan loss based on separate financial statements of ₩2,418,175 million and ₩2,559,855 million as of December 31, 2023 and 2022, respectively. The amounts also include asset revaluation surplus of ₩355,898 million as of both December 31, 2023 and 2022.

(*3) Other reserve was established according to the laws applicable to some overseas branches and it may be used only to reduce their deficit.

(*4) As of December 31, 2023, the difference between the expected reversal of regulatory reserve of loan loss based on the separate financial statements and consolidated financial statements is ₩ 32,635 million, and this includes the expected reversal of regulatory reserve of loan loss based on consolidated statements amounting ₩ 151,687 million.

As of December 31, 2022, the difference between the expected provision for regulatory reserve of loan loss based on the separate financial statements and consolidated financial statements is ₩ 10,330 million, and this includes the expected provision for regulatory reserve of loan loss based on consolidated statements amounting ₩ 131,349 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

27. **Equity (continued)**

(b) Capital stock

Capital stock of the Group as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------|--------------------------|--------------------------|
| Number of authorized shares | 2,000,000,000 shares | 2,000,000,000 shares |
| Par value per share in won | ₩5,000 | ₩5,000 |
| Number of issued shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |

(c) Hybrid bonds

Hybrid bonds as of December 31, 2023 and 2022 are as follows:

| <u>Date of issuance</u> | <u>Date of maturity</u> | <u>Book value</u> | | <u>Interest rate (%)</u> |
|------------------------------------|-------------------------|--------------------------|--------------------------|--------------------------|
| | | <u>December 31, 2023</u> | <u>December 31, 2022</u> | |
| Hybrid bonds issued in Korean won: | | | | |
| June 7, 2013 | June 7, 2043 | ₩ - | 299,568 | 4.63 |
| June 29, 2017 | Perpetual bond | 69,844 | 69,844 | 3.81 |
| October 15, 2018 | Perpetual bond | - | 199,547 | 3.70 |
| February 25, 2019 | Perpetual bond | 299,327 | 299,327 | 3.30 |
| February 25, 2020 | Perpetual bond | 239,459 | 239,459 | 2.88 |
| February 25, 2020 | Perpetual bond | 49,888 | 49,888 | 3.08 |
| November 5, 2020 | Perpetual bond | 299,327 | 299,327 | 2.87 |
| May 3, 2022 | Perpetual bond | 322,277 | 322,277 | 4.50 |
| October 17, 2022 | Perpetual bond | 309,305 | 309,305 | 5.70 |
| March 7, 2023 | Perpetual bond | 399,108 | - | 4.63 |
| | | <u>₩ 1,988,535</u> | <u>2,088,542</u> | |
| Dividends on hybrid bond holders | | ₩ 89,140 | 64,269 | |
| Weighted average interest rate (%) | | 4.18 | 3.57 | |

The above hybrid bonds are subject to early redemption option after five years or ten years from the date of issuance, and the maturity can be extended under the same condition at the maturity date.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

27. Equity (continued)

(d) Changes in accumulated other comprehensive income (loss) including reclassification adjustment for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | | | | |
|------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------|-------------|
| | Items that are or may be reclassified to profit or loss | | | Items that will not be reclassified to profit or loss | | | |
| | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Foreign currency translation differences for foreign operations | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Remeasurements of the defined benefit plans | Total |
| Beginning balance | ₩ (1,029,320) | (7,933) | (162,244) | (532) | - | (60,799) | (1,260,828) |
| Change due to fair value measurement | 887,701 | - | - | 30,187 | - | - | 917,888 |
| Change due to equity method measurement | - | 9,738 | - | - | - | - | 9,738 |
| Change due to impairment | (4,029) | - | - | - | - | - | (4,029) |
| Change due to disposal | 215,777 | - | - | - | - | - | 215,777 |
| Effect of hedge accounting | (28,045) | - | (3,903) | - | - | - | (31,948) |
| Effect of foreign currency movements | - | - | (553) | 2,861 | - | - | 2,308 |
| Remeasurements of defined benefit plans | - | - | - | - | - | (215,542) | (215,542) |
| Amounts transferred to retained earnings | - | - | - | 4,152 | - | - | 4,152 |
| Effect of tax | (297,095) | (2,582) | (3,539) | (9,494) | - | 57,069 | (255,641) |
| Ending balance | ₩ (255,011) | (777) | (170,239) | 27,174 | - | (219,272) | (618,125) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

27. Equity (continued)

(d) Changes in accumulated other comprehensive income (loss) including reclassification adjustment for the years ended December 31, 2023 and 2022 are as follows (continued):

| | December 31, 2022 | | | | | | |
|------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------|-------------|
| | Items that are or may be reclassified to profit or loss | | | Items that will not be reclassified to profit or loss | | | |
| | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Foreign currency translation differences for foreign operations | Net change in fair value of financial instruments at FVTOCI | Share of other comprehensive income (loss) of associates, net | Remeasurements of the defined benefit plans | Total |
| Beginning balance | ₩ (254,466) | 2,253 | (142,653) | 43,850 | - | (256,024) | (607,040) |
| Change due to fair value measurement | (1,164,128) | - | - | (38,412) | - | - | (1,202,540) |
| Change due to equity method measurement | - | (16,785) | - | - | - | - | (16,785) |
| Change due to impairment | (3,992) | - | - | - | - | - | (3,992) |
| Change due to disposal | 30,852 | - | - | - | - | - | 30,852 |
| Effect of hedge accounting | 63,480 | - | (25,793) | - | - | - | 37,687 |
| Effect of foreign currency movements | - | - | 5,658 | (823) | - | - | 4,835 |
| Remeasurements of defined benefit plans | - | - | - | - | - | 269,591 | 269,591 |
| Amounts transferred to retained earnings | - | - | - | (2,943) | - | - | (2,943) |
| Effect of tax | 298,934 | 6,599 | 544 | (2,204) | - | (74,366) | 229,507 |
| Ending balance | ₩ (1,029,320) | (7,933) | (162,244) | (532) | - | (60,799) | (1,260,828) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won, except for dividend per share and par value per share)

27. **Equity (continued)**

(e) Statements of appropriation of retained earnings for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|-----------------------------------------------------------------------------------|---------------------------------------|------------------------------|
| | Expected date of appropriation | Date of appropriation |
| | March 21, 2024 | March 22, 2023 |
| Unappropriated retained earnings: | | |
| Balance at beginning of year | ₩ - | - |
| Transfer from other comprehensive income through the sale of securities at FVTOCI | (3,055) | 2,134 |
| Interest on hybrid bond | (89,140) | (64,269) |
| Profit for the year | 2,612,112 | 2,631,873 |
| | <u>2,519,917</u> | <u>2,569,738</u> |
| Transfer from reserves: | | |
| Voluntary reserve | 12,532,997 | 11,253,761 |
| Regulatory reserve | 184,323 | 141,679 |
| | <u>12,717,320</u> | <u>11,395,440</u> |
| Appropriation of retained earnings: | | |
| Legal reserve | 261,211 | 263,187 |
| Regulatory reserve for loan loss | - | - |
| Other reserve | 13,380 | 11,590 |
| Voluntary reserves | 13,765,365 | 12,532,997 |
| Loss on redemption of hybrid bond | 885 | 299 |
| Dividends on common stock | 1,196,396 | 1,157,105 |
| (Dividend per share in won: | | |
| 2023 ₩754.53 (15.09%) | | |
| 2022 ₩729.75 (14.60%)) | | |
| | <u>15,237,237</u> | <u>13,965,178</u> |
| Unappropriated retained earnings to be carried over to subsequent year | ₩ - | - |

These statements of appropriation of retained earnings are based on the separate financial statements of the Bank.

(f) Dividends

Dividends of common stock for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------|--------------------------|--------------------------|
| Number of issued shares outstanding | 1,585,615,506 | 1,585,615,506 |
| Par value per share in won | ₩ 5,000 | 5,000 |
| Dividend rate per share | 15.09% | 14.60% |
| Dividend per share in won | ₩ 754.53 | 729.75 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

27. Equity (continued)

(g) Dividends payout ratio

Dividends payout ratio for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Dividends | ₩ 1,196,396 | 1,157,105 |
| Profit for the year (*) | 3,067,681 | 3,045,012 |
| Dividends payout ratio to profit for the year | 39.00% | 38.00% |
| Profit for the year adjusted for regulatory reserve for loan loss (*) | 3,219,368 | 3,176,361 |
| Dividends payout ratio to profit for the year adjusted for regulatory reserve for loan loss | 37.16% | 36.43% |

(*) Profit for the year and profit for the year adjusted for regulatory reserve for loan loss are the amount attributable to equity holder of the Group.

28. Regulatory reserve for loan loss

The Group should calculate and disclose regulatory reserve for loan loss, in accordance with *the Article 29-1 and 29-2 of Regulation on Supervision of Banking Business*.

(a) The regulatory reserve for loan loss as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------------|--------------------------|--------------------------|
| Regulatory reserve for loan loss | ₩ 2,500,641 | 2,631,990 |
| Reversal of regulatory reserve for loan loss | (151,687) | (131,349) |
| | <u>₩ 2,348,954</u> | <u>2,500,641</u> |

(b) Profit for the year adjusted for regulatory reserve for loan loss and adjusted profit after reflecting regulatory reserve for loan loss for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Reversal of regulatory reserve for loan loss | ₩ (151,687) | (131,349) |
| Adjusted profit after reflecting regulatory reserve for loan loss(*) | 3,219,678 | 3,177,081 |
| Adjusted earnings per share after reflecting regulatory reserve for loan loss in won | ₩ 1,974 | 1,963 |

(*) The adjusted reserve which reflects abovementioned loan loss is not based on K-IFRS and is calculated by assuming that the provisions of loan loss before income tax effects are reflected in profit for the year.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

29. Net interest income

(a) Net interest income for the years ended December 31, 2023 and 2022 is as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------------|--------------------------|--------------------------|
| Interest income: | | |
| Cash and due from banks | ₩ 358,638 | 149,225 |
| Securities at FVTPL | 555,253 | 388,236 |
| Securities at FVTOCI | 1,282,973 | 822,079 |
| Securities at amortized cost | 954,911 | 590,960 |
| Loans(*) | 17,139,362 | 12,077,935 |
| Others | 90,052 | 57,381 |
| | <u>₩ 20,381,189</u> | <u>14,085,816</u> |
| Interest income from impaired financial assets | ₩ 31,322 | 16,737 |

(*) Interest income from loans at FVTPL for the years ended December 31, 2023 and 2022 are ₩29,249 million and ₩13,497 million, respectively.

(b) Interest expense for the years ended December 31, 2023 and 2022 is as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------------------|--------------------------|--------------------------|
| Financial liabilities at amortized cost(*) | | |
| Deposits | ₩ 9,496,241 | 4,496,591 |
| Borrowings | 911,895 | 404,739 |
| Debt securities issued | 1,361,364 | 859,837 |
| Others | 199,226 | 118,151 |
| | <u>₩ 11,968,726</u> | <u>5,879,318</u> |
| Financial liabilities designated at fair value | | |
| Debt securities issued | ₩ 9,804 | 1,296 |
| | <u>9,804</u> | <u>1,296</u> |
| | <u>₩ 11,978,530</u> | <u>5,880,614</u> |

(*) There is no interest expense on financial liabilities at fair value through profit or loss for the years ended December 31, 2023 and 2022.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

30. Net fees and commission income

Net fees and commission income for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------------------|--------------------------|--------------------------|
| Fees and commission income: | | |
| Credit placement fees | ₩ 69,574 | 56,812 |
| Commission received as electronic charge receipt | 146,412 | 148,867 |
| Brokerage fees | 53,097 | 62,454 |
| Commission received as agency investment banking fees | 265,662 | 263,411 |
| Commission received in foreign exchange activities | 79,981 | 102,434 |
| Asset management fees from trust accounts | 224,523 | 223,877 |
| Guarantee fees | 180,458 | 177,579 |
| Others | 96,315 | 97,213 |
| | <u>₩ 1,266,531</u> | <u>1,280,575</u> |
| Fees and commission expense: | | |
| Credit-related fees | ₩ 40,209 | 35,822 |
| Brand-related fees | 45,851 | 45,850 |
| Service-related fees | 47,839 | 46,515 |
| Trading and brokerage fees | 11,457 | 9,512 |
| Commission paid in foreign exchange activities | 69,816 | 55,458 |
| Others | 140,408 | 132,108 |
| | <u>₩ 355,580</u> | <u>325,265</u> |

31. Dividend income

Dividend income for the years ended December 31, 2023 and 2022 is as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------|--------------------------|--------------------------|
| Securities at FVTPL | ₩ 3,046 | 2,411 |
| Securities at FVTOCI(*1) | 46,483 | 18,421 |
| | <u>₩ 49,529</u> | <u>20,832</u> |

(*1) Dividend income for stocks disposed for the year ended December 31, 2023 is ₩2,380 million and dividend income for stocks disposed for the year ended December 31, 2022 is ₩982 million.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

