



**SHINHAN FINANCIAL GROUP CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of Shinhan Financial Group Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shinhan Financial Group Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of the Republic of Korea that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 4 and Note 49 of the financial statements. As explained in Notes 4 and 49, the rapid spread of the COVID-19 has had a negative impact on the global economy, which can result in an increase in expected credit losses, potential impairment of assets, and negatively affecting the Group's ability to generate revenue.

Key Audit Matters

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

1. Expected Credit Losses on Loans Measured at Amortized Cost

Why it is determined to be a key audit matter:

The impairment guidance under Korean IFRS 1109 *Financial Instruments* requires determination of significant increases in credit risk and measurement of expected credit losses using forward-looking information and others. Accordingly, the Group developed a new measurement model utilizing various types of information, which requires a higher level of management's interpretation and judgment.

The Group measures expected credit losses on loans measured at amortized cost based on both individual and collective assessments. Individual assessment of expected credit losses is performed based on estimates of future forecast cash flow with a relatively high degree of management's estimates and judgments, and collective assessment of expected credit losses is involved with a variety and complex variable inputs and assumptions that requires management's estimates and judgments. Due to these facts, expected credit losses of loans measured at amortized costs are determined as a key audit matter.

As described in Note 12, loans measured at amortized cost subject to individual or collective assessments amount to ₩ 392,304,224 million, with allowances for credit losses of ₩ 3,167,068 million as of December 31, 2021.

How our audit addressed the key audit matter:

(1) Assessment of expected credit losses on an individual basis

We obtained an understanding and evaluated the processes and controls relating to the assessment of expected credit losses on an individual basis. In particular, we focused our effort on the assumptions used in estimating future cash flows. We evaluated whether management's estimation was reasonable and we assessed the key assumptions in the cash flow projection including growth rate of entities subject to individual assessment and collateral valuation. As part of these procedures, we assessed whether sales growth rate, operating income ratio, and assumptions on investment activities were consistent with historical operating performance and current market conditions. Furthermore, we assessed the appropriateness of collateral valuation by conducting our own research on recent property prices and engaged independent appraisal specialists in assessing reasonableness of appraisal reports, models and methodologies used by management.

(2) Assessment of expected credit losses on a collective basis

We obtained an understanding and evaluated the processes and controls relating to management's calculation of expected credit losses on a collective basis in accordance with impairment requirements under Korean IFRS 1109 *Financial Instruments*. As explained in Note 3(8), management assesses credit ratings to recognize lifetime expected credit losses on loans with significant increase in credit risk and impaired loans. Other than these cases, management recognizes 12-months of expected credit losses. To calculate all expected credit losses, management has applied forward-looking information, possible multiple scenarios, probability of default, loss given default and other assumptions estimated through its internal procedures and controls implemented for various assumptions.

We assessed the design and operating effectiveness of controls relating to credit ratings that reasonably reflect both qualitative and quantitative information. Our testing over the accuracy and reliability of the information included agreeing qualitative and quantitative information with relevant evidence.

We reviewed the appropriateness of management policies and procedures to determine significant increases in credit risk, and tested reasonableness of expected credit loss model applied by each of the three stages(Stage 1, 2 and 3) depending on how significantly credit risk was increased.

Our audit effort involved risk specialists in verifying the reasonability and possibility of forward-looking information and multiple scenarios produced by management. Also, our audit involved risk specialists to statistically analyze the correlation between forward-looking information and probability of default or loss given default. We assessed the appropriateness of methodologies for adjusting the probability of default to reflect forward-looking information on estimation of expected credit losses. We further tested the reasonableness and mathematical accuracy of the information through recalculation and inspection of supporting data.

We reviewed the methodologies used by management to verify that probability of default and loss given default were calibrated using sufficient and reasonable historical data. We determined that the default and loss data used were appropriately gathered and applied in accordance with internal control procedures. In addition, we assessed reasonableness and accuracy of probability of default and loss given default through procedures including recalculation, and evaluated management's default and loss data by agreeing them with relevant evidence.

2. Valuation of Over-The-Counter Derivatives Classified as Level 3 Subject to Internal Valuation Models

Why it is determined to be a key audit matter :

Fair value of large portion of over-the-counter derivatives in the consolidated financial statements is calculated through the use of an internally developed valuation system. Judgment is required in estimating the fair value of these derivatives held by Shinhan Investment Co., Ltd. in determining appropriate models, assumptions and inputs. Given the complexity of estimation and the extent of judgment involved in valuing these over-the-counter derivatives, we considered this to be a key audit matter. Over-the-counter derivatives of Shinhan Investment Co., Ltd. subject to fair value measurement are financial liabilities designated as fair value through profit or loss related to derivative linked securities and financial assets at fair value through profit or loss(See Note 4(5)) that amount to ₩ 8,376,316 million as of December 31, 2021.

How our audit addressed the key audit matter :

We obtained an understanding and evaluated processes and controls in relation to fair value measurement. Our focus was particularly on the accuracy of underlying transaction data used and mathematical calculation in accordance with management's internal valuation methodologies.

We assessed design and tested operating effectiveness of controls over accuracy and completeness of key inputs such as underlying transaction data (notional amount, interest rate, maturity etc.) used in management's determination of estimated fair value. We tested transaction data used in the valuation by examining supporting evidence including contracts and trade confirmations.

We also tested the controls over periodic verification of management's internal valuation system, verification of input data, and recalculation of output data to ensure the accuracy of over-the-counter derivative valuation. We involved our derivative valuation specialist to independently estimate fair values utilizing independent valuation models and variables to see if management's valuation is outside our ranges.

Other Matter

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

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 Korean 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing 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 Korean Standards on Auditing, 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sungeun Jin, Certified Public Accountant.

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
March 3, 2022

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| <p>This report is effective as of March 3, 2022, 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 there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p> |
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SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

(In millions of won)

| | Note | 2021 | 2020 |
|---|---------------|----------------------|--------------------|
| Assets | | | |
| Cash and due from banks at amortized cost | 4, 8, 12, 19 | ₩ 28,453,404 | 33,410,542 |
| Financial assets at fair value through profit or loss | 4, 9, 19 | 62,403,759 | 59,091,403 |
| Derivative assets | 4, 10 | 3,799,189 | 5,633,915 |
| Securities at fair value through other comprehensive income | 4, 11, 19 | 64,838,323 | 58,316,112 |
| Securities at amortized cost | 4, 11, 19 | 49,930,076 | 47,282,623 |
| Loans at amortized cost | 4, 12 | 389,137,156 | 356,221,519 |
| Property and equipment, net | 13, 18, 19 | 4,046,164 | 3,989,697 |
| Intangible assets | 14 | 5,644,782 | 5,480,619 |
| Investments in associates | 15 | 2,913,745 | 2,657,768 |
| Current tax receivable | | 15,159 | 51,894 |
| Deferred tax assets | 41 | 134,854 | 215,345 |
| Investment property | 16 | 675,391 | 615,235 |
| Net defined benefit assets | 25 | 142,020 | 18,374 |
| Other assets | 4, 12, 17, 19 | 35,973,754 | 32,194,666 |
| Assets held for sale | | 44,409 | 54,392 |
| Total assets | | ₩ 648,152,185 | 605,234,104 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position (Continued)

As of December 31, 2021 and 2020

| <i>(In millions of won)</i> | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|--------------------|--------------------|
| Liabilities | | | |
| Deposits | 4, 20 | ₩ 364,896,675 | 326,416,868 |
| Financial liabilities at fair value through profit or loss | 4, 21 | 1,369,225 | 1,436,694 |
| Financial liabilities designated at fair value through profit or loss | 4, 22 | 8,023,870 | 8,455,724 |
| Derivative liabilities | 4, 10 | 3,586,564 | 5,016,567 |
| Borrowings | 4, 23 | 43,167,065 | 41,594,064 |
| Debt securities issued | 4, 24 | 80,149,363 | 75,134,394 |
| Net defined benefit liabilities | 25 | 51,204 | 62,514 |
| Provisions | 26 | 1,166,856 | 804,736 |
| Current tax payable | | 702,660 | 389,586 |
| Deferred tax liabilities | 41 | 175,947 | 579,656 |
| Liabilities under insurance contracts | 27 | 54,333,498 | 53,460,230 |
| Other liabilities | 4, 28 | 40,990,836 | 45,526,213 |
| Total liabilities | | <u>598,613,763</u> | <u>558,877,246</u> |
| Equity | | | |
| | 29 | | |
| Capital stock | | 2,969,641 | 2,969,641 |
| Hybrid bonds | | 3,334,531 | 2,179,934 |
| Capital surplus | | 12,095,043 | 12,234,939 |
| Capital adjustments | | (664,429) | (687,935) |
| Accumulated other comprehensive loss | | (984,936) | (404,181) |
| Retained earnings | | 30,541,300 | 27,777,169 |
| Total equity attributable to equity holders of Shinhan Financial Group Co., Ltd. | | <u>47,291,150</u> | <u>44,069,567</u> |
| Non-controlling interests | | 2,247,272 | 2,287,291 |
| Total equity | | <u>49,538,422</u> | <u>46,356,858</u> |
| Total liabilities and equity | ₩ | <u>648,152,185</u> | <u>605,234,104</u> |

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

(In millions of won)

| | Note | 2021 | 2020 |
|--|------|-------------|-------------|
| Interest income | | | |
| Financial assets at fair value through other comprehensive income and at amortized cost | ₩ | 14,027,418 | 13,943,159 |
| Financial assets at fair value through profit or loss | | 696,812 | 830,837 |
| | | 14,724,230 | 14,773,996 |
| Interest expense | | (3,954,905) | (4,891,296) |
| Net interest income | 31 | 10,769,325 | 9,882,700 |
| Fees and commission income | | | |
| Fees and commission income | | 4,139,885 | 3,814,474 |
| Fees and commission expense | | (1,464,888) | (1,431,541) |
| Net fees and commission income | 32 | 2,674,997 | 2,382,933 |
| Insurance income | | | |
| Insurance income | | 6,484,523 | 7,247,753 |
| Insurance expenses | | (7,259,909) | (7,851,685) |
| Net insurance expenses | 27 | (775,386) | (603,932) |
| Dividend income | | | |
| Dividend income | 33 | 124,531 | 97,956 |
| Net gain on financial instruments at fair value through profit or loss | | | |
| Net gain on financial instruments at fair value through profit or loss | 34 | 1,103,631 | 272,830 |
| Net gain (loss) on financial instruments at fair value through profit or loss (overlay approach) | 9 | 43,003 | (136,255) |
| Net gain (loss) on financial instruments designated at fair value through profit or loss | 35 | (88,301) | 198,239 |
| Net gain on foreign currency transaction | | 222,819 | 526,615 |
| Net gain on disposal of securities at fair value through other comprehensive income | 11 | 85,596 | 273,793 |
| Net loss on disposal of securities at amortized cost | 11 | (319) | (25) |
| Provision for allowance for credit loss | 36 | (974,685) | (1,382,179) |
| General and administrative expenses | 37 | (5,743,088) | (5,212,473) |
| Other operating expenses, net | 39 | (1,490,027) | (1,370,466) |
| Operating income | | 5,952,096 | 4,929,736 |
| Equity method income | | | |
| Equity method income | 15 | 158,600 | 159,533 |
| Other non-operating expense, net | 40 | (527,032) | (335,398) |
| Profit before income taxes | | 5,583,664 | 4,753,871 |
| Income tax expense | | | |
| Income tax expense | 41 | 1,471,036 | 1,255,795 |
| Profit for the year | ₩ | 4,112,628 | 3,498,076 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Continued)

For the years ended December 31, 2021 and 2020

| <i>(In millions of won, except earnings per share data)</i> | Note | 2021 | 2020 |
|---|-------------|------------------|------------------|
| Other comprehensive income for the year, net of income tax | 29 | | |
| Items that are or may be reclassified to profit or loss: | | | |
| Loss on securities at fair value through other comprehensive income | ₩ | (879,671) | (86,784) |
| Gain (loss) on financial instruments at fair value through profit or loss (overlay approach) | 9 | (20,098) | 90,298 |
| Equity in other comprehensive income (loss) of associates | | 2,748 | (3,318) |
| Foreign currency translation adjustments for foreign operations | | 252,308 | (161,365) |
| Net change in unrealized fair value of cash flow hedges | | 21,700 | (14,460) |
| Other comprehensive income (loss) of separate account | | (41,273) | 3,884 |
| | | <u>(664,286)</u> | <u>(171,745)</u> |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurements of the defined benefit liability | | 43,277 | 15,812 |
| Equity in other comprehensive loss of associates | | (2) | (10) |
| Valuation gain on securities at fair value through other comprehensive income | | 35,441 | 6,841 |
| Loss on disposal of securities at fair value through other comprehensive income | | (29,421) | (27,826) |
| Changes in own credit risk on financial liabilities designated at fair value through profit of loss | | (2,798) | 3,084 |
| | | <u>46,497</u> | <u>(2,099)</u> |
| Total other comprehensive income, net of income tax | | <u>(617,789)</u> | <u>(173,844)</u> |
| Total comprehensive income for the year | ₩ | <u>3,494,839</u> | <u>3,324,232</u> |
| Profit attributable to: | | | |
| Equity holders of Shinhan Financial Group Co., Ltd. | 29, 42 ₩ | 4,019,254 | 3,414,595 |
| Non-controlling interests | | 93,374 | 83,481 |
| | ₩ | <u>4,112,628</u> | <u>3,498,076</u> |
| Total comprehensive income attributable to: | | | |
| Equity holders of Shinhan Financial Group Co., Ltd. | ₩ | 3,402,925 | 3,242,745 |
| Non-controlling interests | | 91,914 | 81,487 |
| | ₩ | <u>3,494,839</u> | <u>3,324,232</u> |
| Earnings per share: | 29, 42 | | |
| Basic and diluted earnings per share in won | ₩ | <u>7,308</u> | <u>6,654</u> |

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020

(In millions of won)

| | Equity attributable to equity holders of Shinhan Financial Group Co., Ltd. | | | | | | | | |
|---|--|--------------|-----------------|---------------------|---|-------------------|------------|---------------------------|------------|
| | Capital stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | Sub-total | Non-controlling interests | Total |
| Balance at January 1, 2020 | ₩ 2,732,463 | 1,731,235 | 10,565,353 | (1,116,770) | (260,156) | 25,525,821 | 39,177,946 | 2,752,435 | 41,930,381 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | - | - | - | - | - | 3,414,595 | 3,414,595 | 83,481 | 3,498,076 |
| Other comprehensive income (loss), net of income tax: | | | | | | | | | |
| Loss on valuation and disposal of securities at fair value through other comprehensive income | - | - | - | - | (107,484) | - | (107,484) | (285) | (107,769) |
| Gain on financial instruments at fair value through profit or loss (overlay approach) | - | - | - | - | 90,298 | - | 90,298 | - | 90,298 |
| Equity in other comprehensive loss of associates | - | - | - | - | (3,328) | - | (3,328) | - | (3,328) |
| Foreign currency translation adjustments for foreign operations | - | - | - | - | (159,596) | - | (159,596) | (1,769) | (161,365) |
| Net change in unrealized fair value of cash flow hedges | - | - | - | - | (14,460) | - | (14,460) | - | (14,460) |
| Other comprehensive income of separate account | - | - | - | - | 3,884 | - | 3,884 | - | 3,884 |
| Remeasurements of defined benefit plans | - | - | - | - | 15,752 | - | 15,752 | 60 | 15,812 |
| Changes in own credit risk on financial liabilities designated at fair value through profit or loss | - | - | - | - | 3,084 | - | 3,084 | - | 3,084 |
| Total other comprehensive loss | - | - | - | - | (171,850) | - | (171,850) | (1,994) | (173,844) |
| Total comprehensive income(loss) | - | - | - | - | (171,850) | 3,414,595 | 3,242,745 | 81,487 | 3,324,232 |
| Other changes in equity | | | | | | | | | |
| Dividends | - | - | - | - | - | (883,929) | (883,929) | - | (883,929) |
| Dividends to hybrid bonds | - | - | - | - | - | (85,327) | (85,327) | - | (85,327) |
| Issuance of hybrid bonds | - | 448,699 | - | - | - | - | 448,699 | - | 448,699 |
| Paid-in capital increase | 237,178 | - | 1,197,774 | - | - | - | 1,434,952 | - | 1,434,952 |
| Acquisition of treasury stock(Note 29) | - | - | - | (150,467) | - | - | (150,467) | - | (150,467) |
| Disposal of treasury stock(Note 29) | - | - | - | 451,809 | - | - | 451,809 | - | 451,809 |
| Retirement of treasury stock(Note 29) | - | - | - | 150,000 | - | (150,025) | (25) | - | (25) |
| Change in other capital adjustments | - | - | 471,812 | (22,507) | - | (16,141) | 433,164 | - | 433,164 |
| Change in other non-controlling interests | - | - | - | - | - | - | - | (546,631) | (546,631) |
| | 237,178 | 448,699 | 1,669,586 | 428,835 | - | (1,135,422) | 1,648,876 | (546,631) | 1,102,245 |
| Reclassification of OCI retained earnings | - | - | - | - | 27,825 | (27,825) | - | - | - |
| Balance at December 31, 2020 | ₩ 2,969,641 | 2,179,934 | 12,234,939 | (687,935) | (404,181) | 27,777,169 | 44,069,567 | 2,287,291 | 46,356,858 |

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Continued)

For the years ended December 31, 2021

(In millions of won)

| | Equity attributable to equity holders of Shinhan Financial Group Co., Ltd. | | | | | | | | Non-controlling interests | Total |
|---|--|--------------|-----------------|---------------------|---|-------------------|-------------|------------|---------------------------|------------|
| | Capital stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | Sub-total | | | |
| Balance at January 1, 2021 | ₩ | 2,969,641 | 2,179,934 | 12,234,939 | (687,935) | (404,181) | 27,777,169 | 44,069,567 | 2,287,291 | 46,356,858 |
| Total comprehensive income for the year | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 4,019,254 | 4,019,254 | 93,374 | 4,112,628 |
| Other comprehensive income (loss), net of income tax: | | | | | | | | | | |
| Loss on valuation and disposal of securities at fair value through other comprehensive income | | - | - | - | - | (871,104) | - | (871,104) | (2,547) | (873,651) |
| Gain on financial instruments at fair value through profit or loss (overlay approach) | | - | - | - | - | (20,098) | - | (20,098) | - | (20,098) |
| Equity in other comprehensive income of associates | | - | - | - | - | 2,746 | - | 2,746 | - | 2,746 |
| Foreign currency translation adjustments for foreign operations | | - | - | - | - | 251,842 | - | 251,842 | 466 | 252,308 |
| Net change in unrealized fair value of cash flow hedges | | - | - | - | - | 21,700 | - | 21,700 | - | 21,700 |
| Other comprehensive income of separate account | | - | - | - | - | (41,273) | - | (41,273) | - | (41,273) |
| Remeasurements of defined benefit plans | | - | - | - | - | 42,656 | - | 42,656 | 621 | 43,277 |
| Changes in own credit risk on financial liabilities designated at fair value through profit or loss | | - | - | - | - | (2,798) | - | (2,798) | - | (2,798) |
| Total other comprehensive loss | | - | - | - | - | (616,329) | - | (616,329) | (1,460) | (617,789) |
| Total comprehensive income(loss) | | - | - | - | - | (616,329) | 4,019,254 | 3,402,925 | 91,914 | 3,494,839 |
| Other changes in equity | | | | | | | | | | |
| Dividends | | - | - | - | - | - | (803,838) | (803,838) | - | (803,838) |
| Interim dividends | | - | - | - | - | - | (299,082) | (299,082) | - | (299,082) |
| Dividends to hybrid bonds | | - | - | - | - | - | (116,388) | (116,388) | - | (116,388) |
| Issuance of hybrid bonds | | - | 1,154,597 | - | - | - | - | 1,154,597 | - | 1,154,597 |
| Acquisition of treasury stock (Note 29) | | - | - | - | (79) | - | - | (79) | - | (79) |
| Disposal of treasury stock (Note 29) | | - | - | - | 23,589 | - | - | 23,589 | - | 23,589 |
| Change in other capital adjustments | | - | - | (105) | (4) | - | (241) | (350) | - | (350) |
| Change in other non-controlling interests | | - | - | (139,791) | - | - | - | (139,791) | (131,933) | (271,724) |
| | | - | 1,154,597 | (139,896) | 23,506 | - | (1,219,549) | (181,342) | (131,933) | (313,275) |
| Reclassification of OCI retained earnings | | - | - | - | - | 35,574 | (35,574) | - | - | - |
| Balance at December 31, 2021 | ₩ | 2,969,641 | 3,334,531 | 12,095,043 | (664,429) | (984,936) | 30,541,300 | 47,291,150 | 2,247,272 | 49,538,422 |

See accompanying notes to the consolidated financial statements

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

| <i>(In millions of won)</i> | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit before income taxes | ₩ | 5,583,664 | 4,753,871 |
| Adjustments for: | | | |
| Interest income | 31 | (14,724,230) | (14,773,996) |
| Interest expense | 31 | 3,954,905 | 4,891,296 |
| Dividend income | 33 | (124,531) | (97,956) |
| Net fees and commission expense | 32 | 124,486 | 187,304 |
| Net insurance loss | 27 | 1,356,064 | 1,726,150 |
| Net loss (gain) on financial instruments at fair value through profit or loss | 34 | (174,279) | 136,191 |
| Net loss (gain) on derivatives | 10 | 64,128 | (245,681) |
| Net loss (gain) on financial instruments at fair value through profit or loss (overlay approach) | 9 | (43,003) | 136,255 |
| Net gain on foreign currency translation | | (21,130) | (232,723) |
| Net gain on financial instruments designated at fair value through profit or loss | 35 | (423,914) | (241,066) |
| Net gain on disposal of securities at fair value through other comprehensive income | 11 | (85,596) | (273,793) |
| Net loss on disposal of securities at amortized cost | 11 | 319 | 25 |
| Provision for allowance for credit loss | 36 | 974,685 | 1,382,179 |
| Employee benefit | 25 | 221,259 | 175,539 |
| Depreciation and other amortization | 37 | 902,692 | 768,488 |
| Other operating expense | 39 | 457,359 | 202,178 |
| Equity method income, net | 15 | (158,600) | (159,533) |
| Other non-operating expense | 40 | 447,138 | 153,360 |
| | | <u>(7,252,248)</u> | <u>(6,265,783)</u> |
| Changes in assets and liabilities: | | | |
| Due from banks at amortized cost | | 9,570,696 | (4,915,143) |
| Securities at fair value through profit or loss | | (2,934,113) | (7,088,599) |
| Due from banks at fair value through profit or loss | | 92,944 | 862,047 |
| Loans at fair value through profit or loss | | 341,140 | 132,172 |
| Financial instruments designated at fair value through profit or loss | | (9,466) | (708,627) |
| Derivative instruments | | 14,548 | (65,288) |
| Loans at amortized cost | | (28,740,535) | (32,897,127) |
| Other assets | | (6,920,943) | (7,866,826) |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

| <i>(In millions of won)</i> | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|---|-------------|---------------------|---------------------|
| Deposits | ₩ | 36,948,828 | 33,139,123 |
| Liabilities for defined benefit obligations | | (261,750) | (243,428) |
| Provisions | | (25,526) | 51,567 |
| Other liabilities | | (4,489,460) | 8,503,803 |
| | | <u>3,586,363</u> | <u>(11,096,326)</u> |
| Income taxes paid | | (1,149,965) | (1,184,910) |
| Interest received | | 14,325,392 | 14,570,884 |
| Interest paid | | (4,114,027) | (5,267,781) |
| Dividends received | | 100,936 | 80,728 |
| Net cash inflow (outflow) from operating activities | | <u>11,080,115</u> | <u>(4,409,317)</u> |
| Cash flows from investing activities | | | |
| Decrease in financial instruments at fair value through profit or loss | | 4,362,417 | 4,537,421 |
| Increase in financial instruments at fair value through profit or loss | | (5,409,361) | (4,982,663) |
| Proceeds from disposal of securities at fair value through other comprehensive income | | 29,991,033 | 53,048,284 |
| Acquisition of securities at fair value through other comprehensive income | | (37,575,878) | (52,657,353) |
| Proceeds from disposal of securities at amortized cost | | 5,203,156 | 5,923,611 |
| Acquisition of securities at amortized cost | | (7,343,501) | (7,645,000) |
| Proceeds from disposal of property and equipment | 13, 40 | 20,068 | 248,037 |
| Acquisition of property and equipment | 13 | (334,874) | (279,654) |
| Proceeds from disposal of intangible assets | 14, 40 | 15,867 | 5,298 |
| Acquisition of intangible assets | 14 | (555,340) | (362,415) |
| Proceeds from disposal of investments in associates | 15 | 357,401 | 266,322 |
| Acquisition of investments in associates | 15 | (588,827) | (776,799) |
| Proceeds from disposal of investment property | 16, 40 | 276 | 113,038 |
| Acquisition of investment property | 16 | (8,292) | (243,806) |
| Proceeds from disposal of assets held for sale | | 47,792 | 2,048 |
| Change in other assets | | (220,636) | 11,233 |
| Proceeds from settlement of hedging derivative financial instruments | | 61,502 | 25,722 |
| Payment of settlement of hedging derivative financial instruments | | (53,313) | (186,169) |
| Net cash flow from business combination | 47 | - | (73,081) |
| Net cash outflow from investing activities | | <u>(12,030,510)</u> | <u>(3,025,926)</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2021 and 2020

| <i>(In millions of won)</i> | <u>Note</u> | <u>2021</u> | <u>2020</u> |
|--|-------------|---------------------|------------------|
| Cash flows from financing activities | | | |
| Issuance of hybrid bonds | ₩ | 1,154,597 | 448,698 |
| Net increase in borrowings | | 849,212 | 7,465,106 |
| Proceeds from debt securities issued | | 28,561,082 | 21,480,455 |
| Repayments of debt securities issued | | (24,143,252) | (21,508,827) |
| Change in other liabilities | | 83,067 | (30,526) |
| Dividends paid | | (1,218,761) | (968,847) |
| Proceeds from settlement of hedging derivative financial instruments | | 1,223,033 | 851,381 |
| Payment of settlement of hedging derivative financial instruments | | (1,210,366) | (807,705) |
| Acquisition of treasury stock | | (79) | (150,182) |
| Disposition and redemption of treasury stock | | 23,588 | 161,863 |
| Increase(decrease) in non-controlling interests | | (84,998) | 566,673 |
| Redemption of lease liabilities | | (275,273) | (781,867) |
| Paid-in capital increase | | - | 1,154,347 |
| Payment of stock issuance costs | | (105) | - |
| Net cash inflow from financing activities | | <u>4,961,745</u> | <u>7,880,569</u> |
| Effect of exchange rate changes on cash and cash equivalents held | | <u>109,553</u> | <u>(61,518)</u> |
| Increase in cash and cash equivalents | | <u>4,120,903</u> | <u>383,808</u> |
| Cash and cash equivalents at beginning of year | 44 | <u>8,962,982</u> | <u>8,579,174</u> |
| Cash and cash equivalents at end of year | 44 | <u>₩ 13,083,885</u> | <u>8,962,982</u> |

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

1. Reporting entity

Shinhan Financial Group Co., Ltd., the controlling company, and its subsidiaries included in consolidation (collectively the “Group”) are summarized as follows:

(a) Controlling company

Shinhan Financial Group Co., Ltd. (the “Shinhan Financial Group” or the “Company”), the controlling company, is incorporated on September 1, 2001 for the main purposes of controlling, managing and funding Shinhan Bank, Shinhan Securities Co., Ltd., Shinhan Capital Co., Ltd. and Shinhan BNP Asset Management Co., Ltd. by way of share transfers. The total capital stock amounted to ₩1,461,721 million. Also, Shinhan Financial Group’s shares have been listed on the Korea Exchange since September 10, 2001 and Shinhan Financial Group’s American Depositary Shares have been registered with the Securities and Exchange Commission (SEC) and listed on the New York Stock Exchange since September 16, 2003.

(b) Ownership of Shinhan Financial Group and its major consolidated subsidiaries as of December 31, 2021 and 2020 are as follows:

| Investor | Investee(*1) | Location | Date of financial information | Ownership (%) | |
|-----------------------------------|--|------------|-------------------------------|-------------------|-------------------|
| | | | | December 31, 2021 | December 31, 2020 |
| Shinhan Financial Group Co., Ltd. | Shinhan Bank | Korea | December 31 | 100.0 | 100.0 |
| " | Shinhan Card Co., Ltd. | " | " | 100.0 | 100.0 |
| " | Shinhan Investment Corp. | " | " | 100.0 | 100.0 |
| " | Shinhan Life Insurance Co., Ltd.(*2) | " | " | 100.0 | 100.0 |
| " | Orange Life Insurance Co., Ltd.(*2) | " | " | - | 100.0 |
| " | Shinhan Capital Co., Ltd. | " | " | 100.0 | 100.0 |
| " | Jeju Bank | " | " | 75.3 | 75.3 |
| " | Shinhan Credit Information Co., Ltd. | " | " | 100.0 | 100.0 |
| " | Shinhan Alternative Investment Management Inc. | " | " | 100.0 | 100.0 |
| " | Shinhan Asset Management Co., Ltd.(*3) | " | " | 100.0 | 65.0 |
| " | SHC Management Co., Ltd. | " | " | 100.0 | 100.0 |
| " | Shinhan DS | " | " | 100.0 | 100.0 |
| " | Shinhan Savings Bank | " | " | 100.0 | 100.0 |
| " | Asia Trust Co., Ltd. | " | " | 60.0 | 60.0 |
| " | Shinhan AITAS Co., Ltd. | " | " | 99.8 | 99.8 |
| " | Shinhan REITs Management Co., Ltd. | " | " | 100.0 | 100.0 |
| " | Shinhan AI Co., Ltd. | " | " | 100.0 | 100.0 |
| " | Shinhan Venture Investment Co., Ltd.(*4) | " | " | 100.0 | 100.0 |
| Shinhan Bank | Shinhan Bank America | USA | " | 100.0 | 100.0 |
| " | Shinhan Bank Europe GmbH | Germany | " | 100.0 | 100.0 |
| " | Shinhan Bank Cambodia | Cambodia | " | 97.5 | 97.5 |
| " | Shinhan Bank Kazakhstan Limited | Kazakhstan | " | 100.0 | 100.0 |
| " | Shinhan Bank Canada | Canada | " | 100.0 | 100.0 |
| " | Shinhan Bank (China) Limited | China | " | 100.0 | 100.0 |
| " | Shinhan Bank Japan | Japan | " | 100.0 | 100.0 |
| " | Shinhan Bank Vietnam Ltd | Vietnam | " | 100.0 | 100.0 |
| " | Banco Shinhan de Mexico | Mexico | " | 99.9 | 99.9 |
| " | PT Bank Shinhan Indonesia | Indonesia | " | 99.0 | 99.0 |
| Shinhan Bank Japan | SBJDNX | Japan | " | 100.0 | 100.0 |
| Shinhan Card Co., Ltd. | LLP MFO Shinhan Finance | Kazakhstan | " | 100.0 | 100.0 |
| " | PT. Shinhan Indo Finance | Indonesia | " | 50.0+1 share | 50.0+1 share |
| " | Shinhan Microfinance Co., Ltd. | Myanmar | " | 100.0 | 100.0 |
| " | Shinhan Vietnam Finance Co., Ltd. | Vietnam | " | 100.0 | 100.0 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

1. Reporting entity (continued)

(b) Ownership of Shinhan Financial Group and its major consolidated subsidiaries as of December 31, 2021 and 2020 are as follows (continued):

| Investor | Investee(*1) | Location | Date of financial information | Ownership (%) | |
|------------------------------------|--|-----------|-------------------------------|-------------------|-------------------|
| | | | | December 31, 2021 | December 31, 2020 |
| Shinhan Investment Corp. | Shinhan Investment Corp. USA Inc. | USA | December 31 | 100.0 | 100.0 |
| " | Shinhan Investment Asia Ltd. | Hong Kong | " | 100.0 | 100.0 |
| " | SHINHAN SECURITIES VIETNAM CO., LTD. | Vietnam | " | 100.0 | 100.0 |
| " | PT. Shinhan Sekuritas Indonesia | Indonesia | " | 99.0 | 99.0 |
| PT Shinhan Sekuritas Indonesia | PT. Shinhan Asset Management Indonesia | " | " | 75.0 | 75.0 |
| Shinhan Life Insurance Co., Ltd. | Shinhan Financial Plus | Korea | " | 100.0 | 100.0 |
| " | Shinhan CubeOn Co., Ltd.(*5) | Korea | " | 100.0 | - |
| " | Shinhan Life Insurance Vietnam Co., Ltd.(*6) | Vietnam | " | 100.0 | - |
| Shinhan Asset Management Co., Ltd. | SHINHAN ASSET MGT HK, LIMITED(*7) | Hong Kong | " | 100.0 | 100.0 |
| Shinhan DS | SHINHAN DS VIETNAM CO., LTD. | Vietnam | " | 100.0 | 100.0 |

(*1) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

(*2) Shinhan Life Insurance Co., Ltd. and Orange Life Insurance Co., Ltd. merged on July 1, 2021. The company name after the merger is Shinhan Life Insurance Co., Ltd.

(*3) The Group acquired additional shares of Shinhan BNPP Asset Management Co., Ltd. for the year ended December 31, 2021, and Shinhan BNPP Asset Management Co., Ltd. became a wholly owned subsidiary of the Group. Shinhan BNPP Asset Management Co., Ltd. changed its name to Shinhan Asset Management Co., Ltd.

(*4) For the year ended December 31, 2021, Neoplux Co., Ltd. changed its name to Shinhan Venture Investment Co., Ltd.

(*5) Newly invested subsidiaries subject to consolidation are included for the year ended December 31, 2021.

(*6) Newly invested subsidiaries subject to consolidation are included for the year ended December 31, 2021. Shinhan Insurance Vietnam Co., Ltd. changed its name to Shinhan Life Insurance Vietnam Co., Ltd.

(*7) For the year ended December 31, 2021, SHINHAN BNP ASSET MGT HK, LIMITED changed its name to SHINHAN ASSET MGT HK, LIMITED.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

1. Reporting entity (continued)

(c) Consolidated structured entities

Consolidated structured entities are as follows:

| Category | Consolidated structured entities | Description |
|-----------------------------|--|--|
| Trust | Shinhan Bank (including development trust) and 17 others | A trust is consolidated when the Group as a trustee is exposed to variable returns, if principle or interest amounts of the entrusted properties falls below guaranteed amount, the Group should compensate it, and the Group has the ability to affect those returns. |
| Asset-Backed Securitization | MPC Yulchon Green I and 225 others | An entity for asset backed securitization is consolidated when the Group has sole decision-making authority to dispose assets or change the conditions of the assets, and the Group is exposed to, or has rights to related variable returns by providing credit enhancement and purchases of subordinated securities. |
| Structured Financing | SHPE Holdings One Co., Ltd. | An entity established for structured financing relating to real estate, shipping, or mergers and acquisitions is consolidated, when the Group has the greatest credit to the entity, has sole decision-making authority of these Entities due to the entities default, and is exposed to, or has rights to related variable returns. |
| Investment Fund | KoFC Shinhan Frontier Champ 2010-4 PEF and 131 others | An investment fund is consolidated, when the Group manages or invests assets of the investment funds on behalf of other investors as a collective investor or a business executive, or has the ability to dismiss the manager of the investment funds, and is exposed to, or has rights to, the variable returns. |

(*) The Group provides credit contribution (ABCP purchase agreements) of ₩7,457,666 million for the purpose of credit enhancement of structured companies.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2. Basis of preparation

(a) Statement of compliance

The Group maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The consolidated financial statements were authorized for issue by the Board of Directors on February 9, 2022, which will be submitted for approval to the stockholder's meeting to be held on March 24, 2022.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments measured at fair value
- financial instruments at fair value through profit or loss measured at fair value
- financial instruments at fair value through other comprehensive income measured at fair value
- liabilities for cash-settled share-based payment arrangements measured at fair value
- financial assets and liabilities designated as hedged items in a fair value hedge accounting of which changes in fair value attributable to the hedged risk recognized in profit or loss
- liabilities for defined benefit plans recognized at the 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 economic environment in which the group entities operate. These consolidated financial statements are presented and reported in Korean won, which is the Controlling Company's functional currency and the currency of the primary economic environment in which the Group operates.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. If the estimates and assumptions based on management's best judgment as of December 31, 2021 are different from the actual environment, these estimates and actual results may be different.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are described in Note 5.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2. **Basis of preparation (continued)**

(e) **Change in accounting policy**

Except for the following new standards, which have been applied from January 1, 2021, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2020.

i) *K-IFRS No.1109, 'Financial Instruments', K-IFRS No.1039, 'Financial Instruments: Recognition and Measurement', K-IFRS No.1107, 'Financial Instruments: Disclosures', K-IFRS No.1104, 'Insurance Contracts' and K-IFRS No.1116, 'Leases' amended – Interest rate benchmark reform*

The effective interest rate, not the carrying value, is adjusted when replacing the interest rate index of a financial instrument measured at amortized cost in relation to the reform of the interest rate index. It includes exceptions, such as allowing hedge accounting to continue uninterrupted even if an interest rate indicator replacement occurs in a hedging relationship. The amendment does not have a significant impact on the consolidated financial statements.

Regarding the suspension of LIBOR interest rate calculation, the financial instruments that have not been converted to replaced interest rate benchmark among the LIBOR interest rates as of December 31, 2021 are as follows:

-Non-derivative financial assets

| | | Carrying Value | | | |
|--|---|------------------|-----------|-----------|--------------|
| | | USD LIBOR(*2) | JPY LIBOR | EUR LIBOR | Other LIBORs |
| Due from banks and loans at amortized cost: | | | | | |
| Loans | ₩ | 2,768,972 | 207,660 | 49,642 | 122,104 |
| Securities at fair value through other comprehensive income: | | | | | |
| Financial institution bonds | | 167,167 | - | - | - |
| Corporate bonds and others | | 281,949 | - | - | - |
| | | 449,116 | - | - | - |
| Commitments and guarantee contracts(*1) | ₩ | 280,224 | 39,148 | 56,552 | 13,853 |

(*1) The commitments and guarantee contracts are in nominal amount.

(*2) The instruments that will be matured before the end of June 30, 2023 are excluded when USD LIBOR interest rate calculation is discontinued.

-Non-derivative financial liabilities

| | | Carrying Value | | | |
|--|---|------------------|-----------|-----------|--------------|
| | | USD LIBOR(*1) | JPY LIBOR | EUR LIBOR | Other LIBORs |
| Financial liabilities at amortized cost: | | | | | |
| Deposits | ₩ | 200,000 | - | - | - |
| Borrowings | | 347,420 | - | - | - |
| Debt securities issued | | 986,871 | - | - | - |
| | ₩ | 1,534,291 | - | - | - |

(*1) The instruments that will be matured before the end of June 30, 2023 are excluded when USD LIBOR interest rate calculation is discontinued.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

2. **Basis of preparation (continued)**

(e) **Change in accounting policy**

i) *K-IFRS No.1109, 'Financial Instruments' and K-IFRS No.1039, 'Financial Instruments: Recognition and Measurement' and K-IFRS No.1107, 'Financial Instruments: Disclosures' Revision' and K-IFRS No.1104, 'Insurance Contracts' K-IFRS No.1116, 'Leases' amended – Interest rate benchmark reform (continued)*

-Derivative

| | Notional amount | | | |
|--------------------------|------------------|-----------|-----------|--------------|
| | USD LIBOR(*1) | JPY LIBOR | EUR LIBOR | Other LIBORs |
| Trading: | | | | |
| Interest rates related | ₩ 10,772,390 | - | - | - |
| Foreign currency related | 10,900,844 | - | - | - |
| Equity related | 268,243 | - | - | - |
| Credit related | 1,108 | - | - | - |
| Others | 379,360 | - | - | - |
| | 22,321,945 | - | - | - |
| Hedge: | | | | |
| Interest rates related | 4,150,155 | - | - | - |
| Foreign currency related | 278,705 | - | - | - |
| | ₩ 4,428,860 | - | - | - |

(*1) The instruments that will be matured before the end of June 30, 2023 are excluded when LIBOR interest rate calculation is discontinued.

ii) *Amendments to K-IFRS No.1116 'Lease' - The practical expedient to COVID-19 related rent exception, discount or deferral*

The International Accounting Standards Board amended this Standard in March 2021. According to the amendment, the International Accounting Standards Board has extended the application of the practical expedient for reduction in lease payments where lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, by one year. A lessee who chose to apply the application of the practical expedient will account consistently for changes in lease fees that not a lease change due to rent concession, in the manner prescribed by the amendments. However, no practical expedient under this amendment is provided to lessors. The practical expedient in this amendment applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient that allows a lessee to choose not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. The amount recognized in profit or loss is ₩47,589 million to reflect the change in lease payments arising from the same lease discount for the year ended December 31, 2021.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies

Significant accounting policies applied by the Group upon the preparation of consolidated financial statements under K-IFRS are described below, and consolidated financial statements for the year ended December 31, 2021 and comparative periods were prepared using the same accounting policy, except for changes in accounting policy described in the Note 2.

(a) Operating segments

The Group has divided the segments based on internal reports reviewed periodically by the top sales decision maker to make decisions about the resources allocated to the segments and evaluate their performance. There are six reporting segments as described in Note 7. The reporting segments are operated separately according to the nature of the goods and services provided and the organizational structure of the Group.

The segment reported to the Chief Executive Officer (“CEO”) includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

It is the CEO’s responsibility to evaluate the resources to be distributed to the business and the performance of the business, and to make strategic decisions.

(b) Basis of consolidation

i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for the same transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

ii) Structured entity

The Group establishes or invests in various structured entities. It does not own shares directly or indirectly for these companies. Considering the terms and conditions of the arrangement in which the structured entity was established, the consolidated entity gains and losses from the operations of the structured entity. It is included in the consolidated entities if it is determined that it has the ability to direct the activities of a consolidated structured entity that can most significantly affect these gains and losses. The Group does not recognize any non-controlling interests as equity in relation to structured entities in the consolidated statements of financial position since the non-controlling interests in these entities are recognized as liabilities of the Group.

iii) 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. Unrealized intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

iv) 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 non-controlling interests balance is reduced to below zero.

(c) 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 or liability is measured at its acquisition-date fair value except for below:

- Leases are required to be classified based on 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'
- Compensation assets are recognized and measured on the same basis as the items subject to compensation.
- 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 acquired are measured as the non-controlling interests' proportionate share of the acquirer's identifiable net assets.

The transfer consideration in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired and the equity interests issued by the acquirer. However, any portion of the acquirer's share-based payment awards exchanged for awards held by the acquired employee that is included in transfer consideration in the business combination shall be measured in accordance with the method described above rather than at fair value.

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include broker's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, which are recognized in accordance with K-IFRS No.1032 and 1109, are expensed in the periods in which the costs are incurred and the services are received.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(d) Investments in 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 and 50 percent of the voting power of another entity.

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 value 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. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated the Group's stake in preparing the consolidated financial statements. Unrealized losses are also being derecognized unless the transaction provides evidence of an impairment of the transferred assets.

If an associate or a joint venture uses accounting policies different from those of the Group for transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the carrying value of that interest, including any long-term investments, is reduced to nil, 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.

(e) 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. Equity instruments are excluded from cash equivalents unless they are, in substance, cash equivalents, like in the case of preferred shares acquired within a short period of their maturity and with a specified redemption date.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(f) Non-derivative financial assets

Financial assets are recognized in the consolidated statement of financial position when the Group becomes a party to the contract. In addition, a standardized 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.

A financial asset is measured initially at its fair value plus, for an item not at Fair Value Through Profit or Loss (“FVTPL”), transaction costs that are directly attributable to its acquisition of the financial asset. Transaction costs on the financial assets at FVTPL that are directly attributable to the acquisition are recognized in profit or loss as incurred.

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.

ii) Equity instruments

For the equity instruments that are not held for short-term 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 Fair Value through Other Comprehensive Income (“FVOCI”) 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 FVOCI previously recognized as other comprehensive income is not reclassified as profit or loss on recognition. 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 in the consolidated statement of comprehensive income gains or losses on financial assets at FVTPL. Impairment loss (reversal) on equity instruments at FVOCI 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 FVOCI, 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. A gain or loss on a financial asset measured at amortized cost that is not subject to a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired. Interest income on the effective interest method is included in the ‘Interest income’ in the consolidated statement of comprehensive income.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(f) Non-derivative financial assets (continued)

② Financial assets at FVOCI

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Other than (reversal of) impairment losses, interest income, foreign exchange differences, gains or losses of the financial assets at FVOCI are recognized as other comprehensive income in equity. On removal, 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 losses allowance' in the consolidated statement of comprehensive income, respectively.

③ Financial assets at FVTPL

Debt securities other than financial assets at amortized costs or FVOCI 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(loss) 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.

v) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. If the Group does not have or transfer most of the risks and rewards of ownership of the financial asset, the entity shall remove the financial asset if it does not control the financial asset. If the Group continues to control the financial asset, it continues to recognize the transferred asset to the extent that it is continuously involved and recognizes the related liability together.

If the Group transfers the right to cash flows of a financial asset but holds most of the risks and rewards of ownership of the financial asset, the entity shall continue to recognize the asset. Also, the amount of disposal received is recognized as a liability.

vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(g) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, 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).

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. In addition, this document describes the hedging instrument, hedged item, and the method of evaluating the effect of the hedging instrument offsetting changes in the fair value or cash flow of the hedged item due to the hedged risk at the initiation of the hedging relationship and in subsequent periods.

① Fair value hedge

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 for a derivative hedging instrument 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 separate statement of comprehensive income.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria. Any adjustment arising from G/L on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

② Cash flow hedge

When a derivative is designated to hedge 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, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

③ Net investment hedge

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, "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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(g) Derivative financial instruments (continued)

ii) Other derivative financial instruments

All derivatives except those designated as hedging instruments and are effective in hedging are measured at fair value. Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

iii) Gains and losses on initial recognition

Any difference between the fair value of over the counter derivatives at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss but is deferred, and the deferred gains and losses on initial transaction are depreciated on a straight-line basis over the life of the instrument or the remainder is recognized in profit or loss immediately when the fair value becomes observable.

(h) Expected credit losses of Financial assets

The Group recognizes allowance for credit loss for debt instruments measured at amortized cost and fair value through other comprehensive income, and lease receivable, loan commitments and financial guarantee contracts using the expected credit loss impairment model. Financial assets migrate through the following three stages based on the change in credit risk since initial recognition and allowance for credit loss for the financial assets are measured at the 12-month expected credit losses (“ECL”) or the lifetime ECL, depending on the stage.

| | <u>Category</u> | <u>Allowance for credit loss</u> |
|---------|--|--|
| STAGE 1 | When credit risk has not increased significantly since the initial recognition | 12-months ECL: the ECL associated with the probability of default events occurring within the next 12 months |
| STAGE 2 | When credit risk has increased significantly since the initial recognition | Lifetime ECL: a lifetime ECL associated with the probability of default events occurring over the remaining lifetime |
| STAGE 3 | When assets are impaired | Same as above |

The Group, meanwhile, only recognizes the cumulative changes in lifetime expected credit losses since the initial recognition as an allowance for credit loss for purchased or originated credit-impaired financial assets.

The total period refers to the expected life span of the financial instrument up to the contract expiration date.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(h) Expected credit losses of Financial assets (continued)

i) Reflection of forward-looking information

The Group reflects forward-looking information presented by internal experts based on a variety of information when measuring expected credit losses. Assuming that the measurement factor of expected credit losses has a certain correlation with economic fluctuations, the expected credit losses are calculated by reflecting forward-looking information through modeling between macroeconomic variables and measurement factors.

ii) Measurement of expected credit loss of financial assets at amortization cost

The expected credit loss of an amortized financial asset is measured as the difference between the present value of the cash flows expected to be received and the cash flow expected to be received. For this purpose, we calculate expected cash flows for individually significant financial assets. For non-individual significant financial assets, the financial assets collectively include expected credit losses as part of a set of financial assets with similar credit risk characteristics.

Expected credit losses are deducted using the allowance for credit loss account and are written off if the financial assets are not recoverable. The allowance for credit loss is increased when the written-off loan receivables are subsequently collected and changes in the allowance for credit loss are recognized in profit or loss.

iii) Measurement of estimated credit loss of financial assets at FVOCI

The calculation of expected credit losses is the same as for financial assets measured at amortized cost, but changes in allowance for credit loss are recognized in other comprehensive income. In the case of disposal and redemption of other comprehensive income - fair value, the allowance for credit loss is reclassified from other comprehensive income to profit or loss and recognized in profit or loss.

(i) Property and equipment

Property and equipment are initially measured at cost and after initial recognition. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Certain land and buildings are measured at fair value at the date of transition to K-IFRS, which is deemed cost, in accordance with K-IFRS No.1101, 'First-time Adoption of K-IFRS'. Subsequent to initial recognition, the asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The Group recognizes in the carrying value of an item of property and equipment the cost of replacing part of property and equipment when that cost is incurred 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 value of those parts that are replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

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 current and comparative periods are as follows:

| Descriptions | Useful lives |
|------------------|--------------|
| Buildings | 40~50 years |
| Other properties | 4~5 years |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(i) Property and equipment (continued)

Depreciation methods, useful lives and residual values are reassessed at each fiscal year-end and in case adjustments are needed, it is accounted for as a change in accounting estimate.

(j) 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 except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets as shown below, from the date that they are available for use. The residual value of intangible assets is zero. However, if there are no foreseeable limits to the periods over which certain intangible assets are expected to be available for use, they are determined to have indefinite useful lives and are not amortized.

| Descriptions | Useful lives |
|------------------------------|-----------------------------|
| Software | 5 years |
| Capitalized development cost | 5 years |
| Other intangible assets | 5 years or contract periods |

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

(k) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both. 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 | Useful lives | Depreciation method |
|--------------|--------------|---------------------|
| Buildings | 40 years | Straight-line |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(I) Leases

i) Accounting treatment as the lessee

The Group leases various tangible assets, such as real estate and vehicles, and each of the lease contract is negotiated individually and includes a variety of terms and conditions. There are no other restrictions imposed by the lease contracts, but the lease assets cannot be provided as collaterals for borrowings.

At the commencement date of the lease, the Group recognizes the right-of-use assets and the lease liabilities. Each lease payment is allocated to payment for the principal portion of the lease liability and financial costs. 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 financial costs. Right-of-use assets are depreciated using a straight-line method from the commencement date over the lease term.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date of the lease, and the lease payments included in the measurement of the liabilities consist of the following payments:

- Fixed payments (including in-substance fixed payments, less any lease incentives receivable)
- Variable lease payments depending on the index or rate(interest rate)
- Amounts expected to be paid by the lessee under the residual value guarantee
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

If the interest rate implicit in the lease is readily determined, the lease payments are discounted by the rate; if the rate is not readily determined, the lessee's incremental borrowing rate is used.

The cost of the right-of-use assets comprise:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date (less any lease incentives received)
- Any initial direct costs incurred by the lessee
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Lease payments related to short-term leases or low-value assets are recognized as current expenses over the lease term using the straight-line method. A short-term lease is a lease that has a lease term of 12 months or less, and the low-value assets lease is a lease of which the underlying asset value is not more than ₩6 million.

Additional considerations for the Group when accounting for lessees include:

Extension and termination options are included in a number of real estate lease contracts of the Group. In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive not to exercise the options. The periods covered by, a) an option to extend the lease if the lessee is reasonably certain to exercise that option, or b) an option to terminate the lease if the lessee is reasonably certain not to exercise that option, is included when determining the lease term. The Group reassesses whether the Group is reasonably certain to exercise the extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee, and affects whether the lessee is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(l) Leases (continued)

ii) Accounting treatment as the lessor

The Group leases out to lessee various tangible assets, including vehicles under operating and finance lease contracts, and each of the lease contract is negotiated individually and includes a variety of terms and conditions. The risk management method for all rights held by the Group in the underlying assets includes repurchase agreements, residual value guarantees, etc.

① Finance leases

The Group recognizes them as a receivable at an amount equal to the net investment in the lease, and the difference from the carrying value of the leasing asset as of the commencement date is recognized as profit or loss from disposal of the lease asset. In addition, interest income is recognized by applying the effective interest method for the amount of the Group's net investment in finance leases. Lease-related direct costs are included in the initial recognition of financial lease receivables and are accounted for in a way that reduces the revenue for the lease term.

② Operating leases

The Group recognizes the lease payments as income on straight-line basis, and adds the lease initial direct costs incurred during negotiation and contract phase of the operating lease to the carrying value of the underlying asset. In addition, the depreciation policy of operating lease assets is consistent with the Group's depreciation policy of other similar assets.

(m) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying value and fair value less cost to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized.

An asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(n) Impairment of non-financial assets

The carrying values 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 value.

The Group estimates the recoverable amount of an individual asset, and 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"). 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 value 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 value of the other assets in the CGU on a pro rata basis. Impairment losses of goodwill cannot be reversed in the subsequent period. At the end of each reporting period, the Group reviews whether there are any signs of impairment loss that has been recognized in the prior period no longer exists or has decreased, and reversal occurs only if there is a change in the estimate used to determine the recoverable amount after the recognition of the impairment loss. The asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(o) 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. 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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(o) Non-derivative financial liabilities (continued)

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, debt securities and 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. Subsequent to 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).

(p) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency using the exchange rate at the end of the reporting period. Non-monetary foreign currency items measured at fair value are converted to the exchange rate on the date the fair value is determined, and non-monetary items measured at historical cost are converted to the exchange rate on the trading day.

All foreign currency differences arising from the conversion of monetary items are recognised in profit or loss. However, the Group excludes currency differences at the time of settlement of monetary items, conversion differences in net investments in foreign operations and conversion differences for financial liabilities designated cash flow hedges. If gains or losses arising from non-monetary items are recognised in other comprehensive income, the effect of exchange rate changes included in those gains or losses is also recognised in other comprehensive income. In addition, if recognised in profit or loss, the effect of exchange rate changes is also recognised in profit or loss.

ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

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 reporting date. 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying values of assets and liabilities arising on the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation and are translated using the exchange rate at the reporting date.

Upon disposal of foreign operations, the cumulative amount of the exchange differences recognized as a separate line item within the equity and other comprehensive income is reclassified from other comprehensive income to profit and loss at the time of recognition. When disposing subsidiaries, including foreign operations, proportional shares of exchange differences recognized in other comprehensive income are reverted to non-controlling shares of foreign operations, and in other cases, disposing some of the portions of foreign operations, only the proportional shares of the accumulated exchange differences recognized in other comprehensive income are classified as profit and loss.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(p) Foreign currencies (continued)

iii) Net investment in a foreign operation

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, then foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

(q) Equity capital

i) Capital stock

Capital stock is classified as equity. Incremental costs directly attributable to the transaction of stock are deducted from equity, net of any tax effects.

Preferred stocks are classified as equity if they do not need to be repaid or are repaid only at the option of the Group and if payment is determined by the Group's discretion, and dividends are recognized when the shareholders' meeting approves the dividends. Preferred stocks that are eligible for reimbursement of a defined or determinable amount on or after a certain date are classified as liabilities. The related dividend is recognized in profit or loss at the time of occurrence as interest expense.

ii) 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. Hybrid bonds issued by subsidiaries of the group are classified as non-controlling interests according to this classification criteria. In addition, distributions paid are treated as net income attributable to non-controlling interests in the consolidated statement of comprehensive income.

iii) Capital adjustment

The effect of changes in ownership interests in subsidiaries that do not lose control over the equity attributable to owners of the parent is included in capital adjustments.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(r) 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 contribution plans

The Group recognizes the contribution expense as an account of severance payments in profit or loss in the period according to the defined contribution plans, when an employee provides work services for a certain period of time, except for the case when it is included in the cost of the asset. Contributions payable are recognized as liabilities (unpaid expenses) after deducting the contributions already paid. In addition, if the contribution already paid exceeds the contribution due for services provided before the end of the reporting period, the future contribution is reduced or cash refunded due to the excess is recognized as an asset (prepaid expense).

iv) Retirement benefits: defined benefit plans

For the year ended December 31, 2021, defined benefit liabilities related to the defined benefit plan are recognized by deducting the fair value of external reserve from the present value of the defined benefit plan debt.

Defined benefit liabilities are calculated annually by independent actuaries using the predicted unit credit method. If the net present value of the defined benefit obligation less the fair value of the plan assets is an asset then the present value of the economic benefits available to the entity in the form of a refund from the plan or a reduction in future contributions to the plan.

The remeasurement component of net defined benefit liability is the change in the effect on asset ceiling except for the amount included in the net interest income of plan assets and net revenues of plan assets excluding actuarial gains and losses to the net of defined benefit liabilities. It is immediately recognized in other comprehensive income. The Group determines the net interest on the net defined benefit obligation (asset) by multiplying the net defined benefit obligation (asset) by the discount rate determined at the beginning of the annual reporting period and is the net present value of the net defined benefit obligation. It is determined by taking into consideration the fluctuations. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When an amendment or reduction of the system occurs, the gain or loss resulting from the change or decrease in the benefits to the past service is immediately recognized in profit or loss. The Group recognizes gains or losses on settlement when the defined benefit plan is settled.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(r) Employee benefit (continued)

v) *Termination benefits*

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(s) Share-based payment transactions

In regards to the share-based payment transactions which grants an employee a stock or stock option in exchange for the goods or services provided, if the fair value of the goods or services provided or the fair value of the goods or services provided cannot be reliably measured, the Group indirectly measures the fair value of the goods or services based on the fair value of the given equity, and the amount is recognized as employee benefit expenses and capital during the vesting period. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(t) 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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(u) Financial guarantee contract

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'

(v) Insurance contracts

i) Investment contract liabilities, including insurance contract liabilities and discretionary dividend factors

The group establishes liability reserves in accordance with the Insurance Business Law and the related regulations. The reserves are calculated according to the insurance policy, insurance premiums and liability reserve calculation method. The main contents are as follows.

i-1) Premium reserves

This is the amount to be accumulated for insurance claim payable for the existing contracts as of the end of the reporting period, the reserves are calculated by deducting the present value of net premiums to be earned after the end of the reporting period from the present value of claims to be paid to the policyholder after the date of the statement of financial position.

i-2) Prepaid premium reserves

Among premiums that are due for payment before the end of the reporting period, the prepaid premium reserves for the next period are calculated through a premium and liability reserves calculation method.

i-3) Guarantee reserves

The total amount of reserve for variable minimum guarantee (①) and reserve for general account guarantee (②) is provided as guarantee reserve.

① Variable minimum guarantee reserve

This reserve is the amount that must be accumulated to guarantee insurance premiums above a certain level for contracts maintained as of the end of the reporting period, and is measured at the higher of:

- i) the average amount of the top 30% of net loss expected in the future
- ii) the minimum required amount by insurance types, minimum guarantees, level of guarantees and limits of stock investment portion

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(v) Insurance contracts (continued)

② General account guarantee reserve

As of the end of the reporting period, the amount of reserve for insurance contracts that are insured under general account is required to be paid to guarantee the level of refunds, and select the largest of the following:

- i) Average of the amount deducted from the appropriateness of the liability reserve calculated by excluding the guarantee option from the appropriateness evaluation of the liability reserve calculated by including the guarantee option for each interest rate scenario
- ii) The amount of compensation (including annulment contract) against the guarantee received from the policy holder by the rate applied at the premium calculation in the insurance premium and liability reserve calculation method

i-4) Reserve for outstanding claims

As of the end of the reporting period, the Group has accrued the amount for which the reason for the payment of insurance claims, etc. has been incurred and the amount of the claim payment has not been paid yet due to the dispute or lawsuit related to the insurance settlement (pending in the Financial Dispute Mediation Committee). In addition, the Group recognizes unrecognized losses based on historical experience.

i-5) Reserves for participating policyholders' dividends

The reserve is provided for the purpose of contributing to the policyholder dividend according to the laws and regulations and the reserve for dividend reserve for the policyholder and the dividend reserve for the subsequent business year.

The policyholder dividend reserve is the amount that is not paid as of the end of the reporting period for the settlement amount and the reserve for dividend policy for the next fiscal year is based on the policyholder dividend calculated on the insurance contract effective as of the end of the reporting period.

① Excess crediting rate reserve

In the case of a dividend insurance contract which has been maintained for more than one year as of the end of the reporting period among contracts signed before October 1, 1997, the difference between the planned interest rate and the one-year maturity deposit rate shall be preserved.

② Mortality dividend reserve

Dividends arising from contracts that are maintained for more than one year at the end of the reporting period are used to offset the expected mortality and actual mortality rates applied to premiums.

③ Interest dividend reserve

For the contracts that have been maintained for more than one year as of the end of the reporting period, the amount calculated by applying the interest dividend reserve rate to the net written premium reserve less the unearned acquisition costs. However, the insurance sold before October 1, 1997 is applied to the amount deducted from the net premium in the event that the planned interest rate by the insurance product is less than the dividend standard.

④ Reserves for long-term special dividends

For the effective dividend policy agreement that has been maintained for 6 years or more, the amount calculated by applying the long-term special dividend rate to the amount deducted from the net premiums for the end of the year.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(v) Insurance contracts (continued)

However, insurance sold before October 1, 1997 is applied to the deduction of unearned premiums at the end of the year when the expected interest rate by the insurance product is less than the dividend standard rate.

i-6) Reserve for interest dividends

In order to cover the policyholder dividend in the future, the total amount is set aside according to business performance according to the law or insurance contracts.

i-7) Reserve for dividend insurance loss reserve

In accordance with the regulations set by the supervisory authority, dividend insurance profit is accumulated within 30/100 of the contractor's stake. The reserve for the compensation of dividend insurance losses shall compensate for the loss of dividend insurance contracts in accordance with the provisions of the fiscal year within five years from the end of the accumulated reporting period and shall be used as the policyholder dividend source for the individual contractor.

ii) Contractor's equity adjustment

In accordance with K-IFRS No.1039, the Group classifies the gains and losses of available for sale financial assets as policyholder's equity and shareholders' equity based on the reserve ratio for dividend paying and non-dividend paying insurance for the year ended December 31, 2021, and the portion of policyholder's equity is accounted as policyholder's equity adjustment.

iii) Evaluation of debt appropriateness

At the end of each reporting period, the group assesses whether the recognized insurance liability is appropriate using the current estimates of future cash flows of the policy, and if the carrying value of the insurance liability is deemed to be inappropriate in terms of the estimated future cash flows. The reserve for premiums is added to the profit or loss by the amount corresponding to the deficiency.

iv) Reinsurance assets

The group presents the recoverable amount of reinsurance assets. The group assesses at the end of each reporting period whether there is objective evidence that a reinsurance asset is impaired. If there is objective evidence that the entity will not be able to collect all amounts under the terms of the agreement as a result of an event that occurred after the initial recognition and if the event has a reliable and measurable impact on the amount to be received. If reinsurance assets are determined to be impaired, impairment loss is recognized in the profit and loss for the current period.

v) Deferred acquisition cost

The group recognizes unrealized gains and losses arising from long-term insurance contracts as assets and amortizes the premiums over the life of the insurance contracts equally. If the contribution period exceeds 7 years, the amortization period is 7 years if there is an unrecognized balance at the date of the cancellation, the entire amount of the cancellation is amortized in the fiscal year to which the cancellation date belongs. But, if the ratio of additional premiums is higher at the early stage of the insurance period for the purpose of recovering the excess of the unearned premiums and the early settlement costs, the new settlement expenses are treated as the period expense.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(w) 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 expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or, where appropriate, a shorter period to the net carrying value of the financial asset or liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, and all other premiums or discounts. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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 the related services are provided.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(w) Recognition of revenues and expenses (continued)

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 has been completed.

iii) Insurance income

The Group recognizes insurance income for the insurance premium paid of which the payment date arrived by the premium payment methods of the insurance contract; and recognizes advance receipts for the insurance premium paid of which the payment date has not arrived at the end of the reporting period.

iv) Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established. Usually this is the ex-dividend date for equity securities. The Group provides compensation in various forms such as payment discounts and gifts.

(x) Revenue from Contracts with Customers

The fair value of the consideration received or receivable in exchange for the initial transaction is allocated to the reward points ("points") and the remainder of the fee income. The Group provides compensation in various forms such as payment discounts and free gifts. The consideration to be allocated to the points is estimated based on the fair value of the monetary benefits to be provided in consideration of the expected recovery rate of points awarded in accordance with the customer loyalty program and the expected time of recovery. Points for distribution through the cost paid by the customer is recognized by deducting from the revenue from fees.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(y) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit. The unpaid taxes related to the Group's current tax are calculated using the enacted or substantially established tax rate.

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group applies a consolidated tax method based on a consolidated tax base and a domestic corporation (hereinafter referred to as the "Consolidated Entity Corporation ") that is fully controlled by the consolidated parent company and the consolidated tax base.

The Group evaluates the feasibility of temporary differences, taking into account the future taxable income of individual companies and consolidated groups, respectively. The change in deferred tax assets (liabilities) was recognized as expense (income), except for the amount associated with items directly added to the equity account.

For additional temporary differences in subsidiaries, associates, and joint venture investment interests, the Group may control the timing of the disappearance of temporary differences. All deferred tax liabilities are recognised except in cases where temporary differences are unlikely to dissipate in the foreseeable future. Deferred tax assets arising from deductible temporary differences are likely to be extinguished in the foreseeable future. In addition, It is recognised when taxable income is likely to be used for temporary differences.

The carrying value of deferred tax assets is reviewed at the end of each reporting period. The carrying value of deferred tax assets is reduced when it is no longer likely that sufficient taxable income will be generated to use benefits from deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying value of its assets and liabilities.

Deferred tax assets and liabilities are corporate taxes imposed by the same taxation authority. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(y) Income tax (continued)

Because of the tax polices taken by the Group, tax uncertainties arise from the complexity of transactions and differences in tax law analysis. Also, it arises from a tax refund suit, tax investigation, or a refund suit against the tax authorities' tax amount. The Group paid the tax amount by the tax authorities in accordance with K-IFRS No. 2123. However, it will be recognized as the corporate tax assets if there is a high possibility of a refund in the future. In addition, the amount expected to be paid as a result of the tax investigation is recognized as the tax liability.

(z) Accounting for trust accounts

The Group accounts for trust accounts separately from its bank accounts under the Financial Investment Services and Capital Markets Act No. 114 and thus the trust accounts are not included in the accompanying consolidated financial statements. In this regard, the funds lent to the trust account are counted as trust account loans and loans borrowed from the trust account as other accounting accounts (non-payment of the trust account). In accordance with the Financial Investment Business Regulations, trust remuneration is acquired in connection with the operation, management, and disposal of trust property, and it is counted as the operating profit of trust business.

(aa) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Group by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(ab) New standards and amendments not yet adopted by the Group

The following new accounting standards and amendments have been published that are not mandatory for annual periods beginning after January 1, 2021, and have not been early adopted by the Group.

i) K-IFRS No. 1103 'Business combination' amended – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, and Korean IFRS 2121 Levies. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

(ii) K-IFRS No. 1016 'Property, Plant and Equipment' amended – Proceeds before the intended use

The amendments require the entity to recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss, and prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(ab) New standards and amendments not yet adopted by the Group (continued)

(iii) *K-IFRS No. 1037, 'Provisions, Contingent Liabilities and Contingent Assets' amended - Onerous Contracts: Cost of Fulfilling a Contract*

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual periods beginning on or after January 1, 2022, and earlier application is permitted. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

(iv) *K-IFRS No. 1001 'Presentation of Financial Statements' amended - 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. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is reviewing the impact of amendments to the consolidated financial statements.

v) *K-IFRS No. 1117 'Insurance Contracts'*

K-IFRS No. 1117 *'Insurance Contracts'* enacted on April 23, 2021 will be applied for annual periods beginning on or after January 1, 2023. The standard will replace K-IFRS No. 1104 *'Insurance Contracts'* which is the current standard.

The main features of K-IFRS No. 1117 include measurement of the current value of insurance liabilities, recognition of insurance revenue on an accrual basis, and separate presentation of investment income from insurance performance. Under K-IFRS No. 1104, insurance liability was measured using historical information (e.g., interest rates at sale, etc.). In addition, when the entity receives the premium, it recognizes the premium received as an insurance revenue on a cash basis and there is no obligation to present insurance and investment income or expense separately. On the contrary, K-IFRS No. 1117 measures insurance liability at its present value by using updated discount rates which reflect current market-based information (i.e. at the reporting date) such as assumptions and risks. An insurance revenue is recognized on an accrual basis, reflecting the services provided to the policyholder by the insurance company for each accounting periods. Moreover, insurance finance income or expenses and the investment income or expenses will be presented separately.

If the Group applies K-IFRS No. 1117 in preparation of financial statements, significant differences with current financial statements may arise due to the following reasons. These differences do not include all of the future differences and they may be changed depending on further analysis.

① Evaluation of insurance liabilities

Under K-IFRS No. 1117, the Group estimates all cash flows under the insurance contract, then measure insurance liability by using discount rates that reflect assumptions and risks at the reporting date.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (continued)

(ab) New standards and amendments not yet adopted by the Group (continued)

v) *K-IFRS No.1117 'Insurance Contracts' (continued)*

Specifically, the Group identifies a portfolio of insurance contracts which comprises contracts subject to similar risks and managed together and disaggregate the groups of insurance contracts with similar profitability within the portfolio. Then, the Group measures the groups of insurance contracts at the total of estimates of future cash flows (reflecting cash flows related to insurance contracts and the time value of money), risk adjustment and contractual service margin. Upon the application of K-IFRS No. 1117, contractual service margin account has been newly introduced. The contractual service margin presents the unrealized profit that the Group will recognize as it provides services in the future.

Reinsurance contract is an insurance contract issued by one entity (the reinsurer) to compensate another entity for claims arising from one or more insurance contracts issued by that another entity (underlying insurance contracts). When estimating present value of future cash flows arising from reinsurance contracts, the Group would use assumptions consistent with those it uses for the underlying contracts.

② Recognition and measurement of financial performance

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. 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 profits or losses.

The Group includes time value of money and financial risk, and the effect of changes in the time value of money and financial risk related to the groups of insurance contracts in the insurance finance income or expenses. This requires the Group to make an accounting policy choice as to whether to disaggregate insurance finance income or expenses for the period between profit or loss and other comprehensive income.

③ Accounting policies related to conversion

According to K-IFRS No. 1117, the Group shall adjust the groups of insurance contracts issued before the transition date, that is measured at cost to be measured at its current value by applying a full retrospective approach, modified retrospective approach or fair value approach (January 1, 2022, the beginning of the annual reporting period immediately preceding the date of initial application).

In principle, the Group shall identify, recognize, and measure (full retrospective approach) each group of insurance contracts as if K-IFRS No. 1117 had been applied even before the transition date. However, if this approach is impracticable, the Group may choose to apply either the modified retrospective approach or fair value approach. On the other hand, for groups of insurance contracts with direct participation features which meet certain criteria, a fair value approach may be applied even if the full retrospective approach is applicable.

The objective of the modified approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The fair value approach is an approach of assessing a group of insurance contracts using fair value assessments, etc. in accordance with K-IFRS No. 1113 'Fair Value Measurement'. To apply the fair value approach, the Group shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts and the fulfilment cash flows measured at that date.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

3. Significant accounting policies (Continued)

(ab) New standards and amendments not yet adopted by the Group (continued)

v) K-IFRS No.1117 'Insurance Contracts' (continued)

④ Preparing for the application

As part of preparations for the launch of an integrated corporation in 2021, the Group has completed setting up actuarial assumptions and models and insurance liability settlement system. Within 2022, the Group is planning to foster and reinforce additional professionals and will continuously promote advancement, including improvements on system stability and verification of the consistency of data output. Also, the Group will overhaul and establish an internal accounting control system that goes along with the dynamic accounting environment in order to prepare and disclose reliable accounting information.

The application of K-IFRS No. 1117 will not only result to a change in accounting standards, but will also affect insurance product development, sales strategies, and long-term management strategies. Therefore, with the aim of re-establishment of the overall business management system, the Group will continue to provide training to the employees and report to the management the status and implementation plan of K-IFRS No. 1117.

⑤ Financial impact assessment

As the implementation of K-IFRS No. 1117 results to changes in the valuation of liabilities, revenue recognition, etc., the Group believes that the impact of this standard on the financial statements will be significant. The Group is determining the impacts on the consolidated financial statements due to the application of the standard. As of December 31, 2021, the Group has an insurance contract liability of ₩ 61,183,934 million, calculated in accordance with K-IFRS No.1004 'Insurance contracts'.

vi) Annual Improvements to K-IFRSs 2018-2020 Cycle

For Annual Improvements to K-IFRSs 2018-2020 Cycle, the amendments will take effect for annual periods beginning after January 1, 2022 and are permitted for early application. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

- K-IFRS No.1101, 'First-time Adoption of K-IFRS'-First-time adopter subsidiaries
- K-IFRS No.1109, 'Financial Instruments' -10% test-related fee for financial liabilities removal
- K-IFRS No.1116, 'Leases' -Lease incentives
- K-IFRS No.1041, 'Agriculture' - Fair value measurement

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management

(a) Overview

(a) Overview

Shinhan Financial Group Co., Ltd. (collectively the “Group”) manages various risks that may be arisen by each business sector and the major risks to which the Group is exposed include credit risk, market risk, interest rate risk, and liquidity risk. These risks are recognized, measured, controlled and reported in accordance with risk management guidelines established at the controlling company level and at the subsidiary level.

i) Risk management principles

The risk management principles of the Group are as follows:

- All business activities take into account the balance of risks and profits within a predetermined risk trend.
- The controlling company shall present the Group Risk Management Model Standards and supervise their compliance, and have responsibility and authority for group-level monitoring.
- Operate a risk-related decision-making system that enhances management's involvement.
- Organize and operate risk management organizations independent of the business sector.
- Operate a performance management system that clearly considers risks when making business decisions.
- Aim for preemptive and practical risk management functions.
- Share a cautious view to prepare for possible deterioration of the situation.

ii) Risk management organization

The basic policies and strategies for risk management of the Group are established by the Risk Management Committee (collectively the "Group Risk Management Committee") within the controlling company's Board of Directors. The Group's Chief Risk Management Officer (CRO) assists the Group Risk Management Committee and consults the risk policies and strategies of the group and each subsidiary through the Group Risk Council, which includes the Chief Risk Management Officer of each subsidiary. The subsidiary implements the risk policies and strategies of the Group through each company's risk management committee, risk-related committee, and risk management organization, and consistently establishes and implements the detailed risk policies and strategies of the subsidiary. The risk management team of the controlling company assists the Group's chief risk management officer for risk management and supervision.

Shinhan Financial Group has a hierarchical limit system to manage the risks of the Group to an appropriate level. The Group Risk Management Committee sets the risk limits that can be assumed by the Group and its subsidiaries, while the Risk Management Committee and the Committee of each subsidiary set and manage detailed risk limits by risk, department, desk and product types.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(a) Overview (continued)

ii) Risk management organization (continued)

① Group Risk Management Committee

The Group established the risk management system for the Group and each of its subsidiaries, and comprehensively manages group risk-related matters such as establishing risk policies, limits, and approvals. The Committee consists of directors of the Group.

The resolution of the Committee is as follows:

- Establish risk management basic policy in line with management strategy
- Determine the level of risk that can be assumed by the Group and each subsidiary
- Approve appropriate investment limit or loss allowance limit
- Enact and amend the Group Risk Management Regulations and the Group Risk Council Regulations
- Matters concerning risk management organization structure and division of duties
- Matters concerning the operation of the risk management system;
- Matters concerning the establishment of various limits and approval of limits
- Make decisions on approval of the FSS's internal rating law for non-retail and retail credit rating systems
- Matters concerning risk disclosure policy
- Analysis of crisis situation, related capital management plan and financing plan
- Matters deemed necessary by the board of directors
- Materials required by external regulations such as the Financial Services Commission and other regulations and guidelines
- Matters deemed necessary by the Chairman

The resolution of the Group Risk Management Committee is reported to the Board of Directors.

② Group Risk Management Council

In order to maintain the Group's risk policy and strategy consistently, the Group decides what is necessary to discuss the risks of the Group and to carry out the policies set by the Group Risk Management Committee. The members are chaired by the group's risk management officer and consist of the risk management officers of major subsidiaries.

iii) Group Risk Management System

① Management of the risk capital

Risk capital refers to the capital required to compensate for the potential loss (risk) if it is actually realized. Risk capital management refers to the management of the risk assets considering its risk appetite, which is a datum point on the level of risk burden compared to available capital, so as to maintain the risk capital at an appropriate level. The Group and subsidiaries establish and operate a risk planning process to reflect the risk plan in advance when establishing financial and business plans for risk capital management, and establish a risk limit management system to control risk to an appropriate level.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(a) Overview (continued)

iii) Group Risk Management System (continued)

② Risk Monitoring

In order to proactively manage risks by periodically identifying risk factors that can affect the group's business environment, the Group has established a multi-dimensional risk monitoring system. Each subsidiary is required to report to the Group on key issues that affect risk management at the group level. The Group prepares weekly, monthly and occasional monitoring reports to report to Group management including the CRO.

In addition, the Risk Dash Board is operated to derive abnormal symptoms through three-dimensional monitoring of major portfolios, increased risks, and external environmental changes (news) of assets for each subsidiary. If necessary, the Group takes preemptive risk management to establish and implement countermeasures.

③ Risk Reviewing

When conducting new product-new business and major policy changes, risk factors are reviewed by using a pre-defined checklist to prevent indiscriminate promotion of business that is not easy to judge risk and to support rational decision making. The subsidiary's risk management department conducts a preliminary review and post-monitoring process on products, services, and projects to be pursued in the business division. In case of matters that are linked or jointly promoted with other subsidiaries, the risk reviews are carried out after prior-consultation with the risk management department of the Group.

④ Risk management

The Group maintains a group wide risk management system to detect the signals of any risk crisis preemptively and, in the event of a crisis actually happening, to respond on a timely, efficient and flexible basis so as to ensure the Group's survival as a going concern. Each subsidiary maintains crisis planning for three levels of contingencies, namely, 'alert', 'imminent crisis' and 'crisis' determination of which is made based on quantitative and qualitative monitoring and consequence analysis, and upon the happening of any such contingency, is required to respond according to a prescribed contingency plan. At the controlling company level, the Group maintains and installs crisis detection and response system which is applied consistently group-wide, and upon the happening of any contingency at two or more subsidiary level, the Group directly takes charge of the situation so that the Group manages it on a concerted group wide basis.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk of potential economic loss that may be caused if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and is the largest risk which the Group is facing. The Group's credit risk management encompasses all areas of credit that may result in potential economic loss, including not just transactions that are recorded on balance sheets, but also off-balance-sheet transactions such as guarantees, loan commitments and derivative transactions.