32. Gain and loss on financial instruments at fair value through profit or loss

Gain and loss on financial instruments at FVTPL for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------------|--------------------------|--------------------------|
| Financial instruments at FVTPL | | |
| Debt: | | |
| Gain on valuation of debt securities | ₩ 424,602 | 186,396 |
| Gain on sale of debt securities | 97,901 | 62,130 |
| Loss on valuation of debt securities | (62,626) | (228,484) |
| Loss on sale of debt securities | (90,263) | (191,634) |
| Others | 188,467 | 163,052 |
| | <u>558,081</u> | <u>(8,540)</u> |
| Equity: | | |
| Gain on valuation of equity securities | 20,440 | 9,845 |
| Gain on sale of equity securities | 14,858 | 8,478 |
| Loss on valuation of equity securities | (5,944) | (7,232) |
| Loss on sale of equity securities | (4,752) | (14,834) |
| | <u>24,602</u> | <u>(3,743)</u> |
| Gold/silver: | | |
| Gain on valuation of gold/silver deposits | 11,635 | 2,089 |
| Gain on sale of gold/silver deposits | 2,000 | 3,535 |
| Loss on valuation of gold/silver deposits | (60,565) | (38,997) |
| Loss on sale of gold/silver deposits | (394) | (810) |
| | <u>(47,324)</u> | <u>(34,183)</u> |
| Loans at FVTPL | | |
| Gain on valuation of loans | 550 | 170 |
| Gain on sale of loans | 44,902 | 12,182 |
| Loss on valuation of loans | (773) | (9,024) |
| Loss on sale of loans | (7) | (3,640) |
| | <u>44,672</u> | <u>(312)</u> |
| | <u>580,031</u> | <u>(46,778)</u> |
| Derivatives | | |
| Foreign currency related: | | |
| Gain on valuation and transaction | 11,314,121 | 14,782,237 |
| Loss on valuation and transaction | (11,195,072) | (14,978,921) |
| | <u>119,049</u> | <u>(196,684)</u> |
| Interest rates related: | | |
| Gain on valuation and transaction | 1,261,267 | 1,446,536 |
| Loss on valuation and transaction | (1,235,170) | (1,216,572) |
| | <u>26,097</u> | <u>229,964</u> |
| Equity related: | | |
| Gain on valuation and transaction | 10,935 | 29,314 |
| Loss on valuation and transaction | (19,021) | (12,006) |
| | <u>(8,086)</u> | <u>17,308</u> |
| Commodity related: | | |
| Gain on valuation and transaction | 44,384 | 39,358 |
| Loss on valuation and transaction | (20,568) | (31,741) |
| | <u>23,816</u> | <u>7,617</u> |
| | <u>160,876</u> | <u>58,205</u> |
| Net gain on financial instruments at FVTPL | ₩ 740,907 | 11,427 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

33. General and administrative expenses

General and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|---------------------------------------------------|------------------------------|------------------------------|
| Employee benefits: | | |
| Short and long term employee benefits | ₩ 2,063,757 | 2,071,028 |
| Post-employee defined benefits | 80,793 | 117,609 |
| Post-employee defined contributions | 613 | 529 |
| Termination benefits | 152,900 | 133,580 |
| | <u>2,298,063</u> | <u>2,322,746</u> |
| Amortization: | | |
| Depreciation | 169,926 | 152,661 |
| Amortization of intangible assets | 100,517 | 75,893 |
| Depreciation of right-to-use assets | 225,304 | 208,222 |
| | <u>495,747</u> | <u>436,776</u> |
| Other general and administrative expenses: | | |
| Rent | 69,578 | 63,790 |
| Service contract expenses | 336,102 | 302,935 |
| Taxes and dues | 160,924 | 121,873 |
| Advertising | 133,747 | 159,579 |
| Electronic data processing expenses | 74,813 | 69,403 |
| Others | 244,898 | 225,190 |
| | <u>1,020,062</u> | <u>942,770</u> |
| | <u>₩ 3,813,872</u> | <u>3,702,292</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

34. Share-based payments

(a) Equity-settled share-based payments

i) Equity-settled share-based payments as of December 31, 2023 are as follows:

| | Contents |
|------------------------|-----------------------------------------------------------------------------------------|
| Type | Equity-settled share-based payment(*) |
| Service period | Upon appointment and promotion since January 1, 2014 (Within 1 year from grant date) |
| Performance conditions | Linked to relative stock price (20.0%) and management index for 4 years (80.0%) |

(*) The Group granted shares of Shinhan Financial Group. According to the commitment, the amount that the Group pays to the Shinhan Financial Group is recognized as liabilities, and the difference between the amount recognized as liabilities and the compensation cost based on equity-settled share-based payments is recognized in equity.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

34. Share-based payments (continued)

(b) Equity-settled share-based payments (continued)

ii) Granted shares and the fair value of grant date as of December 31, 2023 are as follows:

| <u>Grant date</u> | <u>Grant shares</u> | <u>Fair value (*1) (in won)</u> | <u>Estimated shares (*2)</u> |
|-------------------|---------------------|-------------------------------------|------------------------------|
| January 1, 2017 | 214,966 | 45,300 | 9,366 |
| January 23, 2017 | 5,236 | 45,600 | 2,536 |
| March 7, 2017 | 31,700 | 46,950 | 14,300 |
| January 1, 2018 | 244,649 | 49,400 | 27,349 |
| January 24, 2018 | 992 | 52,700 | 992 |
| January 1, 2019 | 303,933 | 39,600 | 21,363 |
| March 26, 2019 | 38,586 | 42,750 | 15,176 |
| | <u>840,062</u> | | <u>91,082</u> |

(*1) The fair value per share is evaluated based on the closing price of Shinhan Financial Group at each grant date. As of December 31, 2023, the fair value per share data evaluated by Shinhan Financial Group amounted to ₩40,150.

(*2) Grant shares at grant date were adjusted pursuant to increase rate of stock price(20.0%) and achievement of target ROE(80.0%) based on standard quantity applicable to the days of service among specified period of service, which allows the determination of acquired quantity at the end of the operation period.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won, except for fair value per share)

34. Share-based payments (continued)

(c) Details of performance-based stock compensation as of December 31, 2023 are as follows:

| | <u>Expired</u> | <u>Not expired</u> |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------|
| Type | Cash-settled share-based payment | |
| Performance conditions | Relative stock price linked (20.0%), management index (60.0%), and prudential index (20.0%) | |
| Exercising period | 4 years from the commencement date of the year to which the grant date belongs | |
| Grant shares | 260,777 | 1,135,206 |
| Estimated number of shares vested at December 31, 2023 | 229,741 | 1,033,136 |
| Fair value per share in Korean won(*) | 38,156 | 40,150 |

(*) Based on performance-based stock compensation, the reference stock price (the arithmetic average of the weighted average share price of transaction volume for the past two month, the previous one month, and the past one week) of four years after the commencement of the grant year is paid in cash, and the fair value of the reference stock to be paid in the future is assessed as the closing price of the settlement.

(d) Stock compensation costs calculated for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------|--------------------------|--------------------------|
| Compensation costs recorded for the year | ₩ 20,143 | 11,427 |

(e) Accrued expenses of the stock compensation costs and residual compensation costs as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------|--------------------------|--------------------------|
| Accrued expenses | ₩ 53,271 | 42,341 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

35. Net other operating expenses

Net other operating expenses for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> |
|-------------------------------------------------|------------------------------------|------------------------------------|
| Other operating income | | |
| Gain on sale of assets: | | |
| Loans at amortized cost | ₩ 40,161 | 16,014 |
| Loans written off | 10,234 | 1,062 |
| | <u>50,395</u> | <u>17,076</u> |
| Others: | | |
| Gain on hedge activity from hedged items | 22,093 | 776,107 |
| Gain on hedge activity from hedging instruments | 311,325 | 82,361 |
| Reversal of allowance for guarantee contracts | 4,857 | 410 |
| Others | 36,868 | 56,866 |
| | <u>375,143</u> | <u>915,744</u> |
| | <u>425,538</u> | <u>932,820</u> |
| Other operating expense | | |
| Loss on sale of assets: | | |
| Loans at amortized cost | 16,476 | 4,041 |
| Others: | | |
| Loss on hedge activity from hedged items | 293,518 | 75,233 |
| Loss on hedge activity from hedging instruments | 24,831 | 819,618 |
| Provision for other allowance | 8,789 | 11,706 |
| Contribution to fund | 459,200 | 430,814 |
| Deposit insurance fee | 450,947 | 423,909 |
| Others(*) | 635,267 | 292,298 |
| | <u>1,872,552</u> | <u>2,053,578</u> |
| | <u>1,889,028</u> | <u>2,057,619</u> |
| Net other operating expenses | ₩ <u>(1,463,490)</u> | <u>(1,124,799)</u> |

(*) For the year ended December 31, 2023, a total of ₩292,074 million is included for support related to vulnerable groups such as self-employed individuals, small business owners, and institutions supporting vulnerable groups, under the 'Financial Support Plan for Livelihoods' initiated by banking institutions.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

36. Net non-operating income (expenses)

Net non-operating income (expenses) for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|-------------------------------------------|--------------------------|--------------------------|
| Non-operating income | | |
| Gain on sale of assets: | | |
| Property and equipment | ₩ 691 | 714 |
| Intangible assets | - | 273 |
| Non-current assets held for sale | 1,753 | 4,990 |
| | <u>2,444</u> | <u>5,977</u> |
| Investments in associates: | | |
| Dividend income | 83 | 6 |
| Gain from disposal | - | 1,113 |
| | <u>83</u> | <u>1,119</u> |
| Others: | | |
| Rental income on investment property | 29,922 | 26,737 |
| Others | 38,194 | 32,415 |
| | <u>68,116</u> | <u>59,152</u> |
| | <u>70,643</u> | <u>66,248</u> |
| Non-operating expenses | | |
| Loss on sale of assets: | | |
| Property and equipment | 465 | 193 |
| Intangible assets | - | 91 |
| Non-current assets held for sale | - | 150 |
| Assets for non-business | 5 | 114 |
| | <u>470</u> | <u>548</u> |
| Investments in associates: | | |
| Loss from disposal | 7,848 | 696 |
| Others: | | |
| Investment properties depreciation | 12,511 | 12,465 |
| Donations | 71,264 | 41,150 |
| Impairment loss on Property and equipment | 3 | - |
| Impairment loss on intangible assets | - | 66 |
| Others | 93,195 | 88,748 |
| | <u>176,973</u> | <u>142,429</u> |
| | <u>185,291</u> | <u>143,673</u> |
| Net non-operating expenses | ₩ <u>(114,648)</u> | <u>(77,425)</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

37. Income tax expense and deferred tax

(a) Details of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|----------------------------------------------------------------------|------------------------------|------------------------------|
| Current income tax expense | ₩ 926,406 | 1,023,291 |
| Deferred taxes arising from changes in temporary differences | 283,155 | (234,008) |
| Deferred taxes arising from utilization of expired unused tax losses | 18,851 | 42,329 |
| Tax adjustment charged or credited directly to equity | (255,298) | 230,282 |
| Income tax expense | ₩ <u>973,114</u> | <u>1,061,894</u> |

(b) The income tax expense calculated by applying statutory tax rates to the Group's taxable income differs from the actual tax expense in the consolidated statements of income for the years ended December 31, 2023 and 2022 for the following reasons:

| | December 31, 2023 | December 31, 2022 |
|-----------------------------------------------------------|--------------------------|--------------------------|
| Profit before income tax | ₩ 4,041,105 | 4,107,626 |
| Income tax expense at statutory tax rates | 1,056,490 | 1,119,235 |
| Adjustments: | | |
| Non-taxable income | (2,710) | (679) |
| Non-deductible expense | 8,315 | 7,462 |
| Decrease resulting from consolidated corporate tax system | (79,059) | (45,223) |
| Income tax paid(refund) | 13,375 | (629) |
| Others(impact of tax rate change, etc.) | (23,297) | (18,272) |
| Income tax expense | ₩ <u>973,114</u> | <u>1,061,894</u> |
| Effective tax rate | 24.08% | 25.85% |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

37. **Income tax expense and deferred tax**

(c) Changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are as follows:

| Classification (*5) | | December 31, 2023 | | | |
|-----------------------------------------------------------------------------------|---|-------------------|---------------|-----------------------------------|------------------------|
| | | Beginning balance | Profit (loss) | Other comprehensive income (loss) | Ending balance(*1)(*4) |
| Accrued income | ₩ | (209,426) | (55,075) | - | (264,501) |
| Accounts receivable | | (23,772) | 2,341 | - | (21,431) |
| Securities at FVTPL | | 121,395 | (122,632) | - | (1,237) |
| Investments in associates and subsidiaries | | (438,727) | (117,160) | (2,582) | (558,469) |
| Deferred loan origination costs and fees | | 133,687 | (6,953) | - | 126,734 |
| Revaluation and depreciation on property and equipment | | (106,911) | 1,507 | - | (105,404) |
| Derivative liabilities | | (48,794) | (71,997) | - | (120,791) |
| Deposits | | 37,047 | (3,494) | - | 33,553 |
| Accrued expenses | | 117,013 | 5,681 | - | 122,694 |
| Defined benefit obligations | | 339,906 | (1,755) | 57,069 | 395,220 |
| Plan assets | | (478,463) | 21,127 | - | (457,336) |
| Other provisions | | 77,467 | 85,004 | - | 162,471 |
| Allowance for guarantees and acceptance | | 20,371 | (3,950) | - | 16,421 |
| Allowance for advanced depreciation | | (46,937) | 178 | - | (46,759) |
| Allowance for expensing depreciation | | (202) | 62 | - | (140) |
| Net change in fair value of securities at FVTOCI | | 375,046 | 12,502 | (306,589) | 80,959 |
| Donation payables | | 37,039 | 630 | - | 37,669 |
| Allowance and bad debt | | 84,508 | 12,655 | - | 97,163 |
| Compensation expenses associated with stock option | | 21 | - | - | 21 |
| Fictitious dividends | | 17,068 | 531 | - | 17,599 |
| Others | | (240,187) | 99,994 | (3,196) | (143,389) |
| | ₩ | (232,851) | (140,804) | (255,298) | (628,953) |
| Expired unused tax losses | | | | | |
| Appropriation by extinctive prescription of deposit | ₩ | 209,035 | (18,851) | - | 190,184 |
| Temporary differences not qualified for deferred tax assets or liabilities | | | | | |
| Investments in associates and Subsidiaries (*2)(*3) | | (447,465) | (112,297) | | (559,762) |
| | ₩ | 423,649 | (47,358) | (255,298) | 120,993 |

(*1) Deferred tax assets of overseas subsidiaries have decreased by ₩650 million due to foreign currency exchange rate changes.

(*2) The effect of income taxes by the valuation of equity method is reasonably estimated based on the both plausibility and the applicable amount of deferred income tax belonging to each associate investee.

(*3) The temporary difference in deferred tax assets not recognized in relation to investment assets in associates is ₩213,415 million and ₩192,508 million for the years ended December 31, 2023 and 2022, respectively. And the temporary difference in deferred tax liabilities not recognized in relation to investment assets in associates is ₩2,333,725 million and ₩1,881,053 million for the years ended December 31, 2023 and 2022, respectively.

(*4) The tax rate was changed due to amendments of the tax law during the year of 2023, Income tax rate was changed, and accordingly, 26.4% of deferred tax assets (liabilities) expected to be realized after 2024 were applied.

(*5) The Group is applying the temporary exemption provision for deferred corporate tax under K-IFRS No. 1012, and therefore does not recognize deferred corporate tax assets and liabilities related to the global minimum tax legislation, nor does it disclose information related to deferred corporate tax.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

37. **Income tax expense (continued)**

(c) Changes in temporary differences and deferred tax assets (liabilities) for the years ended December 31, 2023 and 2022 are as follows: (continued)

| | | December 31, 2022 | | | |
|-----------------------------------------------------------------------------------|---|-------------------|---------------|--------------------------------|-----------------|
| | | Beginning | Other | | Ending |
| | | balance | Profit (loss) | comprehensive income (loss) | balance(*1)(*4) |
| Accrued income | ₩ | (191,515) | (17,911) | - | (209,426) |
| Accounts receivable | | (26,659) | 2,887 | - | (23,772) |
| Securities at FVTPL | | 118,472 | 2,923 | - | 121,395 |
| Investments in associates and subsidiaries | | (351,280) | (94,047) | 6,600 | (438,727) |
| Deferred loan origination costs and fees | | (149,624) | 283,311 | - | 133,687 |
| Revaluation and depreciation on property and equipment | | (113,764) | 6,853 | - | (106,911) |
| Derivative liabilities | | (84,920) | 36,126 | - | (48,794) |
| Deposits | | 24,430 | 12,617 | - | 37,047 |
| Accrued expenses | | 64,954 | 52,059 | - | 117,013 |
| Defined benefit obligations | | 406,345 | 15,359 | (81,798) | 339,906 |
| Plan assets | | (468,370) | (17,525) | 7,432 | (478,463) |
| Other provisions | | 89,046 | (11,579) | - | 77,467 |
| Allowance for guarantees and acceptance | | 22,340 | (1,969) | - | 20,371 |
| Allowance for advanced depreciation | | (48,712) | 1,775 | - | (46,937) |
| Allowance for expensing depreciation | | (274) | 72 | - | (202) |
| Net change in fair value of securities at FVTOCI | | 82,308 | (3,993) | 296,731 | 375,046 |
| Donation payables | | 36,114 | 925 | - | 37,039 |
| Allowance and bad debt | | 71,718 | 12,790 | - | 84,508 |
| Compensation expenses associated with stock option | | 21 | - | - | 21 |
| Fictitious dividends | | 16,613 | 455 | - | 17,068 |
| Others | | 121,462 | (362,966) | 1,317 | (240,187) |
| | ₩ | (381,295) | (81,838) | 230,282 | (232,851) |
| Expired unused tax losses | | | | | |
| Appropriation by extinctive prescription of deposit | ₩ | 251,364 | (42,329) | - | 209,035 |
| Temporary differences not qualified for deferred tax assets or liabilities | | | | | |
| Investments in associates and Subsidiaries (*2)(*3) | | (364,697) | (82,768) | - | (447,465) |
| | ₩ | 234,766 | (41,399) | 230,282 | 423,649 |

(*1) Deferred tax assets of overseas subsidiaries have decreased by ₩2,797 million due to foreign currency exchange rate changes.

(*2) The effect of income taxes by the valuation of equity method is reasonably estimated based on the both plausibility and the applicable amount of deferred income tax belonging to each associate investee.

(*3) The temporary difference in deferred tax assets not recognized in relation to investment assets in associates is ₩192,508 million and ₩203,473 million for the years ended December 31, 2022 and 2021, respectively. And the temporary difference in deferred tax liabilities not recognized in relation to investment assets in associates is ₩1,881,053 million and ₩1,529,644 million for the years ended December 31, 2022 and 2021, respectively.

(*4) The tax rate was changed due to amendments of the tax law at the end of 2022, Income tax rate was changed, and accordingly, 26.5% of deferred tax assets (liabilities) expected to be realized after 2023 were applied.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

37. **Income tax expense (continued)**

(d) Changes in tax effects that are directly charged or credited to equity for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | December 31, 2022 | | Changes in tax effects |
|-----------------------------------------------------------------|--------------------|----------------|--------------------|----------------|------------------------|
| | Amount before tax | Tax effects | Amount before tax | Tax effects | |
| Net change in fair value of securities at FVTOCI | ₩ (306,665) | 78,828 | (1,415,270) | 385,417 | (306,589) |
| Share of other comprehensive income (loss) of associates | (1,055) | 279 | (10,793) | 2,861 | (2,582) |
| Foreign currency translation differences for foreign operations | (161,719) | (8,519) | (157,263) | (4,980) | (3,539) |
| Remeasurements of defined benefit plans | (299,154) | 79,883 | (83,612) | 22,814 | 57,069 |
| Capital adjustments | 1,082 | (286) | 2,373 | (629) | 343 |
| | ₩ <u>(767,511)</u> | <u>150,185</u> | <u>(1,664,565)</u> | <u>405,483</u> | <u>(255,298)</u> |

| | December 31, 2022 | | December 31, 2021 | | Changes in tax effects |
|-----------------------------------------------------------------|----------------------|----------------|-------------------|----------------|------------------------|
| | Amount before tax | Tax effects | Amount before tax | Tax effects | |
| Net change in fair value of securities at FVTOCI | ₩ (1,415,270) | 385,417 | (299,304) | 88,687 | 296,730 |
| Share of other comprehensive income (loss) of associates | (10,793) | 2,861 | 5,993 | (3,738) | 6,599 |
| Foreign currency translation differences for foreign operations | (157,263) | (4,980) | (202,514) | (5,525) | 545 |
| Remeasurements of defined benefit plans | (83,612) | 22,814 | (353,203) | 97,180 | (74,366) |
| Capital adjustments | 2,373 | (629) | 5,106 | (1,403) | 774 |
| | ₩ <u>(1,664,565)</u> | <u>405,483</u> | <u>(843,922)</u> | <u>175,201</u> | <u>230,282</u> |

(e) The current tax assets and liabilities as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|----------------------------------------|-------------------|-------------------|
| Current tax assets: | | |
| Prepaid income taxes | ₩ 38,814 | 31,780 |
| Current tax liabilities: | | |
| Payable due to consolidated tax system | ₩ 118,716 | 426,134 |
| Income taxes payables | 45,965 | 52,590 |
| | ₩ <u>164,681</u> | <u>478,724</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won, except for earnings per share)

37. Income tax expense (continued)

(f) The deferred tax assets (liabilities) and current tax assets (liabilities) presented on a gross basis prior to any offsetting as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------|--------------------------|--------------------------|
| Deferred tax assets | ₩ 2,354,608 | 3,150,339 |
| Deferred tax liabilities | 2,233,615 | 2,726,690 |
| Current tax assets | 638,569 | 457,452 |
| Current tax liabilities | 764,436 | 904,396 |

(g) Global minimum corporate tax

The Group is currently assessing the impact of the implementation of the global minimum corporate tax legislation on its financial statements. Due to the complexity of the application of global minimum corporate tax legislation, it is challenging to reasonably estimate its impact on the financial statements. To address this, the Group has engaged tax professionals to conduct a thorough review.

38. Earnings per share

(a) Earnings per share

Earnings per share for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------------------|--------------------------|--------------------------|
| Profit for the year | ₩ 3,067,681 | 3,045,012 |
| Less: dividends on hybrid bonds | (89,140) | (64,269) |
| Profit available for common stock | ₩ 2,978,541 | 2,980,743 |
| Weighted average number of common shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |
| Basic and diluted earnings per share in won | ₩ 1,878 | 1,880 |

Considering that the Group had no dilutive potential common shares and that stock options were not included in the calculation of diluted earnings per share because they were anti-dilutive for the reporting periods presented, diluted earnings per share equal to basic earnings per share for the years ended December 31, 2023 and 2022.

(b) Weighted average number of common shares outstanding

Weighted average number of common shares outstanding as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------------------|--------------------------|--------------------------|
| Number of common shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |
| Weight | 365/365 | 365/365 |
| Weighted average number of common shares outstanding | 1,585,615,506 shares | 1,585,615,506 shares |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

39. Commitments and contingencies

(a) Guarantees, acceptances and credit commitments as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------------|--------------------------|--------------------------|
| Guarantees: | | |
| Guarantee outstanding | ₩ 12,471,728 | 12,041,886 |
| Contingent guarantees | 4,336,610 | 4,565,184 |
| ABS and ABCP purchase commitments | 1,494,747 | 1,378,603 |
| | <u>18,303,085</u> | <u>17,985,673</u> |
| Commitments to extend credit: | | |
| Loan commitments in Korean won | 87,383,214 | 81,413,452 |
| Loan commitments in foreign currencies | 27,077,629 | 25,145,440 |
| Others | 4,244,612 | 4,551,882 |
| | <u>118,705,455</u> | <u>111,110,774</u> |
| Endorsed bills: | | |
| Secured endorsed bills | 44 | 10,025 |
| Unsecured endorsed bills | 10,519,665 | 7,046,806 |
| | <u>10,519,709</u> | <u>7,056,831</u> |
| | <u>₩ 147,528,249</u> | <u>136,153,278</u> |

(b) Provision for acceptances and guarantees

Provision for acceptances and guarantees, as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------|--------------------------|--------------------------|
| Guarantees outstanding | ₩ 12,471,728 | 12,041,886 |
| Contingent guarantees | 4,336,610 | 4,565,184 |
| ABS and ABCP purchase commitments | 1,494,747 | 1,378,603 |
| Secured endorsed bills | 44 | 10,025 |
| | <u>₩ 18,303,129</u> | <u>17,995,698</u> |
| Provision for acceptances and guarantees | ₩ 62,200 | 76,872 |
| Ratio (%) | 0.34 | 0.43 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

39. Commitments and contingencies (continued)

(c) Legal contingencies

Pending litigations in which the Group was involved as a defendant as of December 31, 2023 and 2022 are as follows:

| December 31, 2023 | | | | |
|--------------------------|------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Case | Number of claim | Claim amount | Description | Status |
| Deposit return | 1 | ₩ 2,000 | When the plaintiff signed a transfer contract to buy a stake in a limited company, the plaintiff set a pledge on the bank's deposit in the name of the transferor, but later requested the execution of the pledge. Hence, filed a lawsuit to claim the payment of a pledge-set deposit. | The first instance is ongoing as of December 31, 2023. |
| Cheque return | 1 | 2,000 | The plaintiff presented a total of nine checks (₩2 billion in total) to the Group. However, the payment was rejected due to the accident report caused by defraudation from the Group. Therefore, the plaintiff claimed to be the legitimate holder of the cashier's check in this case and requested the payment of the check against the Group. | The second instance is ongoing as of December 31, 2023. |
| Return of unjust earning | 1 | 33,096 | The plaintiff believes that the group of lenders including the Group unfairly sold two oil drilling vessels that are the core assets for borrowers and it caused losses to other bankruptcy creditors of the borrower. Therefore, the Plaintiff filed a lawsuit for damages. | The first instance is ongoing as of December 31, 2023. |
| Others | 186 | 119,021 | It includes various cases, such as compensation for loss claim. | |
| | <u>189</u> | <u>₩ 156,117</u> | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