Shinhan Bank's basic policy on credit risk management is determined by the Risk Policy Committee. The Risk Policy Committee consists of the chairman of the CRO, 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 chairman, the CCO, CRO and the head of the group in charge of the credit-related business group, the head of the credit planning department, and the senior examination team to enhance the credit quality of the loan and profitability of operation.

Shinhan Bank's credit risk management includes processes such as credit evaluation, credit monitoring, and credit supervision, and credit risk measurement of counterparties and limit management processes and credit risk measurements for portfolios. All loan customers of Shinhan Bank are evaluated and managed with credit ratings. Retail customers are evaluated by summing up the information of personal information the bank's internal information and external credit information, and the corporate customers are evaluated by considering financial and non-financial items such as industrial risk, operating risk, and management risk. The evaluated credit rating is used for credit approval, limit management, pricing, credit loss provisioning, etc., and is the basis for credit risk management. The credit evaluation system is divided into an evaluation system for retail customers, a SOHO evaluation system, and an evaluation system for corporate customers. It is subdivided and refined by each model to reflect the Basel III requirements. The corporate credit decision is based on a collective decision-making system, making objective and prudent decisions. In the case of a general credit of loans, the credit is approved based on the consultation between branch's RM (Relationship Manager) and loan officers of each business division's headquarters. In the case of a large or important credit, the credit is approved by the review council. In particular, the Credit Deliberation Committee, the highest decision-making body of the loan, reviews for important loans such as large loans. Credits for retail customers are monitored by an automated credit scoring systems (CSS) based on objective statistical methods and bank credit policies.

The Bank operates a regular monitoring system for the regular management of individual loans. The loan officers and RM evaluate the adequacy of the result of the loan review by automatically searching for anticipated insolvent companies among business loan partners, and if necessary, the credit rating of the corporate is requested of an adjustment. In accordance with these procedures, the corporate customers are classified as an early warning company, an observation company, and a normal company, and then are managed differently according to the management guidelines for each risk stage, thereby preventing the insolvency of the loan at an early stage. The financial analysis support system affiliated with a professional credit rating 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. In order to control the credit risk for the credit portfolio to an appropriate level, credit VaR limits are set and managed for each business and business sector, and to prepare for the credit risk caused by biased exposure to specific sectors, the Group sets and manages exposure limits for each sector by the party, industry, country, etc.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(b) Credit risk (continued)

Shinhan Card's basic policy on credit risk is determined by the Risk Management Committee. The Risk Management Committee consists of the Risk Management Officer (CRO) as the chairperson, and is composed of the heads of each business division and supporting division, and the heads of related departments. Apart from the RMC, a credit committee in charge of monitoring corporate credits and other important credits over a certain amount has been established to separate credit policy decisions from credit monitoring.

Shinhan Card's credit rating system is divided into ASS(Application Scoring System) and BSS(Behaviour Scoring System). Unless a customer fall under "rejections due to policy" (such circumstances include delinquency of other credit card companies) and his/her credit rating is above a certain rate, an application of AS is approved. There is a separate screening criterion for credit card customers, who has maintained its relationship with Shinhan Financial Group for a long-term and has a good credit history. In addition, the elements of credit ratings are used as the basis for setting limits when issuing cards. The BSS, which is recalculated monthly, predicts the delinquency probability of cardholders, and utilizes it to monitor members and monitor portfolio risk.

i) Techniques, assumptions and input variables used to measure impairment

i-1) 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 making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

To make the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date 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, and is indicative of significant increases in credit risk since initial recognition. Information includes the default experience data held by the Group and analysis by an internal credit rating expert.

i-1-1) 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.

i-1-2) Measuring term structure of probability of default

Internal credit risk rating is the main variable inputs to determine the duration 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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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

(b) **Credit risk (continued)**

i) *Techniques, assumptions and input variables used to measure impairment (continued)*

i-1-3) 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:

| <u>Corporate exposures</u> | <u>Retail exposures</u> | <u>Card exposures</u> |
|--|---|---|
| Significant change in credit ratings Continued past due more than 30 days | Significant change in credit ratings Continued past due more than 30 days | Significant change in credit ratings Continued past due more than 7 days(personal card) |
| Loan classification of precautionary or below | Loan classification of precautionary or below | Loan classification of precautionary or below |
| Borrower with early warning signals | Borrower with early warning signals | Specific pool segment |
| 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 with identified indicators for significant increases in other credit risk | |
| Loans with identified indicators for significant increases in other credit risk | | |

The Group assumes that the credit risk of the financial instrument has been increased significantly since initial recognition if a specific exposure is past due more than 30 days (except, for a specific portfolio if it is past due more than 7 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 have a more predictive power than the criteria for days of delinquency.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(b) Credit risk (continued)

i) Techniques, assumptions and input variables used to measure impairment (continued)

i-2) 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 instrument 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 reporting date based on the modified contractual terms.

The Group may adjust the contractual cash flows of loans to customers who are in financial difficulties in order 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.

i-3) 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 data 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 occurred and the extent thereof may vary.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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

(b) **Credit risk (continued)**

i) *Techniques, assumptions and input variables used to measure impairment (continued)*

i-4) Reflection of forward-looking information

The Group reflects future 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 predict 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 analyzed the data experienced in the past, derived 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 COVID-19 economic situation, the Group has reviewed the 3 scenarios of upside, central and downside to reflect the final forward-looking information. For the years ended December 31, 2021 and 2020, macroeconomic variables used by the Group are as follows for each scenario.

<December, 31, 2021>

① **Upside scenario**

| Major variables(*1) | Correlation between credit risks | 2021.4Q(*2) | 2022 | | | |
|---|----------------------------------|-------------|-------|-------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate(YoY %) | (-) | 4.1 | 3.0 | 3.1 | 3.8 | 3.7 |
| Private consumption index(YoY %) | (-) | 6.3 | 5.1 | 2.5 | 3.7 | 3.8 |
| Facility investment growth rate(YoY %) | (-) | 4.1 | 0.5 | 1.2 | 5.0 | 5.1 |
| Consumer price index growth rate(%) | (-) | 3.6 | 2.6 | 2.4 | 2.0 | 2.0 |
| Balance on current account(billion dollars) | (-) | 202.0 | 230.0 | 200.0 | 220.0 | 230.0 |
| Government bond 3y yields(%) | - | 1.87 | 1.90 | 1.90 | 2.00 | 2.00 |

② **Central scenario**

| Major variables(*1) | Correlation between credit risks | 2021.4Q(*2) | 2022 | | | |
|---|----------------------------------|-------------|-------|-------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate(YoY %) | (-) | 4.1 | 2.3 | 2.4 | 3.0 | 3.4 |
| Private consumption index(YoY %) | (-) | 6.3 | 4.4 | 1.8 | 2.9 | 3.5 |
| Facility investment growth rate(YoY %) | (-) | 4.1 | 0.2 | 0.8 | 4.5 | 4.9 |
| Consumer price index growth rate(%) | (-) | 3.6 | 2.7 | 2.5 | 2.2 | 2.0 |
| Balance on current account(billion dollars) | (-) | 202.0 | 220.0 | 180.0 | 200.0 | 220.0 |
| Government bond 3y yields(%) | - | 1.87 | 1.80 | 1.80 | 1.90 | 1.90 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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

(b) **Credit risk (continued)**

i) *Techniques, assumptions and input variables used to measure impairment (continued)*

i-4) Reflection of forward-looking information (continued)

③ Downside scenario

| Major variables(*1) | Correlation between credit risks | 2021.4Q(*2) | 2022 | | | |
|---|----------------------------------|-------------|-------|-------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate(YoY %) | (-) | 4.1 | 1.3 | 1.3 | 1.8 | 3.1 |
| Private consumption index(YoY %) | (-) | 6.3 | 3.4 | 0.7 | 1.8 | 3.1 |
| Facility investment growth rate(YoY %) | (-) | 4.1 | (0.5) | 0.3 | 4.3 | 4.5 |
| Consumer price index growth rate(%) | (-) | 3.6 | 3.2 | 3.0 | 3.0 | 2.8 |
| Balance on current account(billion dollars) | (-) | 202.0 | 200.0 | 170.0 | 180.0 | 200.0 |
| Government bond 3y yields(%) | - | 1.87 | 2.00 | 2.00 | 2.20 | 2.40 |

(*1) Shinhan Bank applied the GDP growth rate and private consumption index as the major variables. In addition, Shinhan Card applied the GDP growth rate, facility investment growth rate, consumer price index growth rate, and balance on current account as the major variables. In addition to the table above, the Group has selected additional forecasts for the KOSPI.

(*2) Considering the default forecast period, the Group reflected the future economic outlook.

(*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.

<December 31, 2020>

① Upside scenario

| Major variables(*1) | Correlation between credit risks | 2020.4Q(*2) | 2021 | | | |
|---|----------------------------------|-------------|-------|-------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate(YoY %) | (-) | (2.8) | 0.0 | 3.9 | 3.0 | 4.3 |
| Private consumption index(YoY %) | (-) | (4.8) | 3.0 | 2.3 | 3.5 | 4.1 |
| Facility investment growth rate(YoY %) | (-) | 3.5 | 5.5 | 6.5 | 1.5 | 5.0 |
| Consumer price index growth rate(%) | (-) | 0.3 | 0.6 | 0.9 | 0.8 | 0.9 |
| Balance on current account(billion dollars) | (-) | 170.0 | 130.0 | 160.0 | 190.0 | 180.0 |
| Government bond 3y yields(%) | - | 0.90 | 1.00 | 1.00 | 1.10 | 1.10 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

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

(b) **Credit risk (continued)**

i) *Techniques, assumptions and input variables used to measure impairment (continued)*

i-4) Reflection of forward-looking information (continued)

② Central scenario

| Major variables(*1) | Correlation between credit risks | 2020.4Q(*2) | 2021 | | | |
|--|--|-------------|-------|-------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate(YoY %) | (-) | (2.8) | (0.7) | 3.6 | 2.5 | 3.7 |
| Private consumption index(YoY %) | (-) | (4.8) | 2.6 | 2.1 | 3.0 | 3.5 |
| Facility investment growth rate(YoY %) | (-) | 3.5 | 5.0 | 6.0 | 0.8 | 4.5 |
| Consumer price index growth rate(%) | (-) | 0.3 | 0.5 | 0.9 | 0.7 | 0.8 |
| Balance on current account(billion dollars) | (-) | 170.0 | 120.0 | 150.0 | 180.0 | 170.0 |
| Government bond 3y yields(%) | - | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 |

③ Downside scenario

| Major variables(*1) | Correlation between credit risks | 2020.4Q(*2) | 2021 | | | |
|--|--|-------------|-------|-------|-------|-------|
| | | | 1Q | 2Q | 3Q | 4Q |
| GDP growth rate(YoY %) | (-) | (2.8) | (1.5) | 2.3 | 1.7 | 3.0 |
| Private consumption index(YoY %) | (-) | (4.8) | 1.9 | 1.1 | 2.6 | 3.4 |
| Facility investment growth rate(YoY %) | (-) | 3.5 | 3.5 | 4.5 | (1.0) | 3.0 |
| Consumer price index growth rate(%) | (-) | 0.3 | 0.4 | 0.8 | 0.6 | 0.7 |
| Balance on current account(billion dollars) | (-) | 170.0 | 110.0 | 140.0 | 170.0 | 160.0 |
| Government bond 3y yields(%) | - | 0.90 | 1.10 | 1.10 | 1.10 | 1.10 |

(*1) Shinhan Bank applied the private consumption index and facility investment growth rate as the major variables. In addition, Shinhan Card applied the GDP growth rate, consumer price index growth rate, facility investment growth rate, consumer price index growth rate, balance on current account, and government bond 3y yields as the major variables. In addition to the table above, the Group has selected additional forecasts for the KOSPI.

(*2) Considering the default forecast period, the Group reflected the future economic outlook.

(*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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(b) Credit risk (continued)

i) Techniques, assumptions and input variables used to measure impairment (continued)

i-4) 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. Economic indicators have worsened in 2021 due to the economic contraction caused by the COVID-19. However, the historical default rate of the Group's has remained stable because of various government support in response to the COVID-19. The Group manages the credit risk through classifying borrowers in moratorium of interest payments and moratorium of repayment that is one of the financial relief programs into Stage2 to reflect the impact of potential insolvency.

The Group has considered multiple economic scenarios in applying forward-looking information to measure the expected credit losses. Assuming a 100% weighting of Upside, Central, and Downside scenarios, the sensitivity to the Group's provision for expected credit loss is not significant.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

4. Financial risk management (continued)

(b) Credit risk (continued)

i-5) 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 contract expiration 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. 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 value of the asset, and EAD of loan commitments or financial guarantee contracts is calculated as the sum of the amount expected to be used in the future.

In measuring expected credit losses on financial assets, the Group uses the contractual maturity as the period subject to expected credit loss measurement. The contractual maturity is computed taking into account the extension right held by the borrower.

Risk factors of 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 experience.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

i) Techniques, assumptions and input variables used to measure impairment (continued)

i-6) 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 and is carried out with the approval of an external institution, if necessary. 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.

ii) Maximum exposure to credit risk

Exposure to credit risk is the exposure related to due from banks, loans, investments in debt securities, derivative transactions, off-balance sheet accounts such as loan commitment. The exposures of due from banks and loans are classified into government, bank, corporation or retail based on the exposure classification criteria of BASEL III credit risk weights, and the net carrying value, excluding provisions, is presented as the maximum amount that can be exposed by credit risk.

The Group's maximum exposure to credit risk without taking into account of any collateral held or other credit enhancements as of December 31, 2021 and 2020 is as follows:

| | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| Due from banks and loans at amortized cost (*1),(*)3): | | |
| Banks | ₩ 14,166,508 | 17,016,263 |
| Retail | 186,358,002 | 170,314,316 |
| Government/Public sector/Central bank | 15,251,465 | 24,778,332 |
| Corporations | 172,527,573 | 152,895,324 |
| Card receivable | 25,065,621 | 22,822,546 |
| | <u>413,369,169</u> | <u>387,826,781</u> |
| Due from banks and loans at fair value through profit or loss(*3): | | |
| Banks | 34,262 | 93,109 |
| Corporations | 1,683,344 | 1,986,804 |
| | <u>1,717,606</u> | <u>2,079,913</u> |
| Securities at fair value through profit or loss | 58,310,838 | 55,275,031 |
| Securities at fair value through other comprehensive income | 63,806,919 | 57,409,433 |
| Securities at amortized cost(*1) | 49,930,076 | 47,282,623 |
| Derivative assets | 3,799,189 | 5,633,915 |
| Other financial assets(*1),(*)2) | 23,238,932 | 20,341,191 |
| Guarantee contracts(*4) | 5,399,286 | 4,481,506 |
| Loan commitments and other credit liabilities | 193,853,866 | 187,067,821 |
| | <u>₩ 813,425,881</u> | <u>767,398,214</u> |

(*1) The maximum exposure amounts for due from banks, loans, securities at amortized cost and other financial assets at amortized cost are recorded as net of allowances.

(*2) Other financial assets mainly comprise of accounts receivable, accrued income, deposits, domestic exchange settlement debit and suspense payments.

(*3) Classified as similar credit risk group based on calculation of the BIS ratio under new Basel Capital Accord (Basel III).

(*4) These amounts represents financial guarantees, and the non-financial guarantees amount to ₩ 11,346,421 million and ₩ 10,799,393 million as of December 31, 2021 and 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

iii) The maximum amount of exposure to credit risk by type of collateral as of December, 31, 2021 and 2020 is as follows:

| Classification | December 31, 2021 | | | |
|------------------------|-----------------------------------|--------------------------------|----------|-------------|
| | 12 months Expected credit loss | Life time expected credit loss | | Total |
| | | Not impaired | Impaired | |
| Guarantee | ₩ 61,890,908 | 8,354,723 | 214,589 | 70,460,220 |
| Deposits and Savings | 2,166,075 | 285,965 | 2,446 | 2,454,486 |
| Property and equipment | 1,560,567 | 416,545 | 20,162 | 1,997,274 |
| Real estate | 127,505,563 | 14,318,098 | 256,972 | 142,080,633 |
| Securities | 1,906,005 | 128,293 | 7 | 2,034,305 |
| Others | 5,035,546 | - | 5,495 | 5,041,041 |
| Total | ₩ 200,064,664 | 23,503,624 | 499,671 | 224,067,959 |

| Classification | December 31, 2020 | | | |
|------------------------|-----------------------------------|--------------------------------|----------|-------------|
| | 12 months Expected credit loss | Life time expected credit loss | | Total |
| | | Not impaired | Impaired | |
| Guarantee | ₩ 36,355,387 | 5,944,417 | 185,777 | 42,485,581 |
| Deposits and Savings | 1,258,934 | 313,723 | 1,509 | 1,574,166 |
| Property and equipment | 1,301,810 | 324,098 | 12,341 | 1,638,249 |
| Real estate | 109,092,694 | 13,914,172 | 311,946 | 123,318,812 |
| Securities | 2,181,874 | 108,718 | 88,025 | 2,378,617 |
| Others | 4,830,557 | - | 1,943 | 4,832,500 |
| Total | ₩ 155,021,256 | 20,605,128 | 601,541 | 176,227,925 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

iv) Impairment information by credit risk of financial assets

Details of impaired financial assets due to credit risk as of December 31, 2021 are as follows:

| | December 31, 2021 | | | | | | | | Mitigation of credit risk due to collateral |
|--|-------------------------------|-------------------|--------------------------------|-------------------|------------------|--------------------|--------------------|--------------------|---|
| | 12-month expected credit loss | | Life time expected credit loss | | | Total | Allowances | Net | |
| | Grade 1 | Grade 2 | Grade 1 | Grade 2 | Impaired | | | | |
| Due from banks and loans at amortized cost: | | | | | | | | | |
| Banks | ₩ 10,793,973 | 3,278,144 | 112,254 | 434 | - | 14,184,805 | (18,297) | 14,166,508 | 133,618 |
| Retail | 169,313,467 | 7,015,361 | 7,900,192 | 2,127,173 | 581,534 | 186,937,727 | (579,725) | 186,358,002 | 126,988,030 |
| Government/Public sector/ | | | | | | | | | |
| Central bank | 14,531,532 | 710,527 | 17,433 | 257 | - | 15,259,749 | (8,284) | 15,251,465 | 9,000 |
| Corporations | 101,866,101 | 44,060,819 | 10,743,965 | 16,702,928 | 853,977 | 174,227,790 | (1,700,217) | 172,527,573 | 93,682,859 |
| Card receivable | 18,793,517 | 2,541,833 | 1,829,837 | 2,350,634 | 428,068 | 25,943,889 | (878,268) | 25,065,621 | 8,774 |
| | <u>315,298,590</u> | <u>57,606,684</u> | <u>20,603,681</u> | <u>21,181,426</u> | <u>1,863,579</u> | <u>416,553,960</u> | <u>(3,184,791)</u> | <u>413,369,169</u> | <u>220,822,281</u> |
| Securities at fair value through other comprehensive income(*) | 56,176,008 | 7,478,125 | - | 152,786 | - | 63,806,919 | - | 63,806,919 | - |
| Securities at amortized cost | 48,305,398 | 1,605,335 | - | 36,290 | - | 49,947,023 | (16,947) | 49,930,076 | - |
| | <u>₩ 419,779,996</u> | <u>66,690,144</u> | <u>20,603,681</u> | <u>21,370,502</u> | <u>1,863,579</u> | <u>530,307,902</u> | <u>(3,201,738)</u> | <u>527,106,164</u> | <u>220,822,281</u> |

(*) Credit loss allowance recognized as other comprehensive income of securities at fair value through other comprehensive income amounted to ₩ 37,486 million as of December 31, 2021.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

iv) Impairment information by credit risk of financial assets (continued)

Details of impaired financial assets due to credit risk as of December 31, 2020 are as follows:

| | December 31, 2020 | | | | | | | | Mitigation of credit risk due to collateral |
|--|-------------------------------|-------------------|--------------------------------|-------------------|------------------|--------------------|--------------------|--------------------|---|
| | 12-month expected credit loss | | Life time expected credit loss | | | Total | Allowances | Net | |
| | Grade 1 | Grade 2 | Grade 1 | Grade 2 | Impaired | | | | |
| Due from banks and loans at amortized cost: | | | | | | | | | |
| Banks | ₩ 14,935,722 | 1,996,948 | 87,084 | 10,027 | - | 17,029,781 | (13,518) | 17,016,263 | 29,994 |
| Retail | 152,159,976 | 8,385,069 | 6,062,587 | 3,686,863 | 574,354 | 170,868,849 | (554,533) | 170,314,316 | 91,711,254 |
| Government/Public sector/ | | | | | | | | | |
| Central bank | 23,849,701 | 834,912 | 96,183 | 1,748 | - | 24,782,544 | (4,212) | 24,778,332 | 9,000 |
| Corporations | 93,740,349 | 34,637,533 | 11,391,410 | 13,758,332 | 982,037 | 154,509,661 | (1,614,337) | 152,895,324 | 83,580,715 |
| Card receivable | 16,995,332 | 2,304,536 | 1,754,723 | 2,197,877 | 454,451 | 23,706,919 | (884,373) | 22,822,546 | 6,845 |
| | <u>301,681,080</u> | <u>48,158,998</u> | <u>19,391,987</u> | <u>19,654,847</u> | <u>2,010,842</u> | <u>390,897,754</u> | <u>(3,070,973)</u> | <u>387,826,781</u> | <u>175,337,808</u> |
| Securities at fair value through other comprehensive income(*) | 48,506,057 | 8,636,241 | - | 267,135 | - | 57,409,433 | - | 57,409,433 | - |
| Securities at amortized cost | 45,888,769 | 1,404,340 | - | - | - | 47,293,109 | (10,486) | 47,282,623 | - |
| | <u>₩ 396,075,906</u> | <u>58,199,579</u> | <u>19,391,987</u> | <u>19,921,982</u> | <u>2,010,842</u> | <u>495,600,296</u> | <u>(3,081,459)</u> | <u>492,518,837</u> | <u>175,337,808</u> |

(*) Credit loss allowance recognized as other comprehensive income of securities at fair value through other comprehensive income amounted to ₩ 23,171 million as of December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

v) Credit risk exposures per credit grade of off-balance items

Credit risk exposures per credit grade of off-balance items as of December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | |
|---------------------------------------|---|--------------------------|-------------------|-----------------|--------------------|
| | | Grade 1 | Grade 2 | Impaired | Total |
| Guarantee contracts(*): | | | | | |
| 12-month expected credit loss | ₩ | 3,469,002 | 1,382,415 | - | 4,851,417 |
| Life time expected credit loss | | 342,224 | 205,179 | - | 547,403 |
| Impaired | | - | - | 466 | 466 |
| | | <u>3,811,226</u> | <u>1,587,594</u> | <u>466</u> | <u>5,399,286</u> |
| Loan commitment and other credit line | | | | | |
| 12-month expected credit loss | | 160,307,100 | 23,370,613 | - | 183,677,713 |
| Life time expected credit loss | | 7,406,324 | 2,759,057 | - | 10,165,381 |
| Impaired | | - | - | 10,772 | 10,772 |
| | | <u>167,713,424</u> | <u>26,129,670</u> | <u>10,772</u> | <u>193,853,866</u> |
| | ₩ | <u>171,524,650</u> | <u>27,717,264</u> | <u>11,238</u> | <u>199,253,152</u> |
| | | December 31, 2020 | | | |
| | | Grade 1 | Grade 2 | Impaired | Total |
| Guarantee contracts(*): | | | | | |
| 12-month expected credit loss | ₩ | 2,884,641 | 1,110,945 | - | 3,995,586 |
| Life time expected credit loss | | 308,785 | 176,977 | - | 485,762 |
| Impaired | | - | - | 158 | 158 |
| | | <u>3,193,426</u> | <u>1,287,922</u> | <u>158</u> | <u>4,481,506</u> |
| Loan commitment and other credit line | | | | | |
| 12-month expected credit loss | | 156,787,448 | 20,715,236 | - | 177,502,684 |
| Life time expected credit loss | | 6,738,016 | 2,822,003 | - | 9,560,019 |
| Impaired | | - | - | 5,118 | 5,118 |
| | | <u>163,525,464</u> | <u>23,537,239</u> | <u>5,118</u> | <u>187,067,821</u> |
| | ₩ | <u>166,718,890</u> | <u>24,825,161</u> | <u>5,276</u> | <u>191,549,327</u> |

(*) These amounts represents financial guarantees, and the non-financial guarantees amount to ₩ 11,346,421 million and ₩ 10,799,393 million as of December 31, 2021 and 2020, respectively.

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

| Type of Borrower | Grade 1 | Grade 2 |
|---|--|---|
| Individuals | Probability of default below 2.25% for each pool | Probability of default 2.25% or above for each pool |
| Government/Public agency/Central bank | OECD sovereign credit rating of 6 or above | OECD sovereign credit rating of below 6 |
| Banks and Corporations (Including credit card bond) | Internal credit rating of BBB+ or above | Internal credit rating of below BBB+ |
| Card receivables (Individuals) | Behavior scoring system of 7 grade or above | Behavior scoring system of below 7 grade |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

vii) Credit risk exposures per credit quality of derivative assets

Credit quality of derivative assets as of December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------|---|--------------------------|--------------------------|
| Grade 1 | ₩ | 3,201,912 | 4,994,809 |
| Grade 2 | | 597,277 | 639,106 |
| | ₩ | <u>3,799,189</u> | <u>5,633,915</u> |

(*) Credit quality of derivative assets is classified based on the internal credit ratings.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

viii) *Concentration by geographic location*

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2021 and 2020 are as follows:

| Classification(*1) | December 31, 2021 | | | | | | | | |
|--|----------------------|-------------------|----------------|-------------------|----------------|------------------|------------------|-------------------|--------------------|
| | Korea | USA | UK | Japan | Germany | Vietnam | China | Other | Total |
| Due from banks and loans at amortized cost | | | | | | | | | |
| Banks | ₩ 4,310,888 | 1,525,158 | 235,591 | 450,689 | 530,688 | 1,676,080 | 2,677,445 | 2,759,969 | 14,166,508 |
| Retail | 175,777,754 | 392,882 | 7,683 | 4,338,281 | 3,111 | 2,412,670 | 1,944,105 | 1,481,516 | 186,358,002 |
| Government/Public sector/Central bank | 11,807,591 | 796,405 | - | 1,279,012 | 217,773 | 248,301 | 462,308 | 440,075 | 15,251,465 |
| Corporations | 151,625,249 | 3,684,068 | 254,051 | 4,375,807 | 94,186 | 3,012,133 | 2,947,746 | 6,534,333 | 172,527,573 |
| Card receivable | 24,832,367 | 10,435 | 462 | 2,033 | 233 | 170,929 | 32,281 | 16,881 | 25,065,621 |
| | <u>368,353,849</u> | <u>6,408,948</u> | <u>497,787</u> | <u>10,445,822</u> | <u>845,991</u> | <u>7,520,113</u> | <u>8,063,885</u> | <u>11,232,774</u> | <u>413,369,169</u> |
| Deposits and loans at FVTPL | | | | | | | | | |
| Banks | - | 34,262 | - | - | - | - | - | - | 34,262 |
| Corporations | 1,113,229 | 282,513 | - | 19,274 | - | - | - | 268,328 | 1,683,344 |
| | <u>1,113,229</u> | <u>316,775</u> | <u>-</u> | <u>19,274</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>268,328</u> | <u>1,717,606</u> |
| Securities measured at FVTPL | 53,942,627 | 2,359,478 | 255,023 | 91,766 | 19,048 | 27,613 | 76,107 | 1,539,176 | 58,310,838 |
| Securities at FVOCI | 59,353,250 | 1,871,526 | 164,340 | 250,768 | 52,199 | 120,884 | 679,527 | 1,314,425 | 63,806,919 |
| Securities at amortized cost | 46,896,258 | 777,546 | - | 244,149 | - | 902,377 | 80,041 | 1,029,705 | 49,930,076 |
| | <u>529,659,213</u> | <u>11,734,273</u> | <u>917,150</u> | <u>11,051,779</u> | <u>917,238</u> | <u>8,570,987</u> | <u>8,899,560</u> | <u>15,384,408</u> | <u>587,134,608</u> |
| Off-balance accounts | | | | | | | | | |
| Guarantees(*2) | 4,991,349 | 45,650 | 2,099 | 821 | 4,384 | 95,565 | 246,080 | 13,338 | 5,399,286 |
| Loan commitments and other liabilities related to credit | 182,701,367 | 686,381 | 260,036 | 771,183 | 87,080 | 2,772,750 | 2,157,388 | 4,417,681 | 193,853,866 |
| | <u>₩ 187,692,716</u> | <u>732,031</u> | <u>262,135</u> | <u>772,004</u> | <u>91,464</u> | <u>2,868,315</u> | <u>2,403,468</u> | <u>4,431,019</u> | <u>199,253,152</u> |

(*1) The following accounts are the net carrying value less provision for doubtful accounts.

(*2) These amounts represents financial guarantees, and the non-financial guarantees amount to ₩ 11,346,421 million as of December 31, 2021.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

viii) *Concentration by geographic location (continued)*

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2021 and 2020 are as follows (continued):

| Classification(*1) | December 31, 2020 | | | | | | | | |
|--|----------------------|-------------------|----------------|-------------------|----------------|------------------|------------------|-------------------|--------------------|
| | Korea | USA | UK | Japan | Germany | Vietnam | China | Other | Total |
| Due from banks and loans at amortized cost | | | | | | | | | |
| Banks | ₩ 6,990,520 | 823,698 | 156,002 | 784,538 | 316,293 | 1,166,397 | 2,889,115 | 3,889,700 | 17,016,263 |
| Retail | 161,434,788 | 392,499 | 6,724 | 4,124,680 | 2,386 | 1,780,361 | 1,329,067 | 1,243,811 | 170,314,316 |
| Government/Public sector/Central bank | 20,998,640 | 952,215 | - | 1,418,805 | 121,663 | 209,395 | 441,863 | 635,751 | 24,778,332 |
| Corporations | 133,827,181 | 3,278,234 | 435,135 | 3,796,824 | 103,647 | 2,319,327 | 3,039,177 | 6,095,799 | 152,895,324 |
| Card receivable | 22,614,285 | 8,867 | 351 | 1,983 | 194 | 152,141 | 27,926 | 16,799 | 22,822,546 |
| | <u>345,865,414</u> | <u>5,455,513</u> | <u>598,212</u> | <u>10,126,830</u> | <u>544,183</u> | <u>5,627,621</u> | <u>7,727,148</u> | <u>11,881,860</u> | <u>387,826,781</u> |
| Deposits and loans at FVTPL | | | | | | | | | |
| Banks | 61,476 | 31,633 | - | - | - | - | - | - | 93,109 |
| Corporations | 1,057,690 | 466,812 | - | 19,807 | - | 744 | - | 441,751 | 1,986,804 |
| | <u>1,119,166</u> | <u>498,445</u> | <u>-</u> | <u>19,807</u> | <u>-</u> | <u>744</u> | <u>-</u> | <u>441,751</u> | <u>2,079,913</u> |
| Securities measured at FVTPL | 51,574,884 | 2,129,355 | 198,567 | 46,086 | 4,486 | 24,539 | 168,863 | 1,128,251 | 55,275,031 |
| Securities at FVOCI | 53,386,556 | 1,464,611 | 112,001 | 221,917 | 36,412 | 172,904 | 886,080 | 1,128,952 | 57,409,433 |
| Securities at amortized cost | 44,537,890 | 723,287 | - | 243,592 | - | 710,106 | 45,121 | 1,022,627 | 47,282,623 |
| | <u>496,483,910</u> | <u>10,271,211</u> | <u>908,780</u> | <u>10,658,232</u> | <u>585,081</u> | <u>6,535,914</u> | <u>8,827,212</u> | <u>15,603,441</u> | <u>549,873,781</u> |
| Off-balance accounts | | | | | | | | | |
| Guarantees(*2) | 3,818,973 | 65,164 | 6,198 | 1,344 | 6,041 | 95,793 | 363,042 | 124,951 | 4,481,506 |
| Loan commitments and other liabilities related to credit | 178,311,828 | 528,596 | 275,629 | 645,794 | 64,050 | 1,042,458 | 2,443,779 | 3,755,687 | 187,067,821 |
| | <u>₩ 182,130,801</u> | <u>593,760</u> | <u>281,827</u> | <u>647,138</u> | <u>70,091</u> | <u>1,138,251</u> | <u>2,806,821</u> | <u>3,880,638</u> | <u>191,549,327</u> |

(*1) The following accounts are the net carrying value less provision for doubtful accounts.

(*2) These amounts represents financial guarantees, and the non-financial guarantees amount to ₩ 10,799,393 million as of December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

ix) *Concentration by industry sector*

An analysis of concentration by industry sector of financial instrument, net of allowance, as of and December 31, 2021 and 2020 is as follows:

| Classification(*1) | December 31, 2021 | | | | | | | | |
|---|-----------------------|-------------------|----------------------|--------------------------|----------------------|------------------------|--------------------|--------------------|--------------------|
| | Finance and insurance | Manu-facturing | Retail and wholesale | Real estate and business | Construction service | Lodging and Restaurant | Other | Retail customers | Total |
| Due from banks and loans at amortized cost: | | | | | | | | | |
| Banks | ₩ 13,447,829 | - | - | - | - | - | 718,679 | - | 14,166,508 |
| Retail | - | - | - | - | - | - | - | 186,358,002 | 186,358,002 |
| Government/Public sector/Central bank | 15,216,403 | - | - | 1,797 | - | - | 33,265 | - | 15,251,465 |
| Corporations | 13,384,083 | 53,134,572 | 21,167,564 | 41,106,836 | 3,727,338 | 6,544,166 | 33,463,014 | - | 172,527,573 |
| Card receivable | 51,123 | 252,973 | 228,900 | 46,896 | 45,568 | 29,713 | 1,899,301 | 22,511,147 | 25,065,621 |
| | <u>42,099,438</u> | <u>53,387,545</u> | <u>21,396,464</u> | <u>41,155,529</u> | <u>3,772,906</u> | <u>6,573,879</u> | <u>36,114,259</u> | <u>208,869,149</u> | <u>413,369,169</u> |
| Due from banks and loans at FVTPL | | | | | | | | | |
| Banks | 34,262 | - | - | - | - | - | - | - | 34,262 |
| Corporations | 986,736 | 492,598 | 15,107 | 78,753 | 22,537 | 2,637 | 84,976 | - | 1,683,344 |
| | <u>1,020,998</u> | <u>492,598</u> | <u>15,107</u> | <u>78,753</u> | <u>22,537</u> | <u>2,637</u> | <u>84,976</u> | <u>-</u> | <u>1,717,606</u> |
| Securities at fair value through profit or loss | 33,769,892 | 3,248,846 | 1,169,038 | 773,687 | 299,972 | 152,341 | 18,897,062 | - | 58,310,838 |
| Securities at fair value through other comprehensive income | 27,034,695 | 3,529,756 | 523,631 | 775,967 | 1,144,998 | 30,928 | 30,766,944 | - | 63,806,919 |
| Securities at amortized cost | 10,309,318 | - | - | 1,074,393 | 1,249,070 | - | 37,297,295 | - | 49,930,076 |
| | <u>114,234,341</u> | <u>60,658,745</u> | <u>23,104,240</u> | <u>43,858,329</u> | <u>6,489,483</u> | <u>6,759,785</u> | <u>123,160,536</u> | <u>208,869,149</u> | <u>587,134,608</u> |
| Off-balance accounts | | | | | | | | | |
| Guarantees(*2) | 775,357 | 948,440 | 396,571 | 126,393 | 36,001 | 56,105 | 3,059,953 | 466 | 5,399,286 |
| Loan commitments and other liabilities related to credit | 15,445,541 | 25,389,003 | 8,908,201 | 3,676,457 | 2,213,871 | 499,633 | 20,404,848 | 117,316,312 | 193,853,866 |
| | <u>₩ 16,220,898</u> | <u>26,337,443</u> | <u>9,304,772</u> | <u>3,802,850</u> | <u>2,249,872</u> | <u>555,738</u> | <u>23,464,801</u> | <u>117,316,778</u> | <u>199,253,152</u> |

(*1) The composition details by industry are net book value less allowances.

(*2) These amounts represents financial guarantees, and the non-financial guarantees amount to ₩ 11,346,421 million as of December 31, 2021.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

ix) *Concentration by industry sector (continued)*

An analysis of concentration by industry sector of financial instrument, net of allowance, as of and December 31, 2021 and 2020 is as follows:

| Classification(*1) | December 31, 2020 | | | | | | | | |
|---|-----------------------|-------------------|----------------------|--------------------------|----------------------|------------------------|--------------------|--------------------|--------------------|
| | Finance and insurance | Manu-facturing | Retail and wholesale | Real estate and business | Construction service | Lodging and Restaurant | Other | Retail customers | Total |
| Due from banks and loans at amortized cost: | | | | | | | | | |
| Banks | ₩ 16,656,030 | - | - | - | - | - | 360,233 | - | 17,016,263 |
| Retail | - | - | - | - | - | - | - | 170,314,316 | 170,314,316 |
| Government/Public sector/Central bank | 24,671,308 | - | - | 1,796 | - | - | 105,228 | - | 24,778,332 |
| Corporations | 10,403,261 | 48,430,680 | 18,679,397 | 35,920,334 | 3,521,216 | 6,479,253 | 29,461,183 | - | 152,895,324 |
| Card receivable | 44,980 | 169,900 | 252,537 | 36,372 | 38,456 | 23,150 | 1,685,293 | 20,571,858 | 22,822,546 |
| | <u>51,775,579</u> | <u>48,600,580</u> | <u>18,931,934</u> | <u>35,958,502</u> | <u>3,559,672</u> | <u>6,502,403</u> | <u>31,611,937</u> | <u>190,886,174</u> | <u>387,826,781</u> |
| Due from banks and loans at FVTPL | | | | | | | | | |
| Banks | 63,112 | - | - | 29,997 | - | - | - | - | 93,109 |
| Corporations | 1,114,789 | 641,554 | 19,210 | 51,008 | 3,000 | - | 157,243 | - | 1,986,804 |
| | <u>1,177,901</u> | <u>641,554</u> | <u>19,210</u> | <u>81,005</u> | <u>3,000</u> | <u>-</u> | <u>157,243</u> | <u>-</u> | <u>2,079,913</u> |
| Securities at fair value through profit or loss | 34,294,362 | 2,978,991 | 1,223,958 | 574,547 | 248,399 | 46,177 | 15,908,597 | - | 55,275,031 |
| Securities at fair value through other comprehensive income | 26,528,743 | 3,448,765 | 577,781 | 830,988 | 974,333 | 22,643 | 25,026,180 | - | 57,409,433 |
| Securities at amortized cost | 10,361,913 | 21,750 | - | 1,053,779 | 963,348 | - | 34,881,833 | - | 47,282,623 |
| | <u>124,138,498</u> | <u>55,691,640</u> | <u>20,752,883</u> | <u>38,498,821</u> | <u>5,748,752</u> | <u>6,571,223</u> | <u>107,585,790</u> | <u>190,886,174</u> | <u>549,873,781</u> |
| Off-balance accounts | | | | | | | | | |
| Guarantees(*2) | 919,485 | 1,173,940 | 539,195 | 149,213 | 86,624 | 49,544 | 1,563,217 | 288 | 4,481,506 |
| Loan commitments and other liabilities related to credit | 13,474,195 | 25,825,767 | 9,652,509 | 3,619,939 | 2,159,128 | 513,565 | 19,277,732 | 112,544,986 | 187,067,821 |
| | <u>₩ 14,393,680</u> | <u>26,999,707</u> | <u>10,191,704</u> | <u>3,769,152</u> | <u>2,245,752</u> | <u>563,109</u> | <u>20,840,949</u> | <u>112,545,274</u> | <u>191,549,327</u> |

(*1) The composition details by industry are net book value less allowances.