39. **Commitments and contingencies (continued)**

(c) Legal contingencies (continued)

Pending litigations in which the Group was involved as a defendant as of December 31, 2023 and 2022 are as follows:
(continued)

| December 31, 2022 | | | | |
|--------------------------|--------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Case | Number of claim | Claim amount | Description | Status |
| Deposit return | 1 | ₩ 4,606 | The plaintiff alleges that the Group has canceled the money received in his account without his consent and requested the Group to pay the deposit equivalent to the amount. | The Group won the first and second instance and the third instance is ongoing as of December 31, 2023. |
| Cheque return | 1 | 2,000 | The plaintiff presented a total of nine checks (₩2 billion in total) to the Group. However, the payment was rejected due to the accident report caused by defraudation from the Group. Therefore, the plaintiff claimed to be the legitimate holder of the cashier's check in this case and requested the payment of the check against the Group. | The first instance is ongoing as of December 31, 2023. |
| Return of unjust earning | 1 | 33,096 | The plaintiff believes that the group of lenders including the Group unfairly sold two oil drilling vessels that are the core assets for borrowers and it caused losses to other bankruptcy creditors of the borrower. Therefore, the Plaintiff filed a lawsuit for damages. | The first instance is ongoing as of December 31, 2023. |
| Others | 166 | 75,629 | It includes various cases, such as compensation for loss claim. | |
| | <u>169</u> | <u>₩ 115,331</u> | | |

As of December 31, 2023 and 2022, the Group recorded a provision of ₩7,163 million and ₩4,247 million for litigation for certain of the above lawsuits. Additional losses may be incurred from these legal actions besides the current provision established by the Group, but the amount of loss is not expected to have a material adverse effect on the Group's consolidated financial statements.

(d) Others

The Group recognized ₩367.1 billion and ₩339.9 billion, respectively, in the estimated amount of damages, which is likely to be paid to fulfill its obligations as of December 31, 2023 and 2022, as provisions, for customer losses expected due to delayed redemption of Lime CI funds, etc. according to the Financial Dispute Mediation Committee of the Financial Supervisory Service and Resolution of Board of Directors. In this regard, the amount paid in advance for liquidity supply and the amount compensated through fact-checking is ₩341.1 billion and ₩326.8 billion as of December 31, 2023 and 2022.

An investigation by the Financial Supervisory Service regarding the sale of Equity Linked Trust(ELT) and an investigation by the Fair Trade Commission regarding unfair collaborative practices by four commercial banks are in progress, and the results cannot be predicted at this moment.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

40. Statements of cash flows

(a) Cash and cash equivalents reported in the accompanying consolidated statements of cash flows as of December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------------------------------|--------------------------|--------------------------|
| Cash | ₩ 2,131,816 | 2,259,832 |
| Reserve deposits | 10,732,094 | 8,477,472 |
| Other deposits | 15,192,866 | 11,832,578 |
| Cash and due from banks | 28,056,776 | 22,569,882 |
| Less: Restricted due from banks(*) | (244,751) | (293,956) |
| Less: Due with original maturities of more than three months | (196,117) | (896,004) |
| | ₩ <u>27,615,908</u> | <u>21,379,922</u> |

(*) Items which meets the definition of cash in K-IFRS No. 1007 'Statements of Cash Flows' is excluded.

(b) Significant non-cash activities for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------------------------------|--------------------------|--------------------------|
| Debt-equity swap | ₩ 916 | - |
| Accounts payable for purchase of property and equipment | 92 | (3,797) |
| Accounts payable for purchase of intangible assets | 374,685 | (117,743) |
| Recognition of right-of-use assets | 263,753 | 256,704 |
| Recognition of lease liabilities | 224,595 | 216,931 |

(c) Changes in liabilities resulting from financing activities for the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | | | | |
|------------------------------------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
| | <u>Derivative assets</u> | <u>Borrowings</u> | <u>Debentures</u> | <u>Lease liabilities</u> | <u>Total</u> |
| Beginning balance | ₩ 707,184 | 24,212,793 | 33,186,179 | 397,251 | 58,503,407 |
| Changes in cash flows | 333 | 2,322,021 | 4,257,885 | (175,624) | 6,404,615 |
| Amortization | - | 547 | (15,058) | 11,256 | (3,255) |
| Net foreign currencies transaction gain (loss) | - | 165,837 | 114,312 | (4,237) | 275,912 |
| Changes in fair value of hedged items | - | - | 207,367 | - | 207,367 |
| Others | (218,731) | - | - | 195,923 | (22,808) |
| Ending balance | ₩ <u>488,786</u> | <u>26,701,198</u> | <u>37,750,685</u> | <u>424,569</u> | <u>65,365,238</u> |

| | <u>December 31, 2022</u> | | | | |
|-----------------------------------------|--------------------------|-------------------|-------------------|--------------------------|-------------------|
| | <u>Derivative assets</u> | <u>Borrowings</u> | <u>Debentures</u> | <u>Lease liabilities</u> | <u>Total</u> |
| Beginning balance | ₩ (9,449) | 20,962,239 | 37,625,738 | 414,416 | 58,992,944 |
| Changes in cash flows | 56 | 2,872,249 | (3,589,574) | (185,244) | (902,513) |
| Amortization | - | (2,495) | (104) | 8,134 | 5,535 |
| Net foreign currencies transaction loss | - | 380,799 | (167,956) | 18,864 | 231,707 |
| Changes in fair value of hedged items | - | - | (681,924) | - | (681,924) |
| Others | 716,577 | - | - | 141,081 | 857,658 |
| Ending balance | ₩ <u>707,184</u> | <u>24,212,792</u> | <u>33,186,180</u> | <u>397,251</u> | <u>58,503,407</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions**

(a) Significant balances with the related parties as of December 31, 2023 and 2022 are as follows:

| Related party | Account | December 31, 2023 | December 31, 2022 | |
|--------------------------------------|----------------------------------------------|---------------------------------------------|----------------------|--------|
| The parent company | | | | |
| Shinhan Financial Group | Current tax assets | ₩ 2,856 | 1,814 | |
| | Deposits | 22 | 2,188 | |
| | Current tax liabilities | 118,716 | 426,134 | |
| | Other liabilities | 65,424 | 55,204 | |
| Entities under common control | | | | |
| Shinhan Card Co., Ltd. | Derivative assets | 305 | 785 | |
| | Loans | 168,836 | 494,622 | |
| | Allowance for loan loss | (1,211) | (852) | |
| | Other assets | 1,173 | 9,573 | |
| | Deposits | 200,188 | 123,259 | |
| | Derivative liabilities | 54,177 | 46,340 | |
| | Provisions | 739 | 451 | |
| | Other liabilities(*3) | 58,171 | 30,462 | |
| | Shinhan Securities Co., Ltd. | Cash and due | 8 | - |
| | | Financial assets designated at FVTPL(*2) | 3,939 | 4,142 |
| | | Derivative assets | 11,114 | 18,875 |
| | | Loans | 29,919 | 23,634 |
| | | Allowance for loan loss | (143) | (187) |
| | | Other assets(*1) | 11,076 | 1,942 |
| Deposits | | 748,851 | 1,121,312 | |
| Derivative liabilities | | 2,199 | 1,153 | |
| Provisions | | 155 | 133 | |
| Other liabilities(*4) | | 71,265 | 40,172 | |
| Shinhan Life Insurance | | Derivative assets | 22,351 | 15,465 |
| | | Loans | 15 | 33 |
| | | Other assets | 209,269 | 49 |
| | | Deposits | 204,378 | 71,611 |
| | Derivative liabilities | 24,866 | 31,956 | |
| | Provisions | 20 | 31 | |
| | Other liabilities(*5) | 41,089 | 15,412 | |
| | Shinhan Capital Co., Ltd. | Loans | 280,000 | - |
| | | Allowance for loan loss | (30) | - |
| | | Other assets | 124 | - |
| | | Deposits | 1,093 | 1,923 |
| | | Allowance for loan loss | 10 | 16 |
| | | Other liabilities(*6) | 13,490 | 13,152 |
| | Jeju Bank | Loans | 1,825 | 1,906 |
| Allowance for loan loss | | (1) | (2) | |
| Other assets | | 1 | - | |
| Deposits | | 2,612 | 2,833 | |
| Shinhan Asset Management Co., Ltd. | Other liabilities | 2,139 | 2,139 | |
| | Financial assets designated at FVTPL (*2) | 34,456 | 26,205 | |
| | Deposits | 9,670 | 27,476 | |
| | Other liabilities(*7) | 1,094 | 480 | |
| | Shinhan DS | Loans | 6 | 10 |
| Other assets | | 31,395 | 20,350 | |
| Deposits | | 5,081 | 9,363 | |
| Other liabilities | | 8,035 | 8,295 | |
| Shinhan Savings Bank | Other liabilities | 10,356 | 8,987 | |
| | Shinhan Fund Partners(*10) | Deposits | 22,177 | 9,878 |
| Other liabilities | | 398 | 58 | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(a) Significant balances with the related parties as of December 31, 2023 and 2022 are as follows: (continued)

| Related party | Account | December 31, 2023 | December 31, 2022 |
|----------------------------------------------------------------------------------|------------------------|----------------------|----------------------|
| Entities under common control (continued) | | | |
| Shinhan AI | Other assets | ₩ - | 28 |
| | Deposits | 30 | - |
| | Other liabilities | - | 1,575 |
| Shinhan REITs Management | Deposits | 8,361 | 3,331 |
| | Other liabilities | 371 | 8 |
| Shinhan Asset Trust Co., Ltd. | Loans | 3,606 | 3,982 |
| | Deposits | 189,534 | 310,233 |
| | Other liabilities(*8) | 575 | 592 |
| Shinhan Venture Investment Co., Ltd. | Deposits | 8,041 | 11,003 |
| | Other liabilities | 14 | 10 |
| Shinhan EZ General Insurance, Ltd.(*9) | Deposits | 170 | 4 |
| One-Shinhan Connect Fund 1 | Deposits | 289 | 22,009 |
| One-Shinhan Connect Fund 2 | Deposits | 364 | 28,983 |
| IMM Long-term Solutions Private Equity Fund | Deposits | 3 | 619 |
| | Other liabilities | - | 7 |
| Shinhan hyper connect venture fund 1 | Deposits | 5,435 | - |
| SH Global Private Real Estate Investment Trust No.5 | Derivative assets | 4,282 | - |
| | Derivative liabilities | - | 5,837 |
| SH US Nevada Photovoltaic Private Special Asset Investment Trust | Derivative assets | - | 333 |
| Shinhan AIM Real Estate Fund No.15 | Derivative liabilities | - | 93 |
| Shinhan AIM Fund of Fund 4 | Derivative assets | - | 38 |
| | Derivative liabilities | 204 | 511 |
| SH Veneta Toll Road Pro. Private Special Asset Investment Trust(Infra) | Derivative liabilities | 32 | 454 |
| Shinhan AIM Real Estate Fund No.22-A | Derivative assets | 1,158 | - |
| | Derivative liabilities | - | 768 |
| SH Global Green Energy Partnership Private Special Asset Investment Trust No.1 | Derivative assets | - | 29 |
| | Derivative liabilities | - | 23 |
| Shinhan Dollar Income Private Security Investment Trust No.2 | Derivative assets | - | 1,579 |
| Kyobo-AXA Czech Republic-Praha Private Realestate Trust No.1 | Derivative liabilities | - | 173 |
| Shinhan AIM Credit Fund 4-B | Derivative liabilities | 1,730 | - |
| Investments in associates and associates of entities under common control | | | |
| BNP Paribas Cardif Life Insurance Co., Ltd. | Deposits | 2,984 | 18,745 |
| Partners 4th Growth Investment Fund(*11) | Deposits | - | 742 |
| ICSF (The Korea's Information Center for Savings & Finance) | Deposits | 7 | 2 |
| KOREA FINANCE SECURITY | Deposits | 132 | 415 |
| Hermes Private Equity Fund(*11) | Deposits | - | 218 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(a) Significant balances with the related parties as of December 31, 2023 and 2022 are as follows: (continued)

| Related party | Account | December 31, 2023 | December 31, 2022 |
|---------------------------------------------------------------------------------------------|-------------------------|----------------------|----------------------|
| Investments in associates and associates of entities under common control(continued) | | | |
| Korea Credit Bureau | Deposits | ₩ 640 | 721 |
| Goduck Gangil1 PFV Co., Ltd. | Loans | - | 6,825 |
| | Allowance for loan loss | - | (20) |
| | Deposits | 11 | 3 |
| SBC PFV Co., Ltd. | Deposits | 13,113 | 21,163 |
| Sprott Global Renewable Private Equity Fund I(*11) | Deposits | - | 100 |
| | Loans | 1,100 | 3,100 |
| Goduck Gangil10 PFV Co., Ltd. | Allowance for loan loss | (5) | (9) |
| | Deposits | 7,568 | 26,880 |
| Shinhan Global Healthcare Fund II | Deposits | 1 | 1 |
| IMM Special Situation Private Equity Fund(the number two of one)(*11) | Deposits | - | 151 |
| NV Station Private Equity Fund(*11) | Deposits | - | 21 |
| Korea Digital Asset Custody | Deposits | 34 | 153 |
| SW-S Fund(*11) | Deposits | - | 112 |
| WaveTechnology Co., Ltd. | Deposits | 17 | 41 |
| iPIXEL Co., Ltd. | Deposits | 11 | 225 |
| CJL No.1 Private Equity Fund | Deposits | 265 | 603 |
| Nova New Technology Investment Fund No.1(*11) | Deposits | - | 215 |
| DS Power Semicon Private Equity Fund(*11) | Deposits | - | 100 |
| Genesis No.1 Private Equity Fund(*11) | Deposits | - | 19 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | Deposits | 923 | 59 |
| Newlake Growth Capital Partners2 PEF(*11) | Deposits | - | 353 |
| Logisvalley Shinhan REIT Co., Ltd. | Loans | 33,000 | 43,000 |
| | Allowance for loan loss | (36) | (28) |
| | Deposits | 1,134 | 1,421 |
| Shinhan-Albatross Tech Investment Fund | Deposits | 2,229 | 3,402 |
| Shinhan Global Active REIT Co., Ltd. | Deposits | 206 | 393 |
| SEOKWANG T&I | Deposits | 1 | 1 |
| Shinhan Time 1st Investment fund | Deposits | 151 | 238 |
| DeepBlue No.1 Private Equity Fund(*11) | Deposits | - | 400 |
| IMM GLOBAL PRIVATE EQUITY FUND(*11) | Deposits | - | 4 |
| NH-J&-IBKC Label New Technology Fund | Deposits | 301 | - |
| CAPSTONE General Private Real Estate Investment Trust No.26 (Professional Investors) | Deposits | 1 | - |
| Key management personnel | | | |
| | Loans | 5,005 | 6,563 |
| | Allowance for loan loss | (2) | (2) |
| | Provisions | 2 | - |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(a) Significant balances with the related parties as of December 31, 2023 and 2022 are as follows: (continued)

(*1) Includes right-of-use assets.

(*2) It includes the amount related to investments in structured entities.

(*3) As of December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩29,701 million.

(*4) As of December 31, 2023 and 2022, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩ 31,555 million and ₩ 1,529 million, respectively.

(*5) As of December 31, 2023 and 2022, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩ 32,470 million and ₩ 2,086 million, respectively.

(*6) As of December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩338 million.

(*7) As of December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩677 million.

(*8) As of December 31, 2023, the amount of non-controlling interests classified as liabilities for structured entities included in the consolidation is ₩169 million.

(*9) During the year, it has changed to entities under common control from an associate or an associate of entity under common control.

(*10) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.

(*11) It has been removed from the related party as of December 31, 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(b) Significant transactions with the related parties for the years ended December 31, 2023 and 2022 are as follows:

| Related party | Account | December 31, 2023 | December 31, 2022 |
|--------------------------------------|----------------------------------------|----------------------|----------------------|
| The parent company | | | |
| Shinhan Financial Group | Fees and commission income | ₩ 2 | 3 |
| | Other operating income | 1,523 | 1,886 |
| | Interest expense | (514) | (221) |
| | Fees and commission expense | (41,682) | (41,682) |
| | Other operating expense | (402) | (584) |
| Entities under common control | | | |
| Shinhan Card Co., Ltd. | Interest income | 14,085 | 8,484 |
| | Fees and commission income | 176,704 | 165,870 |
| | Gain related to derivatives | 7,698 | 10,653 |
| | Other operating income | 6,312 | 5,728 |
| | Interest expense(*2) | (650) | (428) |
| | Fees and commission expense | (8,427) | (9,482) |
| | Loss related to derivatives | (19,650) | (38,349) |
| | Reversal of (provision for) allowance | (358) | (412) |
| | Other operating expense | (288) | (21) |
| Shinhan Securities Co., Ltd. | Interest income | 2,365 | 1,723 |
| | Fees and commission income | 4,243 | 4,893 |
| | Financial assets measured at FVTPL(*1) | 137 | (26) |
| | Gain related to derivatives | 48,754 | 81,994 |
| | Other operating income | 8,331 | 7,318 |
| | Interest expense(*3) | (16,376) | (6,732) |
| | Fees and commission expense | - | (22) |
| | Loss related to derivatives | (37,080) | (68,511) |
| | Reversal of (provision for) allowance | 44 | 49 |
| | Other operating expense | (417) | (637) |
| Shinhan Life Insurance Co., Ltd. | Fees and commission income | 3,557 | 9,658 |
| | Gain related to derivatives | 36,654 | 54,710 |
| | Other operating income | 3,628 | 3,814 |
| | Interest expense(*4) | (3,772) | (2,261) |
| | Fees and commission expense | (576) | (569) |
| | Loss related to derivatives | (16,823) | (53,308) |
| | Other operating expense | 11 | - |
| Shinhan Capital Co., Ltd. | Interest income | 5,986 | - |
| | Fees and commission income | 27 | 26 |
| | Other operating income | 1,157 | 920 |
| | Interest expense(*5) | (464) | (236) |
| | Reversal of (provision for) allowance | (30) | - |
| | Other operating expense | 6 | - |
| Jeju Bank | Interest income | 2 | 2 |
| | Other operating income | 635 | 589 |
| | Interest expense | (71) | (38) |
| | Reversal of (provision for) allowance | 1 | - |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(b) Significant transactions with the related parties for the years ended December 31, 2023 and 2022 are as follows:
(continued)

| Related party | Account | December 31, 2023 | December 31, 2022 |
|--------------------------------------------------------------------------------|----------------------------------------|----------------------|----------------------|
| Entities under common control | | | |
| Shinhan Asset Management Co., Ltd. | Financial assets measured at FVTPL(*1) | ₩ 8,251 | 5,799 |
| | Fees and commission income | 37 | 47 |
| | Gain related to derivatives | 262 | - |
| | Other operating income | 141 | 139 |
| | Interest expense(*6) | (102) | (864) |
| Shinhan DS | Fees and commission expense | (1,432) | (1,409) |
| | Fees and commission income | 4 | - |
| | Other operating income | 1,014 | 899 |
| | Interest expense | (405) | (240) |
| Shinhan Savings Bank | Other operating expense | (85,239) | (83,743) |
| | Fees and commission income | 1,295 | 1,520 |
| | Other operating income | 939 | 774 |
| Shinhan Fund Partners(*9) | Interest expense | (322) | (186) |
| | Fees and commission income | 44 | 47 |
| | Other operating income | 168 | 160 |
| Shinhan REITs Management | Interest expense | (803) | (165) |
| | Interest expense | (191) | (40) |
| Shinhan AI | Other operating income | 102 | 100 |
| | Fees and commission expense | (6,365) | (6,921) |
| Shinhan Asset Trust Co., Ltd. | Interest income | (3,960) | (2,070) |
| | Fees and commission income | 25 | 24 |
| | Interest expense(*7) | (1,945) | (2,095) |
| | Fees and commission expense | (25) | (340) |
| Shinhan Venture Investment Co., Ltd. | Fees and commission income | 1 | - |
| | Interest expense | (287) | (199) |
| Shinhan EZ General Insurance, Ltd.(*8) | Fees and commission income | 5 | 2 |
| | Interest expense | - | (1) |
| One-Shinhan Connect Fund 1 | Fees and commission income | 13 | - |
| | Interest expense | (8) | (44) |
| One-Shinhan Connect Fund 2 | Fees and commission income | 4 | - |
| | Interest expense | (10) | (18) |
| IMM Long-term Solutions Private Equity Fund | Interest expense | (2) | (10) |
| Shinhan hyper connect venture fund I | Interest expense | (6) | - |
| | Fees and commission income | 3 | - |
| SH Global Private Real Estate Investment Trust No.5 | Gain related to derivatives | 9,715 | - |
| | Loss related to derivatives | (34) | (5,837) |
| SH US Nevada Photovoltaic Private Special Asset Investment Trust | Gain related to derivatives | 2,311 | 333 |
| Shinhan AIM Real Estate Fund No.15 | Loss related to derivatives | (6) | (93) |
| Shinhan AIM Fund of Fund 4 | Gain related to derivatives | 1,965 | 38 |
| | Loss related to derivatives | (354) | (511) |
| SH Veneta Toll Road Pro. Private Special Asset Investment Trust(Infra) | Gain related to derivatives | 2,025 | - |
| | Loss related to derivatives | (105) | (454) |
| Shinhan AIM Real Estate Fund No.22-A | Gain related to derivatives | 2,095 | - |
| | Loss related to derivatives | - | (768) |
| SH Global Green Energy Partnership Private Special Asset Investment Trust No.1 | Gain related to derivatives | 932 | 29 |
| | Loss related to derivatives | (480) | (23) |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(b) Significant transactions with the related parties for the years ended December 31, 2023 and 2022 are as follows:
(continued)

| Related party | Account | December 31, 2023 | December 31, 2022 |
|----------------------------------------------------------------------------------|---------------------------------------|----------------------|----------------------|
| Entities under common control | | | |
| Shinhan Dollar Income Private Security Investment Trust No.2 | Gain related to derivatives | ₩ - | 1,579 |
| | Loss related to derivatives | (1,876) | - |
| Kyobo-AXA Czech Republic-Praha Private Realestate Trust No.1 | Gain related to derivatives | 617 | - |
| | Loss related to derivatives | - | (173) |
| SH Lifetime Income TIF Mixed Asset Investment Trust | Gain related to derivatives | 18 | - |
| SH Long-Term Growth TDF 2030 Security Investment Trust | Gain related to derivatives | 44 | - |
| SH Long-Term Growth TDF 2035 Security Investment Trust | Gain related to derivatives | 42 | - |
| Shinhan AIM Credit Fund 4-B | Loss related to derivatives | (1,957) | - |
| Investments in associates and associates of entities under common control | | | |
| BNP Paribas Cardif Life Insurance Co., Ltd. | Fees and commission income | 3,695 | 1,283 |
| | Interest expense | (57) | (52) |
| Partners 4th Growth Investment Fund(*10) | Interest expense | - | (12) |
| KOREA FINANCE SECURITY | Fees and commission income | 4 | 6 |
| Korea Credit Bureau | Fees and commission income | 14 | 13 |
| Goduck Gangil1 PFV Co., Ltd | Interest income | 143 | 377 |
| | Reversal of (provision for) allowance | 20 | 31 |
| SBC PFV Co., Ltd | Fees and commission income | - | 808 |
| | Interest expense | (13) | (23) |
| Goduck Gangil10 PFV Co., Ltd | Interest income | 69 | 171 |
| | Interest expense | (647) | (738) |
| | Reversal of (provision for) allowance | 4 | 14 |
| CJL No.1 Private Equity Fund | Interest expense | (10) | - |
| iPIXEL Co., Ltd. | Interest income | - | 1 |
| DDI LVC Master Real Estate Investment Trust Co., Ltd. | Interest expense | (1) | (1) |
| Logisvalley Shinhan REIT Co., Ltd. | Interest income | 1,841 | 1,018 |
| | Interest expense | (2) | (1) |
| | Reversal of (provision for) allowance | (8) | (28) |
| Shinhan-Albatross Tech Investment Fund | Interest expense | (4) | (7) |
| Newlake Growth Capital Partners2 PEF(*10) | Interest expense | - | (1) |
| Shinhan Global Active REIT Co., Ltd. | Interest expense | (2) | (1) |
| DeepBlue No.1 Private Equity Fund(*10) | Interest expense | - | (2) |
| NH-J&-IBKC Label New Technology Fund | Interest expense | (12) | - |
| Key management personnel | | | |
| | Interest income | 242 | 205 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(b) Significant transactions with the related parties for the years ended December 31, 2023 and 2022 are as follows:
(continued)

(*1) The amount of investment related to structured entities is included.

(*2) The amount includes ₩(-)449million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*3) The amount includes ₩46 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*4) The amount includes ₩98 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*5) The amount includes ₩(-)14 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*6) The amount includes ₩(-)28 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*7) The amount includes ₩(-)7 million of gain or loss on non-controlling interests of structured entities that are subject to the consolidation.

(*8) During the year, it has changed to entities under common control from an associate or an associate of entity under common control.

(*9) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.