(*2) These amounts represents financial guarantees, and the non-financial guarantees amount to ₩ 10,799,393 million as of December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(c) Market risk

i) Market risk management from trading positions

i-1) Concept of Market risk

Market risk is defined as the risk of loss of trading account position of financial institutions due to changes on market price, such as interest rates, exchange rates and stock prices, etc. and is divided into general market risks and individual risks. A general market risk refers to a loss from price variability caused by events affecting the market as a whole, such as interest rates, exchange rates and stock prices; and an individual risk refers to a loss from price variability related to individual events of securities issuer, such as bonds and stocks.

i-2) Market Risk Management Method

The basic principle of market risk management in the trading sector is to maintain the maximum possible loss due to market risk within a certain level. To this end, the Group sets and operates VaR limits, investment limits, position limits, sensitivity limits, and loss limits from the portfolio to individual desks. These limits are managed daily by the department in charge of risk management, independent from the operating department.

Trading positions refer to securities, foreign exchange positions, and derivative financial instruments held for the purpose of obtaining short-term trading gains. As a method of measuring market risk, VaR (Value at Risk) is typical, and it is a statistical measurement of the potential maximum loss that can occur due to changes in market conditions. VaR calculates the standard method market risk using the Group Market Risk Measurement System (TRMS), and Shinhan Bank and Shinhan Financial Investment use their own internal model market risk calculation system.

Stress tests are conducted to supplement risk measurement by statistical methods and to manage losses that may arise from rapid changes in the economic environment.

Shinhan Bank measures the market risk of linear products, such as stocks and bonds, as well as non-linear products, such as options by applying historical simulation method of 99% confidence level-based VaR. Trading position data is automatically interfaced into management system, and the system conducts VaR measurement and manages the limit. In addition, the Bank sets loss limit, sensitivity limit, investment limit, stress limit, etc. for Trading Department and desks, and monitors daily.

Shinhan Investment measures daily market risk by applying historical simulation VaR method of 99.9% confidence level-based VaR. Historical simulation VaR method does not require assumption on a particular distribution since the method derives scenarios directly from historical market data, and measures non-linear products, such as options, in details. In addition to the VaR limit, the Shinhan Investment sets and manages issuance and transaction limit, and stop-loss limit for each department.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

i) Market risk management from trading positions (continued)

i-2) Managements (continued)

An analysis of the Group's requisite capital in light of the market risk for trading positions as of and for the years ended December 31, 2021 and 2020 based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, is as follows:

| | | December 31, 2021 | | | |
|------------------------|---|-------------------|-----------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 587,482 | 625,298 | 557,622 | 576,515 |
| Stock price risk | | 209,101 | 231,137 | 179,415 | 219,900 |
| Foreign exchange risk | | 274,140 | 301,271 | 245,232 | 299,909 |
| Commodity risk | | 8,544 | 9,571 | 8,043 | 8,043 |
| Option volatility risk | | 16,404 | 30,244 | 1,269 | 19,032 |
| | ₩ | 1,095,671 | 1,197,521 | 991,581 | 1,123,399 |

| | | December 31, 2020 | | | |
|------------------------|---|-------------------|-----------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 525,465 | 592,668 | 495,292 | 592,668 |
| Stock price risk | | 222,277 | 240,535 | 202,036 | 222,544 |
| Foreign exchange risk | | 120,088 | 124,915 | 113,497 | 113,497 |
| Commodity risk | | 13,818 | 22,982 | 9,539 | 9,539 |
| Option volatility risk | | 8,910 | 23,224 | 3,234 | 3,234 |
| | ₩ | 890,558 | 1,004,324 | 823,598 | 941,482 |

i-3) Shinhan Bank

The analyses of the ten-day 99% confidence level-based VaR for managing market risk for trading positions of Shinhan Bank as of and for the years ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | |
|----------------------------------|---|-------------------|----------|----------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 28,749 | 55,773 | 17,537 | 28,030 |
| Stock price risk | | 11,583 | 21,340 | 3,850 | 19,618 |
| Foreign exchange risk (*) | | 159,165 | 185,514 | 136,936 | 161,978 |
| Option volatility risk | | 162 | 368 | 29 | 60 |
| Commodity risk | | 11 | 151 | - | 8 |
| Portfolio diversification effect | | (25,023) | (52,611) | (13,207) | (17,470) |
| | ₩ | 174,647 | 210,535 | 145,145 | 192,224 |

| | | December 31, 2020 | | | |
|----------------------------------|---|-------------------|----------|----------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 41,165 | 56,950 | 28,322 | 42,867 |
| Stock price risk | | 27,077 | 66,254 | 7,545 | 7,893 |
| Foreign exchange risk (*) | | 65,309 | 83,335 | 27,668 | 69,024 |
| Option volatility risk | | 305 | 1,073 | 114 | 138 |
| Commodity risk | | 13 | 170 | - | 1 |
| Portfolio diversification effect | | (27,839) | (53,295) | (14,163) | (25,310) |
| | ₩ | 106,030 | 154,487 | 49,486 | 94,613 |

(*) Both trading and non-trading accounts are included since Shinhan Bank manages foreign exchange risk on a total position basis.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

i) Market risk management from trading positions (continued)

i-4) Shinhan Card

The analyses of Shinhan Card's requisite capital in light of the market risk for trading positions as of and for the years ended December 31 2021, and 2020, based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, are as follows:

| | | December 31, 2021 | | | |
|--------------------|---|-------------------|---------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 1,996 | 2,350 | 1,700 | 1,700 |

| | | December 31, 2020 | | | |
|--------------------|---|-------------------|---------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 2,034 | 2,400 | 1,900 | 2,400 |

(*) Foreign subsidiaries are excluded from the calculation.

i-5) Shinhan Investment

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Investment as of and for the years ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | |
|----------------------------------|---|-------------------|-----------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 21,079 | 35,503 | 7,724 | 27,207 |
| Stock price risk | | 31,668 | 62,315 | 15,856 | 33,295 |
| Foreign exchange risk | | 24,354 | 43,826 | 2,548 | 28,594 |
| Option volatility risk | | 49,345 | 96,355 | 31,155 | 79,589 |
| Portfolio diversification effect | | (47,759) | (104,149) | (7,380) | (58,241) |
| | ₩ | 78,687 | 133,850 | 49,903 | 110,444 |

| | | December 31, 2020 | | | |
|----------------------------------|---|-------------------|-----------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 20,512 | 30,903 | 12,076 | 23,551 |
| Stock price risk | | 26,136 | 51,509 | 2,412 | 36,573 |
| Foreign exchange risk | | 12,477 | 46,970 | 632 | 15,557 |
| Option volatility risk | | 43,324 | 162,008 | 2,894 | 57,924 |
| Portfolio diversification effect | | (27,223) | (103,405) | 634 | (38,397) |
| | ₩ | 75,226 | 187,985 | 18,648 | 95,208 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

i) Market risk management from trading positions (continued)

i-6) Shinhan Life Insurance

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Life Insurance as of and for the years ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | |
|------------------------|---|-------------------|---------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 4,161 | 9,262 | 457 | 1,259 |
| Stock price risk | | 8,938 | 15,009 | 1,909 | 6,303 |
| Foreign exchange risk | | 7,680 | 13,746 | 481 | 11,404 |
| Option volatility risk | | 1,252 | 2,828 | 26 | 47 |
| | ₩ | 22,031 | 40,845 | 2,873 | 19,013 |

<Shinhan Life Insurance>

| | | December 31, 2020 | | | |
|------------------------|---|-------------------|---------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Interest rate risk | ₩ | 2,967 | 6,934 | 354 | 619 |
| Stock price risk | | 10,953 | 16,592 | 4,481 | 13,742 |
| Foreign exchange risk | | 10,485 | 21,588 | 4,665 | 13,669 |
| Option volatility risk | | 433 | 1,096 | 40 | 1,089 |
| | ₩ | 24,838 | 46,210 | 9,540 | 29,119 |

<Orange Life Insurance>

| | | December 31, 2020 | | | |
|------------------------|---|-------------------|---------|---------|-------------|
| | | Average | Maximum | Minimum | December 31 |
| Foreign exchange risk | ₩ | 17,064 | 19,597 | 10,172 | 17,964 |
| Option volatility risk | | 73 | 84 | 7 | 73 |
| | ₩ | 17,137 | 19,681 | 10,179 | 18,037 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

ii) Interest rate risk management from non-trading positions

ii-1) Principle

Interest rate risk refers to the possibility of a decrease in net interest income or in net asset value that occurs when interest rates fluctuate unfavorably from the Group's financial position. The Group manages changes in net interest income or net asset value that occur due to changes in interest rates by early predicting the factors of interest rate risk fluctuation related to the Group's net interest income and net asset value through the interest rate risk management.

ii-2) Managements

Shinhan Financial Group's major financial subsidiaries manage interest rate risks independently by the risk management organization and the treasury department, and have internal regulations on interest rate risk management strategies, procedures, organization, measurement, and major assumptions.

One of the key indicators of managing interest rate risk is the Earnings at Risk (EaR) from an earning perspective and the Value at Risk (VaR) from an economic value perspective. Interest rate VaR represents the maximum anticipated loss in a net present value calculation, whereas interest rate EaR represents the maximum anticipated loss in a net interest income calculation for the immediately following one-year period, in each case, as a result of negative movements in interest rates.

The precision of risk management system differs by each subsidiary. Interest rate VaR and interest rate EaR are measured by internal method or IRRBB (Interest Rate Risk In The Banking Book), and interest rate risk limits are set and monitored based on the interest rate VaR. In accordance with the amendments in Regulations for Supervision of Financial Holding Companies, the Group measures the interest rate risk using the Basel III based IRRBB, which measures the interest rate risk more precisely than the existing BIS standard framework by segmenting maturities of interest rates, reflecting customer behaviour models and diversifying interest rate shocks. The interest rate VaR scenario based IRRBB measures ① parallel up shock ② parallel down shock ③ steeper shock ④ flattener shock ⑤ short rate up shock ⑥ short rate down shock. By the parallel up shock and parallel down shock, the interest rate VaR scenario measures the scenario value with the largest loss as interest rate risk. Under the existing BIS standard framework, $\pm 200\text{bp}$ parallel shock scenario is applied to all currency. However, as the shock width is set differently by currency and period, interest rate risk is measured significantly by the IRRBB. ((KRW) Parallel $\pm 300\text{bp}$, Short Term $\pm 400\text{bp}$, Long Term $\pm 200\text{bp}$, (USD) Parallel $\pm 200\text{bp}$, Short Term $\pm 300\text{bp}$, Long Term $\pm 150\text{bp}$) In the IRRBB method, the existing interest rate VaR and the interest rate EaR are expressed as Δ EVE (Economic Value of Equity) and Δ NII (Net Interest Income), respectively.

Since impacts of each subsidiary on changes of interest rates are differentiated by portfolios, the Group is preparing to respond proactively while monitoring the financial market and regulatory environment, and making efforts to hedge or reduce interest rate risk. In addition, the subsidiaries conduct the crisis analysis on changes in market interest rates and report it to management and the Group.

In particular, through its ALM (Asset and Liability Management) system, Shinhan Bank measures and manages its interest rate risk based on various analytical measures such as interest rate gap, duration gap and NPV (Net Present Value) and NII (Net Interest Income) simulations, and monitors on a monthly basis its interest rate VaR limits, interest rate EaR (Earnings at Risk) limits and interest rate gap ratio limits.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

ii) Interest rate risk management from non-trading positions (continued):

The details of interest rate VaR and EaR for major subsidiaries for as of December 31, 2021 and 2020 are as follows:

ii-3) Shinhan Bank

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------|---|--------------------------|--------------------------|
| △EVE (*1) | ₩ | 774,352 | 468,327 |
| △NII (*2) | | 96,145 | 115,221 |

ii-4) Shinhan Card

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------|---|--------------------------|--------------------------|
| △EVE (*1) | ₩ | 831,361 | 463,647 |
| △NII (*2) | | 672,303 | 594,210 |

ii-5) Shinhan Investment

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------|---|--------------------------|--------------------------|
| △EVE (*1) | ₩ | 186,587 | 209,929 |
| △NII (*2) | | 187,548 | 89,925 |

ii-6) Shinhan Life Insurance

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> | |
|-----------|---|-------------------------------|-------------------------------|------------------------------|
| | | <u>Shinhan Life Insurance</u> | <u>Shinhan Life Insurance</u> | <u>Orange Life Insurance</u> |
| △EVE (*1) | ₩ | 2,751,977 | 4,140,109 | 2,007,029 |
| △NII (*2) | | 84,812 | 46,073 | 38,733 |

(*1) △EVE is the change in economic value of equity capital that can arise from changes in interest rates that affect the present value of assets, liabilities and off-balance sheet items by using the Basel III standard based IRRBB method.

(*2) △NII is the change in net interest income that can occur over the next year due to changes in interest rates by using the Basel III standard based IRRBB method.

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4. Financial risk management (continued)

(c) Market risk (continued)

iii) Foreign exchange risk

Exposure to foreign exchange risk can be defined as the difference (net position) between assets and liabilities presented in foreign currency, including derivative financial instruments linked to foreign exchange rate. Foreign exchange risk is a factor that causes market risk of the trading position and is managed by the Group under the market risk management system.

The management of Shinhan Bank's foreign exchange position is centralized at the S&T Center. Dealers in the S&T Center manage Shinhan Bank's overall position within the set limits through spot trading, forward contracts, currency options, futures and swaps and foreign exchange swaps. Shinhan Bank sets a limit for net open positions by currency and the limits for currencies other than the U.S. dollars (USD), Japanese yen (JPY), Euros (EUR) and Chinese yuan (CNY) are set in order to minimize exposures from the other foreign exchange trading.

Foreign currency denominated assets and liabilities as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | Total |
|--|-------------------|------------|-----------|-----------|-------------|-------------|
| | USD | JPY | EUR | CNY | Other | |
| Assets: | | | | | | |
| Cash and due from banks at amortized cost | ₩ 4,958,621 | 1,878,286 | 479,644 | 700,378 | 3,630,253 | 11,647,182 |
| Due from banks at FVTPL | 34,262 | - | - | - | - | 34,262 |
| Loans at FVTPL | 534,098 | - | - | - | - | 534,098 |
| Loan at amortized cost | 24,443,325 | 9,901,710 | 975,680 | 5,090,928 | 10,093,297 | 50,504,940 |
| Securities at FVTPL | 5,417,837 | 15,557 | 577,157 | 233 | 553,519 | 6,564,303 |
| Derivative assets | 863,223 | 526 | 10,440 | 1,429 | 33,576 | 909,194 |
| Securities at FVOCI | 4,264,191 | 162,023 | 240,705 | 397,010 | 998,246 | 6,062,175 |
| Securities at amortized cost | 1,306,357 | 241,232 | 69,282 | 80,133 | 1,812,470 | 3,509,474 |
| Other financial assets | 4,347,761 | 242,919 | 324,886 | 173,906 | 927,110 | 6,016,582 |
| | ₩ 46,169,675 | 12,442,253 | 2,677,794 | 6,444,017 | 18,048,471 | 85,782,210 |
| Liabilities: | | | | | | |
| Deposits | ₩ 20,060,092 | 10,642,720 | 1,376,168 | 4,820,793 | 9,766,248 | 46,666,021 |
| Financial liabilities at FVTPL | 7,114 | - | - | - | 581,458 | 588,572 |
| Derivative liabilities | 496,616 | 418 | 12,042 | 1,712 | 13,642 | 524,430 |
| Borrowings | 7,518,545 | 940,877 | 181,027 | 463,098 | 931,802 | 10,035,349 |
| Debt securities issued | 8,887,807 | 137,022 | 892,220 | - | 982,736 | 10,899,785 |
| Financial liabilities designated at FVTPL | 1,553,683 | - | - | - | - | 1,553,683 |
| Other financial liabilities | 3,806,778 | 116,544 | 195,387 | 551,976 | 1,112,455 | 5,783,140 |
| | ₩ 42,330,635 | 11,837,581 | 2,656,844 | 5,837,579 | 13,388,341 | 76,050,980 |
| Net domestic and foreign currency exposure | ₩ 3,839,040 | 604,672 | 20,950 | 606,438 | 4,660,130 | 9,731,230 |
| Off-balance derivative exposure | (419,387) | (62,614) | 325,000 | (95,526) | (2,113,543) | (2,366,070) |
| Net foreign currency exposure | ₩ 3,419,653 | 542,058 | 345,950 | 510,912 | 2,546,587 | 7,365,160 |

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4. Financial risk management (continued)

(c) Market risk (continued)

iii) Foreign exchange risk (continued)

Foreign currency denominated assets and liabilities as of December 31, 2021 and 2020 are as follows (continued):

| | December 31, 2020 | | | | | |
|--|-------------------|------------|-----------|-----------|------------|------------|
| | USD | JPY | EUR | CNY | Other | Total |
| Assets: | | | | | | |
| Cash and due from banks at amortized cost | ₩ 4,729,453 | 1,988,215 | 402,137 | 798,053 | 3,053,388 | 10,971,246 |
| Due from banks at FVTPL | 31,633 | - | - | - | - | 31,633 |
| Loans at FVTPL | 745,277 | 19,807 | 91,503 | - | - | 856,587 |
| Loan at amortized cost | 21,435,678 | 9,076,702 | 1,296,284 | 4,130,855 | 8,987,453 | 44,926,972 |
| Securities at FVTPL | 4,426,257 | 2,574 | 455,769 | - | 316,468 | 5,201,068 |
| Derivative assets | 913,778 | 21,531 | 50,842 | 1,100 | 114,055 | 1,101,306 |
| Securities at FVOCI | 3,868,880 | 149,718 | 222,547 | 460,681 | 1,000,855 | 5,702,681 |
| Securities at amortized cost | 1,273,204 | 240,619 | 69,132 | 45,151 | 1,588,358 | 3,216,464 |
| Other financial assets | 2,180,140 | 284,695 | 177,538 | 336,325 | 559,805 | 3,538,503 |
| | ₩ 39,604,300 | 11,783,861 | 2,765,752 | 5,772,165 | 15,620,382 | 75,546,460 |
| Liabilities: | | | | | | |
| Deposits | ₩ 17,542,371 | 10,136,700 | 991,501 | 4,650,406 | 8,438,144 | 41,759,122 |
| Financial liabilities at FVTPL | - | - | - | - | 544,916 | 544,916 |
| Derivative liabilities | 558,064 | 10,819 | 33,940 | 858 | 105,134 | 708,815 |
| Borrowings | 8,431,144 | 810,819 | 306,829 | 163,454 | 692,305 | 10,404,551 |
| Debt securities issued | 8,417,214 | 87,504 | 933,570 | - | 1,652,835 | 11,091,123 |
| Financial liabilities designated at FVTPL | 1,068,245 | - | - | - | - | 1,068,245 |
| Other financial liabilities | 3,479,117 | 123,510 | 250,428 | 564,623 | 843,635 | 5,261,313 |
| | ₩ 39,496,155 | 11,169,352 | 2,516,268 | 5,379,341 | 12,276,969 | 70,838,085 |
| Net domestic and foreign currency exposure | ₩ 108,145 | 614,509 | 249,484 | 392,824 | 3,343,413 | 4,708,375 |
| Off-balance derivative exposure | 438,469 | (166,923) | 187,408 | 44,764 | (896,933) | (393,215) |
| Net foreign currency exposure | ₩ 546,614 | 447,586 | 436,892 | 437,588 | 2,446,480 | 4,315,160 |

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4. Financial risk management (continued)

(d) Liquidity risk

Liquidity risk refers to the risk of unexpected losses (such as the disposal of assets abnormal pricing, the procurement of high interest rates, etc.) or insolvency due to inconsistency in funding periods between assets and liabilities or a sudden outflow of funds.

Each subsidiary seeks to minimize liquidity risk through early detection of risk factors related to the sourcing and managing of funding that may cause volatility in liquidity and by ensuring that it maintains an appropriate level of liquidity through systematic management. At the Group level, the Group manages liquidity risk by conducting monthly stress tests that compare liquidity requirements under normal situations against those under three types of stress situations, namely, the group-specific internal crisis, crisis in the external market and a combination of internal and external crisis. Therefore, the Group is checking the liquidity side for abnormalities in preparation for the usual crisis.

In addition, in order to pre-emptively and comprehensively manage liquidity risk, the Group measures and monitors liquidity risk management using various indices, including the 'limit management index', 'early warning index' and 'monitoring index'.

Shinhan Bank applies the following basic principles for liquidity risk management:

- Raise funding in sufficient amounts, at the optimal time at reasonable costs;
- Maintain risk at appropriate levels and preemptively manage them through a prescribed risk limit system and an early warning signal detection system;
- Secure stable sources of revenue and minimize actual losses by implementing an effective asset-liability management system based on diversified sources of funding with varying maturities;
- Monitor and manage daily and intra-daily liquidity positions and risk exposures for 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 actually happening; and
- Consider liquidity-related costs, benefits of and risks in determining the pricing of the Group's products and services, employee performance evaluations and approval of launching of new products and services.

Shinhan Card sets and operates a level that can withstand a 3-month credit crunch for end-of-month liquidity. The Group defines and manages the level of caution, anxiety and risk for the real-life liquidity gap ratio, liquidity buffer ratio, and ABS weight compared to borrowings which are major indicators related to liquidity risk. A contingency plan has been established to prepare for a crisis.

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4. Financial risk management (continued)

(d) Liquidity risk (continued)

The details of the composition of non-derivative financial instruments and derivative financial instruments by remaining period are as of December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | | | | |
|---|---|----------------------|-------------------|-------------------|----------------------|--------------------|----------------------|--------------------|
| | | Less than 1 month | 1~3 months | 3~6 months | 6 months ~ 1 year | 1~5 years | More than 5 years | Total |
| Non-derivative financial instruments: | | | | | | | | |
| Assets: | | | | | | | | |
| Cash and due from banks at amortized cost | ₩ | 24,864,116 | 796,046 | 329,809 | 1,151,073 | 108,491 | 1,299,438 | 28,548,973 |
| Due from banks at fair value through profit or loss | | 34,263 | - | - | - | - | - | 34,263 |
| Loans at fair value through profit or loss | | 170,540 | 628,905 | 117,975 | 49,932 | 563,246 | 167,284 | 1,697,882 |
| Loans at amortized cost | | 32,258,357 | 45,442,330 | 57,821,874 | 89,630,955 | 129,534,255 | 75,571,202 | 430,258,973 |
| Securities at fair value through profit or loss | | 51,899,638 | 106,637 | 385,952 | 608,957 | 2,024,069 | 5,776,840 | 60,802,093 |
| Securities at fair value through other comprehensive income | | 60,818,846 | 1,204,770 | 91,704 | 634,600 | 1,249,183 | 897,270 | 64,896,373 |
| Securities at amortized cost | | 515,883 | 2,542,470 | 1,992,334 | 4,273,021 | 18,358,433 | 36,658,577 | 64,340,718 |
| Other financial assets | | 21,052,012 | 50,602 | 25,096 | 372,536 | 253,373 | 1,800,309 | 23,553,928 |
| | ₩ | <u>191,613,655</u> | <u>50,771,760</u> | <u>60,764,744</u> | <u>96,721,074</u> | <u>152,091,050</u> | <u>122,170,920</u> | <u>674,133,203</u> |
| Liabilities: | | | | | | | | |
| Deposits(*2) | ₩ | 212,378,477 | 36,147,003 | 40,879,482 | 59,303,450 | 17,046,796 | 2,589,696 | 368,344,904 |
| Financial liabilities at fair value through profit or loss | | 1,371,503 | - | - | - | - | - | 1,371,503 |
| Borrowings | | 13,159,909 | 3,928,317 | 3,643,545 | 5,171,542 | 14,168,441 | 3,649,507 | 43,721,261 |
| Debt securities issued | | 4,833,061 | 7,033,973 | 7,257,291 | 17,537,101 | 41,799,782 | 5,334,848 | 83,796,056 |
| Financial liabilities designated at fair value through profit or loss | | 332,597 | 294,931 | 586,682 | 1,298,402 | 4,165,201 | 1,346,057 | 8,023,870 |
| Other financial liabilities | | 26,754,163 | 175,952 | 136,110 | 568,997 | 579,871 | 159,352 | 28,374,445 |
| | ₩ | <u>258,829,710</u> | <u>47,580,176</u> | <u>52,503,110</u> | <u>83,879,492</u> | <u>77,760,091</u> | <u>13,079,460</u> | <u>533,632,039</u> |
| Off balance(*3): | | | | | | | | |
| Guarantee contracts(*4) | ₩ | 5,399,286 | - | - | - | - | - | 5,399,286 |
| Other liabilities related to loan commitments | | 193,853,866 | - | - | - | - | - | 193,853,866 |
| | ₩ | <u>199,253,152</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>199,253,152</u> |
| Derivatives | ₩ | 380,609 | 23,508 | 11,867 | 23,099 | (363,034) | 47,464 | 123,513 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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4. Financial risk management (continued)

(d) Liquidity risk (continued)

The details of the composition of non-derivative financial instruments and derivative financial instruments by remaining period are as of December 31, 2021 and 2020 are as follows (continued):

| | | December 31, 2020 | | | | | | |
|---|---|----------------------|-------------------|-------------------|----------------------|--------------------|----------------------|--------------------|
| | | Less than 1 month | 1~3 months | 3~6 months | 6 months ~ 1 year | 1~5 years | More than 5 years | Total |
| Non-derivative financial instruments: | | | | | | | | |
| Assets: | | | | | | | | |
| Cash and due from banks at amortized cost | ₩ | 30,486,441 | 845,977 | 501,733 | 860,975 | 4,467 | 516,661 | 33,216,254 |
| Due from banks at fair value through profit or loss | | 63,113 | - | - | - | - | - | 63,113 |
| Loans at fair value through profit or loss | | 31,100 | 689,261 | 46,369 | 117,820 | 310,954 | 880,595 | 2,076,099 |
| Loans at amortized cost | | 30,170,280 | 38,040,760 | 52,331,623 | 82,840,301 | 119,243,663 | 69,258,709 | 391,885,336 |
| Securities at fair value through profit or loss | | 44,779,587 | 1,413,545 | 571,552 | 1,160,406 | 3,384,948 | 4,729,943 | 56,039,981 |
| Securities at fair value through other comprehensive income | | 55,002,284 | 10,740 | 207 | 414 | 79,640 | 3,321,488 | 58,414,773 |
| Securities at amortized cost | | 385,809 | 2,070,392 | 1,202,211 | 3,649,376 | 19,054,766 | 34,889,104 | 61,251,658 |
| Other financial assets | | 15,451,455 | 102,714 | 138,116 | 287,473 | 231,608 | 1,571,561 | 17,782,927 |
| | ₩ | <u>176,370,069</u> | <u>43,173,389</u> | <u>54,791,811</u> | <u>88,916,765</u> | <u>142,310,046</u> | <u>115,168,061</u> | <u>620,730,141</u> |
| Liabilities: | | | | | | | | |
| Deposits(*2) | ₩ | 187,299,944 | 28,357,521 | 36,578,825 | 59,863,780 | 14,894,480 | 2,355,459 | 329,350,009 |
| Financial liabilities at fair value through profit or loss | | 1,409,608 | 794 | 7,042 | 2,785 | 18,870 | - | 1,439,099 |
| Borrowings | | 14,670,192 | 3,783,621 | 2,920,338 | 5,463,070 | 10,692,374 | 4,392,815 | 41,922,410 |
| Debt securities issued | | 5,872,508 | 6,261,775 | 5,039,503 | 11,457,246 | 43,712,609 | 6,454,265 | 78,797,906 |
| Financial liabilities designated at fair value through profit or loss | | 596,675 | 221,857 | 336,784 | 1,277,802 | 5,043,549 | 979,057 | 8,455,724 |
| Other financial liabilities | | 29,128,836 | 97,138 | 151,655 | 542,221 | 643,043 | 75,813 | 30,638,706 |
| | ₩ | <u>238,977,763</u> | <u>38,722,706</u> | <u>45,034,147</u> | <u>78,606,904</u> | <u>75,004,925</u> | <u>14,257,409</u> | <u>490,603,854</u> |
| Off balance(*3): | | | | | | | | |
| Guarantee contracts(*4) | ₩ | 4,481,506 | - | - | - | - | - | 4,481,506 |
| Other liabilities related to loan commitments | | 187,536,416 | - | - | 19,900 | - | - | 187,556,316 |
| | ₩ | <u>192,017,922</u> | <u>-</u> | <u>-</u> | <u>19,900</u> | <u>-</u> | <u>-</u> | <u>192,037,822</u> |
| Derivatives | ₩ | 419,951 | 29,829 | 75,483 | 149,274 | 103,770 | 101,072 | 879,379 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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4. Financial risk management (continued)

(d) Liquidity risk (continued)

(*1) These amounts include cash flows of principal and interest on financial assets and financial liabilities.

(*2) Demand deposits amounting to ₩172,107,724 million and ₩148,725,197 million as of December 31, 2021 and 2020 are included in the 'Less than 1 month' category, respectively.

(*3) Though guarantees, loan agreements, and other credit offerings corresponding to financial guarantees such as bond issuance and loan collateral provided by the Group exist, if the counterparty requests a payment, the Group should fulfill the obligation immediately.

(*4) The amount is a financial guarantee, and the non-financial guarantee is ₩ 11,346,421 million and ₩ 10,799,393 million as of December 31, 2021 and 2020.

(e) Measurement of fair value

The fair values of financial instruments being traded in an active market are determined by the published market prices of each period end. The published market prices of financial instruments being held by the Group are based on the trading agencies' notifications. If the market for a financial instrument is not active, such as OTC (Over The Counter market) derivatives, fair value is determined either by using a valuation technique or independent third-party valuation service.

The Group uses its judgment to select a variety of methods and make rational assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of financial instruments is determined using valuation techniques; 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 forwarding 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 financial instruments into the following three-level hierarchy:

- Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value level 1.
- Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as level 2.
- 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 FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value

i-1) The fair value hierarchy of financial instruments presented at their fair values in the statements of financial position as of December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | |
|--|---|-------------------|-------------------|-------------------|--------------------|
| | | Level 1 | Level 2 | Level 3(*3) | Total |
| Financial assets | | | | | |
| Due from banks measured at FVTPL | ₩ | - | - | 34,262 | 34,262 |
| Loans at FVTPL(*1) | | - | 790,510 | 892,834 | 1,683,344 |
| Securities at FVTPL: | | | | | |
| Debt securities and other securities(*2) | | 7,250,389 | 40,396,692 | 10,580,066 | 58,227,147 |
| Equity securities | | 942,433 | 107,416 | 1,325,466 | 2,375,315 |
| Gold/silver deposits | | 83,691 | - | - | 83,691 |
| | | <u>8,276,513</u> | <u>40,504,108</u> | <u>11,905,532</u> | <u>60,686,153</u> |
| Derivative assets: | | | | | |
| Trading | | 11,542 | 3,033,965 | 528,619 | 3,574,126 |
| Hedging | | - | 225,063 | - | 225,063 |
| | | <u>11,542</u> | <u>3,259,028</u> | <u>528,619</u> | <u>3,799,189</u> |
| Securities measured at FVOCI: | | | | | |
| Debt securities | | 24,951,761 | 38,855,158 | - | 63,806,919 |
| Equity securities | | 257,947 | 48,225 | 725,232 | 1,031,404 |
| | | <u>25,209,708</u> | <u>38,903,383</u> | <u>725,232</u> | <u>64,838,323</u> |
| | ₩ | <u>33,497,763</u> | <u>83,457,029</u> | <u>14,086,479</u> | <u>131,041,271</u> |
| Financial liabilities: | | | | | |
| Financial liabilities measured at FVTPL: | | | | | |
| Securities sold | ₩ | 787,767 | - | - | 787,767 |
| Gold/silver deposits | | 581,458 | - | - | 581,458 |
| | | <u>1,369,225</u> | <u>-</u> | <u>-</u> | <u>1,369,225</u> |
| Financial liabilities designated at fair value through profit or loss: | | | | | |
| Derivatives-combined securities(*2) | | - | 401,345 | 7,622,525 | 8,023,870 |
| Derivative liabilities: | | | | | |
| Trading | | 191,061 | 2,862,761 | 153,933 | 3,207,755 |
| Hedging | | - | 196,060 | 182,749 | 378,809 |
| | | <u>191,061</u> | <u>3,058,821</u> | <u>336,682</u> | <u>3,586,564</u> |
| | ₩ | <u>1,560,286</u> | <u>3,460,166</u> | <u>7,959,207</u> | <u>12,979,659</u> |

(*1) Of the Financial assets at FVTPL invested by the Group, P-note's valuation of amount related to Lime Asset Management is ₩ 157.9 billion. As of December 31, 2021, in this regard, international disputes are under way, the Group has estimated its fair value based on financial information within the recent audit report of underlying assets since it doesn't have fair market value observable through active trading markets. Accounting estimates and assumptions used in preparing consolidated financial statements may lead to adjustment in response to changes in uncertainty, such as information and market conditions available in the future. In addition, the ultimate impact on the business, financial condition, performance, and liquidity of the Group is unpredictable.

(*2) Financial instruments (Beneficiary certificates: ₩ 300.2 billion and derivatives-combined securities: ₩ 300.2 billion) related to GEN2 Partners asset management were delayed in repurchase for the year ended December 31, 2021. The Group estimated fair value using the net asset value based on the most recent data available for the repurchase suspension fund. Since then, it has an uncertainty in measuring fair value due to market conditions.

(*3) The valuation amount for the over-the-counter derivatives classified as Level 3 by Shinhan Investment Corp. are ₩72,980 million in financial assets at FVTPL, ₩7,622,526 million in financial liabilities designated at fair value through profit or loss, ₩527,726 million in derivative assets, and ₩153,084 million in derivative liabilities. The above level 3 over-the-counter derivatives measure fair value using the internal valuation model of Shinhan Investment Corp.

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) *Financial instruments measured at fair value (continued)*

i-1) The fair value hierarchy of financial instruments presented at their fair values in the statements of financial position as of December 31, 2021 and 2020 are as follows (continued):

| | | December 31, 2020 | | | |
|--|---|-------------------|-------------------|-------------------|--------------------|
| | | Level 1 | Level 2 | Level 3(*3) | Total |
| Financial assets | | | | | |
| Due from banks measured at FVTPL | ₩ | - | - | 63,112 | 63,112 |
| Loans at FVTPL(*1) | | - | 708,111 | 1,308,690 | 2,016,801 |
| Securities at FVTPL: | | | | | |
| Debt securities and other securities(*2) | | 7,029,453 | 39,335,739 | 8,721,500 | 55,086,692 |
| Equity securities | | 693,816 | 210,230 | 832,413 | 1,736,459 |
| Gold/silver deposits | | 188,339 | - | - | 188,339 |
| | | <u>7,911,608</u> | <u>39,545,969</u> | <u>9,553,913</u> | <u>57,011,490</u> |
| Derivative assets: | | | | | |
| Trading | | 125,339 | 4,623,218 | 408,855 | 5,157,412 |
| Hedging | | - | 475,708 | 795 | 476,503 |
| | | <u>125,339</u> | <u>5,098,926</u> | <u>409,650</u> | <u>5,633,915</u> |
| Securities measured at FVOCI: | | | | | |
| Debt securities | | 17,515,390 | 39,861,238 | 32,805 | 57,409,433 |
| Equity securities | | 172,403 | 49,673 | 684,603 | 906,679 |
| | | <u>17,687,793</u> | <u>39,910,911</u> | <u>717,408</u> | <u>58,316,112</u> |
| | ₩ | <u>25,724,740</u> | <u>85,263,917</u> | <u>12,052,773</u> | <u>123,041,430</u> |
| Financial liabilities: | | | | | |
| Financial liabilities measured at FVTPL: | | | | | |
| Securities sold | ₩ | 897,129 | - | - | 897,129 |
| Gold/silver deposits | | 539,565 | - | - | 539,565 |
| | | <u>1,436,694</u> | <u>-</u> | <u>-</u> | <u>1,436,694</u> |
| Financial liabilities designated at fair value through profit or loss: | | | | | |
| Derivatives-combined securities(*2) | | - | 314,220 | 8,141,504 | 8,455,724 |
| Derivative liabilities: | | | | | |
| Trading | | 161,628 | 4,431,080 | 87,356 | 4,680,064 |
| Hedging | | - | 233,684 | 102,819 | 336,503 |
| | | <u>161,628</u> | <u>4,664,764</u> | <u>190,175</u> | <u>5,016,567</u> |
| | ₩ | <u>1,598,322</u> | <u>4,978,984</u> | <u>8,331,679</u> | <u>14,908,985</u> |

(*1) Of the Financial assets at FVTPL invested by the Group, P-note's valuation of amount related to Lime Asset Management is ₩ 161.2 billion. As of December 31, 2020, in this regard, international disputes are under way, the Group has estimated its fair value based on financial information within the recent audit report of underlying assets since it doesn't have fair market value observable through active trading markets. Accounting estimates and assumptions used in preparing consolidated financial statements may lead to adjustment in response to changes in uncertainty, such as information and market conditions available in the future. In addition, the ultimate impact on the business, financial condition, performance, and liquidity of the Group is unpredictable.

(*2) Financial instruments (Beneficiary certificates: ₩ 211.7 billion and derivatives-combined securities: ₩ 211.7 billion) related to GEN2 Partners asset management were delayed in repurchase for the year ended December 31, 2020. The Group estimated fair value using the net asset value based on the most recent data available for the repurchase suspension fund. Since then, it has an uncertainty in measuring fair value due to market conditions.

(*3) The valuation amount for the over-the-counter derivatives classified as Level 3 by Shinhan Investment Corp. are ₩204,608 million in financial assets at FVTPL, ₩8,141,504 million in financial liabilities designated at fair value through profit or loss, ₩405,313 million in derivative assets, and ₩83,269 million in derivative liabilities. The above level 3 over-the-counter derivatives measure fair value using the internal valuation model of Shinhan Investment Corp.

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4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value

i-2) Classification of financial instruments as fair value level 3

The Group uses the evaluation value from evaluators who are qualified and external independent to determine the fair value for Group's assets at the end of each reporting period. Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | |
|--|--|---|---|--|------------------|--|
| | Financial asset at fair value through profit or loss | Securities at fair value through other comprehensive profit or loss | Financial liabilities designated at fair value through profit or loss | Derivative assets and liabilities, net | | |
| | | | | Held for trading | Held for hedging | |
| Beginning balance | ₩ 10,925,715 | 717,408 | (8,141,504) | 321,499 | (102,024) | |
| Recognized in total comprehensive income for the year: | | | | | | |
| Recognized in profit (loss) for the year(*1) | 271,065 | 448 | (273,536) | 348,046 | (80,725) | |
| Recognized in other comprehensive income (loss) for the year | 38,566 | 24,672 | (1,526) | - | - | |
| | 309,631 | 25,120 | (275,062) | 348,046 | (80,725) | |
| Purchase | 4,792,810 | 21,440 | - | 4,394 | - | |
| Issue | - | - | (8,488,977) | - | - | |
| Settlement | (3,498,968) | (38,736) | 9,283,018 | (299,633) | - | |
| Reclassification(*3) | (9,641) | - | - | - | - | |
| Transfer to level3(*2) | 507,984 | - | - | 446 | - | |
| Transfer from level3(*2) | (194,903) | - | - | (66) | - | |
| Ending balance | ₩ 12,832,628 | 725,232 | (7,622,525) | 374,686 | (182,749) | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value(continued)

i-2) Classification of financial instruments as fair value level 3(continued)

The Group uses the evaluation value from evaluators who are qualified and external independent to determine the fair value for Group's assets at the end of each reporting period. Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2021 and 2020 are as follows: (continued):

| | December 31, 2020 | | | | | |
|--|-------------------------------|---|---|--|------------------|--|
| | Financial asset at fair value | Securities at fair value through other comprehensive profit or loss | Financial liabilities designated at fair value through profit or loss | Derivative assets and liabilities, net | | |
| | through profit or loss | profit or loss | or loss | Held for trading | Held for hedging | |
| Beginning balance | ₩ 11,762,259 | 660,118 | (8,511,489) | 342,830 | (186,974) | |
| Recognized in total comprehensive income for the year: | | | | | | |
| Recognized in profit (loss) for the year(*1) | (59,931) | (2,094) | (196,743) | 51,436 | 84,950 | |
| Recognized in other comprehensive income (loss) for the year | 69,819 | (2,521) | (9,689) | - | - | |
| | 9,888 | (4,615) | (206,432) | 51,436 | 84,950 | |
| Purchase | 4,461,802 | 61,919 | - | 1,171 | - | |
| Issue | - | - | (9,043,503) | - | - | |
| Settlement | (5,231,666) | (14) | 9,928,472 | (74,584) | - | |
| Reclassification(*3) | (377,641) | - | - | - | - | |
| Transfer to level3(*2) | 358,123 | - | (308,552) | 625 | - | |
| Transfer from level3(*2) | (57,513) | - | - | 21 | - | |
| Business combination (Note 47) | 463 | - | - | - | - | |
| Ending balance | ₩ 10,925,715 | 717,408 | (8,141,504) | 321,499 | (102,024) | |

(*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2021 and 2020 are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

| | December 31, 2021 | |
|--|--------------------------------------|---|
| | Amounts recognized in profit or loss | Recognized profit or loss from the financial instruments held as of December 31 |
| Net gain on financial assets at fair value through profit or loss | ₩ 619,111 | 322,974 |
| Net gain (loss) on financial liabilities designated at fair value through profit or loss | (273,536) | 186,003 |
| Net gain on securities at fair value through other comprehensive income | 448 | - |
| Net other operating expense | (80,725) | (83,669) |
| | ₩ 265,298 | 425,308 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value(continued)

i-2) Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2021 and 2020 are as follows (continued):

| | December 31, 2020 | |
|--|---|--|
| | Amounts recognized in profit or loss | Recognized profit or loss from the financial instruments held as of December 31 |
| Net loss on financial assets at fair value through profit or loss | ₩ (8,495) | (179,989) |
| Net gain (loss) on financial liabilities designated at fair value through profit or loss | (196,743) | 189,885 |
| Net loss on securities at fair value through other comprehensive income | (2,094) | (2,094) |
| Net other operating income | 84,950 | 19,065 |
| | ₩ <u>(122,382)</u> | <u>26,867</u> |

(*2) The investment securities transferred to Level 3 as the availability of observable market data changed due to reasons such as suspension of trading, and the derivative instruments transferred to Level 3 as the availability of observable market data changed due to reasons such as changes in the valuation.

(*3) It has been replaced by investment assets in associates.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-3) Valuation techniques and significant inputs not observable in markets

i-3-1) Valuation techniques and inputs used in measuring the fair value of financial instruments classified as level 2 as of December 31, 2021 and 2020 are as follows:

| Type of financial instrument | Valuation technique | December 31, 2021 | | Significant inputs |
|---|------------------------------------|-------------------|-------------------|--|
| | | Carrying value | | |
| Assets | | | | |
| Financial asset at fair value through profit or loss | | | | |
| Debt securities | DCF | ₩ | 41,187,202 | Discount rate, interest rate, stock price, and etc. |
| Equity securities | NAV | | 107,416 | |
| | | | <u>41,294,618</u> | Price of underlying assets such as stocks, bonds, etc. |
| Derivative assets | | | | |
| Trading | Option model, | | 3,033,965 | Discount rate, foreign exchange rate, volatility, stock price, and commodity index, etc. |
| Hedging | Implied forward interest rate, DCF | | 225,063 | |
| | | | <u>3,259,028</u> | |
| Securities at fair value through other comprehensive income | | | | |
| Debt securities | DCF | | 38,855,158 | Interest rate, discount rate and price of underlying assets such as stock, bonds, etc. |
| Equity securities | NAV | | 48,225 | |
| | | | <u>38,903,383</u> | |
| | | ₩ | <u>83,457,029</u> | |
| Liabilities | | | | |
| Financial liabilities designated at fair value through profit or loss | | | | |
| Compound financial instruments | Black-Scholes model | ₩ | 401,345 | Discount rate |
| Derivative liabilities | | | | |
| Trading | Option model, | | 2,862,761 | Discount rate, foreign exchange rate, volatility, stock price, and commodity index, etc. |
| Hedging | DCF | | 196,060 | |
| | | | <u>3,058,821</u> | |
| | | ₩ | <u>3,460,166</u> | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-3) Valuation techniques and significant inputs not observable in markets (continued)

i-3-1) Valuation techniques and inputs used in measuring the fair value of financial instruments classified as level 2 as of December 31, 2021 and 2020 are as follows (continued):

| Type of financial instrument | Valuation technique | December 31, 2020 | |
|---|---------------------|---------------------|--|
| | | Carrying value | Significant inputs |
| Assets | | | |
| Financial asset at fair value through profit or loss | | | |
| Debt securities | DCF | ₩ 40,043,850 | Discount rate, interest rate, stock price, and etc. |
| Equity securities | NAV | 210,230 | Price of underlying assets such as stocks, bonds |
| | | <u>40,254,080</u> | |
| Derivative assets | | | |
| Trading | | 4,623,218 | |
| Hedging | Option model, DCF | 475,708 | Discount rate, foreign exchange rate, volatility, stock price, and commodity index, etc. |
| | | <u>5,098,926</u> | |
| Securities at fair value through other comprehensive income | | | |
| Debt securities | DCF | 39,861,238 | Discount rate, interest rate and price of underlying assets such as stock, bonds |
| Equity securities | NAV | 49,673 | |
| | | <u>39,910,911</u> | |
| | | ₩ <u>85,263,917</u> | |
| Liabilities | | | |
| Financial liabilities designated at fair value through profit or loss | | | |
| Compound financial instruments | DCF | ₩ 314,220 | Discount rate |
| Derivative liabilities | | | |
| Trading | | 4,431,080 | |
| Hedging | Option model, DCF | 233,684 | Discount rate, foreign exchange rate, volatility, stock price, and commodity index, etc. |
| | | <u>4,664,764</u> | |
| | | ₩ <u>4,978,984</u> | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-3) Valuation techniques and significant inputs not observable in markets (continued)

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2021 and 2020 are as follows:

| Type of financial instrument | Valuation technique | Carrying value(*2) | December 31, 2021 | |
|---|---|---------------------|--|---|
| | | | Significant unobservable inputs | Range |
| Financial assets | | | | |
| Financial asset at fair value through profit or loss | | | | |
| Debt securities | DCF, NAV, Option model(*1), Comparable company analysis | ₩ 11,507,162 | The volatility of the underlying asset, Discount rate, Correlations, and Growth rate | 19.48%~72.69% 0.07%~27.30% 23.17%~58.47% 0.00%~1.00% |
| Equity securities | DCF, NAV, Option model(*1), Comparable company analysis | 1,325,466 | The volatility of the underlying asset, Discount rate, Correlations, and Growth rate | 16.00%~32.00% 5.45%~16.35% 00.00%~54.00% 1.00% |
| | | <u>12,832,628</u> | | |
| Derivative assets | | | | |
| Equity and foreign exchange related | Option model(*1) | 28,783 | The volatility of the underlying asset, and Correlations | 2.29%~50.00% -5.00%~91.00% |
| Interest rates related | Option model(*1) | 6,029 | The volatility of the underlying asset, Correlations, and Discount rate | 0.70% 80.00%~82.00% 1.11%~1.83% |
| Credit and commodity related | Option model(*1) | 493,807 | The volatility of the underlying asset, and Hazard Rate | 0.70%~4.70% 5.17%~93.69% |
| | | <u>528,619</u> | | |
| Securities at fair value through other comprehensive income | | | | |
| Equity securities | DCF, NAV, Option model(*1), Comparable company analysis | 725,232 | The volatility of the underlying asset, Discount rate, and Growth rate | 25.49% 9.80%~22.79% 0.00%~2.00% |
| | | <u>725,232</u> | | |
| | | <u>₩ 14,086,479</u> | | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-3) Valuation techniques and significant inputs not observable in markets (continued)

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2021 and 2020 are as follows (continued):

| Type of financial instrument | Valuation technique | Carrying value(*2) | December 31, 2021 | |
|--|---------------------|--------------------|--|--|
| | | | Significant unobservable inputs | Range |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Equity related | Option model(*1) | ₩ 7,622,525 | The volatility of the underlying asset, and Correlations | 0.50%~94.90% -12.00%~88.00% |
| Derivative liabilities | | | | |
| Equity and foreign exchange related | Option model(*1) | 13,214 | The volatility of the underlying asset, and Correlations | 2.29%~42.00% -5.00%~91.00% |
| Interest rates related | Option model(*1) | 258,364 | The volatility of the underlying asset, Regression coefficient, and Correlations | 0.46%~0.78% 0.00%~0.54% 0.00%~90.34% |
| Credit and commodity related | Option model(*1) | 65,104 | The volatility of the underlying asset, and Hazard Rate | 1.90%~94.90% 5.17%~100.79% |
| | | <u>336,682</u> | | |
| | | <u>₩ 7,959,207</u> | | |

(*1) Option model that the Group uses in derivative valuation includes Black-Scholes model, Hull-White model, Monte Carlo simulation, etc.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-3) Valuation techniques and significant inputs not observable in markets (continued)

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2021 and 2020 are as follows (continued):

| Type of financial instrument | Valuation technique | Carrying value(*2) | December 31, 2020 | |
|---|---|--------------------|--|--|
| | | | Significant unobservable inputs | Range |
| Financial assets | | | | |
| Financial asset at fair value through profit or loss | | | | |
| Debt securities | DCF, Option model(*1), Comparable company analysis | ₩ 10,093,302 | The volatility of the underlying asset, Discount rate, and Correlations | 5.06%~61.32% 0.35%~27.17% 0.00%~100.0% |
| Equity securities | DCF, NAV, Option model(*1), Comparable company analysis | 832,413 | The volatility of the underlying asset, Discount rate, and Correlations | 21.00%~40.00% 5.83%~16.87% 20.00%~79.00% |
| | | 10,925,715 | | |
| Derivative assets | | | | |
| Equity and foreign exchange related | Option model(*1) | 113,496 | The volatility of the underlying asset, and Correlations | 4.30%~127.00% -3.00%~82.00% |
| Interest rates related | Option model(*1) | 23,112 | The volatility of the underlying asset, Regression coefficient, and Correlations | 0.47%~1.00% 0.30%~0.58% 26.00%~90.45% |
| Credit and commodity related | Option model(*1) | 273,042 | The volatility of the underlying asset, and Correlations | 1.00%~40.00% -43.00%~92.00% |
| | | 409,650 | | |
| Securities at fair value through other comprehensive income | | | | |
| Debt securities | DCF, NAV, Option model(*1), Comparable company analysis | 32,805 | The volatility of the underlying asset, Discount rate, and Growth rate | 22.11% |
| Equity securities | | 684,603 | | 0.05%~19.05% 0.00%~2.00% |
| | | 717,408 | | |
| | | ₩ 12,052,773 | | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-3) Valuation techniques and significant inputs not observable in markets (continued)

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2021 and 2020 are as follows (continued):

| Type of financial instrument | Valuation technique | Carrying value(*2) | December 31, 2020 | |
|--|---------------------|--------------------|--|--|
| | | | Significant unobservable inputs | Range |
| Financial liabilities | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Equity related | Option model(*1) | ₩ 8,141,504 | The volatility of the underlying asset, and Correlations | 1.00%~127.00% -43.00%~92.00% |
| Derivative liabilities | | | | |
| Equity and foreign exchange related | Option model(*1) | 25,525 | The volatility of the underlying asset, and Correlations | 4.30%~61.00% -3.00%~82.00% |
| Interest rates related | Option model(*1) | 134,759 | The volatility of the underlying asset, Regression coefficient, and Correlations | 0.47%~40.00% 0.30%~0.63% 20.13%~90.34% |
| Credit and commodity related | Option model(*1) | 29,891 | The volatility of the underlying asset, and Correlations | 1.00%~102.00% -43.00%~92.00% |
| | | 190,175 | | |
| | | ₩ 8,331,679 | | |

(*1) Option model that the Group uses in derivative valuation includes Black-Scholes model, Hull-White model, Monte Carlo simulation, etc.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-4) Sensitivity for changing 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 effects on profit or loss, or other comprehensive income as of December 31, 2021 and 2020.

| | <u>December 31, 2021</u> | |
|---|------------------------------|--------------------------------|
| | <u>Favorable changes</u> | <u>Unfavorable changes</u> |
| Financial assets: | | |
| Effects on profit or loss for the period(*1),(*2): | | |
| Financial asset at fair value through profit or loss | ₩ 39,084 | (43,072) |
| Derivative assets | 16,893 | (11,809) |
| Securities at fair value through other comprehensive income(*2) | 38,865 | (38,210) |
| | <u>₩ 94,842</u> | <u>(93,091)</u> |
| Financial liabilities: | | |
| Effects on profit or loss for the period(*1): | | |
| Financial liabilities designated at fair value through profit or loss | ₩ 45,493 | (50,845) |
| Derivative liabilities | 25,326 | (23,486) |
| | <u>₩ 70,819</u> | <u>(74,331)</u> |
| | <u>December 31, 2020</u> | |
| | <u>Favorable changes</u> | <u>Unfavorable changes</u> |
| Financial assets: | | |
| Effects on profit or loss for the period(*1),(*2): | | |
| Financial asset at fair value through profit or loss | ₩ 53,821 | (48,547) |
| Derivative assets | 23,011 | (21,532) |
| Securities at fair value through other comprehensive income(*2) | 26,817 | (21,044) |
| | <u>₩ 103,649</u> | <u>(91,123)</u> |
| Financial liabilities: | | |
| Effects on profit or loss for the period(*1): | | |
| Financial liabilities designated at fair value through profit or loss | ₩ 72,042 | (71,690) |
| Derivative liabilities | 17,976 | (18,368) |
| | <u>₩ 90,018</u> | <u>(90,058)</u> |

(*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset, a significant unobservable input.

(-10~10%p) or correlations (-10~10%p).

(*2) Fair value changes are calculated by increasing or decreasing discount rate (-1~1%p) and applying growth rate, a significant unobservable input at 0% ~ 1%.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost

ii-1) 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 carrying 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. For this reason, the carrying value approximates fair value. |
| Loans | The fair value of the loans is measured by discounting the expected cash flow at the market interest rate and credit risk of the borrower. |
| Securities | 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 carrying value and the fair value for demand deposits, cash management account deposits, call money as short-term instrument are identical. The fair value of others is measured by discounting the contractual cash flow at the market interest rate that takes into account the residual risk. |
| Debt securities issued | Where available, the fair value of deposits and borrowings is based on the published price quotations in an active market. In case there is no data for an active market price, it is measured by discounting the contractual cash flow at the market interest rate that takes into account the residual risk. |
| Other financial assets and other financial liabilities | The carrying value is measured at fair value for short-term and suspense accounts, such as spot exchange, inter-bank fund transfer, and domestic exchange of payments, and for the remaining financial instruments, the present value is calculated by discounting the contractual cash flows at a discount rate which considered residual risk at the market interest rate. |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost (continued)

ii-2) The carrying value and the fair value of financial instruments measured at amortized cost as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|--|----------------------|--------------------|--------------------|--------------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Assets: | | | | |
| Deposits measured at amortized cost | ₩ 24,232,013 | 24,216,932 | 31,605,262 | 31,607,122 |
| Loans measured at amortized cost | | | | |
| Retails | 159,090,991 | 159,262,881 | 146,843,366 | 147,634,589 |
| Corporations | 197,356,011 | 198,053,452 | 177,046,416 | 178,420,230 |
| Public and other funding loans | 3,795,225 | 3,812,717 | 4,021,926 | 4,048,167 |
| Loans between banks | 3,844,227 | 3,839,726 | 5,487,147 | 5,495,236 |
| Credit card | 25,050,702 | 25,438,046 | 22,822,664 | 23,220,987 |
| | <u>389,137,156</u> | <u>390,406,822</u> | <u>356,221,519</u> | <u>358,819,209</u> |
| Securities measured at amortized cost | | | | |
| Government bonds | 34,679,301 | 34,377,110 | 31,816,320 | 33,391,597 |
| Financial institution bonds | 3,423,536 | 3,477,834 | 3,835,577 | 3,987,172 |
| Corporation bonds | 11,827,239 | 11,750,467 | 11,630,726 | 12,075,175 |
| | <u>49,930,076</u> | <u>49,605,411</u> | <u>47,282,623</u> | <u>49,453,944</u> |
| Other financial assets | 23,238,932 | 23,389,209 | 20,341,191 | 20,359,778 |
| | <u>₩ 486,538,177</u> | <u>487,618,374</u> | <u>455,450,595</u> | <u>460,240,053</u> |
| Liabilities: | | | | |
| Deposit liabilities | | | | |
| Demand deposits | ₩ 172,107,724 | 172,107,724 | 148,725,197 | 148,725,197 |
| Time deposits | 161,498,901 | 161,301,409 | 157,833,891 | 157,936,969 |
| Certificate of deposit | 16,576,536 | 16,606,894 | 5,946,704 | 5,965,139 |
| Issued bill deposit | 5,818,001 | 5,817,844 | 6,226,937 | 6,226,855 |
| CMA deposits | 5,246,478 | 5,246,478 | 4,006,319 | 4,006,319 |
| Others | 3,649,035 | 3,648,983 | 3,677,820 | 3,678,316 |
| | <u>364,896,675</u> | <u>364,729,332</u> | <u>326,416,868</u> | <u>326,538,795</u> |
| Borrowing debts: | | | | |
| Call-money | 1,534,611 | 1,534,611 | 1,760,042 | 1,760,042 |
| Bills sold | 9,032 | 9,019 | 10,706 | 10,696 |
| Bonds sold under repurchase agreements | 10,709,115 | 10,709,115 | 11,065,584 | 11,065,584 |
| Borrowings | 30,914,307 | 30,803,417 | 28,757,732 | 28,863,015 |
| | <u>43,167,065</u> | <u>43,056,162</u> | <u>41,594,064</u> | <u>41,699,337</u> |
| Debts: | | | | |
| Borrowings in Korean won | 69,288,982 | 69,081,140 | 64,083,920 | 64,842,258 |
| Borrowings in foreign currency | 10,860,381 | 11,076,757 | 11,050,474 | 11,262,332 |
| | <u>80,149,363</u> | <u>80,157,897</u> | <u>75,134,394</u> | <u>76,104,590</u> |
| Other financial liabilities | 29,880,879 | 29,872,186 | 34,129,626 | 34,136,128 |
| | <u>₩ 518,093,982</u> | <u>517,815,577</u> | <u>477,274,952</u> | <u>478,478,850</u> |

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

(e) **Measurement of fair value (continued)**

ii) *Financial instruments measured at amortized cost (continued)*

ii-3) The fair value hierarchy of financial assets and liabilities which are not measured at their fair values in the statements of financial position but with their fair value disclosed as of December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | |
|--|---|-------------------|-------------|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | |
| Deposits measured at amortized cost | ₩ | 252,474 | 23,964,458 | - | 24,216,932 |
| Loans measured at amortized cost | | | | | |
| Retails | | - | - | 159,262,881 | 159,262,881 |
| Corporations | | - | - | 198,053,452 | 198,053,452 |
| Public and other funding loans | | - | - | 3,812,717 | 3,812,717 |
| Loans between banks | | - | 2,387,533 | 1,452,193 | 3,839,726 |
| Credit card | | - | - | 25,438,046 | 25,438,046 |
| | | - | 2,387,533 | 388,019,289 | 390,406,822 |
| Securities measured at amortized cost: | | | | | |
| Government bonds | | 23,045,322 | 11,331,788 | - | 34,377,110 |
| Financial institution bonds | | 698,105 | 2,779,729 | - | 3,477,834 |
| Debentures | | - | 11,662,046 | 88,421 | 11,750,467 |
| | | 23,743,427 | 25,773,563 | 88,421 | 49,605,411 |
| Other financial assets | | | | | |
| | | - | 14,200,356 | 9,188,853 | 23,389,209 |
| | ₩ | 23,995,901 | 66,325,910 | 397,296,563 | 487,618,374 |
| Liabilities: | | | | | |
| Deposit liabilities | | | | | |
| Demand deposits | ₩ | - | 172,107,724 | - | 172,107,724 |
| Time deposits | | - | - | 161,301,409 | 161,301,409 |
| Certificate of deposit | | - | - | 16,606,894 | 16,606,894 |
| Issued bill deposit | | - | - | 5,817,844 | 5,817,844 |
| CMA deposits | | - | 5,246,478 | - | 5,246,478 |
| Other | | - | 3,553,942 | 95,041 | 3,648,983 |
| | | - | 180,908,144 | 183,821,188 | 364,729,332 |
| Borrowing debts: | | | | | |
| Call-money | | - | 1,534,611 | - | 1,534,611 |
| Bills sold | | - | - | 9,019 | 9,019 |
| Bonds sold under repurchase agreements | | - | - | 10,709,115 | 10,709,115 |
| Borrowings | | - | - | 30,803,417 | 30,803,417 |
| | | - | 1,534,611 | 41,521,551 | 43,056,162 |
| Debts: | | | | | |
| Borrowings in won | | - | 38,474,804 | 30,606,336 | 69,081,140 |
| Borrowings in foreign currency | | - | 7,956,414 | 3,120,343 | 11,076,757 |
| | | - | 46,431,218 | 33,726,679 | 80,157,897 |
| Other financial liabilities | | | | | |
| | | - | 9,413,875 | 20,458,311 | 29,872,186 |
| | ₩ | - | 238,287,848 | 279,527,729 | 517,815,577 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

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

(e) **Measurement of fair value (continued)**

ii) *Financial instruments measured at amortized cost (continued)*

ii-3) The fair value hierarchy of financial assets and liabilities which are not measured at their fair values in the statements of financial position but with their fair value disclosed as of December 31, 2021 and 2020 are as follows (continued):

| | | December 31, 2020 | | | |
|--|---|-------------------|-------------|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | | |
| Deposits measured at amortized cost | ₩ | 779,759 | 29,957,444 | 869,919 | 31,607,122 |
| Loans measured at amortized cost | | | | | |
| Retails | | - | - | 147,634,589 | 147,634,589 |
| Corporations | | - | - | 178,420,230 | 178,420,230 |
| Public and other funding loans | | - | - | 4,048,167 | 4,048,167 |
| Loans between banks | | - | 2,187,270 | 3,307,966 | 5,495,236 |
| Credit card | | - | - | 23,220,987 | 23,220,987 |
| | | - | 2,187,270 | 356,631,939 | 358,819,209 |
| Securities measured at amortized cost: | | | | | |
| Government bonds | | 22,130,487 | 11,261,110 | - | 33,391,597 |
| Financial institution bonds | | 1,070,220 | 2,916,952 | - | 3,987,172 |
| Debentures | | - | 11,994,724 | 80,451 | 12,075,175 |
| | | 23,200,707 | 26,172,786 | 80,451 | 49,453,944 |
| Other financial assets | | | | | |
| | | - | 8,661,345 | 11,698,433 | 20,359,778 |
| | ₩ | 23,980,466 | 66,978,845 | 369,280,742 | 460,240,053 |
| Liabilities: | | | | | |
| Deposit liabilities | | | | | |
| Demand deposits | ₩ | - | 148,725,197 | - | 148,725,197 |
| Time deposits | | - | - | 157,936,969 | 157,936,969 |
| Certificate of deposit | | - | - | 5,965,139 | 5,965,139 |
| Issued bill deposit | | - | - | 6,226,855 | 6,226,855 |
| CMA deposits | | - | 4,006,319 | - | 4,006,319 |
| Other | | - | 3,534,696 | 143,620 | 3,678,316 |
| | | - | 156,266,212 | 170,272,583 | 326,538,795 |
| Borrowing debts: | | | | | |
| Call-money | | - | 1,760,042 | - | 1,760,042 |
| Bills sold | | - | - | 10,696 | 10,696 |
| Bonds sold under repurchase agreements | | 95,400 | - | 10,970,184 | 11,065,584 |
| Borrowings | | - | 8,500 | 28,854,515 | 28,863,015 |
| | | 95,400 | 1,768,542 | 39,835,395 | 41,699,337 |
| Debts: | | | | | |
| Borrowings in won | | - | 35,740,750 | 29,101,508 | 64,842,258 |
| Borrowings in foreign currency | | - | 7,944,242 | 3,318,090 | 11,262,332 |
| | | - | 43,684,992 | 32,419,598 | 76,104,590 |
| Other financial liabilities | | | | | |
| | | - | 10,383,020 | 23,753,108 | 34,136,128 |
| | ₩ | 95,400 | 212,102,766 | 266,280,684 | 478,478,850 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost (continued)

ii-4) Valuation techniques and inputs used in the fair value measurements categorized within Level 2 and Level 3 for fair value disclosures, which are not recognized at fair value, as at December 31, 2021 and 2020, are as follows:

| | | | | December 31, 2021 | | |
|--|---|--------------------|--|-------------------|---------------------|--|
| | | | | Fair value(*) | Valuation technique | Inputs |
| Financial instruments classified as level 2 : | | | | | | |
| Assets | | | | | | |
| Due from banks measured at amortized cost | ₩ | 23,964,458 | | DCF | | Discount rate |
| Loans measured at amortized cost | | 2,387,533 | | DCF | | Discount rate, credit spread, prepayment rate |
| Securities measured at amortized cost | | 25,773,563 | | DCF | | Discount rate |
| Other financial assets | | 14,200,356 | | DCF | | Discount rate |
| Financial instruments classified as level 3 : | | | | | | |
| Assets | | | | | | |
| Loans measured at amortized cost | | 388,019,289 | | DCF | | Discount rate, credit spread, prepayment rate |
| Securities measured at amortized cost | | 88,421 | | DCF | | Discount rate |
| Other financial assets | | 9,188,853 | | DCF | | Discount rate |
| | ₩ | <u>463,622,473</u> | | | | |
| Financial instruments classified as level 2 : | | | | | | |
| Liabilities | | | | | | |
| Deposits | ₩ | 180,908,144 | | DCF | | Discount rate |
| Borrowings | | 1,534,611 | | DCF | | Discount rate |
| Debt securities issued | | 46,431,218 | | DCF | | Discount rate |
| Other financial liabilities | | 9,413,875 | | DCF | | Discount rate |
| Financial instruments classified as level 3 : | | | | | | |
| Liabilities | | | | | | |
| Deposits | | 183,821,188 | | DCF | | Discount rate |
| Borrowings | | 41,521,551 | | DCF | | Discount rate |
| Debt securities issued | | 33,726,679 | | DCF | | Discount rate, regression coefficient, correlation coefficient |
| Other financial liabilities | | 20,458,311 | | DCF | | Discount rate |
| | ₩ | <u>517,815,577</u> | | | | |

(*) Valuation techniques and inputs are not disclosed when the carrying value is a reasonable approximation of fair value

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost (continued)

- For financial instruments not measured at fair value in the statement of financial position but for which the fair value is disclosed, information on valuation technique and inputs used in measuring fair value of financial instruments classified as level 2 or level 3 at December 31, 2021 and 2020 are as follows:

| | | December 31, 2020 | | |
|--|---|--------------------|---------------------|--|
| | | Fair value(*) | Valuation technique | Inputs |
| Financial instruments classified as level 2 : | | | | |
| Assets | | | | |
| Due from banks measured at amortized cost | ₩ | 29,957,444 | DCF | Discount rate |
| Loans measured at amortized cost | | 2,187,270 | DCF | Discount rate, credit spread, prepayment rate |
| Securities measured at amortized cost | | 26,172,786 | DCF | Discount rate |
| Other financial assets | | 8,661,345 | DCF | Discount rate |
| Financial instruments classified as level 3 : | | | | |
| Assets | | | | |
| Due from banks measured at amortized cost | | 869,919 | DCF | Discount rate |
| Loans measured at amortized cost | | 356,631,939 | DCF | Discount rate, credit spread, prepayment rate |
| Securities measured at amortized cost | | 80,451 | DCF | Discount rate |
| Other financial assets | | 11,698,433 | DCF | Discount rate |
| | ₩ | <u>436,259,587</u> | | |
| Financial instruments classified as level 2 : | | | | |
| Liabilities | | | | |
| Deposits | ₩ | 156,266,212 | DCF | Discount rate |
| Borrowings | | 1,768,542 | DCF | Discount rate |
| Debt securities issued | | 43,684,992 | DCF | Discount rate |
| Other financial liabilities | | 10,383,020 | DCF | Discount rate |
| Financial instruments classified as level 3 : | | | | |
| Liabilities | | | | |
| Deposits | | 170,272,583 | DCF | Discount rate |
| Borrowings | | 39,835,395 | DCF | Discount rate |
| | | | DCF | Discount rate, regression coefficient, correlation coefficient |
| Debt securities issued | | 32,419,598 | | |
| Other financial liabilities | | 23,753,108 | DCF | Discount rate |
| | ₩ | <u>478,383,450</u> | | |

(*) Valuation techniques and inputs are not disclosed when the carrying value is a reasonable approximation of fair value

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

iii) Changes in gains or losses on valuation at the transaction date for the years ended December 31, 2021 and 2020, are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------|--------------------------|--------------------------|
| Beginning balance | ₩ (292,599) | (172,859) |
| New transactions | (206,897) | (347,030) |
| Recognized in profit for the year | 338,971 | 227,290 |
| Ending balance | ₩ <u>(160,525)</u> | <u>(292,599)</u> |

(f) Classification by categories of financial instruments

Financial assets and liabilities are measured at fair value or amortized cost. The financial instruments measured at fair value or amortized costs are measured in accordance with the Group's valuation methodologies, which are described in Note 4.(e) Measurement of fair value.

The carrying values of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 is as follows:

| | <u>December 31, 2021</u> | | | | |
|---|--------------------------|-------------------|-----------------------|---|--------------------|
| | <u>FVTPL</u> | <u>FVOCI</u> | <u>Amortized cost</u> | <u>Derivatives held for hedging</u> | <u>Total</u> |
| Assets: | | | | | |
| Cash and due from banks at amortized cost | ₩ - | - | 28,453,404 | - | 28,453,404 |
| Due from banks at fair value through profit or loss | 34,262 | - | - | - | 34,262 |
| Securities at fair value through profit or loss | 60,686,153 | - | - | - | 60,686,153 |
| Derivatives assets | 3,574,126 | - | - | 225,063 | 3,799,189 |
| Loans at fair value through profit or loss | 1,683,344 | - | - | - | 1,683,344 |
| Loans at amortized cost | - | - | 389,137,156 | - | 389,137,156 |
| Securities at fair value through other comprehensive income | - | 64,838,323 | - | - | 64,838,323 |
| Securities at amortized cost | - | - | 49,930,076 | - | 49,930,076 |
| Others | - | - | 23,238,932 | - | 23,238,932 |
| | ₩ <u>65,977,885</u> | <u>64,838,323</u> | <u>490,759,568</u> | <u>225,063</u> | <u>621,800,839</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(f) Classification by categories of financial instruments (continued)

The carrying values of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 is as follows (continued):

| | | December 31, 2021 | | | | |
|---|---|-------------------|------------------------------------|---|---------------------------------|--------------------|
| | | FVTPL | FVTPL liabilities designated | Financial liabilities measured at amortized cost | Derivatives held for hedging | Total |
| Liabilities: | | | | | | |
| Deposits | ₩ | - | - | 364,896,675 | - | 364,896,675 |
| Financial liabilities at fair value through profit or loss | | 1,369,225 | - | - | - | 1,369,225 |
| Financial liabilities designated at FVTPL | | - | 8,023,870 | - | - | 8,023,870 |
| Derivatives liabilities | | 3,207,755 | - | - | 378,809 | 3,586,564 |
| Borrowings | | - | - | 43,167,065 | - | 43,167,065 |
| Debt securities issued | | - | - | 80,149,363 | - | 80,149,363 |
| Others | | - | - | 29,880,879 | - | 29,880,879 |
| | ₩ | <u>4,576,980</u> | <u>8,023,870</u> | <u>518,093,982</u> | <u>378,809</u> | <u>531,073,641</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(f) Classification by categories of financial instruments (continued)

The carrying values of each category of financial assets and financial liabilities as of December 31, 2021 and 2020 is as follows (continued):

| | December 31, 2020 | | | | |
|---|-------------------|-------------------|--------------------|------------------------------|--------------------|
| | FVTPL | FVOCI | Amortized cost | Derivatives held for hedging | Total |
| Assets: | | | | | |
| Cash and due from banks at amortized cost | ₩ - | - | 33,410,542 | - | 33,410,542 |
| Due from banks at fair value through profit or loss | 63,112 | - | - | - | 63,112 |
| Securities at fair value through profit or loss | 57,011,490 | - | - | - | 57,011,490 |
| Derivatives assets | 5,157,412 | - | - | 476,503 | 5,633,915 |
| Loans at fair value through profit or loss | 2,016,801 | - | - | - | 2,016,801 |
| Loans at amortized cost | - | - | 356,221,519 | - | 356,221,519 |
| Securities at fair value through other comprehensive income | - | 58,316,112 | - | - | 58,316,112 |
| Securities at amortized cost | - | - | 47,282,623 | - | 47,282,623 |
| Others | - | - | 20,341,191 | - | 20,341,191 |
| ₩ | <u>64,248,815</u> | <u>58,316,112</u> | <u>457,255,875</u> | <u>476,503</u> | <u>580,297,305</u> |

| | December 31, 2020 | | | | |
|--|-------------------|------------------------------|--|------------------------------|--------------------|
| | FVTPL | FVTPL liabilities designated | Financial liabilities measured at amortized cost | Derivatives held for hedging | Total |
| Liabilities: | | | | | |
| Deposits | ₩ - | - | 326,416,868 | - | 326,416,868 |
| Financial liabilities at fair value through profit or loss | 1,436,694 | - | - | - | 1,436,694 |
| Financial liabilities designated at FVTPL | - | 8,455,724 | - | - | 8,455,724 |
| Derivatives liabilities | 4,680,064 | - | - | 336,503 | 5,016,567 |
| Borrowings | - | - | 41,594,064 | - | 41,594,064 |
| Debt securities issued | - | - | 75,134,394 | - | 75,134,394 |
| Others | - | - | 34,129,626 | - | 34,129,626 |
| ₩ | <u>6,116,758</u> | <u>8,455,724</u> | <u>477,274,952</u> | <u>336,503</u> | <u>492,183,937</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

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

(g) **Transfer of financial instruments**

i) *Transfers that do not qualify for derecognition*

① Sale of repurchase bonds

Among the Group's sale of repurchase bonds, followings are the details of financial instruments that do not qualify for derecognition because the Group sold under repurchase agreement at a fixed price as of December 31, 2021 and 2020:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Transferred asset: | | |
| Securities at FVTPL | ₩ 9,883,335 | 8,915,488 |
| Securities at FVOCI | 647,541 | 1,638,651 |
| Securities at amortized cost | 210,490 | 205,639 |
| | <u>₩ 10,741,366</u> | <u>10,759,778</u> |
| Associated liabilities: | | |
| Bonds sold under repurchase agreements | ₩ 10,709,115 | 11,075,004 |

② Securities loaned

If the securities owned by the Group are loaned, the ownership of the securities is transferred, but is required to be returned at the end of the loan period. Therefore, the Group continues to recognize the entire securities loaned as it holds most of the risks and compensation of the securities.

Securities loaned as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>Borrowers</u> |
|------------------------------|------------------------------|------------------------------|---|
| Government bonds | ₩ 9,044,914 | 3,213,719 | Korea Securities Finance Corp., Korea Securities Depository, etc |
| Financial institutions bonds | 209,594 | 220,324 | Korea Securities Finance Corp., Korea Securities Depository, etc |
| Equity securities | 8,109 | 99,670 | Korea Securities Finance Corp., etc |
| | <u>₩ 9,262,617</u> | <u>3,533,713</u> | |

③ 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, 2021 and 2020, the carrying value of financial assets related to securitization transactions that have neither been transferred nor derecognized are ₩11,529,634 million and ₩11,355,488 million, respectively; the carrying values of related liabilities are ₩8,284,109 million and ₩8,351,211 million, respectively.

ii) *Financial instruments qualified for derecognition and continued involvement*

There are no financial instruments which qualify for derecognition and in which the Group has continuing involvements as of December 31, 2021, and 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(h) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | |
|--|---|---|---|---|-----------------------------|------------------|
| | Gross amounts of recognized financial assets/ liabilities | Gross amounts of recognized financial assets/ liabilities set off in the statement of financial position | Net amounts of financial assets/ liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
| | | | | Financial instruments | Cash collateral received | |
| Assets: | | | | | | |
| Derivatives(*1) | ₩ 3,821,253 | - | 3,821,253 | 9,509,183 | 409,487 | 1,775,888 |
| Other financial instruments(*1) | 7,873,305 | - | 7,873,305 | | | |
| Securities repurchased under repurchase agreements and bonds purchased under repurchase agreements(*2) | 12,749,800 | - | 12,749,800 | 12,618,359 | - | 131,441 |
| Securities loaned(*2) | 2,648,248 | - | 2,648,248 | 2,648,248 | - | - |
| Domestic exchange settlement debit(*3) | 44,872,022 | 38,171,649 | 6,700,373 | - | - | 6,700,373 |
| Receivables from disposal of securities(*4) | 7,082,779 | 3,477,874 | 3,604,905 | 2,668,065 | - | 936,840 |
| Insurance receivables | 70,087 | - | 70,087 | 45,849 | - | 24,238 |
| | ₩ <u>79,117,494</u> | <u>41,649,523</u> | <u>37,467,971</u> | <u>27,489,704</u> | <u>409,487</u> | <u>9,568,780</u> |
| Liabilities: | | | | | | |
| Derivatives(*1)(*5) | ₩ 11,434,081 | - | 11,434,081 | 10,093,812 | 1,000 | 8,120,313 |
| Other financial instruments(*1) | 6,781,044 | - | 6,781,044 | 10,492,779 | - | 216,336 |
| Bonds purchased under repurchase agreements(*2) | 10,709,115 | - | 10,709,115 | 787,767 | - | - |
| Securities borrowed(*2) | 787,767 | - | 787,767 | 1,809,727 | - | 80,681 |
| Domestic exchange settlement pending(*3) | 40,062,057 | 38,171,649 | 1,890,408 | 2,668,767 | - | 889,989 |
| Payable from purchase of securities(*4) | 7,036,630 | 3,477,874 | 3,558,756 | 45,849 | - | 91 |
| Insurance payables | 45,940 | - | 45,940 | - | - | - |
| | ₩ <u>76,856,634</u> | <u>41,649,523</u> | <u>35,207,111</u> | <u>25,898,701</u> | <u>1,000</u> | <u>9,307,410</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(h) Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows (continued):

(*1) The Group has certain derivative transactions subject to the ISDA (International Derivatives Swaps and Dealers Association) agreement. According to the ISDA agreement, when credit events (e.g. default) of counterparties occur, all derivative agreements are terminated and set off. At the time of termination, the parties to the transaction will offset the amount of payment or payment to each other, and one party will pay the other party a single amount will be paid to the other party.