(*10) It has been removed from the related party as of December 31, 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(c) Details of transactions with key management for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|---------------------------------------|------------------------------|------------------------------|
| Short and long-term employee benefits | ₩ 11,530 | 11,742 |
| Post-employment benefits | 364 | 395 |
| Share-based payment transactions | 6,170 | 4,345 |
| | <u>₩ 18,064</u> | <u>16,482</u> |

(d) Payment guarantees of related parties

The guarantees provided between the related parties as of December 31, 2023 and 2022 are as follows:

| Guaranteed parties | Amount of guarantees | | Account |
|---------------------------------------------|-----------------------------|--------------------------|-------------------------------------|
| | December 31, 2023 | December 31, 2022 | |
| Shinhan Securities Co., Ltd. | ₩ 19,000 | 19,000 | Purchase note agreement |
| | 397,633 | 382,713 | Unused credit |
| Shinhan Card Co., Ltd. | 476,221 | 342,356 | Unused credit |
| | 36,877 | 36,878 | Financial guarantee |
| Shinhan Life Insurance Co., Ltd. | 100,087 | 400,070 | (Letter of credit method) |
| Shinhan Capital Co., Ltd. | 40,000 | 40,000 | Unused credit |
| BNP Paribas Cardif Life Insurance Co., Ltd. | 10,000 | 10,000 | Unused credit |
| Shinhan DS | 42 | 17 | Unused credit |
| | 21 | - | Payment guarantee |
| Structured entities | 742,125 | 649,432 | Securities acquisition agreement(*) |
| Key management personnel | 3,241 | 2,143 | Unused credit limit |
| | <u>₩ 1,825,247</u> | <u>1,882,609</u> | |

(*) The amount is for subsidiaries and associates, which are structured entities, under common control.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(e) Collaterals provided to the related parties

i) Details of collaterals provided to the related parties as of December 31, 2023 and 2022 are as follows:

| | Related party | Pledged assets | December 31, 2023 | | December 31, 2022 | |
|-------------------------------|----------------------------------|----------------|-------------------|------------------------|-------------------|------------------------|
| | | | Carrying amounts | Amounts collateralized | Carrying amounts | Amounts collateralized |
| Entities under common control | Shinhan Life Insurance Co., Ltd. | Securities ₩ | 10,008 | 10,008 | 10,055 | 10,055 |

ii) Details of collaterals provided by the related parties as of December 31, 2023 and 2022 are as follows:

| | Related party | Pledged assets | December 31, | December 31, |
|-------------------------------|---------------------------------------------|-----------------------------|--------------------|------------------|
| | | | 2023 | 2022 |
| Entities under common control | Shinhan Securities Co., Ltd. | Deposits ₩ | 309,650 | 266,600 |
| | Jeju Bank | Government bonds | 40,000 | 40,000 |
| | Shinhan Life Insurance Co., Ltd. | Government bonds | 10,000 | 378,000 |
| | Shinhan Card Co., Ltd. | Deposits | 180 | 180 |
| | | Bonds | 237,986 | 520,000 |
| Investments in associates | Shinhan Capital Co., Ltd. | Government, corporate bonds | 364,000 | - |
| | BNP Paribas Cardif Life Insurance Co., Ltd. | Government bonds | 2,400 | 12,400 |
| | iPIXEL Co., Ltd. | Electronic credit guarantee | - | 190 |
| | Logisvalley Shinhan REIT Co., Ltd. | Mortgage trust | 39,600 | 51,600 |
| | Key management personnel | | Real estate | 4,417 |
| | | Deposits | 1,127 | 1,306 |
| | | Guarantee | 1,308 | 3,092 |
| | | | ₩ <u>1,010,668</u> | <u>1,281,441</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(f) Transactions with related parties

(i) Loan transactions with related parties for the years ended December 31, 2023 and 2022 are as follows:

| | Related party | December 31, 2023 | | | |
|-------------------------------|---------------------------------------------------------------------------|-----------------------------|-----------|-----------------|------------|
| | | Beginning(*1) | Loans(*2) | Collections(*2) | Ending(*1) |
| Entities under common control | Shinhan DS | ₩ 10 | 16 | (20) | 6 |
| | Shinhan Securities Co., Ltd. | 23,634 | 108,281 | (101,996) | 29,919 |
| | Shinhan Card Co., Ltd. | 494,622 | 285,122 | (610,908) | 168,836 |
| | Shinhan Life Insurance Co., Ltd. | 33 | 20 | (38) | 15 |
| | Jeju Bank | 1,906 | 1,892 | (1,973) | 1,825 |
| | Shinhan Capital Co., Ltd. | - | 281,621 | (1,621) | 280,000 |
| | Investments in associates and associates of entities under common control | Goduck Gangil PFV Co., Ltd. | 6,825 | - | (6,825) |
| | Goduck Gangil10 PFV Co., Ltd. | 3,100 | - | (2,000) | 1,100 |
| | Logisvalley Shinhan REIT Co., Ltd. | 43,000 | 33,000 | (43,000) | 33,000 |
| Key management personnel | | 6,563 | 3,154 | (4,712) | 5,005 |
| | | ₩ 579,693 | 713,106 | (773,093) | 519,706 |

(*1) The amount is before deducting allowance.

(*2) Some of the limit loans are shown in net amount.

| | Related party | December 31, 2022 | | | |
|---------------------------------------------------------------------------|------------------------------------|-------------------|-----------|-----------------|------------|
| | | Beginning(*1) | Loans(*2) | Collections(*2) | Ending(*1) |
| Entities under common control | Shinhan DS | ₩ 7 | 16 | (13) | 10 |
| | Shinhan Card Co., Ltd. | 96,164 | 535,117 | (136,659) | 494,622 |
| | Jeju Bank | 2,060 | 3,893 | (4,047) | 1,906 |
| | Shinhan Securities Co., Ltd. | 192,413 | 72,765 | (241,544) | 23,634 |
| | Shinhan Life Insurance Co., Ltd. | 13 | 37 | (17) | 33 |
| Investments in associates and associates of entities under common control | Goduck Gangil PFV Co., Ltd. | 12,000 | - | (5,175) | 6,825 |
| | Goduck Gangil10 PFV Co., Ltd. | 7,600 | - | (4,500) | 3,100 |
| | iPIXEL Co., Ltd. | 55 | - | (55) | - |
| | Logisvalley Shinhan REIT Co., Ltd. | - | 43,000 | - | 43,000 |
| Key management personnel | | 6,150 | 4,590 | (4,177) | 6,563 |
| | | ₩ 316,462 | 659,418 | (396,187) | 579,693 |

(*1) The amount is before deducting allowance.

(*2) Some of the limit loans are shown in net amount.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(f) Transactions with related parties (continued)

(ii) Borrowing transactions with related parties for the years ended December 31, 2023 and 2022 are as follows:

| | Related party | Account | December 31, 2023 | | | | |
|-------------------------------|---------------------------------------------|--------------------------------------|-------------------|------------------|----------------|------------------|----------------|
| | | | Beginning | Loans | Collections | Ending | |
| Entities under common control | Shinhan Securities Co., Ltd. | Deposit(*1) | ₩ 502,280 | 23,624 | (472,956) | 52,948 | |
| | Shinhan Card Co., Ltd. | Deposit(*1) | 1,794 | 57,885 | (8,031) | 51,648 | |
| | Shinhan Asset Management Co., Ltd. | Deposit(*1) | 10,341 | - | (10,341) | - | |
| | Shinhan Fund Partners(*2) | Deposit(*1) | 5,000 | 29,000 | (19,000) | 15,000 | |
| | Shinhan DS | Deposit(*1) | 6,786 | - | (3,563) | 3,223 | |
| | Shinhan Asset Trust Co., Ltd. | Deposit(*1) | 100,000 | 50,172 | (100,000) | 50,172 | |
| | Shinhan Life Insurance Co., Ltd. | Deposit(*1) | 31,098 | 18,937 | (4,490) | 45,545 | |
| | Shinhan REITs Management | Deposit(*1) | 3,000 | 6,100 | (1,000) | 8,100 | |
| | Shinhan Venture Investment Co., Ltd. | Deposit(*1) | 10,500 | 5,000 | (7,500) | 8,000 | |
| | IMM Long-term Solutions Private Equity Fund | Deposit(*1) | 609 | - | (609) | - | |
| | Associate of entity under joint control(*3) | NH-J&-IBKC Label New Technology Fund | Deposit(*1) | - | 335 | (87) | 248 |
| | | CJL No.1 Private Equity Fund | Deposit(*1) | 603 | - | (338) | 265 |
| | | | | ₩ <u>672,011</u> | <u>191,053</u> | <u>(627,915)</u> | <u>235,149</u> |

(*1) The details of settlements among related parties' depository liabilities that can be deposited and withdrawn on demand, are excluded.

(*2) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.

(*3) The amount of ₩4 million in deposits of DeepBlue No.1 Private Equity Fund, which is excluded from related parties was excluded from the beginning balance.

| | Related party | Account | December 31, 2022 | | | | |
|-------------------------------|---------------------------------------------|-----------------------------------|-------------------|------------------|--------------------|----------------|-----|
| | | | Beginning | Loans | Collections | Ending | |
| Entities under common control | Shinhan Securities Co., Ltd.(*2) | Debenture | ₩ 19,100 | 1,389,588 | (1,408,688) | - | |
| | Shinhan Securities Co., Ltd. | Deposit(*1) | 143,563 | 358,717 | - | 502,280 | |
| | Shinhan Card Co., Ltd. | Deposit(*1) | 3,212 | 1,019 | (2,437) | 1,794 | |
| | Shinhan Asset Management Co., Ltd. | Deposit(*1) | 78,911 | 9,968 | (78,538) | 10,341 | |
| | Shinhan Fund Partners(*3) | Deposit(*1) | 12,000 | 10,000 | (17,000) | 5,000 | |
| | Shinhan DS | Deposit(*1) | 825 | 5,961 | - | 6,786 | |
| | Shinhan Asset Trust Co., Ltd. | Deposit(*1) | 180,000 | 50,000 | (130,000) | 100,000 | |
| | Shinhan Life Insurance Co., Ltd. | Deposit(*1) | 20,903 | 12,445 | (2,250) | 31,098 | |
| | Shinhan REITs Management | Deposit(*1) | - | 3,000 | - | 3,000 | |
| | Shinhan Venture Investment Co., Ltd. | Deposit(*1) | - | 12,000 | (1,500) | 10,500 | |
| | IMM Long-term Solutions Private Equity Fund | Deposit(*1) | - | 609 | - | 609 | |
| | Associate of entity under joint control. | CJL No.1 Private Equity Fund | Deposit(*1) | - | 603 | - | 603 |
| | | DeepBlue No.1 Private Equity Fund | Deposit(*1) | - | 400 | - | 400 |
| | | | ₩ <u>458,514</u> | <u>1,854,310</u> | <u>(1,640,413)</u> | <u>672,411</u> | |

(*1) The details of settlements among related parties' depository liabilities that can be deposited and withdrawn on demand, are excluded.

(*2) It includes private equity bonds of general investors sold through Shinhan Securities Co., Ltd.

(*3) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(g) Major commitments related to derivatives

As of December 31, 2023 and 2022, the significant commitments related to derivative assets and liabilities with related parties are as follows:

| | <u>Related party</u> | <u>Classification of commitments</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> | |
|-------------------------------|--------------------------------------------------------------------------------|--------------------------------------|--------------------------|--------------------------|------------------|
| Entities under common control | Shinhan Life Insurance Co., Ltd. | Derivatives | ₩ 1,507,630 | 1,001,557 | |
| | Shinhan Card Co., Ltd. | Derivatives | 857,363 | 1,037,409 | |
| | Shinhan Securities Co., Ltd. | Derivatives | 687,749 | 581,315 | |
| | SH US Nevada Photovoltaic Private Special Asset Investment Trust | Derivatives | - | 47,524 | |
| | SH Veneta Toll Road Pro. Private Special Asset Investment Trust(Infra) | Derivatives | 29,103 | 27,609 | |
| | Shinhan Dollar Income Private Security Investment Trust No.2 | Derivatives | - | 37,639 | |
| | Shinhan AIM Fund of Fund 4 | Derivatives | 30,715 | 30,904 | |
| | Shinhan AIM Real Estate Fund No.22-A | Derivatives | 26,573 | 24,575 | |
| | SH Global Private Real Estate Investment Trust No.5 | Derivatives | 196,505 | 194,657 | |
| | SH Global Green Energy Partnership Private Special Asset Investment Trust No.1 | Derivatives | - | 11,706 | |
| | Kyobo-AXA Czech Republic-Praha Private Realestate Trust No.1 | Derivatives | - | 8,390 | |
| | Shinhan AIM Credit Fund 4-B | Derivatives | 66,682 | - | |
| | Shinhan AIM Real Estate Fund No.15 | Derivatives | - | 2,128 | |
| | | | ₩ | <u>3,402,320</u> | <u>3,005,413</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(h) Major investment and collection transactions

Major investments and collection transactions with related parties for the years ended December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------|------------|
| | | Related party | Investment | Collection |
| Investments in associates | Shinhan-Albatross Technology Investment Fund | ₩ | - | 1,000 |
| | Korea Credit Bureau | | - | 45 |
| | Neoplux Technology Valuation Investment Fund | | - | 3,331 |
| | All Together Korea Fund 6 | | 105 | 105 |
| | All Together Korea Fund 7 | | 105 | 105 |
| | One Shinhan Connect Fund 1 | | - | 208 |
| | One Shinhan Connect Fund 2 | | - | 6,130 |
| | Shinhan SKS Corporate Recovery Private Equity Fund | | 6,682 | 298 |
| | One Shinhan Futures Fund 1 | | - | 612 |
| | One Shinhan Futures Fund 3 | | - | 309 |
| | DDI LVC Master Real Estate Investment Trust Co., Ltd. | | 450 | - |
| | BTS 2nd Private Equity Fund | | 2,200 | - |
| | One Shinhan Mezzanine Fund 1 | | 10,000 | - |
| | Shinhan hyper connect venture fund I | | 15,200 | - |
| | Shinhan Global Flagship Venture FundI | | 18,000 | - |
| | One Shinhan Futures Fund 2 | | - | 199 |
| | Shinhan hyper future's venture fund 1 | | 319 | - |
| | KST-SH Laboratory Investment Fund No.1 | | - | 260 |
| | SBC PFV Co., Ltd. | | 1,875 | - |
| | Entities under common control and investments in associates under common control | SH YoungNam LNG Combined Cycle Private Special Asset Investment Trust[Infra business] | | - |
| SHBNPP Mokpo New Port Professional Investment Type Private Special Asset Investment Trust | | | - | 1,822 |
| SHBNPP Real Estate Loan Professional Investment Type Private Real Estate Investment Trust No.1 | | | - | 8,821 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.1 | | | 1,204 | 3,199 |
| Shinhan AIM Social Enterprise Investment Fund I | | | 48 | - |
| SHINHAN NPS RENEWABLE FUND NO.1 | | | 212 | 7,238 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.2 | | | 3,500 | 3,389 |
| Shinhan AIM Social Enterprise Investment Fund II | | | 78 | - |
| SHBNPP WTE(Iste To Energy) Professional Investment Type Private Special Asset Investment Trust No.1 | | | 7,471 | 124 |
| Shinhan AIM FoF Fund 6 | | | 4,298 | 772 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.3 | | | 3,500 | - |
| SH BNPP Startup Venture Alpha Specialized Investment Private Equity Mixed Asset Trust No.1 | | | 525 | - |
| Shinhan ESG Bond Specialized Investment Trust No. 1 | | | - | 8,779 |
| Shinhan AIM Social Enterprise Investment Fund III | | | 1,250 | - |
| SH Venture Professional Investment Type Private Investment Trust No.4 | | | 14,000 | - |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.3 | | | 14,339 | 9 |
| SH Startup Venture Alpha Private Equity Mixed Asset Trust No.2 | | | 2,100 | - |
| Shinhan Digital New Deal Private Mixed Asset | | | 9,414 | 23 |
| Shinhan Subway Line No.9 Private Mixed Asset | | | - | 6,619 |
| Shinhan AIM FoF Fund 9-C | | | 4,335 | 398 |
| SH Venture Private Investment Trust No.5 | | 21,000 | - | |
| Shinhan Greenway Corporate Investment FUND NO.1 | | 12,500 | - | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties for the years ended December 31, 2023 and 2022 are as follows: (continued)

| | | December 31, 2023 | | |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-------------------|------------|------------|
| | | Related party | Investment | Collection |
| Entities under common control and investments in associates under common control | SH BGT Private Special Asset Investment Trust No.2 | ₩ | 8,154 | - |
| | SH-KT Logistics Investment Type Private Real Estate Investment Trust No.1[FoFs] | | 20 | - |
| | SH Venture Private Investment Trust No.6 | | 8,082 | - |
| | SH-LS Global Green Way Private Special Asset Investment Trust | | 14,000 | - |
| | Shinhan One Flagship Real Estate Development Fund 1 | | 13,218 | - |
| | Shinhan KKR Global Program Private Investment Trust(USD) | | 6,255 | - |
| | SH Dollar Short-term Security Investment Trust No.1[Bond] | | 21,376 | - |
| | SH Brookfield Infrastructure Fund V Private Special Asset Investment Trust No.2-A(USD)[FoFs] | | 12,894 | - |
| | SH Venture Private Investment Trust No.6 | | 6,125 | - |
| | SH Special Situation Private Real Estate Feeder Investment Trust No.1 | | 10,702 | - |
| | Shinhan Corporate Opportunities Investment private Mixed Asset Investment Trus | | 11,807 | - |
| | SH Green Infrastructure Private Special Asset Investment Trust No.1 | | 1,213 | - |
| | Shinhan The Credit Private Mixed Asset Trust No.01 | | 10,000 | - |
| | DB EB private investment fund2 | | 2,000 | - |
| | SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Tru No.3 | | - | 6,993 |
| | SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investme Trust No.3 | | - | 11,610 |
| | SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investme Trust No.2 | | - | 877 |
| | SHBNPP BNCT Professional Investment Type Private Mixed Asset | | - | 18,743 |
| | SHBNPP Sangju YC Expressway Professional Investment Type Private Special Ass Investment Trust | | 2 | - |
| | SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 | | - | 2,690 |
| | Mastern Opportunity Seeking Real Estate Fund II | | - | 1,575 |
| | SIMONE Mezzanine Fund No.3 | | - | 1,312 |
| | PHAROS DK FUND | | - | 635 |
| | SH Estate Loan Private Investment No.2 | | 10,989 | 6,443 |
| | SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | | 1,396 | - |
| | IGIS Private Real Estate Investment Trust 517-1 | | 18,500 | - |
| | SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.3 | | 4,211 | - |
| | Shinhan Digital Healthcare New Technology Investment Fund 1 | | - | 292 |
| | Shinhan Time Secondary Blind Fund | | 1,500 | - |
| | Shinhan-soo secondary Fund | | 1,350 | - |
| SHINHAN-NEO Market-Frontier 2nd Fund | | 1,500 | - | |
| T&F2019 SS Private Equity Fund Specializing in Start-up and Venture Business | | - | 842 | |
| SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | | - | 6,997 | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties for the years ended December 31, 2023 and 2022 are as follows: (continued)

| | December 31, 2023 | | |
|---------------------|---------------------------------------------------------------------------------|------------------|----------------|
| | Related party | Investment | Collection |
| Entities under | | | |
| and investments | J& Moorim Jade Investment Fund | ₩ - | 226 |
| in associates under | NH Kyobo AI Solution Investment Fund | - | 2,192 |
| common control | SKS-YOZMA No.1 Fund | - | 2,070 |
| | Keystone Unicorn Private Equity Fund | - | 2,250 |
| | Forward-NBH New Technology Fund 1 | 2,000 | - |
| | Kiwoom Materials, Parts and Equipment 3 New Technology Business Investment Fund | 2,000 | - |
| | VL Ziegler II Private Equity Fund | 9,000 | - |
| | SQUARE NEW PARADIGM INVESTMENT FUND NO.1 | 2,000 | - |
| | Kiwoom-Time Animation New Technology Business Investment Fund | 2,000 | - |
| | Ascent-Welcome Fund2 | 3,000 | - |
| | | ₩ <u>340,004</u> | <u>129,689</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. **Related party transactions (continued)**

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties for the years ended December 31, 2023 and 2022 are as follows: (continued)

| | | December 31, 2022 | | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------|------------|-------|
| | | Related party | Investment | Collection | |
| Investments in associates | Shinhan-Albatross Technology Investment Fund | ₩ | - | 1,200 | |
| | Shinhan-Neoplux Energy Newbiz Fund | | - | 288 | |
| | Korea Digital Asset Custody | | - | - | |
| | Newlake Growth Capital Partners2 PEF | | - | 136 | |
| | Neoplux Technology Valuation Investment Fund | | - | 598 | |
| | Stassets-DA Value Healthcare Fund I | | - | 107 | |
| | KST-SH Laboratory Investment Fund No.1 | | 500 | - | |
| | Partners 4th Growth Investment Fund | | - | 1,714 | |
| | One Shinhan Connect Fund 1 | | 11,100 | 12,163 | |
| | One Shinhan Connect Fund 2 | | 15,000 | - | |
| | Shinhan SKS Corporate Recovery Private Equity Fund | | 4,965 | - | |
| | Shinhan VC Tomorrow Venture Fund 1 | | 10,000 | - | |
| | One Shinhan Futures Fund 1 | | - | 794 | |
| | One Shinhan Futures Fund 3 | | 598 | - | |
| | DDI LVC Master Real Estate Investment Trust Co., Ltd. | | 6,625 | - | |
| | Logisvalley Shinhan REIT Co., Ltd.(*) | | 9,800 | - | |
| | BTS 2nd Private Equity Fund | | 3,026 | - | |
| | Shinhan Global Flagship Venture FundI | | 18,000 | - | |
| | Entities under common control and investments in associates under common control | SHBNPP Mokpo New Port Professional Investment Type Private Special Asset Investment Trust | | - | 1,519 |
| | | SHBNPP Real Estate Loan Professional Investment Type Private Real Estate Investment Trust No.1 | | - | 720 |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.1 | | | - | 4,223 | |
| Shinhan AIM Social Enterprise Investment Fund I | | | - | 659 | |
| SHINHAN NPS RENEWABLE FUND NO.1 | | | 8,927 | 34 | |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.2 | | | 3,500 | 3,457 | |
| Shinhan AIM Social Enterprise Investment Fund II | | | 324 | - | |
| SHBNPP WTE(Iste To Energy) Professional Investment Type Private Special Asset Investment Trust No.1 | | | 1,151 | - | |
| Shinhan AIM FoF Fund 6 | | | 12,673 | - | |
| SHBNPP Venture Professional Investment Type Private Investment Trust No.3 | | | 10,500 | - | |
| SHBNPP Ongoing Peace TDF 2040 Security Investment Trust(H)[Equity Balanced-FoF] | | | - | 1,247 | |
| SH BNPP Startup Venture Alpha Specialized Investment Private Equity Mixed Asset Trust No.1 | | | 525 | - | |
| Shinhan AIM Investment Finance Specialized Investment Trust No. 1 | | | 5,396 | - | |
| Shinhan ESG Bond Specialized Investment Trust No. 1 | | | - | 70,678 | |
| Shinhan AIM Social Enterprise Investment Fund III | | | 1,775 | - | |
| SH Venture Professional Investment Type Private Investment Trust No.4 | | | 21,000 | - | |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.3 | | | 8,234 | - | |
| SH Startup Venture Alpha Private Equity Mixed Asset Trust No.2 | | | 1,575 | - | |
| Shinhan Digital New Deal Private Mixed Asset | | | 4,007 | - | |
| Shinhan Subway Line No.9 Private Mixed Asset | | | 115,457 | 5,112 | |
| Shinhan AIM FoF Fund 9-C | | 9,560 | - | | |
| SH Venture Private Investment Trust No.5 | | 21,000 | - | | |
| Shinhan Greenway Corporate Investment FUND NO.1 | | 7,300 | - | | |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(h) Major investment and collection transactions (continued)

Major investments and collection transactions with related parties for the years ended December 31, 2023 and 2022 are as follows: (continued)

| | | December 31, 2022 | | |
|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|-------------------|------------|------------|
| | | Related party | Investment | Collection |
| Entities under common control and investments in associates under common control | Shinhan Dollar Income Private No.2 Fund | ₩ | 38,019 | - |
| | Shinhan Corporate Investment Type Private No.15 Fund | | 50,000 | - |
| | SH BGT Private Special Asset Investment Trust No.2 | | 3,995 | - |
| | SH-KT Logistics Investment Type Private Real Estate Investment Trust No.1[FoFs] | | 11,600 | - |
| | Aone Mezzanine Opportunity Private Mixed Investment | | - | 2,600 |
| | SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | | 9,200 | 669 |
| | SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | | - | 201 |
| | SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | | - | 3,474 |
| | SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust | | 5 | - |
| | SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 | | - | 4,361 |
| | Mastern Opportunity Seeking Real Estate Fund II | | - | 2,366 |
| | SHBNPP BNCT Professional Investment Type Private Mixed Asset | | - | 16,452 |
| | SH Estate Loan Private Investment No.2 | | 29,458 | 1,531 |
| | SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | | 247 | - |
| | Pacific Private Investment Trust No.49-1 | | 10,000 | - |
| | Shinhan Digital Healthcare New Technology Investment Fund I | | - | 587 |
| | Truston Global Professional Investment Type Private Special Asset Investment Trust No.3 | | - | 409 |
| | IMM Long-term Solutions Private Equity Fund | | 19,434 | - |
| | Synergy-Turnaround 18th New Technology Fund | | 1,000 | - |
| | Genesis No.1 Private Equity Fund | | 238 | - |
| | T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | | - | 842 |
| | SHINHAN-NEO Core Industrial Technology Fund | | 1,160 | - |
| | SHINHAN-NEO Market-Frontier 2nd Fund | | 3,000 | - |
| | Synergy-Turnaround 13th New Technology Fund | | - | 1,374 |
| | J& Moorim Jade Investment Fund | | - | 131 |
| | Gyeonggi-Neoplux Superman Fund | | - | 248 |
| | SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | | 4,732 | 418 |
| | Genesis Eco No.1 PEF | | 97 | - |
| | Daishin Newgen New Technology Investment Fund 1st | | - | 854 |
| | KTB Newlake Global Healthcare PEF | | 6,283 | 10,187 |
| | NH-Brain EV Fund | | 10,000 | - |
| | IGEN2023 No.1 Private Equity Fund | | 4,000 | 237 |
| IP-LD 2023 No.1 Fund | | 1,000 | - | |
| NH-J&-IBKC Label Technology Fund | | 5,000 | - | |
| History 2023 Fintech Fund | | 1,100 | - | |
| NH-Daishin-Kyobo Healthcare No.1 Fund | | 3,000 | - | |
| IBKC-BEHIGH Fund 1st | | 1,500 | - | |
| ON No.1 Private Equity Fund | | 2,000 | - | |
| | | ₩ | 528,586 | 151,590 |

(*)It includes investment without voting rights.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

41. Related party transactions (continued)

(i) The main types of transactions between the Group and related parties include deposit transactions, loan transactions, credit offering transactions by local subsidiaries due to the acquisition of L/C opened by the Bank, overdraft transactions related to credit card funds settlement and CLS payment service agreement transactions.