(*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 under normal business terms. Therefore, domestic exchanges settlement receivables (payables) are recorded on a net basis in the consolidated statements of financial position.

(*4) It is an account that deals with bonds and liabilities based on the settlement of listed stocks traded in the market. The Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis. Therefore, the net amount is presented in the consolidated statement of financial position. The offset amount of related bonds and liabilities based on the settlement of over-the-counter derivatives in-house payment by Central Clearing System is included.

(*5) As of December 31, 2021, the total amount of financial liabilities includes ₩ 8,023,870 million of ELS (equity-linked securities) products and of DLS (derivative linked securities) products. In the course of this transaction, the Group has provided collateral for some transactions. The financial instruments provided as collateral of ₩ 717,841 million are included in the related instruments not offset in the statement of financial position. The total amount of financial liabilities recognized as of December 31, 2021 is ₩ 445,128 million for transactions with the other party with collective offset contracts or similar arrangements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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4. Financial risk management (continued)

(h) Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows: (continued)

| | December 31, 2020 | | | | | |
|--|---|---|---|---|-----------------------------|-------------------|
| | Gross amounts of recognized financial assets/ liabilities | Gross amounts of recognized financial assets/ liabilities set off in the statement of financial position | Net amounts of financial assets/ liabilities presented in the statement of financial position | Related amounts not set off in the statement of financial position | | Net amount |
| | | | | Financial instruments | Cash collateral received | |
| Assets: | | | | | | |
| Derivatives(*1) | ₩ 5,361,225 | - | 5,361,225 | | | |
| Other financial instruments(*1) | 18,033,663 | 6,502,695 | 11,530,968 | 4,448,496 | 314,328 | 12,129,369 |
| Securities repurchased under repurchase agreements and bonds purchased under repurchase agreements(*2) | 13,694,305 | - | 13,694,305 | 13,185,633 | - | 508,672 |
| Securities loaned(*2) | 1,202,494 | - | 1,202,494 | 1,202,494 | - | - |
| Domestic exchange settlement debit(*3) | 29,911,693 | 25,785,507 | 4,126,186 | 116,290 | - | 4,009,896 |
| Receivables from disposal of securities(*4) | 29,341 | 3,140 | 26,201 | - | - | 26,201 |
| Insurance receivables | 8,374 | - | 8,374 | 5,526 | - | 2,848 |
| | ₩ <u>68,241,095</u> | <u>32,291,342</u> | <u>35,949,753</u> | <u>18,958,439</u> | <u>314,328</u> | <u>16,676,986</u> |
| Liabilities: | | | | | | |
| Derivatives(*1)(*5) | ₩ 13,153,952 | - | 13,153,952 | | | |
| Other financial instruments(*1) | 17,340,722 | 6,502,695 | 10,838,027 | 5,490,974 | 1,000 | 18,500,005 |
| Bonds purchased under repurchase agreements(*2) | 11,065,584 | - | 11,065,584 | 10,260,684 | - | 804,900 |
| Securities borrowed(*2) | 897,129 | - | 897,129 | 897,129 | - | - |
| Domestic exchange settlement pending(*3) | 31,605,249 | 25,785,507 | 5,819,742 | 4,099,248 | - | 1,720,494 |
| Payable from purchase of securities(*4) | 3,148 | 3,140 | 8 | 8 | - | - |
| Insurance payables | 5,742 | - | 5,742 | 5,526 | - | 216 |
| | ₩ <u>74,071,526</u> | <u>32,291,342</u> | <u>41,780,184</u> | <u>20,753,569</u> | <u>1,000</u> | <u>21,025,615</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

4. Financial risk management (continued)

(h) Offsetting financial assets and financial liabilities (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2021 and 2020 are as follows (continued):

(*1) The Group has certain derivative transactions subject to the ISDA (International Derivatives Swaps and Dealers Association) agreement. According to the ISDA agreement, when credit events (e.g. default) of counterparties occur, all derivative agreements are terminated and set off. At the time of termination, the parties to the transaction will offset the amount of payment or payment to each other, and one party will pay the other party a single amount will be paid to the other party.

(*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 under normal business terms. Therefore, domestic exchanges settlement receivables (payables) are recorded on a net basis in the consolidated statements of financial position.

(*4) It is an account that deals with bonds and liabilities based on the settlement of listed stocks traded in the market. The Group currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis. Therefore, the net amount is presented in the consolidated statement of financial position. The offset amount of related bonds and liabilities based on the settlement of over-the-counter derivatives in-house payment by Central Clearing System is included.

(*5) As of December 31, 2020, the total amount of financial liabilities includes ₩ 8,455,724 million of ELS (equity-linked securities) products and of DLS (derivative linked securities) products. In the course of this transaction, the Group has provided collateral for some transactions. The financial instruments provided as collateral of ₩ 1,087,349 million are included in the related instruments not offset in the statement of financial position. The total amount of financial liabilities recognized as of December 31, 2020 is ₩ 693,017 million for transactions with the other party with collective offset contracts or similar arrangements.

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(In millions of won)

4. Financial risk management (continued)

(i) Capital risk management

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, which should be maintained additionally to increase the ability to absorb losses, 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 capital (2.5%p) and domestic system-critical banks (D-SIB) capital (1.0%p) and economic response capital (2.5%p) to the existing lowest common equity capital ratio, and economic response capital can be charged up to 2.5%p during credit expansion period. As of December 31, 2021, the minimum regulatory BIS capital ratio to be observed is 11.5%, which is the standard for applying capital conservation capital (2.5%p), D-SIB capital (1.0%p), and economic response capital (0%p).

Basel III capital ratio is the concept of 'International Agreement on the Measurement and Standards of Equity Capital' of the Basel Bank Supervisory Commission of BIS (International Settlement Bank). It is calculated as '(common stock capital (after deduction of deductions) + other basic capital + supplementary capital) ÷ risk weighted assets'.

The capital of common stock can be the first to make up for the loss of the financial holding company. The capital of common stock consists of capital stock, capital reserve, retained earnings and other, which will not be redeemed until the liquidation and will be redeemed at the last during the liquidation. Other basic capital consists of capital securities that meet certain requirements as capital of permanent nature. Complementary capital is capital that can compensate for losses of financial holding companies during liquidation, and consists of capital securities, etc. that meet certain requirements. The deduction items are those held by the Group as assets or capital items, but do not contribute to the ability to absorb losses. Unless otherwise noted, it will be deducted from common stock capital.

The capital ratio of the Group based on Basel III is as of December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------|---|--------------------------|--------------------------|
| Capital : | | | |
| Tier I common equity capital | ₩ | 35,469,554 | 32,461,864 |
| Additional tier I capital | | 4,965,931 | 3,805,372 |
| Tier I capital | | 40,435,485 | 36,267,236 |
| Tier II capital | | 3,427,951 | 3,441,841 |
| Total capital (A) | ₩ | <u>43,863,436</u> | <u>39,709,077</u> |
| Total risk-weighted assets (B) | ₩ | 270,692,183 | 252,321,426 |
| Capital adequacy ratio (A/B) | | 16.20% | 15.74% |
| Tier I capital adequacy ratio | | 14.94% | 14.37% |
| Common stock ratio | | 13.10% | 12.87% |

(*) As of December 31, 2021, the Group has maintained an appropriate consolidated equity capital ratio according to the BIS equity capital regulation.

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5. Significant estimates and judgments

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgment in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

(a) Estimation of impairment of goodwill

The Group reviews the goodwill annually in accordance with the accounting policy in Note 3. The recoverable amount of the cash-generating unit (group) is determined based on the value-in-use calculation. These calculations are based on estimates.

(b) 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 value 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.

(c) Fair value of financial instruments

The fair values of financial instruments (e.g. over-the-counter derivatives) 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.

(d) Allowance for credit loss, 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 FVOCI, and recognizes provisions for guarantees and unused loan commitments through impairment testing. The accuracy of allowances and provisions for credit losses are 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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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6. Investment in subsidiaries

(a) The summarized financial information of the controlling company and the Group's major subsidiaries as of December 31, 2021 and 2020 is as follows:

| Investees(*1)(*2) | December 31, 2021 | | | December 31, 2020 | | |
|--|-------------------|-------------------|----------------|-------------------|-------------------|----------------|
| | Asset balance | Liability balance | Equity balance | Asset balance | Liability balance | Equity balance |
| Shinhan Financial Group(separate) | ₩ 36,815,893 | 10,410,517 | 26,405,376 | 35,483,914 | 10,426,817 | 25,057,097 |
| Shinhan Bank | 467,435,213 | 438,199,575 | 29,235,638 | 427,675,103 | 400,009,589 | 27,665,514 |
| Shinhan Card Co., Ltd. | 38,472,228 | 31,737,225 | 6,735,003 | 34,885,223 | 28,465,675 | 6,419,548 |
| Shinhan Investment Corp. | 44,446,803 | 39,421,314 | 5,025,489 | 46,632,433 | 42,258,341 | 4,374,092 |
| Shinhan Life Insurance Co., Ltd.(*3) | 70,535,556 | 65,382,992 | 5,152,564 | 36,777,496 | 34,232,052 | 2,545,444 |
| Orange Life Insurance Co., Ltd.(*3) | - | - | - | 33,813,587 | 30,574,073 | 3,239,514 |
| Shinhan Capital Co., Ltd. | 10,921,698 | 9,189,041 | 1,732,657 | 8,901,349 | 7,710,010 | 1,191,339 |
| Jeju Bank | 6,944,214 | 6,428,269 | 515,945 | 6,531,838 | 6,022,397 | 509,441 |
| Shinhan Credit Information Co., Ltd. | 31,377 | 12,334 | 19,043 | 27,806 | 10,826 | 16,980 |
| Shinhan Alternative Investment Management Inc. | 114,973 | 70,449 | 44,524 | 87,053 | 71,591 | 15,462 |
| Shinhan Asset Management Co., Ltd. | 242,760 | 40,181 | 202,579 | 191,127 | 20,530 | 170,597 |
| SHC Management Co., Ltd. | 9,636 | - | 9,636 | 9,644 | - | 9,644 |
| Shinhan DS | 92,591 | 52,804 | 39,787 | 95,150 | 70,916 | 24,234 |
| Shinhan Savings Bank | 2,644,942 | 2,413,176 | 231,766 | 1,842,231 | 1,635,433 | 206,798 |
| Asia Trust Co., Ltd. | 373,267 | 122,038 | 251,229 | 259,899 | 85,274 | 174,625 |
| Shinhan AITAS Co., Ltd. | 90,116 | 9,786 | 80,330 | 87,378 | 12,159 | 75,219 |
| Shinhan REITs Management Co., Ltd. | 63,026 | 10,584 | 52,442 | 52,555 | 8,582 | 43,973 |
| Shinhan AI Co., Ltd. | 44,031 | 2,563 | 41,468 | 42,903 | 1,890 | 41,013 |
| Shinhan Venture Investment Co., Ltd. | 98,914 | 23,331 | 75,583 | 72,550 | 12,697 | 59,853 |

(*1) The consolidated financial statements of the consolidated subsidiaries are based on consolidated financial statements, if applicable.

(*2) Trusts, beneficiary certificates, securitization special limited liability companies, associates and private equity investment specialists that are not actually operating their own business are excluded.

(*3) Shinhan Life Insurance Co., Ltd., and Orange Life Insurance Co., Ltd. were merged on July 1, 2021. After the merger, the name is Shinhan Life Insurance Co., Ltd.

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6. Investment in subsidiaries (continued)

(b) The summarized income information of the controlling company and the Group's major subsidiaries for the years ended December 31, 2021 and 2020 is as follows:

| Investees(*1)(*2) | December 31, 2021 | | | December 31, 2020 | | |
|--|-------------------|----------------|--------------------------|-------------------|----------------|--------------------------|
| | Operating Revenue | Net Income(*3) | Comprehensive Income(*3) | Operating Revenue | Net Income(*3) | Comprehensive Income(*3) |
| Shinhan Financial Group (separate) | ₩ 1,875,675 | 1,413,956 | 1,413,675 | 1,718,407 | 1,274,443 | 1,274,892 |
| Shinhan Bank | 23,540,347 | 2,494,894 | 2,396,829 | 25,049,392 | 2,078,232 | 1,911,575 |
| Shinhan Card Co., Ltd. | 4,359,627 | 676,297 | 710,090 | 4,091,178 | 606,554 | 599,451 |
| Shinhan Investment Corp. | 7,592,350 | 320,662 | 366,000 | 9,290,965 | 154,531 | 147,210 |
| Shinhan Life Insurance Co., Ltd. | 7,079,569 | 174,811 | (162,161) | 5,405,933 | 177,834 | 227,596 |
| Orange Life Insurance Co., Ltd.(*4) | 2,112,353 | 216,826 | (96,157) | 4,456,340 | 279,282 | 132,425 |
| Shinhan Capital Co., Ltd. | 783,890 | 274,855 | 275,760 | 626,455 | 160,583 | 162,134 |
| Jeju Bank | 204,543 | 18,446 | 11,739 | 214,615 | 17,521 | 16,557 |
| Shinhan Credit Information Co., Ltd. | 42,417 | 1,936 | 2,079 | 42,658 | 1,493 | 1,650 |
| Shinhan Alternative Investment Management Inc. | 28,010 | 9,163 | 9,163 | 17,219 | 3,433 | 3,433 |
| Shinhan Asset Management Co., Ltd. | 107,598 | 32,152 | 32,066 | 88,870 | 26,663 | 26,663 |
| SHC Management Co., Ltd. | - | (7) | (7) | 70 | 5 | 5 |
| Shinhan DS | 244,445 | 4,100 | 5,653 | 164,327 | 1,862 | 2,845 |
| Shinhan Savings Bank | 163,643 | 30,310 | 30,037 | 123,590 | 26,953 | 26,888 |
| Asia Trust Co., Ltd. | 144,971 | 76,455 | 76,604 | 102,816 | 45,791 | 45,765 |
| Shinhan AITAS Co., Ltd. | 53,005 | 9,816 | 9,816 | 58,599 | 13,020 | 12,954 |
| Shinhan REITs Management Co., Ltd. | 16,440 | 8,481 | 8,469 | 12,176 | 3,764 | 3,764 |
| Shinhan AI Co., Ltd. | 12,106 | 478 | 455 | 10,246 | 304 | 284 |
| Shinhan Venture Investment Co., Ltd.(*5) | 32,134 | 15,929 | 15,750 | 3,500 | (1,146) | (1,015) |

(*1) The consolidated financial statements of the consolidated subsidiaries are based on consolidated financial statements, if applicable.

(*2) Trusts, beneficiary certificates, securitization special limited liability companies, associates and private equity investment specialists that are not actually operating their own business are excluded.

(*3) This amount includes non-controlling interests.

(*4) For the Orange Life Insurance Co., Ltd., the amount is from the consolidated statements of operating revenue, net income and comprehensive income for six months before the merger date.

(*5) For the acquired company, the amount is from the consolidated statements of comprehensive income for the period after the acquisition point.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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6. Investment in subsidiaries (continued)

(c) Change in the scope of consolidation

i) Change in consolidated subsidiaries for the year ended December 31, 2021 are as follows:

| | <u>Company</u> | <u>Description</u> |
|----------|--|---|
| Included | Shinhan Life Insurance Vietnam Co., Ltd. | Newly acquired subsidiary |
| Included | Shinhan CubeOn Co., Ltd. | Newly acquired subsidiary |
| Excluded | Orange Life Insurance Co., Ltd. | Extinguished due to merger with Shinhan Life Insurance Co., Ltd. |

(*) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

ii) Change in consolidated subsidiaries for the year ended December 31, 2020 are as follows:

| | <u>Company</u> | <u>Description</u> |
|----------|--------------------------------------|---------------------------|
| Included | Shinhan Venture Investment Co., Ltd. | Newly acquired subsidiary |
| Included | SBJDNX | Newly invested subsidiary |
| Included | Shinhan Financial Plus Co., Ltd | Newly invested subsidiary |
| Excluded | Shinhan Asia Ltd. | Liquidation |

(*) Subsidiaries such as trust, beneficiary certificate, corporate restructuring fund and private equity fund which are not actually operating their own business are excluded.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

7. Operating segments

(a) Segment information

The general descriptions by operating segments as of December 31, 2021 are as follows:

| <u>Segment</u> | <u>Description</u> |
|----------------|---|
| Banking | Credit to customers, lending to and receiving deposits from customers, and their accompanying work |
| Credit card | Sales of credit cards, cash services, card loan services, installment financing, lease and their accompanying work |
| Securities | Securities trading, consignment trading, underwriting and their accompanying work |
| Life insurance | Life insurance business and their accompanying work |
| Credit | Facility rental, new technology business financing, others and their accompanying work |
| Others | Business segments that do not belong to the above segments, such as real estate trust, investment advisory services, venture business investment and other remaining business |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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7. Operating segments (continued)

(b) The following tables provide information of income and expense for each operating segment for the years ended December 31, 2021 and 2020:

| | December 31, 2021 | | | | | | | Consolidation adjustment | Total |
|--|-------------------|-------------|------------|----------------|----------|-----------|-----------|-----------------------------|-------|
| | Banking | Credit card | Securities | Life insurance | Credit | Others | | | |
| Net interest income | ₩ 6,738,165 | 1,799,153 | 517,296 | 1,620,266 | 231,679 | 68,991 | (206,225) | 10,769,325 | |
| Net fees and commission income | 818,426 | 634,716 | 601,793 | 170,781 | 28,812 | 415,212 | 5,257 | 2,674,997 | |
| Reversal of (provision for) allowance for credit loss | (364,291) | (442,668) | (80,134) | (21,760) | (34,064) | (35,421) | 3,653 | (974,685) | |
| General and administrative expenses | (3,409,144) | (790,733) | (696,278) | (557,292) | (80,056) | (366,149) | 156,564 | (5,743,088) | |
| Other income (expense), net | (305,508) | (179,695) | 234,209 | (660,416) | 194,564 | 177,912 | (235,519) | (774,453) | |
| Operating income | 3,477,648 | 1,020,773 | 576,886 | 551,579 | 340,935 | 260,545 | (276,270) | 5,952,096 | |
| Equity method income (loss) | 25,401 | (1,109) | 65,341 | (739) | 29,644 | 16,201 | 23,861 | 158,600 | |
| Income tax expense | 821,201 | 266,798 | 94,864 | 139,106 | 94,329 | 71,120 | (16,382) | 1,471,036 | |
| Profit for the year | ₩ 2,417,880 | 771,757 | 320,662 | 391,637 | 274,855 | 205,880 | (270,043) | 4,112,628 | |
| Controlling interest | ₩ 2,417,361 | 770,457 | 320,783 | 391,637 | 274,855 | 205,880 | (361,719) | 4,019,254 | |
| Non-controlling interests | 519 | 1,300 | (121) | - | - | - | 91,676 | 93,374 | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

7. Operating segments (continued)

(b) The following tables provide information of income and expense for each operating segment for the years ended December 31, 2021 and 2020 (continued):

| | | December 31, 2020 | | | | | | | |
|--|---|--------------------------|--------------------|-------------------|-----------------------|----------------|----------------|-------------------------------------|------------------|
| | | Banking | Credit card | Securities | Life insurance | Credit | Others | Consolidation adjustment | Total |
| Net interest income | ₩ | 6,037,632 | 1,755,039 | 517,044 | 1,608,953 | 158,817 | 7,805 | (202,590) | 9,882,700 |
| Net fees and commission income | | 822,408 | 483,486 | 544,183 | 162,284 | 21,346 | 347,004 | 2,222 | 2,382,933 |
| Reversal of (provision for) allowance for credit loss | | (690,084) | (483,883) | (111,796) | (12,236) | (63,429) | (22,522) | 1,771 | (1,382,179) |
| General and administrative expenses | | (3,237,641) | (698,796) | (565,485) | (463,439) | (58,494) | (314,097) | 125,479 | (5,212,473) |
| Other income (expense), net | | (130,488) | (169,304) | (11,348) | (727,530) | 120,735 | 140,138 | 36,552 | (741,245) |
| Operating income | | 2,801,827 | 886,542 | 372,598 | 568,032 | 178,975 | 158,328 | (36,566) | 4,929,736 |
| Equity method income (loss) | | (811) | - | 37,760 | (1,244) | 32,133 | (2,489) | 94,184 | 159,533 |
| Income tax expense | | 673,972 | 251,357 | 48,464 | 156,698 | 49,211 | 44,883 | 31,210 | 1,255,795 |
| Profit for the year | ₩ | <u>1,999,002</u> | <u>703,305</u> | <u>154,531</u> | <u>457,116</u> | <u>160,583</u> | <u>112,992</u> | <u>(89,453)</u> | <u>3,498,076</u> |
| Controlling interest | ₩ | 1,998,563 | 703,204 | 154,772 | 457,116 | 160,583 | 112,992 | (172,635) | 3,414,595 |
| Non-controlling interests | | 439 | 101 | (241) | - | - | - | 83,182 | 83,481 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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7. Operating segments (continued)

(c) Interest gains and losses from segment external customers and cross-sector interest gains and losses for the years ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | | | | | |
|---------------------------|---|--------------------------|--------------------|-------------------|-----------------------|----------------|---------------|------------------------------------|-------------------|
| | | Banking | Credit card | Securities | Life insurance | Credit | Others | Consolidation adjustment(*) | Total |
| Net interest income from: | | | | | | | | | |
| External customers (*) | ₩ | 6,741,279 | 1,849,209 | 534,969 | 1,617,186 | 241,035 | 781 | (215,134) | 10,769,325 |
| Internal transactions | | (3,114) | (50,056) | (17,673) | 3,080 | (9,356) | 68,210 | 8,909 | - |
| | ₩ | <u>6,738,165</u> | <u>1,799,153</u> | <u>517,296</u> | <u>1,620,266</u> | <u>231,679</u> | <u>68,991</u> | <u>(206,225)</u> | <u>10,769,325</u> |

(*) Consolidated adjustment to net interest income from external customers is from the securities and others which were measured in fair values as a part of business combination accounting.

| | | December 31, 2020 | | | | | | | |
|---------------------------|---|--------------------------|--------------------|-------------------|-----------------------|----------------|---------------|------------------------------------|------------------|
| | | Banking | Credit card | Securities | Life insurance | Credit | Others | Consolidation adjustment(*) | Total |
| Net interest income from: | | | | | | | | | |
| External customers (*) | ₩ | 6,037,205 | 1,809,149 | 526,167 | 1,605,575 | 169,192 | (54,902) | (209,686) | 9,882,700 |
| Internal transactions | | 427 | (54,110) | (9,123) | 3,378 | (10,375) | 62,707 | 7,096 | - |
| | ₩ | <u>6,037,632</u> | <u>1,755,039</u> | <u>517,044</u> | <u>1,608,953</u> | <u>158,817</u> | <u>7,805</u> | <u>(202,590)</u> | <u>9,882,700</u> |

(*) Consolidated adjustment to net interest income from external customers is from the securities and others which were measured in fair values as a part of business combination accounting.

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7. Operating segments (continued)

(d) The following tables provide information of net fees and commission income (expense) of each operating segment for the years ended December 31, 2021 and 2020.

| | | December 31, 2021 | | | | | | | |
|--------------------------------------|---|--------------------------|--------------------|-------------------|-----------------------|---------------|----------------|-------------------------------------|------------------|
| | | Banking | Credit card | Securities | Life insurance | Credit | Others | Consolidation adjustment | Total |
| Net fees and commission income from: | | | | | | | | | |
| External customers | ₩ | 863,879 | 681,129 | 615,414 | 181,345 | 27,351 | 305,879 | - | 2,674,997 |
| Internal transactions | | (45,453) | (46,413) | (13,621) | (10,564) | 1,461 | 109,333 | 5,257 | - |
| | ₩ | <u>818,426</u> | <u>634,716</u> | <u>601,793</u> | <u>170,781</u> | <u>28,812</u> | <u>415,212</u> | <u>5,257</u> | <u>2,674,997</u> |
| | | December 31, 2020 | | | | | | | |
| | | Banking | Credit card | Securities | Life insurance | Credit | Others | Consolidation adjustment | Total |
| Net fees and commission income from: | | | | | | | | | |
| External customers | ₩ | 859,225 | 531,394 | 553,308 | 173,865 | 22,381 | 242,760 | - | 2,382,933 |
| Internal transactions | | (36,817) | (47,908) | (9,125) | (11,581) | (1,035) | 104,244 | 2,222 | - |
| | ₩ | <u>822,408</u> | <u>483,486</u> | <u>544,183</u> | <u>162,284</u> | <u>21,346</u> | <u>347,004</u> | <u>2,222</u> | <u>2,382,933</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

7. Operating segments (continued)

(e) Financial information of geographical area

The following table provides information of income from external consumers by geographical area for the years ended December 31, 2021 and 2020.

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------|--------------------------|--------------------------|
| Domestic | ₩ 5,404,278 | 4,436,252 |
| Overseas | 547,818 | 493,484 |
| | <u>₩ 5,952,096</u> | <u>4,929,736</u> |

The following table provides information of non-current assets by geographical area as of December 31, 2021 and 2020.

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------|--------------------------|--------------------------|
| Domestic | ₩ 10,029,650 | 9,734,468 |
| Overseas | 336,687 | 351,083 |
| | <u>₩ 10,366,337</u> | <u>10,085,551</u> |

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

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8. Cash and due from banks at amortized cost

(a) Cash and due from banks at amortized cost as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Cash and cash equivalents | | |
| Cash | ₩ 4,194,831 | 1,782,301 |
| Cash equivalents | 26,560 | 22,979 |
| | <u>4,221,391</u> | <u>1,805,280</u> |
| Deposits denominated in Korean won: | | |
| Reserve deposits | 9,851,064 | 16,957,521 |
| Time deposits | 892,053 | 950,624 |
| Other | 2,701,873 | 3,953,337 |
| | <u>13,444,990</u> | <u>21,861,482</u> |
| Deposits denominated in foreign currency: | | |
| Deposits | 6,731,190 | 5,576,206 |
| Time deposits | 2,148,955 | 2,721,849 |
| Other | 1,924,601 | 1,455,732 |
| | <u>10,804,746</u> | <u>9,753,787</u> |
| Allowance for credit losses | (17,723) | (10,007) |
| | <u>₩ 28,453,404</u> | <u>33,410,542</u> |

(b) Restricted due from banks at amortized cost as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>Related Regulations or Acts</u> |
|--|--------------------------|--------------------------|---|
| Deposits denominated in Korean won: | | | |
| Reserve deposits | ₩ 9,851,064 | 16,957,521 | Article 55 of the Bank of Korea Act Article 28 and 70 of the Bank of Korea Act, Article 74 of the Capital Markets and Financial Investment Business Act, etc. |
| Other | 1,174,670 | 2,390,761 | |
| | <u>11,025,734</u> | <u>19,348,282</u> | |
| Deposits denominated in foreign currency | 2,870,908 | 2,621,129 | Articles of the Bank of Korea Act, New York State Banking Act, derivatives, etc. |
| | <u>₩ 13,896,642</u> | <u>21,969,411</u> | |

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9. Financial assets at fair value through profit or loss

(a) Financial assets at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------------|--------------------------|--------------------------|
| Debt instruments: | | |
| Governments | ₩ 3,961,045 | 4,248,448 |
| Financial institutions | 13,449,550 | 13,997,922 |
| Corporations | 9,618,302 | 9,356,842 |
| Stocks with put option | 627,275 | 583,590 |
| Equity investment with put option | 2,625,297 | 1,860,195 |
| Beneficiary certificates | 13,386,212 | 12,451,709 |
| Commercial papers | 7,042,045 | 6,369,854 |
| CMA | 3,591,822 | 2,806,485 |
| Others(*) | 3,925,599 | 3,411,647 |
| | <u>58,227,147</u> | <u>55,086,692</u> |
| Equity instruments: | | |
| Stocks | 2,182,829 | 1,627,020 |
| Equity investment | 12,962 | 1,697 |
| Others | 179,524 | 107,742 |
| | <u>2,375,315</u> | <u>1,736,459</u> |
| | ₩ <u>60,602,462</u> | <u>56,823,151</u> |
| Other: | | |
| Loans at FVTPL | ₩ 1,683,344 | 2,016,801 |
| Due from banks at fair value | 34,262 | 63,112 |
| Gold/silver deposits | 83,691 | 188,339 |
| | ₩ <u>62,403,759</u> | <u>59,091,403</u> |

(*) As of December 31, 2021 and 2020, restricted reserve for claims of customers' deposits (trusts) are ₩ 2,080,626 million and ₩ 1,907,210 million, respectively.

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9. Financial assets at fair value through profit or loss (continued)

(b) Financial assets to which overlay approach are applied in accordance with K-IFRS No. 1109 'Financial Instruments' and K-IFRS No. 1104 'Insurance Contracts' as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Due from banks at fair value through profit or loss | ₩ 34,262 | 63,112 |
| Securities at fair value through profit or loss | 4,903,275 | 4,865,908 |
| | <u>₩ 4,937,537</u> | <u>4,929,020</u> |

A financial asset is eligible for designation for the overlay approach, if it is measured at fair value through profit or loss applying K-IFRS No. 1109 but would not have been measured at fair value through profit or loss in its entirety applying K-IFRS No. 1039; and it is not held in respect of an activity that is not associated with contracts within the scope of K-IFRS No. 1104.

The reclassified amounts between profit or loss and other comprehensive income due to the overlay approach as of and for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | | | |
|---|---------------------------|---------------------------|--------------------------------------|-------------------|
| | <u>Profit or loss</u> | | <u>Other comprehensive income(*)</u> | |
| | <u>By K-IFRS No. 1109</u> | <u>By K-IFRS No. 1039</u> | <u>Amount</u> | <u>Tax effect</u> |
| Net gain (loss) on valuation of financial assets at fair value through profit or loss | ₩ 130,170 | 83,288 | 46,882 | (12,893) |
| Net gain (loss) on disposal of financial assets at fair value through profit or loss | (2,668) | 87,217 | (89,885) | 24,719 |
| | <u>₩ 127,502</u> | <u>170,505</u> | <u>(43,003)</u> | <u>11,826</u> |

(*) The amount of the policyholders equity adjustment for the reclassification of other comprehensive income is ₩11,079 million for the years ended December 31, 2021.

| | <u>December 31, 2020</u> | | | |
|---|---------------------------|---------------------------|--------------------------------------|-------------------|
| | <u>Profit or loss</u> | | <u>Other comprehensive income(*)</u> | |
| | <u>By K-IFRS No. 1109</u> | <u>By K-IFRS No. 1039</u> | <u>Amount</u> | <u>Tax effect</u> |
| Net gain (loss) on valuation of financial assets at fair value through profit or loss | ₩ 123,808 | (21,488) | 145,301 | (39,958) |
| Net gain (loss) on disposal of financial assets at fair value through profit or loss | 53,806 | 62,926 | (9,120) | 2,508 |
| Net gain (loss) on foreign currency conversion of financial assets at fair value through profit or loss | 74 | - | 74 | (20) |
| | <u>₩ 177,688</u> | <u>41,438</u> | <u>136,255</u> | <u>(37,470)</u> |

(*) The amount of the policyholders equity adjustment for the reclassification of other comprehensive income is ₩(8,487) million for the years ended December 31, 2020.

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10. Derivatives

(a) The notional amounts of derivatives outstanding as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Foreign currency related: | | |
| Over the counter: | | |
| Currency forwards | ₩ 146,169,864 | 117,566,233 |
| Currency swaps | 36,548,884 | 33,562,251 |
| Currency options | 2,270,594 | 2,501,983 |
| | <u>184,989,342</u> | <u>153,630,467</u> |
| Exchange traded: | | |
| Currency futures | 641,104 | 1,102,534 |
| | <u>185,630,446</u> | <u>154,733,001</u> |
| Interest rates related: | | |
| Over the counter: | | |
| Interest rate forwards and swaps | 35,518,719 | 36,205,843 |
| Interest rate options | 258,460 | 324,238 |
| | <u>35,777,179</u> | <u>36,530,081</u> |
| Exchange traded: | | |
| Interest rate futures | 3,293,821 | 2,465,374 |
| Interest rate options | 54,890 | - |
| Interest rate swaps(*) | 72,898,275 | 68,475,400 |
| | <u>76,246,986</u> | <u>70,940,774</u> |
| | <u>112,024,165</u> | <u>107,470,855</u> |
| Credit related: | | |
| Over the counter: | | |
| Credit swaps | 4,737,329 | 4,536,626 |
| Equity related: | | |
| Over the counter: | | |
| Equity swaps and forwards | 2,073,995 | 2,628,661 |
| Equity options | 677,824 | 508,686 |
| | <u>2,751,819</u> | <u>3,137,347</u> |
| Exchange traded: | | |
| Equity futures | 1,678,070 | 1,638,126 |
| Equity options | 3,298,673 | 4,277,882 |
| | <u>4,976,743</u> | <u>5,916,008</u> |
| | <u>7,728,562</u> | <u>9,053,355</u> |
| Commodity related: | | |
| Over the counter: | | |
| Commodity swaps and forwards | 789,930 | 537,351 |
| Commodity options | 11,500 | - |
| | <u>801,430</u> | <u>537,351</u> |
| Exchange traded: | | |
| Commodity futures and options | 158,550 | 263,460 |
| | <u>959,980</u> | <u>800,811</u> |
| Hedge: | | |
| Currency forwards | 1,279,598 | 1,281,945 |
| Currency swaps | 3,726,939 | 4,328,333 |
| Interest rate forwards and swaps | 8,695,960 | 7,844,392 |
| | <u>13,702,497</u> | <u>13,454,670</u> |
| | <u>₩ 324,782,979</u> | <u>290,049,318</u> |

(*) The notional amounts of derivatives outstanding those will be settled in the 'Central Counter Party (CCP)' system.

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10. Derivatives (continued)

(b) Fair values of derivative instruments as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|----------------------------------|-------------------|------------------|-------------------|------------------|
| | Assets | Liabilities | Assets | Liabilities |
| Foreign currency related: | | | | |
| Over the counter: | | | | |
| Currency forwards | ₩ 2,183,315 | 1,797,419 | 3,135,319 | 3,021,258 |
| Currency swaps | 651,292 | 748,302 | 1,145,619 | 979,022 |
| Currency options | 12,218 | 11,591 | 33,253 | 31,871 |
| | <u>2,846,825</u> | <u>2,557,312</u> | <u>4,314,191</u> | <u>4,032,151</u> |
| Exchange traded: | | | | |
| Currency futures | 12 | 210 | 90 | 186 |
| | <u>2,846,837</u> | <u>2,557,522</u> | <u>4,314,281</u> | <u>4,032,337</u> |
| Interest rates related: | | | | |
| Over the counter: | | | | |
| Interest rate forwards and swaps | 166,855 | 303,227 | 311,403 | 363,297 |
| Interest rate options | 3,748 | 611 | 2,148 | 2,217 |
| | <u>170,603</u> | <u>303,838</u> | <u>313,551</u> | <u>365,514</u> |
| Exchange traded: | | | | |
| Interest rate futures | 1,701 | 1,828 | 900 | 422 |
| Interest rate options | 83 | - | - | - |
| | <u>1,784</u> | <u>1,828</u> | <u>900</u> | <u>422</u> |
| | <u>172,387</u> | <u>305,666</u> | <u>314,451</u> | <u>365,936</u> |
| Credit related: | | | | |
| Over the counter: | | | | |
| Credit swaps | 493,829 | 65,103 | 273,578 | 29,682 |
| Equity related: | | | | |
| Over the counter: | | | | |
| Equity swap and forwards | 28,803 | 69,880 | 122,034 | 48,218 |
| Equity options | 3,884 | 8,671 | 2,750 | 9,840 |
| | <u>32,687</u> | <u>78,551</u> | <u>124,784</u> | <u>58,058</u> |
| Exchange traded: | | | | |
| Equity futures | 817 | 19,903 | 34,816 | 7,711 |
| Equity options | 6,324 | 167,237 | 77,973 | 153,461 |
| | <u>7,141</u> | <u>187,140</u> | <u>112,789</u> | <u>161,172</u> |
| | <u>39,828</u> | <u>265,691</u> | <u>237,573</u> | <u>219,230</u> |
| Commodity related: | | | | |
| Over the counter: | | | | |
| Commodity swaps and forwards | 18,557 | 3,149 | 5,949 | 32,693 |
| Commodity options | - | 8,406 | - | - |
| | <u>18,557</u> | <u>11,555</u> | <u>5,949</u> | <u>32,693</u> |
| Exchange traded: | | | | |
| Commodity futures and options | 2,688 | 2,218 | 11,580 | 186 |
| | <u>21,245</u> | <u>13,773</u> | <u>17,529</u> | <u>32,879</u> |
| Hedge: | | | | |
| Currency forwards | 106 | 46,139 | 91,747 | 10,507 |
| Currency swaps | 63,560 | 79,407 | 65,256 | 186,150 |
| Interest rate forwards and swaps | 161,397 | 253,263 | 319,500 | 139,846 |
| | <u>225,063</u> | <u>378,809</u> | <u>476,503</u> | <u>336,503</u> |
| ₩ | <u>3,799,189</u> | <u>3,586,564</u> | <u>5,633,915</u> | <u>5,016,567</u> |

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10. Derivatives (continued)

(c) Gain or loss on valuation of derivatives for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Foreign currency related: | | |
| Over the counter: | | |
| Currency forwards | ₩ 268,310 | (108,854) |
| Currency swaps | (201,500) | 210,072 |
| Currency options | 2,007 | 4,979 |
| | <u>68,817</u> | <u>106,197</u> |
| Exchange traded: | | |
| Currency futures | (199) | (96) |
| | <u>68,618</u> | <u>106,101</u> |
| Interest rates related: | | |
| Over the counter: | | |
| Interest rate forwards and swaps | (142,703) | (73,926) |
| Interest rate options | 792 | (372) |
| | <u>(141,911)</u> | <u>(74,298)</u> |
| Exchange traded: | | |
| Interest rate futures | (4) | 4,236 |
| | <u>(141,915)</u> | <u>(70,062)</u> |
| Credit related: | | |
| Over the counter: | | |
| Credit swaps | 192,729 | 7,255 |
| Equity related: | | |
| Over the counter: | | |
| Equity swap and forwards | (176,430) | (15,979) |
| Equity options | 3,307 | (2,082) |
| | <u>(173,123)</u> | <u>(18,061)</u> |
| Exchange traded: | | |
| Equity futures | (19,408) | 26,305 |
| Equity options | 32,555 | 196,288 |
| | <u>13,147</u> | <u>222,593</u> |
| | <u>(159,976)</u> | <u>204,532</u> |
| Commodity related: | | |
| Over the counter: | | |
| Commodity swaps and forwards | (19,097) | (13,519) |
| Commodity options | (4,956) | - |
| | <u>(24,053)</u> | <u>(13,519)</u> |
| Exchange traded: | | |
| Commodity futures and options | 469 | 11,374 |
| | <u>(23,584)</u> | <u>(2,145)</u> |
| Hedge | <u>(203,563)</u> | <u>120,700</u> |
| | <u>₩ (267,691)</u> | <u>366,381</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

10. Derivatives (continued)

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

i) Gains(losses) on fair value hedged items and hedging instruments attributable to the hedged ineffectiveness for the years ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | |
|---------------------------|---|--|---|---|
| | | Gains on fair value hedges (hedged items) | Losses on fair value hedges (hedging instruments) | Hedge ineffectiveness recognized in profit or loss (*2) |
| Fair value hedges: | | | | |
| Interest rate swaps(*1) | ₩ | 273,219 | (281,649) | (8,430) |
| Foreign exchange risk(*1) | | 26,547 | (32,829) | (6,282) |
| | ₩ | <u>299,766</u> | <u>(314,478)</u> | <u>(14,712)</u> |
| | | December 31, 2020 | | |
| | | Losses on fair value hedges (hedged items) | Gains on fair value hedges (hedging instruments) | Hedge ineffectiveness recognized in profit or loss (*2) |
| Fair value hedges: | | | | |
| Interest rate swaps(*1) | ₩ | (228,266) | 233,008 | 4,742 |
| Foreign exchange risk(*1) | | (21,336) | 12,071 | (9,265) |
| | ₩ | <u>(249,602)</u> | <u>245,079</u> | <u>(4,523)</u> |

(*1) The related account categories are presented as interest rate swap assets / liabilities and currency swap assets.