(j) For the years ended December 31, 2023 and 2022, the Group purchased bonds through Shinhan Securities Co., Ltd. at ₩5,335,149 million and ₩ 4,497,237 million, respectively, while the amount sold is ₩1,410,644 million and ₩2,428,750 million, respectively.

(k) As of December 31, 2023 and 2022, the plan assets deposited in the DB type retirement pension operated and managed by Shinhan Life Insurance are ₩187,228 million and ₩99,992 million, respectively. The plan assets deposited in the DB type retirement pension operated by Shinhan Securities Co., Ltd. and managed by Shinhan Life Insurance are ₩22,026 million and ₩21,221 million, respectively.

(l) As of December 31, 2023 and 2022, the limitation contract amount provided by Shinhan Card, a related party, is ₩67,346 million and ₩66,900 million, respectively.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

42. Investments in subsidiaries

(a) Condensed statements of financial positions for the Bank (separate) and its subsidiaries as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | December 31, 2022 | | |
|---------------------------------|-------------------|-------------------|--------------|-------------------|-------------------|--------------|
| | Total assets | Total liabilities | Total equity | Total assets | Total liabilities | Total equity |
| Shinhan Bank | ₩ 469,727,053 | 438,670,141 | 31,056,912 | 454,842,498 | 425,703,758 | 29,138,740 |
| Shinhan Bank America | 2,256,668 | 2,016,393 | 240,275 | 2,414,659 | 2,152,709 | 261,950 |
| Shinhan Bank Canada | 1,035,231 | 939,250 | 95,981 | 850,852 | 763,728 | 87,124 |
| Shinhan Bank Europe GmbH | 1,085,421 | 976,323 | 109,098 | 1,188,733 | 1,095,161 | 93,572 |
| Shinhan Bank China Limited | 5,213,950 | 4,597,056 | 616,894 | 6,198,889 | 5,619,181 | 579,708 |
| Shinhan Kazakhstan Bank Limited | 1,344,932 | 1,219,802 | 125,130 | 346,739 | 291,682 | 55,057 |
| Shinhan Bank Cambodia | 1,087,730 | 743,577 | 344,153 | 1,071,860 | 869,359 | 202,501 |
| Shinhan Bank Japan | 13,708,217 | 12,715,499 | 992,718 | 12,313,754 | 11,456,039 | 857,715 |
| Shinhan Bank Vietnam Ltd. | 9,147,925 | 7,588,696 | 1,559,229 | 9,926,850 | 8,586,360 | 1,340,490 |
| Shinhan Bank Mexico | 379,694 | 251,269 | 128,425 | 326,518 | 224,579 | 101,939 |
| Shinhan Bank Indonesia(*) | 1,943,475 | 1,545,711 | 397,764 | 1,844,950 | 1,467,028 | 377,922 |
| Structured entities | 10,010,605 | 10,072,258 | (61,653) | 8,791,239 | 8,884,512 | (93,273) |

(*) Fair value adjustments at the time of business combination have reflected.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

42. Investments in subsidiaries (continued)

(b) Condensed statements of comprehensive income for the Bank (separate) and its subsidiaries for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | December 31, 2022 | | |
|---------------------------------|-------------------|---------------------|------------------------------------------------|-------------------|---------------------|------------------------------------------------|
| | Operating income | Profit for the year | Total comprehensive income (loss) for the year | Operating income | Profit for the year | Total comprehensive income (loss) for the year |
| Shinhan Bank | ₩ 35,256,209 | 2,612,112 | 3,265,293 | 33,807,522 | 2,631,873 | 2,027,693 |
| Shinhan Bank America | 119,594 | (26,696) | (21,675) | 93,782 | 7,201 | 13,625 |
| Shinhan Bank Canada | 60,262 | 5,163 | 8,857 | 35,959 | 4,344 | 4,521 |
| Shinhan Bank Europe GmbH | 53,987 | 10,205 | 15,526 | 21,941 | 4,885 | 5,445 |
| Shinhan Bank China Limited | 305,388 | 39,180 | 37,186 | 312,557 | 45,703 | 25,942 |
| Shinhan Kazakhstan Bank Limited | 190,269 | 68,695 | 70,073 | 35,940 | 9,357 | 9,940 |
| Shinhan Bank Cambodia | 82,926 | 9,300 | 11,882 | 69,408 | 23,638 | 34,774 |
| Shinhan Bank Japan | 300,251 | 127,048 | 86,540 | 281,448 | 116,735 | 47,676 |
| Shinhan Bank Vietnam Ltd. | 806,338 | 232,822 | 218,740 | 632,162 | 197,766 | 214,702 |
| Shinhan Bank Mexico | 33,617 | 9,063 | 26,487 | 17,977 | 4,740 | 15,427 |
| Shinhan Bank Indonesia(*) | 147,208 | 7,616 | 20,181 | 92,666 | 12,548 | 712 |
| Structured entities | 546,962 | 57,415 | 57,415 | 319,026 | (106,273) | (105,925) |

(*) Fair value adjustments at the time of business combination are applied.

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

43. Interests in unconsolidated structured entities

(a) The nature and extent of interests in unconsolidated structured entities

The Group is involved in structured entities through investments in asset-backed securities, structured finance, and investment funds. The main characteristics of the structured entities are as follows:

| | Description |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Assets-backed securitization | <p>Securitization vehicles are established to buy assets from originators and issue asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing (or committing to purchase) the asset-backed securities issued and/or providing other forms of credit enhancement.</p> <p>The Group does not consolidate a securitization vehicle if (i) the Group is unable to make or approve decisions as to the modification of the terms and conditions of the securities issued by such vehicle or disposal of such vehicles' assets, (ii) (even if the Group is able to do so) if the Group does not have the exclusive or primary power to do so, or (iii) if the Group does not have exposure, or right, to a significant amount of variable returns from such entity due to the purchase (or commitment to purchase) of asset-backed securities issued or subordinated obligations or by providing other forms of credit support.</p> |
| Structured financing | <p>Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (Mergers and Acquisitions), BTL (Build-Transfer-Lease), shipping finance, etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement.</p> |
| Investment fund | <p>Investment fund is a type of financial assets where investment funds raise funds from the general public to invest in a group of assets such as stocks or bonds and distribute their income and capital gains to their investors. The Group manages assets on behalf of other investors, such as investing in equity in investment funds, collective investment companies, and business members.</p> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

43. **Interests in unconsolidated structured entities (continued)**

(a) The nature and extent of interests in unconsolidated structured entities (continued)

The size of unconsolidated structured entities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|--------------|---|---------------------------------|-------------------------|--------------------|-------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Total assets | ₩ | 154,932,869 | 296,274,180 | 211,534,841 | 662,741,890 |

| | | December 31, 2022 | | | |
|--------------|---|---------------------------------|-------------------------|--------------------|-------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Total assets | ₩ | 109,297,670 | 223,632,461 | 222,486,034 | 555,416,165 |

(b) Nature of risk associated with interests in unconsolidated structured entities

i) The carrying amounts of the assets and liabilities recognized relating to its interests in unconsolidated structured entities as of December 31, 2023 and 2022 are as follows:

| | | December 31, 2023 | | | |
|------------------------------|---|---------------------------------|-------------------------|--------------------|------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets: | | | | | |
| Loans at amortized cost | ₩ | 571,156 | 8,012,626 | 68,102 | 8,651,884 |
| Securities at FVTPL | | 3,463,636 | 51,392 | 5,626,022 | 9,141,050 |
| Derivative assets | | 674 | - | - | 674 |
| Securities at FVTOCI | | 572,626 | 180,179 | - | 752,805 |
| Securities at amortized cost | | 4,666,904 | - | 65 | 4,666,969 |
| | ₩ | 9,274,996 | 8,244,197 | 5,694,189 | 23,213,382 |
| Liabilities: | | | | | |
| Derivative liabilities | ₩ | 9,939 | 315 | - | 10,254 |

| | | December 31, 2022 | | | |
|------------------------------|---|---------------------------------|-------------------------|--------------------|------------|
| | | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets: | | | | | |
| Loans at amortized cost | ₩ | 382,894 | 7,023,732 | 85,772 | 7,492,398 |
| Loans at FVTPL | | - | 46,626 | - | 46,626 |
| Securities at FVTPL | | 2,023,694 | 54,789 | 6,022,521 | 8,101,004 |
| Derivative assets | | 4,432 | - | - | 4,432 |
| Securities at FVTOCI | | 1,106,404 | 175,366 | - | 1,281,770 |
| Securities at amortized cost | | 4,082,846 | - | - | 4,082,846 |
| | ₩ | 7,600,270 | 7,300,513 | 6,108,293 | 21,009,076 |
| Liabilities: | | | | | |
| Derivative liabilities | ₩ | 24,902 | 91 | - | 24,993 |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

43. Interests in unconsolidated structured entities (continued)

(b) Nature of risk associated with interests in unconsolidated structured entities (continued)

ii) Exposure to risk relating to interests in unconsolidated structured entities as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | | | |
|-------------------------|-----------------------------------------|---------------------------------|----------------------------|-------------------|
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets owned | ₩ 9,274,996 | 8,244,197 | 5,694,189 | 23,213,382 |
| Purchase commitments | 958,869 | 10,462 | 777,162 | 1,746,493 |
| Providing unused credit | 348,690 | 289,753 | - | 638,443 |
| | <u>₩ 10,582,555</u> | <u>8,544,412</u> | <u>6,471,351</u> | <u>25,598,318</u> |

| | December 31, 2022 | | | |
|-------------------------|-----------------------------------------|---------------------------------|----------------------------|-------------------|
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets owned | ₩ 7,600,270 | 7,300,513 | 6,108,293 | 21,009,076 |
| Purchase commitments | 891,860 | 91,858 | 472,954 | 1,456,672 |
| Providing unused credit | 407,839 | 251,909 | - | 659,748 |
| | <u>₩ 8,899,969</u> | <u>7,644,280</u> | <u>6,581,247</u> | <u>23,125,496</u> |

SHINHAN BANK AND SUBSIDIARIES

Notes to the Consolidated Financial Statements (Continued)

For the years ended December 31, 2023 and 2022

(In millions of Korean won)

44. Information of trust business

(a) Total assets with trust business as of December 31, 2023 and 2022 and operating revenue for the years ended December 31, 2023 and 2022 are as follows:

| | Total assets | | Operating revenue | |
|----------------|----------------------|----------------------|----------------------|----------------------|
| | December 31, 2023 | December 31, 2022 | December 31, 2023 | December 31, 2022 |
| Consolidated | ₩ 3,603,114 | 3,764,132 | 266,404 | 112,993 |
| Unconsolidated | 122,245,925 | 91,944,641 | 2,608,100 | 1,303,281 |
| | ₩ 125,849,039 | 95,708,773 | 2,874,504 | 1,416,274 |

(b) Significant balances with trust business as of December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------------------------------------|-------------------|-------------------|
| Borrowings from trust accounts | ₩ 6,530,921 | 6,563,116 |
| Deposits | 9,533 | 30,094 |
| Accrued revenues from asset management fee from trust accounts | 34,762 | 22,809 |
| Accrued interest expenses | 5,547 | 7,977 |

(c) Significant transactions with trust business for the years ended December 31, 2023 and 2022 are as follows:

| | December 31, 2023 | December 31, 2022 |
|--------------------------------------------|-------------------|-------------------|
| Asset management fee from trust accounts | ₩ 180,458 | 177,579 |
| Termination fee | 1,476 | 1,056 |
| Interest expense for deposits | 590 | 552 |
| Interest on borrowings from trust accounts | 157,565 | 99,313 |