(*2) Ineffective portion of hedge: the difference between hedging instruments and hedged items.

ii) Due to the ineffectiveness of hedge of cash flow risk and hedge of net investment in foreign operations during the year, the amounts recognized in the income statement and other comprehensive income are as follows:

| | | December 31, 2021 | | |
|--|---|---|--|--|
| | | Gains (losses) on hedges recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss(*2) | From cash flow hedge reserve to profit or loss reclassified amount |
| Cash flow hedges: | | | | |
| Interest rate risk(*1) | ₩ | 15,492 | (49,882) | - |
| Foreign exchange risk(*1) | | 14,439 | (14,955) | 24,464 |
| Discontinuation of cash flow hedges | | - | - | 8,799 |
| Hedge of net investments: | | | | |
| Foreign exchange risk(*1) | | (74,525) | (2,094) | - |
| | ₩ | <u>(44,594)</u> | <u>(66,931)</u> | <u>33,263</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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10. Derivatives (continued)

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

ii) Due to the ineffectiveness of hedge of cash flow risk and hedge of net investment in foreign operations during the year, the amounts recognized in the income statement and other comprehensive income are as follows (continued):

| | December 31, 2020 | | |
|--|---|--|--|
| | Gains (losses) on hedges recognized in other comprehensive income | Hedge ineffectiveness recognized in profit or loss(*2) | From cash flow hedge reserve to profit or loss reclassified amount |
| Cash flow hedges: | | | |
| Interest rate risk(*1) | ₩ (3,220) | (343) | - |
| Foreign exchange risk(*1) | (16,693) | (6,539) | 26,405 |
| Discontinuation of cash flow hedges | (45) | - | 45 |
| Hedge of net investments: | | | |
| Foreign exchange risk(*1) | 44,049 | (2,134) | - |
| | ₩ <u>24,091</u> | <u>(9,016)</u> | <u>26,450</u> |

(*1) The related account categories are presented as interest rate swap assets / liabilities and currency swap assets / liabilities, currency forwards assets / liabilities and borrowings.

(*2) Ineffective portion of hedge: The difference between hedging instruments and hedged items.

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10. Derivatives (continued)

(e) Effect of hedge accounting on financial statement, statement of comprehensive income, statement of changes in equity

i) Purpose and strategy of risk avoidance

The Group transacts with derivative financial instruments to hedge its interest rate risk and currency risk arising from the assets and liabilities of the Group. The Group applies the fair value hedge accounting for the changes in the market interest rates of the Korean won structured notes, foreign currency generated financial debentures, structured deposits in foreign currencies and foreign currency investment receivables; and cash flow hedge accounting for interest rate swaps and currency swaps to hedge cash flow risk due to interest rates and foreign exchange rates of the Korean won debt, the Korean won bonds, foreign currency bonds, etc. In addition, in order to hedge the exchange rate risk of the net investment in overseas business, the Group applies the net investment hedge accounting for foreign operations using currency forward and non-derivative financial instruments.

ii) Nominal amounts and average hedge ratios for hedging instruments as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | | |
|--------------------------------|---------------------|--------------|--------------|--------------|--------------|----------------------|-----------|
| | Less than 1 year | 1~2 years | 2~3 years | 3~4 years | 4~5 years | More than 5 years | Total |
| Interest risk: | | | | | | | |
| Nominal values: | ₩ 693,057 | 1,256,392 | 641,413 | 158,833 | 1,589,729 | 4,356,536 | 8,695,960 |
| Average price condition(*1) | 0.88% | 1.21% | 1.30% | 1.00% | 1.00% | 0.66% | 0.87% |
| Average hedge ratio: | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Exchange risk:(*2) | | | | | | | |
| Nominal values: | 2,328,042 | 2,164,591 | 568,991 | 699,433 | 480,878 | 22,525 | 6,264,460 |
| Average hedge ratio: | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

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

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,143.95, JPY/KRW 10.53, EUR/KRW 1,288.52, GBP/KRW 1,484.00, AUD/KRW 817.06, CAD/KRW 868.95, SGD/KRW 859.87, CNY/KRW 174.40, SEK/KRW 124.85

| | December 31, 2020 | | | | | | |
|--------------------------------|---------------------|--------------|--------------|--------------|--------------|----------------------|-----------|
| | Less than 1 year | 1~2 years | 2~3 years | 3~4 years | 4~5 years | More than 5 years | Total |
| Interest risk: | | | | | | | |
| Nominal values: | ₩ 657,656 | 640,992 | 1,217,588 | 456,688 | 247,244 | 4,624,224 | 7,844,392 |
| Average price condition(*1) | 1.12% | 0.88% | 1.30% | 0.98% | 0.67% | 0.38% | 0.67% |
| Average hedge ratio: | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Exchange risk:(*2) | | | | | | | |
| Nominal values: | 2,340,409 | 1,448,787 | 1,734,593 | 457,199 | 575,527 | 250,014 | 6,806,529 |
| Average hedge ratio: | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

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

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,154.76, JPY/KRW 10.61, EUR/KRW 1,287.16, GBP/KRW 1,480.30, AUD/KRW 800.67, CAD/KRW 895.95, SGD/KRW 847.09, CNY/KRW 168.84, SEK/KRW 124.60

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10. Derivatives (continued)

(e) Effect of hedge accounting on financial statement, statement of comprehensive income, statement of changes in equity (continued)

iii) Effect of derivatives on statement financial position, statement of comprehensive income, statement of changes in equity

| December 31, 2021 | | | | |
|---|----------------|-------------------------------|-------------------------------------|---|
| | Nominal amount | Carrying value of asset(*) | Carrying value of liabilities(*) | Changes in fair value in the period |
| Fair value hedges | | | | |
| Interest rate swap | ₩ 7,079,468 | 156,710 | 236,758 | (277,450) |
| Currency forward | 176,369 | - | 4,995 | (8,835) |
| Cash flow hedge | | | | |
| Interest rate swap | 1,616,492 | 4,687 | 16,505 | 23,257 |
| Currency swap | 3,726,939 | 63,560 | 79,407 | 156,271 |
| Currency forward | 866,129 | 106 | 31,486 | (63,659) |
| Hedge of net investments in foreign operations | | | | |
| Currency forward | 237,100 | - | 9,658 | (14,948) |
| Borrowings | 1,257,923 | - | 1,256,241 | (61,672) |

(*) The related account categories are presented as interest rate swap assets / liabilities and currency forward assets and liabilities.

| December 31, 2020 | | | | |
|---|----------------|-------------------------------|-------------------------------------|---|
| | Nominal amount | Carrying value of asset(*) | Carrying value of liabilities(*) | Changes in fair value in the period |
| Fair value hedges | | | | |
| Interest rate swap | ₩ 6,965,492 | 319,294 | 120,728 | 181,151 |
| Currency swap | - | - | 67 | 985 |
| Currency forward | 254,023 | 20,093 | 66 | 24,481 |
| Cash flow hedge | | | | |
| Interest rate swap | 878,900 | 206 | 19,118 | 3,303 |
| Currency swap | 4,328,333 | 65,256 | 186,083 | (8,560) |
| Currency forward | 810,322 | 60,473 | - | (4,181) |
| Hedge of net investments in foreign operations | | | | |
| Currency forward | 217,600 | 11,181 | 10,441 | (2,991) |
| Borrowings | 1,196,252 | - | 1,193,269 | 44,907 |

(*) The related account categories are presented as interest rate swap assets / liabilities and currency forward assets and liabilities.

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10. Derivatives (continued)

(e) Effect of hedge accounting on financial statement, statement of comprehensive income, statement of changes in equity (continued)

iv) Effect of hedging items on statement financial position, statement of comprehensive income, statement of changes in equity

| | | December 31, 2021 | | | | | | |
|--|---|----------------------------|----------------------------------|--|---|-----------------------------------|-------------------------|--------------------------------------|
| | | Carrying value of asset(*) | Carrying value of liabilities(*) | Assets of Cumulative fair value hedge adjustment | Liabilities of Cumulative fair value hedge adjustment | Changes if fair value in the year | Cash flow hedge reserve | Foreign currency conversion reserves |
| Fair value hedges | | | | | | | | |
| Interest rate risk | | | | | | | | |
| Borrowings and others | ₩ | 704,942 | 6,370,330 | 6,207 | (85,441) | 274,005 | - | - |
| Foreign exchange risk | | | | | | | | |
| Securities in foreign currency | | 415,693 | - | - | - | 23,109 | - | - |
| Cash flow hedge | | | | | | | | |
| Interest rate risk | | | | | | | | |
| Debentures in won and debentures in foreign currency | | 607,062 | 1,714,303 | - | - | 22,432 | 67,553 | - |
| Foreign exchange risk | | | | | | | | |
| Debentures in foreign currency and loans in foreign currency | | 2,848,303 | 2,782,574 | - | - | 336,281 | (19,296) | - |
| Hedge of net investments in foreign operations | | | | | | | | |
| Foreign exchange risk | | | | | | | | |
| Net assets in foreign operation | | - | - | - | - | 74,525 | - | (66,626) |

(*) The related account categories are presented as interest rate swap assets / liabilities and currency forwards.

| | | December 31, 2020 | | | | | | |
|--|---|----------------------------|----------------------------------|--|---|-----------------------------------|-------------------------|--------------------------------------|
| | | Carrying value of asset(*) | Carrying value of liabilities(*) | Assets of Cumulative fair value hedge adjustment | Liabilities of Cumulative fair value hedge adjustment | Changes if fair value in the year | Cash flow hedge reserve | Foreign currency conversion reserves |
| Fair value hedges | | | | | | | | |
| Interest rate risk | | | | | | | | |
| Borrowings and others | ₩ | 143,496 | 6,750,929 | 6,563 | 193,452 | (175,369) | - | - |
| Foreign exchange risk | | | | | | | | |
| Securities in foreign currency | | 342,205 | - | - | - | (26,927) | - | - |
| Cash flow hedge | | | | | | | | |
| Interest rate risk | | | | | | | | |
| Debentures in won and debentures in foreign currency | | 617,463 | 1,674,460 | - | - | 2,296 | 60,659 | - |
| Foreign exchange risk | | | | | | | | |
| Debentures in foreign currency and loans in foreign currency | | 3,264,740 | 2,962,041 | - | - | (58,557) | (32,001) | - |
| Hedge of net investments in foreign operations | | | | | | | | |
| Foreign exchange risk | | | | | | | | |
| Net assets in foreign business establishment | | - | - | - | - | 44,049 | - | (141,151) |

(*) The related account categories are presented as interest rate swap assets / liabilities and currency forwards.

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10. Derivatives (continued)

(f) Hedge relationships affected by an interest rate index

The revised Standard requires exceptions to the analysis of future information in relation to the application of hedge accounting, while uncertainty exists due to movements of the interest rate indicator reform. The exception assumes that when assessing whether the expected cash flows that comply with existing interest rate indicators 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 do not change due to the effect of the interest rate index reform. The nominal amount of the hedging instrument related to the interest rate index exposed to the hedging relationship due to the Group's reform of the interest rate index as of December 31, 2021 is as follows:

| Interest rate index | | Carrying value of hedged item, Assets | Carrying value of hedged item, Liabilities | Nominal amount of hedging instrument |
|------------------------|---|--|---|---|
| KRW 3M CD (*1) | ₩ | - | 2,509,045 | 2,580,000 |
| USD 1M LIBOR (*2) | | - | 241,192 | 241,842 |
| USD 3M LIBOR(*1),(*2) | | 539,197 | 3,589,452 | 4,187,018 |
| EURIBOR 1M | | - | 220,992 | 221,050 |
| EURIBOR 3M | | 25,094 | 267,830 | 293,972 |
| | ₩ | <u>564,291</u> | <u>6,828,511</u> | <u>7,523,882</u> |

(*1) Include nominal amount of the hedging instrument related to the CMS(Constant Maturity Swap) calculated based on the CD and LIBOR rate.

(*2) Exclude the nominal amount that will mature before the end of June 30, 2023, when LIBOR interest rate calculation is discontinued.

The USD LIBOR interest rate will be replaced by a Secured Overnight Financing Rate (SOFR) based on the actual transactions, and the EUR LIBOR interest rate will be replaced by an overnight unsecured rate, Euro Short-Term Rate (ESTER). From November 2021, the "Korea Overnight Financing Repo Rate (KOFRR)" has been calculated and disclosed in line with global interest rate benchmark reform, and it is likely to be used as an alternative rate for CD rates. The Group has assumed that in this hedging relationship, the spread which has changed based on SOFR, ESTER and RFR would be similar to the spreads of interest rate swap and interest rate forward used as the hedging instrument. Besides this, the Group did not make assumptions on further changes of conditions.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

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

(a) Details of securities at FVOCI and securities at amortized cost as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| Securities at FVOCI: | | |
| Debt securities: | | |
| Government bonds | ₩ 25,687,070 | 19,370,393 |
| Financial institutions bonds | 19,702,292 | 20,053,716 |
| Corporate bonds and others | 18,417,557 | 17,985,324 |
| | <u>63,806,919</u> | <u>57,409,433</u> |
| Equity securities(*): | | |
| Stocks | 922,579 | 777,901 |
| Equity investments | 4,118 | 4,445 |
| Others | 104,707 | 124,333 |
| | <u>1,031,404</u> | <u>906,679</u> |
| | <u>64,838,323</u> | <u>58,316,112</u> |
| Securities at amortized cost: | | |
| Debt securities: | | |
| Government bonds | 34,679,301 | 31,816,320 |
| Financial institutions bonds | 3,423,536 | 3,835,577 |
| Corporate bonds and others | 11,827,239 | 11,630,726 |
| | <u>49,930,076</u> | <u>47,282,623</u> |
| | <u>₩ 114,768,399</u> | <u>105,598,735</u> |

(*) Equity securities in the above table are classified as other comprehensive income - equity securities designated as fair value items, and other comprehensive income and fair value options are exercised for the purpose of holding as required by the policy.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

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

(b) Changes in carrying value of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | | | |
|---|---|--|-----------------------------------|------------|-----------------------------------|-----------------------------------|------------|
| | | Debt securities at fair value through other comprehensive income | | | Debt securities at amortized cost | | |
| | | 12-month expected credit loss | Life time expected credit loss | Total | 12-month expected credit loss | Life time expected credit loss | Total |
| Beginning allowance | ₩ | 57,142,298 | 267,135 | 57,409,433 | 47,293,109 | - | 47,293,109 |
| Transfer (from)to 12-month expected credit loss | | 51,055 | (51,055) | - | - | - | - |
| Transfer (from)to life time expected credit loss | | (35,665) | 35,665 | - | (35,505) | 35,505 | - |
| Net increase and decrease(*) | | 6,496,445 | (98,959) | 6,397,486 | 2,653,129 | 785 | 2,653,914 |
| Ending balance | ₩ | 63,654,133 | 152,786 | 63,806,919 | 49,910,733 | 36,290 | 49,947,023 |

(*) Included the effects from changes in purchase, disposal, repayment, foreign exchange rate, amortization of fair value adjustments recognized through business combination accountings.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

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

(b) Changes in carrying value of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2021 and 2020 are as follows (continued):

| | | December 31, 2020 | | | | | |
|---|---|--|-----------------------------------|-------------|----------------------------------|-----------------------------------|------------|
| | | Debt securities at fair value through other comprehensive income | | | Debt at amortized cost | | |
| | | 12-month expected credit loss | Life time expected credit loss | Total | 12-month expected credit loss | Life time expected credit loss | Total |
| Beginning allowance | ₩ | 58,334,000 | 239,094 | 58,573,094 | 45,568,563 | 23,272 | 45,591,835 |
| Transfer (from)to 12-month expected credit loss | | 30,233 | (30,233) | - | - | - | - |
| Transfer (from)to life time expected credit loss | | (83,132) | 83,132 | - | - | - | - |
| Net increase and decrease(*) | | (1,138,803) | (24,858) | (1,163,661) | 1,724,546 | (23,272) | 1,701,274 |
| Ending balance | ₩ | 57,142,298 | 267,135 | 57,409,433 | 47,293,109 | - | 47,293,109 |

(*) Included the effects from changes in purchase, disposal, repayment, foreign exchange rate, amortization of fair value adjustments recognized through business combination accountings.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

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

(c) Changes in allowance for credit loss of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | |
|---|--|-----------------------------------|---------|-----------------------------------|-----------------------------------|--------|
| | Debt securities at fair value through other comprehensive income | | | Debt securities at amortized cost | | |
| | 12 months expected credit loss | Life time expected credit loss | Total | 12 months expected credit loss | Life time expected credit loss | Total |
| Beginning allowance | ₩ 22,493 | 678 | 23,171 | 10,486 | - | 10,486 |
| Transfer (from)to 12-month expected credit loss | 33 | (33) | - | - | - | - |
| Transfer (from)to life time expected credit loss | (63) | 63 | - | (216) | 216 | - |
| Provision (reversal) | 19,722 | (25) | 19,697 | 5,065 | 240 | 5,305 |
| Disposal and others(*) | (5,302) | (80) | (5,382) | 1,149 | 7 | 1,156 |
| Ending balance | ₩ 36,883 | 603 | 37,486 | 16,484 | 463 | 16,947 |

(*) Included the effects from changes in foreign exchange rate, debt restructuring, investment conversion.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

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

(c) Changes in allowance for credit loss of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2020 | | | | | |
|---|--|-----------------------------------|---------|-----------------------------------|-----------------------------------|--------|
| | Debt securities at fair value through other comprehensive income | | | Debt securities at amortized cost | | |
| | 12 months expected credit loss | Life time expected credit loss | Total | 12 months expected credit loss | Life time expected credit loss | Total |
| Beginning allowance | ₩ 27,581 | 655 | 28,236 | 9,759 | 11 | 9,770 |
| Transfer (from)to 12-month expected credit loss | 22 | (22) | - | - | - | - |
| Transfer (from)to life time expected credit loss | (193) | 193 | - | - | - | - |
| Provision (reversal) | 3,480 | 349 | 3,829 | 1,086 | (11) | 1,075 |
| Disposal and others(*) | (8,397) | (497) | (8,894) | (359) | - | (359) |
| Ending balance | ₩ 22,493 | 678 | 23,171 | 10,486 | - | 10,486 |

(*) Included the effects from changes in foreign exchange rate, debt restructuring, investment conversion.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

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

(d) Gain or loss on disposal of securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|------------------------------|------------------------------|
| Gain on disposal of securities at FVOCI | ₩ 131,189 | 301,920 |
| Loss on disposal of securities at FVOCI | (45,593) | (28,127) |
| Gain on disposal of securities at amortized cost(*) | 24 | 42 |
| Loss on disposal of securities at amortized cost(*) | (343) | (67) |
| | <u>₩ 85,277</u> | <u>273,768</u> |

(*) The issuers of those securities have exercised the early redemption options and the others.

(e) Income or loss on equity securities at fair value through other comprehensive income

i) The Group recognizes dividends, amounting to ₩24,216 million and ₩21,503 million, related to equity securities at fair value through other comprehensive income for the years ended December 31, 2021 and 2020, respectively.

ii) The details of disposal of equity securities at fair value through other comprehensive income for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|---|------------------------------|
| | Stocks acquired by investment conversion | |
| Fair value at the date of disposal | ₩ 84,624 | 69,969 |
| Cumulative net gain at the time of disposal | (42,058) | (38,380) |

(*) The reason for the disposal is the disposal of stocks acquired by investment conversion.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

12. Loans at amortized cost, etc.

(a) Loans at amortized cost for configuration by customer as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|---------------------------------|--------------------------|--------------------------|
| Retail loans | ₩ 159,006,999 | 146,789,916 |
| Corporate loans | 199,465,807 | 179,011,251 |
| Public and other loans | 3,468,917 | 3,734,629 |
| Loans between banks | 3,849,565 | 5,492,400 |
| Credit card receivables | 25,999,576 | 23,759,422 |
| | <u>391,790,864</u> | <u>358,787,618</u> |
| Discount | (30,001) | (21,948) |
| Deferred loan origination costs | 543,361 | 516,815 |
| | <u>392,304,224</u> | <u>359,282,485</u> |
| Less: Allowance for credit loss | (3,167,068) | (3,060,966) |
| | <u>₩ 389,137,156</u> | <u>356,221,519</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

12. Loans at amortized cost, etc. (continued)

(b) Changes in carrying value of loans at amortized cost, etc. as of December 31, 2021 and 2020 are as follows:

i) *Loans at amortized cost*

| | December 31, 2021 | | | | | | | | | | | | | Total |
|--|--------------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------|--------------------------------------|--------------------------------------|--------------------------------|-------------|-------|
| | Retail | | | Corporate | | | Credit card | | | Others | | | | |
| | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | | |
| Beginning balance | ₩ 138,516,630 | 8,215,137 | 466,427 | 152,338,024 | 26,210,417 | 1,057,932 | 18,969,258 | 3,951,689 | 468,377 | 8,405,173 | 665,196 | 18,225 | 359,282,485 | |
| Transfer (from) to 12 months expected credit losses | 3,200,712 | (3,192,315) | (8,397) | 6,566,663 | (6,494,160) | (72,503) | 390,658 | (390,593) | (65) | 43,343 | (43,343) | - | - | |
| Transfer (from) to lifetime expected credit losses | (3,482,541) | 3,516,278 | (33,737) | (9,636,590) | 9,659,114 | (22,524) | (674,961) | 675,063 | (102) | (94,270) | 94,272 | (2) | - | |
| Transfer (from) to credit- impaired financial assets | (194,192) | (134,008) | 328,200 | (230,972) | (322,361) | 553,333 | (110,704) | (158,036) | 268,740 | (896) | (2) | 898 | - | |
| Net increase and decrease(*1) | 12,821,174 | (255,318) | 38,153 | 20,922,205 | (222,364) | (146,801) | 2,772,167 | 88,680 | 287,576 | (1,810,906) | (47,466) | (108) | 34,446,992 | |
| Charge off(*2) | - | - | (279,789) | - | - | (299,661) | - | - | (566,944) | - | - | (1,218) | (1,147,612) | |
| Disposal | - | (724) | (53,241) | (84,433) | (180) | (139,019) | - | - | - | - | - | (44) | (277,641) | |
| Ending balance | ₩ 150,861,783 | 8,149,050 | 457,616 | 169,874,897 | 28,830,466 | 930,757 | 21,346,418 | 4,166,803 | 457,582 | 6,542,444 | 668,657 | 17,751 | 392,304,224 | |

(*1) The amount is due to execution, collection, debt restructuring, investment conversion, exchange rate fluctuation, etc.

(*2) The amount of uncollected loans currently in recovery (principal and interest) is ₩10,613,730 million, which is written off as of December 31, 2021.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

12. Loans at amortized cost, etc. (continued)

(b) Changes in carrying value of loans at amortized cost, etc. as of December 31, 2021 and 2020 are as follows (continued):

ii) *Due from banks at amortized cost and other financial assets*

| | December 31, 2021 | | | |
|--|--|---|-------------------------------------|--------------|
| | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | Total |
| Beginning balance | ₩ 51,881,798 | 99,899 | 57,658 | 52,039,355 |
| Transfer (from) to 12 month expected credit losses | 13,111 | (13,079) | (32) | - |
| Transfer (from) to lifetime expected credit losses | (29,026) | 29,048 | (22) | - |
| Transfer (from) to credit- impaired financial assets | (1,049) | (11,797) | 12,846 | - |
| Net increase and decrease(*) | (4,315,675) | 580 | 37,428 | (4,277,667) |
| Charge off | - | - | (27,929) | (27,929) |
| Disposal | - | (1) | (855) | (856) |
| Ending balance | ₩ 47,549,159 | 104,650 | 79,094 | 47,732,903 |

(*) The amount is due to execution, collection, debt restructuring, investment conversion, exchange rate fluctuation, etc.

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December 31, 2021 and 2020

(In millions of won)

12. Loans at amortized cost, etc. (continued)

(b) Changes in carrying value of loans at amortized cost, etc. as of December 31, 2021 and 2020 are as follows (continued):

i) *Loans at amortized cost (continued)*

| | December 31, 2020 | | | | | | | | | | | | | Total |
|--|--------------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------|--------------------------------|--------------------------------|--------------------------|-------------|-------|
| | Retail | | | Corporate | | | Credit card | | | Others | | | | |
| | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | | |
| Beginning balance | ₩ 126,586,551 | 7,870,908 | 415,892 | 135,591,673 | 24,661,662 | 1,001,587 | 19,419,606 | 4,124,576 | 444,235 | 5,167,393 | 629,468 | 16,263 | 325,929,814 | |
| Transfer (from) to 12 months expected credit losses | 2,891,847 | (2,885,809) | (6,038) | 6,009,242 | (6,006,226) | (3,016) | 351,253 | (350,651) | (602) | 15,976 | (15,976) | - | - | |
| Transfer (from) to lifetime expected credit losses | (3,916,612) | 3,944,714 | (28,102) | (9,015,428) | 9,027,416 | (11,988) | (571,971) | 572,291 | (320) | (85,337) | 85,337 | - | - | |
| Transfer (from) to credit- impaired financial assets | (189,681) | (157,637) | 347,318 | (195,863) | (441,969) | 637,832 | (114,388) | (191,777) | 306,165 | (3,964) | (37) | 4,001 | - | |
| Net increase and decrease(*1) | 13,457,675 | (556,142) | 81,131 | 20,679,401 | (1,030,466) | 15,944 | (115,242) | (202,750) | 290,907 | 3,311,105 | (33,596) | 2,402 | 35,900,369 | |
| Charge off(*2) | - | - | (254,723) | - | - | (317,514) | - | - | (572,008) | - | - | (2,531) | (1,146,776) | |
| Disposal | (313,150) | (897) | (89,051) | (731,001) | - | (264,913) | - | - | - | - | - | (1,910) | (1,400,922) | |
| Ending balance | ₩ 138,516,630 | 8,215,137 | 466,427 | 152,338,024 | 26,210,417 | 1,057,932 | 18,969,258 | 3,951,689 | 468,377 | 8,405,173 | 665,196 | 18,225 | 359,282,485 | |

(*1) The amount is due to execution, collection, debt restructuring, investment conversion, exchange rate fluctuation, etc.

(*2) The amount of uncollected loans currently in recovery (principal and interest) is ₩10,436,407 million, which is written off as of December 31, 2020.

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(In millions of won)

12. Loans at amortized cost, etc. (continued)

(b) Changes in carrying value of loans at amortized cost, etc. as of December 31, 2021 and 2020 are as follows (continued):

ii) Due from banks at amortized cost and other financial assets (continued)

| | December 31, 2020 | | | |
|--|-------------------------------------|--------------------------------------|-----------------------------|------------|
| | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | Total |
| Beginning balance | ₩ 43,245,002 | 106,517 | 45,965 | 43,397,484 |
| Transfer (from) to 12 month expected credit losses | 15,157 | (15,123) | (34) | - |
| Transfer (from) to lifetime expected credit losses | (25,839) | 25,848 | (9) | - |
| Transfer (from) to credit- impaired financial assets | (1,628) | (7,342) | 8,970 | - |
| Net increase and decrease(*) | 8,633,124 | (10,001) | 30,490 | 8,653,613 |
| Charge off | - | - | (26,814) | (26,814) |
| Disposal | - | - | (910) | (910) |
| Business combination(Note 47) | 15,982 | - | - | 15,982 |
| Ending balance | ₩ 51,881,798 | 99,899 | 57,658 | 52,039,355 |

(*) The amount is due to execution, collection, debt restructuring, investment conversion, exchange rate fluctuation, etc.

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December 31, 2021 and 2020

(In millions of won)

12. Loans at amortized cost, etc. (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2021 and 2020 are as follows:

i) *Loans at amortized cost*

| | | December 31, 2021 | | | | | | | | | | | | |
|---|---|-------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------|
| | | Retail | | | Corporate | | | Credit cards | | | Others | | | |
| | | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | Total |
| Beginning balance | ₩ | 149,034 | 86,048 | 198,440 | 568,614 | 665,083 | 481,244 | 203,908 | 374,453 | 306,690 | 11,434 | 9,601 | 6,417 | 3,060,966 |
| Transfer (from) to 12 months expected credit losses | | 20,528 | (19,794) | (734) | 85,187 | (79,571) | (5,616) | 26,178 | (26,149) | (29) | 200 | (200) | - | - |
| Transfer (from) to lifetime expected credit losses | | (9,078) | 21,383 | (12,305) | (55,055) | 63,834 | (8,779) | (14,471) | 14,548 | (77) | (359) | 359 | - | - |
| Transfer (from) to credit- impaired financial assets | | (3,203) | (7,112) | 10,315 | (1,830) | (48,468) | 50,298 | (1,003) | (1,503) | 2,506 | (7) | - | 7 | - |
| Provision (reversal) | | 10,812 | (1,321) | 154,260 | (68,403) | 135,401 | 263,327 | 75,981 | 202,000 | 137,456 | (1,342) | (503) | (598) | 907,070 |
| Charge off | | - | - | (279,789) | - | - | (299,661) | - | - | (566,944) | - | - | (1,218) | (1,147,612) |
| Amortization of discount | | - | - | (4,651) | - | - | (12,894) | - | - | 7,973 | - | - | - | (9,572) |
| Disposal | | - | (1) | (13,617) | (6) | - | (14,528) | - | - | - | - | - | (1) | (28,153) |
| Collection | | - | - | 103,316 | - | - | 76,245 | - | - | 207,631 | - | - | 887 | 388,079 |
| Others(*) | | 5,912 | 11,209 | 34,571 | 1,793 | 5,973 | (9,310) | (85,882) | (162,272) | 194,026 | 269 | 1 | - | (3,710) |
| Ending balance | ₩ | 174,005 | 90,412 | 189,806 | 530,300 | 742,252 | 520,326 | 204,711 | 401,077 | 289,232 | 10,195 | 9,258 | 5,494 | 3,167,068 |

(*) Other changes are due to debt restructuring, investment conversion and changes in foreign exchange rate.

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(In millions of won)

12. Loans at amortized cost, etc. (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2021 and 2020 are as follows (continued):

ii) *Due from banks at amortized cost and other financial assets*

| | December 31, 2021 | | | |
|--|--------------------------------------|--------------------------------------|-----------------------------|----------|
| | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | Total |
| Beginning balance | ₩ 35,691 | 8,281 | 48,930 | 92,902 |
| Transfer (from) to 12 months expected credit losses | 241 | (230) | (11) | - |
| Transfer (from) to lifetime expected credit losses | (284) | 288 | (4) | - |
| Transfer (from) to credit- impaired financial assets | (290) | (2,012) | 2,302 | - |
| Provision (reversal) | 8,555 | 1,426 | 42,181 | 52,162 |
| Charge off | - | - | (27,929) | (27,929) |
| Disposal | - | - | (40) | (40) |
| Collection | - | - | 2,357 | 2,357 |
| Others (*2) | 139,995 | 255 | 2,257 | 142,507 |
| Ending balance | ₩ 183,908 | 8,008 | 70,043 | 261,959 |

(*1) It includes allowances for expected credit losses of deposits at amortized cost and other financial assets.

(*2) Other changes are due to debt restructuring, investment conversion and changes in foreign exchange rate.

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December 31, 2021 and 2020

(In millions of won)

12. Loans at amortized cost, etc. (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2021 and 2020 are as follows (continued):

i) *Loans at amortized cost*

| | | December 31, 2020 | | | | | | | | | | | | |
|---|---|-------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------------------------------|--------------------------------------|--------------------------------|-------------|
| | | Retail | | | Corporate | | | Credit cards | | | Others | | | |
| | | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | 12 month expected credit loss | Life time expected credit loss | Impaired financial asset | Total |
| Beginning balance | ₩ | 133,412 | 91,025 | 169,038 | 419,752 | 531,286 | 469,207 | 173,884 | 365,248 | 314,850 | 7,501 | 7,481 | 2,151 | 2,684,835 |
| Transfer (from) to 12 months expected credit losses | | 20,082 | (19,487) | (595) | 67,590 | (66,777) | (813) | 22,148 | (21,591) | (557) | 164 | (164) | - | - |
| Transfer (from) to lifetime expected credit losses | | (9,077) | 18,772 | (9,695) | (49,727) | 55,512 | (5,785) | (11,568) | 11,834 | (266) | (242) | 242 | - | - |
| Transfer (from) to credit-impaired financial assets | | (3,247) | (9,010) | 12,257 | (1,590) | (52,383) | 53,973 | (901) | (2,041) | 2,942 | (13) | (9) | 22 | - |
| Provision (reversal) | | 5,253 | (5,319) | 199,765 | 149,400 | 211,341 | 265,557 | 103,793 | 210,592 | 137,254 | 4,188 | 2,048 | 6,823 | 1,290,695 |
| Charge off | | - | - | (254,723) | - | - | (317,514) | - | - | (572,008) | - | - | (2,531) | (1,146,776) |
| Amortization of discount | | - | - | (5,630) | - | - | (15,151) | - | - | (7,807) | - | - | - | (28,588) |
| Disposal | | (343) | (8) | (18,605) | (726) | - | (24,473) | - | - | - | - | - | (182) | (44,337) |
| Collection | | - | - | 85,819 | - | - | 63,822 | - | - | 200,234 | - | - | 134 | 350,009 |
| Others (*) | | 2,954 | 10,075 | 20,809 | (16,085) | (13,896) | (7,579) | (83,448) | (189,589) | 232,048 | (164) | 3 | - | (44,872) |
| Ending balance | ₩ | 149,034 | 86,048 | 198,440 | 568,614 | 665,083 | 481,244 | 203,908 | 374,453 | 306,690 | 11,434 | 9,601 | 6,417 | 3,060,966 |

(*) Other changes are due to debt restructuring, investment conversion and changes in foreign exchange rate.

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12. Loans at amortized cost, etc. (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2021 and 2020 are as follows (continued):

ii) *Due from banks at amortized cost and other financial assets*

| | December 31, 2020 | | | |
|--|--------------------------------------|--------------------------------------|-----------------------------|---------------|
| | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | Total |
| Beginning balance | ₩ 33,987 | 7,272 | 37,590 | 78,849 |
| Transfer (from) to 12 months expected credit losses | 286 | (273) | (13) | - |
| Transfer (from) to lifetime expected credit losses | (259) | 264 | (5) | - |
| Transfer (from) to credit- impaired financial assets | (256) | (1,492) | 1,748 | - |
| Provision (reversal) | (2,143) | 2,650 | 33,278 | 33,785 |
| Charge off | - | - | (26,814) | (26,814) |
| Disposal | (2) | - | (32) | (34) |
| Collection | - | - | 2,166 | 2,166 |
| Others (*2) | 4,078 | (140) | 1,012 | 4,950 |
| Ending balance | ₩ <u>35,691</u> | <u>8,281</u> | <u>48,930</u> | <u>92,902</u> |

(*1) It includes allowances for expected credit losses of deposits at amortized cost and other financial assets.

(*2) Other changes are due to debt restructuring, investment conversion and changes in foreign exchange rate.

(d) Changes in deferred loan origination costs for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|--------------------|-------------------|-------------------|
| Beginning balance | ₩ 516,815 | 534,530 |
| Loan origination | 255,482 | 257,034 |
| Amortization, etc. | (228,936) | (274,749) |
| Ending balance | ₩ <u>543,361</u> | <u>516,815</u> |

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December 31, 2021 and 2020

(In millions of won)

13. Property and equipment

(a) Details of property and equipment as of December 31, 2021 and 2020 are as follows:

| December 31, 2021 | | | | |
|--------------------------|-------------------------|---------------------------------|-------------------------------|-----------------------|
| | Acquisition cost | Accumulated depreciation | Accumulated Impairment | Carrying value |
| Land | ₩ 2,173,134 | - | - | 2,173,134 |
| Buildings | 1,210,401 | (446,321) | (7,594) | 756,486 |
| Right-of-use assets | 1,229,169 | (621,042) | - | 608,127 |
| Other assets | 2,294,740 | (1,786,323) | - | 508,417 |
| | ₩ 6,907,444 | (2,853,686) | (7,594) | 4,046,164 |

| December 31, 2020 | | | | |
|--------------------------|-------------------------|---------------------------------|-----------------------|--|
| | Acquisition cost | Accumulated depreciation | Carrying value | |
| Land | ₩ 2,219,227 | - | 2,219,227 | |
| Buildings | 1,230,187 | (419,426) | 810,761 | |
| Right-of-use assets | 1,016,183 | (425,766) | 590,417 | |
| Other assets | 2,197,485 | (1,828,193) | 369,292 | |
| | ₩ 6,663,082 | (2,673,385) | 3,989,697 | |

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

| December 31, 2021 | | | | | |
|---|--------------------|------------------|----------------------------|----------------|------------------|
| | Land | Buildings | Right-of-use assets | Others | Total |
| Beginning balance | ₩ 2,219,227 | 810,761 | 590,417 | 369,292 | 3,989,697 |
| Acquisition(*1) | 513 | 32,777 | 316,925 | 289,614 | 639,829 |
| Disposal | (709) | (1,378) | (26,930) | (5,086) | (34,103) |
| Depreciation(*2) | - | (49,646) | (289,585) | (154,104) | (493,335) |
| Impairment | - | (7,594) | - | - | (7,594) |
| Amounts transferred from(to) investment property | (46,046) | (27,727) | - | - | (73,773) |
| Amounts transferred from(to) intangible assets | - | - | - | 3,676 | 3,676 |
| Amounts transferred from(to) non-current assets held for sale(*3) | (169) | (853) | - | - | (1,022) |
| Effects of foreign currency adjustments | 318 | 146 | 17,300 | 5,025 | 22,789 |
| Ending balance | ₩ 2,173,134 | 756,486 | 608,127 | 508,417 | 4,046,164 |

(*1) ₩18,748 million transferred from assets-under-construction is included.

(*2) Included in general administrative expense and other operating income(loss) of the consolidated statements of comprehensive income.

(*3) Includes buildings, land, etc.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

13. Property and equipment (continued)

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

| | | December 31, 2020 | | | | |
|---|---|-------------------|----------------|---------------------|----------------|------------------|
| | | Land | Buildings | Right-of-use assets | Others | Total |
| Beginning balance | ₩ | 1,815,112 | 790,449 | 1,112,796 | 364,971 | 4,083,328 |
| Acquisition(*1) | | 78,066 | 56,828 | 305,958 | 140,958 | 581,810 |
| Disposal | | (92,683) | (46,897) | (24,173) | (2,398) | (166,151) |
| Depreciation | | - | (56,041) | (286,028) | (133,437) | (475,506) |
| Amounts transferred from(to) investment property | | 55,316 | (51,252) | - | - | 4,064 |
| Amounts transferred from(to) intangible assets | | - | - | - | 3,738 | 3,738 |
| Amounts transferred from(to) non-current assets held for sale(*2) | | (31,622) | (11) | - | - | (31,633) |
| Amounts transferred from(to) right-of-use assets | | 395,346 | 118,091 | (513,437) | - | - |
| Others | | - | - | - | (2,235) | (2,235) |
| Effects of foreign currency adjustments | | (308) | (406) | (5,380) | (2,459) | (8,553) |
| Business combination (Note 47) | | - | - | 681 | 154 | 835 |
| Ending balance | ₩ | <u>2,219,227</u> | <u>810,761</u> | <u>590,417</u> | <u>369,292</u> | <u>3,989,697</u> |

(*1) ₩56,575 million transferred from assets-under-construction is included.

(*2) Includes buildings, land, etc.

(c) Insured assets and liability insurance as of December 31, 2021 are as follows:

| Type of insurance | Insured assets and objects | December 31, 2021 | |
|--|---|-------------------|---|
| | | Amount covered | Insurance company |
| Comprehensive insurance for financial institutions | Cash(including ATM) | 25,500 | Samsung Fire & Marine Insurance Co., Ltd., etc. |
| Comprehensive Property insurance | Property Total Risk, Machine Risk, General Liability Collateral | 1,920,218 | Samsung Fire & Marine Insurance Co., Ltd., etc. |
| Fire insurance | Business property and real estate | 26,164 | Meritz Fire & Marine Insurance Co., Ltd., etc. |
| Compensation liability insurance for officers | Officer liability of executives | 50,000 | Meritz Fire & Marine Insurance Co., Ltd., etc. |
| Compensation liability insurance for employee accident | Employee | 79,798 | Meritz Fire & Marine Insurance Co., Ltd., etc. |
| Burglary insurance | Cash and securities | 79,755 | Samsung Fire & Marine Insurance Co., Ltd., etc. |
| Others | Personal information liability insurance etc. | 33,478 | Samsung Fire & Marine Insurance Co., Ltd., etc. |

(*) Aside from the insurance mentioned above, the Group has entered into car insurance, medical insurance, and property insurance.

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(In millions of won)

14. Intangible assets

(a) Details of intangible assets as of December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|------------------|---|--------------------------|--------------------------|
| Goodwill | ₩ | 4,670,134 | 4,689,792 |
| Software | | 192,582 | 144,535 |
| Development cost | | 229,148 | 183,592 |
| Others | | 552,918 | 462,700 |
| | ₩ | <u>5,644,782</u> | <u>5,480,619</u> |

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

| | | <u>December 31, 2021</u> | | | | |
|---|---|--------------------------|-----------------|-----------------------------|----------------|------------------|
| | | <u>Goodwill</u> | <u>Software</u> | <u>Development cost</u> | <u>Others</u> | <u>Total</u> |
| Beginning balance | ₩ | 4,689,792 | 144,535 | 183,592 | 462,700 | 5,480,619 |
| Acquisition | | - | 103,929 | 127,993 | 225,228 | 457,150 |
| Disposal and Write-off | | - | (2,341) | (719) | (5,349) | (8,409) |
| Amounts transferred from(to) property and equipment | | - | - | (3,676) | - | (3,676) |
| Impairment(*1) | | (33,509) | - | (270) | (765) | (34,544) |
| Amortization(*2) | | - | (55,531) | (77,734) | (129,615) | (262,880) |
| Effects of changes in foreign exchange rate | | - | 1,990 | (38) | 719 | 2,671 |
| Business combination (Note 47) | | 13,851 | - | - | - | 13,851 |
| Ending balance | ₩ | <u>4,670,134</u> | <u>192,582</u> | <u>229,148</u> | <u>552,918</u> | <u>5,644,782</u> |

(*1) Goodwill impairment has occurred at Shinhan Bank Indonesia within the banking sector and PT Shinhan Sekuritas Indonesia within the securities sector among the cash-generating units. After the impairment test for goodwill of Shinhan Bank Indonesia, among the carrying value exceeding recoverable amount of cash-generating unit, which is ₩32,396 million, the Group has recognized ₩32,072 million as an impairment of goodwill which is 99% of the Group's total stake. After the impairment test for goodwill of PT Shinhan Sekuritas Indonesia, among the carrying value exceeding recoverable amount of cash-generating unit, which is ₩2,595 million, the Group has recognized ₩2,569 million as an impairment of goodwill which is 99% of the Group's total stake. This has occurred as a result of the persistent low-interest rate in Indonesia, the impact of COVID-19, and the decrease in the recoverable amount due to increased provisions of corporate borrowers. For the year ended December 31, 2021, the decrease in the asset's recoverable amount in comparison to the previous year is ₩56,587 million and ₩8,715 million, respectively. The amount of goodwill impairment recognized is included in the non-operating expenses of the consolidated statement of comprehensive income.

(*2) Included in general administrative expense and other operating income(expense) of the consolidated statements of comprehensive income.

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(In millions of won)

14. Intangible assets

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

| | December 31, 2020 | | | | |
|---|--------------------|----------------|---------------------|----------------|------------------|
| | Goodwill | Software | Development cost | Others | Total |
| Beginning balance | ₩ 4,690,049 | 129,235 | 144,100 | 595,330 | 5,558,714 |
| Acquisition | - | 64,195 | 105,101 | 64,079 | 233,375 |
| Disposal and Write-off | - | (1) | (75) | (26,785) | (26,861) |
| Amounts transferred from(to) property and equipment | - | 1,415 | (7,820) | 2,667 | (3,738) |
| Impairment(*1)(*2) | (14,235) | - | - | (27,075) | (41,310) |
| Amortization(*3) | - | (49,159) | (57,690) | (145,756) | (252,605) |
| Effects of changes in foreign exchange rates | - | (1,150) | (24) | (222) | (1,396) |
| Business combination (Note 47) | 13,978 | - | - | 462 | 14,440 |
| Ending balance | ₩ <u>4,689,792</u> | <u>144,535</u> | <u>183,592</u> | <u>462,700</u> | <u>5,480,619</u> |

(*1) The number of customer contacts decreased due to the decrease in the base interest rate in Indonesia in 2020 and the impact of COVID-19. Therefore, reclaimable amount decreased due to reduced loan and increased provisioning by corporate borrowers. PT Bank Shinhan Indonesia's CGUs can recover ₩ 409,968 million. The carrying value exceeding the recoverable amount of PT Bank Shinhan Indonesia's CGUs is ₩ 14,379 million. The Group recognized as impairment losses of ₩ 14,235 million based on the 99% stake the Group owns.

(*2) The Group reviewed the recoverable value of intangible assets related to the rights to be the depository bank of local governments due to the performance below forecast and future prospects. For the year ended December 31, 2020, the impairment loss amounted to ₩27,133 million. The impairment loss is included in the non-operating expenses in the consolidated statement of comprehensive income.

(*3) Included in general administrative expense and other operating income(expense) of the consolidated statements of comprehensive income.

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December 31, 2021 and 2020

(In millions of won)

14. **Intangible asset (continued)**

(c) Goodwill

i) Goodwill allocated in the Group's CGUs as of December 31, 2021 and 2020

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------|--------------------------|--------------------------|
| Banking | ₩ 764,883 | 795,823 |
| Credit card | 2,880,383 | 2,880,383 |
| Securities | 5,335 | 7,904 |
| Life insurance | 853,798 | 839,947 |
| Others | 165,735 | 165,735 |
| | <u>₩ 4,670,134</u> | <u>4,689,792</u> |

ii) Changes in goodwill for the years ended December 31, 2021 and 2020

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Beginning balance | ₩ 4,689,792 | 4,690,049 |
| Acquisitions through business combinations (*1)(*2) | 13,851 | 13,978 |
| Impairment losses | (33,509) | (14,235) |
| Ending balance | <u>₩ 4,670,134</u> | <u>4,689,792</u> |

(*1) It is the goodwill recognized by Shinhan Financial Plus, a subsidiary acquired in the period, from a business transfer for the GF division and IMGA division of Leaders Financial Marketing (Note 47).

(*2) It is the goodwill recognized by the Group as it newly acquired the Shinhan Venture Investment Co., Ltd. for the year ended December 31, 2020 (Note 47).

iii) Goodwill impairment test

The recoverable amounts of each CGU are evaluated based on their respective value in use.

- Explanation on evaluation method

The income approach is applied when evaluating the recoverable amounts based on value in use, considering the characteristics of each unit or group of CGU.

- Projection period

When evaluating the value in use, 4.5 years ~5.5 years of cash flow estimates are used in projection and the value thereafter is reflected as terminal value. 99 years of cash flow estimates for Shinhan Life Insurance Co., Ltd. is applied and the present value of the future cash flows thereafter is not applied as it is not significant.

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14. Intangible assets, net (continued)

- Discount rates and terminal growth rates

The required rates of return expected by shareholders are applied to the discount rates. It is calculated in consideration of which comprises a risk-free interest rate, a market risk premium and systemic risk (beta factor). In addition, terminal growth rate is estimated based on inflation rate.

Discount rates and terminal growth rates applied to each CGU are as follows:

| | <u>Discount rate(%)</u> | <u>Terminal growth rate(%)</u> |
|----------------|-------------------------|--------------------------------|
| Banking | 9.7 ~ 12.1 | 1.0 ~ 2.0 |
| Credit card | 9.3 ~ 11.8 | 1.0 ~ 2.0 |
| Securities | 11.6 ~ 12.6 | 2.0 |
| Life insurance | 7.5 ~ 12.7 | - |
| Others | 10.8 ~ 14.9 | 1.0 |

iv) Key assumptions

Key assumptions used in the discounted cash flow calculations of CGUs (other than life insurance components) are as follows:

| | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2025</u> | <u>2026</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CPI growth(%) | 2.2 | 1.7 | 1.4 | 1.7 | 1.5 | 1.5 |
| Private consumption growth(%) | 3.1 | 2.6 | 2.5 | 2.7 | 2.6 | 2.6 |
| Real GDP growth(%) | 3.8 | 2.7 | 2.5 | 3.0 | 2.8 | 2.8 |

Key assumptions used in the discounted cash flow calculations of life insurance (Shinhan life insurance) components are as follows:

| | <u>Key assumptions</u> |
|---------------------------------|------------------------|
| Rate of return on investment(%) | 3.1 |
| Risk-based capital ratio(%) | 150.0 |

v) Total recoverable amount and total carrying value of CGUs to which goodwill has been allocated, are as follows:

| | <u>Amount</u> |
|--------------------------|--------------------|
| Total recoverable amount | ₩ 51,932,888 |
| Total carrying value(*1) | 45,482,263 |
| | <u>₩ 6,450,625</u> |

(*1) It is the carrying value after reflecting the impairment loss in the banking and securities sector.

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15. Investments in associates

(a) Investments in associates as of December 31, 2021 and 2020 are as follows:

| Investees | Country | Reporting date | Ownership (%) | |
|--|---------|----------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 |
| BNP Paribas Cardif Life Insurance (*1)(*2) | Korea | September 30 | 14.99 | 14.99 |
| Songrim Partners (*3)(*4) | Korea | December 31 | 35.34 | 35.34 |
| Partners 4th Growth Investment Fund (*1) | Korea | September 30 | 25.00 | 25.00 |
| KTB Newlake Global Healthcare PEF (*1) | Korea | September 30 | 30.00 | 30.00 |
| Daekwang Semiconductor Co., Ltd. (*7) | Korea | - | - | 20.94 |
| Shinhan-Neoplux Energy Newbiz Fund(*5) | Korea | December 31 | 31.66 | 31.66 |
| Shinhan-Albatross tech investment Fund(*5) | Korea | December 31 | 50.00 | 49.97 |
| VOGO Debt Strategy Qualified IV Private | Korea | December 31 | 20.00 | 20.00 |
| Shinhan-Midas Donga Secondary Fund(*6) | Korea | December 31 | 50.00 | 50.00 |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | Korea | December 31 | 24.00 | 24.00 |
| Shinhan Praxis K-Growth Global Private Equity Fund(*9) | Korea | December 31 | 18.87 | 18.87 |
| Credian Healthcare Private Equity Fund II(*7) | Korea | - | - | 34.07 |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | Korea | December 31 | 50.00 | 50.00 |
| AIP EURO Green Private Real Estate Trust No.3 | Korea | December 31 | 21.28 | 21.28 |
| Shinhan Global Healthcare Fund 1(*9) | Korea | December 31 | 4.41 | 4.41 |
| JB Power TL Investment Type Private Placement Special Asset Fund 7(*7) | Korea | - | - | 33.33 |
| KB NA Hickory Private Special Asset Fund | Korea | December 31 | 37.50 | 37.50 |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | Korea | December 31 | 44.02 | 44.02 |
| BNP Paribas Cardif General Insurance(*9) | Korea | December 31 | 5.46 | 7.46 |
| Hermes Private Investment Equity Fund | Korea | December 31 | 29.17 | 29.17 |
| Shinhan-Nvestor Liquidity Solution Fund | Korea | December 31 | 24.92 | 24.92 |
| Shinhan AIM FoF Fund 1a | Korea | December 31 | 25.00 | 25.00 |
| IGIS Global Credit Fund 150-1 | Korea | December 31 | 25.00 | 25.00 |
| Partner One Value up I Private Equity Fund | Korea | December 31 | 27.91 | 27.91 |
| Genesis No.1 Private Equity Fund | Korea | December 31 | 22.80 | 22.80 |
| Korea Omega Project Fund III | Korea | December 31 | 23.53 | 23.53 |
| Soo Delivery Platform Growth Fund | Korea | December 31 | 30.00 | 30.00 |
| Genesis North America Power Company No.1 PEF | Korea | December 31 | 40.03 | 39.96 |
| Hyungje art printing(*12) | Korea | - | - | 31.54 |
| SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | Korea | December 31 | 23.33 | 23.33 |
| Korea Finance Security (*1),(*9) | Korea | September 30 | 14.91 | 14.91 |
| Multimedia Tech Co.Ltd.(*12) | Korea | - | - | 21.06 |
| MIEL CO.,LTD.(*3),(*4) | Korea | December 31 | 28.77 | 28.77 |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | Korea | December 31 | 35.73 | 35.73 |
| DB Epic Convertiblebond Private Trust No.2(*7) | Korea | - | - | 50.98 |
| E&Healthcare Investment Fund No.6 | Korea | December 31 | 21.05 | 21.05 |
| One Shinhan Global Fund 1(*5) | Korea | December 31 | 20.56 | 19.96 |
| Kiwoom-Shinhan Innovation Fund I(*6) | Korea | December 31 | 50.00 | 50.00 |

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15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | Country | Reporting date | Ownership (%) | |
|--|---------|----------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 |
| Daishin-K&T New Technology Investment Fund | Korea | December 31 | 31.25 | 31.25 |
| Midas Asset Global CRE Debt Private Fund No.6 | Korea | December 31 | 41.16 | 41.16 |
| Richmond Private Investment Trust No.82(*7) | Korea | - | - | 60.00 |
| Tiger Alternative Real Estate Professional Private5(*7) | Korea | - | - | 48.71 |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | Korea | December 31 | 42.92 | 42.92 |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | Korea | December 31 | 20.00 | 20.00 |
| NH-Amundi Global Infrastructure Trust 14 | Korea | December 31 | 30.00 | 30.00 |
| Jarvis Memorial Private Investment Trust 1(*6) | Korea | December 31 | 99.01 | 99.01 |
| Mastern Private Private Investment Trust 68(*7) | Korea | - | - | 53.76 |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37(*8) | Korea | December 31 | 60.00 | 60.00 |
| Milestone Private Real Estate Fund 3 | Korea | December 31 | 32.06 | 32.06 |
| IGIS Private Real Estate Investment Trust 286(*7) | Korea | - | - | 41.44 |
| Nomura-Rifa Private Real Estate Investment Trust 31 | Korea | December 31 | 31.31 | 31.31 |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | Korea | December 31 | 21.27 | 21.27 |
| Hana Semiconductor New Technology Fund(*7) | Korea | - | - | 24.30 |
| J&Magnet Startup Venture Specialized Private Equity Fund(*7) | Korea | - | - | 24.39 |
| Cape IT Fund No.3 | Korea | December 31 | 32.89 | 32.89 |
| FuturePlay-Shinhan TechInnovation Fund 1(*6) | Korea | December 31 | 50.00 | 50.00 |
| Stonebridge Corporate 1st Fund | Korea | December 31 | 44.12 | 44.12 |
| Vogo Realty Partners Private Real Estate Fund V | Korea | December 31 | 21.64 | 21.64 |
| Korea Credit Bureau(*1),(*9) | Korea | September 30 | 9.00 | 9.00 |
| Goduck Gangil1 PFV Co., Ltd.(*1),(*9) | Korea | September 30 | 1.04 | 1.04 |
| SBC PFV Co., Ltd.(*1),(*10) | Korea | September 30 | 25.00 | 25.00 |
| NH-amundi global infra private fund 16 | Korea | December 31 | 50.00 | 50.00 |
| IMM Global Private Equity Fund | Korea | December 31 | 33.00 | 33.00 |
| HANA Alternative Estate Professional Private122(*8) | Korea | December 31 | 74.02 | 75.19 |
| Hanwha-Incus Plus New Technology Fund No.1(*7) | Korea | - | - | 42.64 |
| SH Corporate Professional Investment Type Private Security Investment Trust No.7 | Korea | December 31 | 45.96 | 45.96 |
| SH BNCT Professional Investment Type Private Special Asset Investment Trust(*11) | Korea | December 31 | 72.50 | 72.39 |
| PSA EMP Private Equity Fund(*7) | Korea | - | - | 28.99 |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24(*8) | Korea | December 31 | 52.28 | 52.28 |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | Korea | December 31 | 29.13 | 29.13 |
| UI Venture Fund 7th(*7) | Korea | - | - | 24.39 |
| Sparklabs-Shinhan Opportunity Fund 1 | Korea | December 31 | 49.50 | 49.50 |
| BNW Tech-Innovation Private Equity Fund | Korea | December 31 | 29.85 | 29.85 |
| IGIS Real-estate Private Investment Trust No.33 | Korea | December 31 | 40.86 | 40.86 |
| Findvalue PreIPO 6th Professional Investment Type Private Investment Trust(*7) | Korea | - | - | 31.58 |
| WWG Global Real Estate Investment Trust no.4 | Korea | December 31 | 29.55 | 29.55 |
| Goduck Gangil10 PFV Co., Ltd(*1),(*9) | Korea | September 30 | 19.90 | 19.90 |
| Fidelis Global Private Real Estate Trust No.2(*8) | Korea | December 31 | 78.26 | 78.26 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | Country | Reporting date | Ownership (%) | |
|--|---------|----------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 |
| IGIS PRIVATE REAL ESTATE TRUST NO.331(*7) | Korea | - | - | 30.77 |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | Korea | December 31 | 28.70 | 28.70 |
| Shinhan Healthcare Fund 2(*9) | Korea | December 31 | 13.68 | 13.68 |
| Pebblestone CGV Private Real Estate Trust No.1 | Korea | December 31 | 48.53 | 48.53 |
| SH Corporate Professional Investment Type Private Security Investment Trust No.45 | Korea | December 31 | 43.65 | - |
| Shinhan AIM Real Estate Fund No.2 | Korea | December 31 | 30.00 | 30.00 |
| Shinhan AIM Real Estate Fund No.1 | Korea | December 31 | 21.01 | 21.01 |
| SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust | Korea | December 31 | 22.02 | 22.02 |
| SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust | Korea | December 31 | 29.19 | 29.19 |
| SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2(*8) | Korea | December 31 | 71.43 | 71.43 |
| SH Japan Photovoltaic Private Special Asset Investment Trust No.1(*7) | Korea | - | - | 30.00 |
| Korea Omega-Shinhan Project Fund I(*6) | Korea | December 31 | 50.00 | 50.00 |
| ST-Bonanja Food tech | Korea | December 31 | 38.83 | 38.83 |
| New Green Shinhan Mezzanine Fund(*7) | Korea | - | - | 39.22 |
| KORAMKO-Daum Professional Private Investment Trust No.12(*7) | Korea | - | - | 33.33 |
| Samsung SRA Real Estate Professional Private 45 | Korea | December 31 | 25.00 | 25.00 |
| IBK Global New Renewable Energy Special Asset Professional Private2 | Korea | December 31 | 28.98 | 28.98 |
| VS Cornerstone Fund | Korea | December 31 | 41.18 | 41.18 |
| Aone Mezzanine Opportunity Professional Private (*8) | Korea | December 31 | 66.09 | 66.12 |
| KiwoomUnicorn3 New Technology Business Investment Fund(*7) | Korea | - | - | 21.28 |
| Multi Asset The United States Thortons Professional Private1(*7) | Korea | - | - | 25.00 |
| Kiwoom Milestone US Real Estate Professional Private20(*7) | Korea | - | - | 75.27 |
| NH-Amundi US Infrastructure Private Fund2 | Korea | December 31 | 25.91 | 25.91 |
| KB Distribution Private Real Estate1(*8) | Korea | December 31 | 62.00 | 62.00 |
| SH Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust(*7) | Korea | - | - | 28.93 |
| SH Japan Photovoltaic Private Special Asset Investment Trust No.2 | Korea | December 31 | 30.00 | 30.00 |
| Kakao-Shinhan 1st TNYT Fund | Korea | December 31 | 48.62 | 48.62 |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | Korea | December 31 | 20.00 | 20.02 |
| Pacific Private Placement Real Estate Fund No.40 | Korea | December 31 | 24.73 | 24.73 |
| Mastern Private Real Estate Loan Fund No.2 | Korea | December 31 | 33.57 | 33.57 |
| LB Scotland Amazon Fulfillment Center Fund 29(*8) | Korea | December 31 | 70.14 | 70.14 |
| JR AMC Hungary Budapest Office Fund 16 | Korea | December 31 | 32.57 | 32.57 |
| IGIS 372 Real Estate Professional Private(*7) | Korea | - | - | 28.39 |
| EDNCENTRAL Co.,Ltd.(*9) | Korea | December 31 | 19.87 | 19.87 |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund(*7) | Korea | - | - | 19.00 |
| Future-Creation Neoplux Venture Capital Fund(*5) | Korea | December 31 | 16.25 | 16.25 |
| Gyeonggi-Neoplux Superman Fund(*5) | Korea | December 31 | 21.76 | 21.76 |
| NewWave 6th Fund(*5) | Korea | December 31 | 30.00 | 30.00 |
| KTC-NP Growth Champ 2011-2 Private Equity Fund(*5) | Korea | December 31 | 5.56 | 5.56 |

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15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | Country | Reporting date | Ownership (%) | |
|---|---------|----------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 |
| Neoplux No.3 Private Equity Fund(*5) | Korea | December 31 | 10.00 | 10.00 |
| PCC Amberstone Private Equity Fund I | Korea | December 31 | 21.67 | 21.67 |
| KIAMCO POWERLOAN TRUST 4TH | Korea | December 31 | 47.37 | 47.37 |
| Mastern Opportunity Seeking Real Estate Fund II | Korea | December 31 | 20.00 | 20.00 |
| AION ELFIS PROFESSIONAL PRIVATE 1 | Korea | December 31 | 20.00 | 20.00 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | Korea | December 31 | 29.68 | 29.68 |
| Neoplux Market-Frontier Secondary Fund(*5) | Korea | December 31 | 19.74 | 19.74 |
| Harvest Private Equity Fund II | Korea | December 31 | 22.06 | 22.06 |
| Synergy Green New Deal 1st New Technology Business Investment Fund | Korea | December 31 | 28.17 | 28.17 |
| KAIM Real-estate Private Investment Trust 20 | Korea | December 31 | 38.46 | 38.46 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust(*6) | Korea | December 31 | 50.00 | 50.00 |
| Daishin New Technology Investment Fund 5th | Korea | December 31 | 23.44 | 23.44 |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10(*8) | Korea | December 31 | 62.50 | 62.50 |
| Acurus Hyundai Investment Partners New Technology | Korea | December 31 | 26.79 | 26.79 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1(*8) | Korea | December 31 | 97.10 | 97.85 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2(*8) | Korea | December 31 | 97.10 | 97.85 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | Korea | December 31 | 25.00 | 25.00 |
| IGIS Professional Investors Private Investment Real Estate Investment LLC No.395(*7) | Korea | - | - | 58.82 |
| SHINHAN-NEO Core Industrial Technology Fund(*5) | Korea | December 31 | 49.75 | 49.75 |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | Korea | December 31 | 30.00 | 30.00 |
| SIMONE Mezzanine Fund No.3 | Korea | December 31 | 29.38 | 29.38 |
| Eum Private Equity Fund No.7 | Korea | December 31 | 21.00 | 21.00 |
| Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund | Korea | December 31 | 25.00 | 25.00 |
| Kiwoom Hero No.4 Private Equity Fund | Korea | December 31 | 21.05 | 21.05 |
| Vogo Canister Professional Trust Private Fund I | Korea | December 31 | 36.53 | 36.68 |
| SW-S Fund | Korea | December 31 | 30.30 | - |
| CL Buyout 1st PEF | Korea | December 31 | 21.43 | - |
| Timefolio The Venture-V second | Korea | December 31 | 20.73 | - |
| Newlake Growth Capital Partners2 PEF | Korea | December 31 | 29.91 | - |
| Shinhan Smilegate Global PEF I(*9) | Korea | December 31 | 14.21 | - |
| Fount Professional Investors Private Investment Trust No.3 | Korea | December 31 | 49.98 | - |
| Genesis Eco No.1 PEF | Korea | December 31 | 29.01 | - |
| SHINHAN-NEO Market-Frontier 2nd Fund(*5) | Korea | December 31 | 42.70 | - |
| NH-Synergy Core Industrial New Technology Fund | Korea | December 31 | 36.93 | - |
| J& Moorim Jade Investment Fund | Korea | December 31 | 24.89 | - |
| Ulmus SHC innovation investment fund | Korea | December 31 | 24.04 | - |
| Mirae Asset Partners X Private Equity Fund | Korea | December 31 | 35.71 | - |
| T Core Industrial Technology 1st Venture PEF | Korea | December 31 | 31.47 | - |
| Curious Finale Corporate Recovery Private Equity Fund | Korea | December 31 | 27.78 | - |
| TI First Property Private Investment Trust 1 | Korea | December 31 | 40.00 | - |
| MPLUS Professional Private Real Estate Fund 25 | Korea | December 31 | 41.67 | - |
| IBKC Global Contents Investment Fund | Korea | December 31 | 24.39 | - |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | Country | Reporting date | Ownership (%) | |
|---|---------|----------------|-------------------|-------------------|
| | | | December 31, 2021 | December 31, 2020 |
| Nautic Smart No.6 Private Equity Fund | Korea | December 31 | 37.74 | - |
| Premier Luminous Private Equity Fund | Korea | December 31 | 27.78 | - |
| Hanyang-Meritz 1 Fund | Korea | December 31 | 22.58 | - |
| KNT 2ND PRIVATE EQUITY FUND | Korea | December 31 | 21.74 | - |
| Maple Mobility Fund | Korea | December 31 | 20.18 | - |
| AVES 1st Corporate Recovery Private Equity Fund(*6) | Korea | December 31 | 76.19 | - |
| JS Shinhan Private Equity Fund(*5) | Korea | December 31 | 3.85 | - |
| Daishin Newgen New Technology Investment Fund 1 st (*8) | Korea | December 31 | 50.60 | - |
| META ESG Private Equity Fund I | Korea | December 31 | 27.40 | - |
| SWFV FUND-1 | Korea | December 31 | 40.25 | - |
| PHAROS DK FUND | Korea | December 31 | 24.24 | - |
| Shinhan VC tomorrow venture fund 1(*5) | Korea | December 31 | 39.62 | - |
| Highland 2021-8 Fund | Korea | December 31 | 32.67 | - |
| Medicii 2021-3 Fund | Korea | December 31 | 24.81 | - |
| Tres-Yujin Trust(*6) | Korea | December 31 | 50.00 | - |
| Shinhan-Time mezzanine blind Fund(*6) | Korea | December 31 | 50.00 | - |
| Capstone REITs No.26(*6) | Korea | December 31 | 50.00 | - |
| JB Incheon-Bucheon REITs No.54 | Korea | December 31 | 39.31 | - |
| Hankook Smart Real Asset Investment Trust No.3 | Korea | December 31 | 33.33 | - |
| JB Hwaseong-Hadong REITs No.53 | Korea | December 31 | 31.03 | - |
| KB Oaktree Trust No.3 | Korea | December 31 | 33.33 | - |
| Daehan No.36 Office Asset Management Company | Korea | December 31 | 48.05 | - |
| Rhinos Premier Mezzanine Private Investment Fund No.1 | Korea | December 31 | 27.93 | - |
| SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | Korea | December 31 | 29.73 | - |
| Shinhan JigaeNamsan Road Private Special Asset Investment Trust | Korea | December 31 | 24.85 | - |
| SKS-Yozma Fund No.1 | Korea | December 31 | 29.85 | - |
| IBKC-METIS Global Contents Investment Fund | Korea | December 31 | 36.36 | - |
| Keystone Unicorn Private Equity Fund | Korea | December 31 | 28.00 | - |

(*1) The financial statements of September 30, 2021 are used for the equity method since the financial statements as of December 31, 2021 are not available. Significant trades and events occurred within the period are properly reflected.

(*2) The Group applies the equity method accounting as the Group has a significant influence on the investees through important business transactions.

(*3) In the course of the rehabilitation process, the shares were acquired through investment conversion. Although voting rights cannot be exercised during the rehabilitation process, normal voting rights are exercised because the rehabilitation process was completed before December 31, 2021. Also, it has been reclassified into the investments in associates.

(*4) The latest financial statements are used for the equity method since the financial statements as of December 31, 2021 are not available. Significant trades and events occurred within the period are properly reflected.

(*5) As a managing partner, the Group has a significant influence over the investees.

(*6) As a limited partner, the Group does not have an ability to participate in policy-making processes to obtain economic benefit from the investees that would allow the Group to control the entity.

(*7) Excluded from the investments in associates due to full or partial disposal of shares, or loss of significant influence.

(*8) Although the ownership percentages are more than 50%, the Group applies the equity method accounting as the Group does not have an ability to participate in the financial and operating policy-making process.

(*9) Although the ownership percentages are less than 20%, the Group applies the equity method accounting since it participates in policy-making processes and therefore can exercise significant influence on investees.

(*10) The rate of Group's voting rights is 4.65%.

(*11) Although the Group has a significant influence with ownership percentage more than 50%, the contribution was classified as investments in associates as the Group is not exposed to variable returns due to the payment guarantee for the entire investment amount.

(*12) Excluded from the associates due to redemption of shares.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows:

| Investees | December 31, 2021 | | | | | |
|--|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income | Impairment loss | Ending balance |
| BNP Paribas Cardif Life Insurance | ₩ 50,600 | - | (660) | (5,918) | - | 44,022 |
| Songrim Partners(*1) | - | - | - | - | - | - |
| Partners 4th Growth Investment Fund | 11,958 | (16,144) | 12,525 | 4,694 | - | 13,033 |
| KTB Newlake Global Healthcare PEF | 9,404 | - | 8 | - | - | 9,412 |
| Daekwang Semiconductor Co., Ltd. | 3,631 | (3,742) | 113 | (2) | - | - |
| Shinhan-Neoplux Energy Newbiz Fund | 14,470 | 475 | 1,087 | - | - | 16,032 |
| Shinhan-Albatross tech investment Fund | 13,322 | (9,000) | 6,067 | - | - | 10,389 |
| VOGO Debt Strategy Qualified IV Private | 8,702 | (1,733) | 210 | - | - | 7,179 |
| Shinhan-Midas Donga Secondary Fund | 4,752 | (500) | (301) | - | - | 3,951 |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | 9,968 | (7,879) | 2,137 | - | - | 4,226 |
| Shinhan Praxis K-Growth Global Private Equity Fund | 9,945 | (2,310) | 126 | - | - | 7,761 |
| Credian Healthcare Private Equity Fund II | 5,835 | (5,835) | - | - | - | - |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | 9,918 | (66) | (361) | - | (4,238) | 5,253 |
| AIP EURO Green Private Real Estate Trust No.3 | 21,021 | (1,335) | 10,017 | - | - | 29,703 |
| Shinhan Global Healthcare Fund I(*1) | - | - | - | - | - | - |
| JB Power TL Investment Type Private Placement Special Asset Fund 7 | 16,186 | (15,947) | (239) | - | - | - |
| KB NA Hickory Private Special Asset Fund | 34,938 | (2,266) | 1,704 | - | - | 34,376 |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | 18,618 | (1,204) | 2,078 | - | - | 19,492 |
| BNP Paribas Cardif General Insurance | 3,895 | 176 | (708) | (9) | - | 3,354 |
| Hermes Private Investment Equity Fund | 6,099 | (3,167) | 6,850 | - | - | 9,782 |
| Shinhan-Nvestor Liquidity Solution Fund | 4,493 | 331 | 514 | - | - | 5,338 |
| Shinhan AIM FoF Fund 1a | 8,760 | (79) | 475 | - | - | 9,156 |
| IGIS Global Credit Fund 150-1 | 7,282 | (3,246) | 1,366 | - | - | 5,402 |
| Partner One Value up I Private Equity Fund | 11,779 | (6,933) | 3,045 | - | - | 7,891 |
| Genesis No.1 Private Equity Fund | 80,113 | 388 | (24,968) | - | - | 55,533 |
| Korea Omega Project Fund III | 3,563 | - | 727 | - | - | 4,290 |
| Soo Delivery Platform Growth Fund | 4,068 | - | 1,805 | - | - | 5,873 |
| Genesis North America Power Company No.1 PEF | 16,983 | (5,229) | 1,982 | - | - | 13,736 |
| Hyungje art printing(*2) | - | - | - | - | - | - |
| SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | 10,582 | 24,500 | 6,467 | - | - | 41,549 |
| Korea Finance Security | 3,055 | - | (61) | - | - | 2,994 |
| Multimedia Tech Co.Ltd.(*2) | - | - | - | - | - | - |
| MIEL CO.,LTD.(*1) | - | - | - | - | - | - |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | |
|---|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income | Impairment loss | Ending balance |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | ₩ 32,993 | 347 | 1,348 | - | - | 34,688 |
| DB Epic Convertiblebond Private Trust No.2 | 5,785 | (5,538) | (247) | - | - | - |
| E&Healthcare Investment Fund No.6 | 15,163 | (3,431) | (4,866) | - | - | 6,866 |
| One Shinhan Global Fund 1 | 4,029 | (519) | 263 | - | - | 3,773 |
| Kiwoom-Shinhan Innovation Fund I | 15,969 | (5,150) | 912 | - | - | 11,731 |
| Daishin-K&T New Technology Investment Fund | 7,000 | - | 991 | - | - | 7,991 |
| Midas Asset Global CRE Debt Private Fund No.6 | 47,389 | (2,701) | 3,617 | - | - | 48,305 |
| Richmond Private Investment Trust No.82 | 15,049 | (19,411) | 4,362 | - | - | - |
| Tiger Alternative Real Estate Professional Private5 | 18,499 | (20,848) | 2,349 | - | - | - |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | 28,818 | (843) | (504) | - | - | 27,471 |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | 65,616 | (41,622) | 1,210 | - | - | 25,204 |
| NH-Amundi Global Infrastructure Trust 14 | 18,819 | (1,609) | 1,091 | - | - | 18,301 |
| Jarvis Memorial Private Investment Trust 1 | 10,043 | (700) | 766 | - | - | 10,109 |
| Mastern Private Private Investment Trust 68 | 10,010 | (10,332) | 322 | - | - | - |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 | 35,641 | (4,981) | 2,493 | - | - | 33,153 |
| Milestone Private Real Estate Fund 3 | 18,528 | (472) | 488 | - | - | 18,544 |
| IGIS Private Real Estate Investment Trust 286 | 8,844 | (9,176) | 332 | - | - | - |
| Nomura-Rifa Private Real Estate Investment Trust 31 | 8,407 | (705) | 200 | - | - | 7,902 |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | 13,323 | (3,511) | 424 | - | - | 10,236 |
| Hana Semiconductor New Technology Fund | 24,131 | (26,129) | 1,998 | - | - | - |
| J&Magnet Startup Venture Specialized Private Equity Fund | 5,935 | (7,247) | 1,312 | - | - | - |
| Cape IT Fund No.3 | 10,649 | (580) | (4) | - | - | 10,065 |
| FuturePlay-Shinhan TechInnovation Fund 1 | 4,295 | 3,025 | (171) | - | - | 7,149 |
| Stonebridge Corporate 1st Fund | 3,239 | - | (275) | - | - | 2,964 |
| Vogo Realty Partners Private Real Estate Fund V | 10,827 | (681) | 620 | - | - | 10,766 |
| Korea Credit Bureau | 6,976 | (90) | 809 | - | - | 7,695 |
| Goduck Gangil1 PFV Co., Ltd.(*1) | - | - | - | - | - | - |
| SBC PFV Co., Ltd. | 18,208 | 12,499 | (1,121) | - | - | 29,586 |
| NH-amundi global infra private fund 16 | 43,839 | 346 | 7,823 | - | - | 52,008 |
| IMM Global Private Equity Fund | 120,855 | (10,462) | 8,222 | - | - | 118,615 |

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(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | Beginning balance | Investment and dividend | December 31, 2021 | | | | Ending balance |
|--|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|---------|----------------|
| | | | Equity method income (loss) | Change in other comprehensive income | Impairment loss | | |
| HANA Alternative Estate Professional Private122 | ₩ 29,631 | (1,001) | 859 | - | - | 29,489 | |
| Hanwha-Incus Plus New Technology Fund No.1 | 11,026 | (8,284) | (2,742) | - | - | - | |
| SH Corporate Professional Investment Type Private Security Investment Trust No.7 | 51,210 | (1,518) | 207 | - | - | 49,899 | |
| SH BNCT Professional Investment Type Private Special Asset Investment Trust | 286,531 | (15,191) | 10,859 | - | - | 282,199 | |
| PSA EMP Private Equity Fund | 9,814 | (9,755) | (59) | - | - | - | |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 | 29,401 | (2,630) | 1,541 | - | - | 28,312 | |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | 3,441 | (3,048) | 583 | - | - | 976 | |
| UI Venture Fund 7th | 3,279 | (3,269) | (10) | - | - | - | |
| Sparklabs-Shinhan Opportunity Fund 1 | 4,832 | - | (192) | - | - | 4,640 | |
| BNW Tech-Innovation Private Equity Fund | 5,942 | - | (61) | - | - | 5,881 | |
| IGIS Real-estate Private Investment Trust No.33 | 14,099 | (714) | 499 | - | - | 13,884 | |
| Findvalue PreIPO 6th Professional Investment Type Private Investment Trust | 3,002 | (3,301) | 299 | - | - | - | |
| WWG Global Real Estate Investment Trust no.4 | 17,752 | (7,855) | 747 | - | - | 10,644 | |
| Goduck Gangil10 PFV Co., Ltd(*1) | 32 | - | (32) | - | - | - | |
| Fidelis Global Private Real Estate Trust No.2 | 19,485 | (911) | 1,199 | - | - | 19,773 | |
| IGIS PRIVATE REAL ESTATE TRUST NO.331 | 3,765 | (3,765) | - | - | - | - | |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | 48,344 | (5,436) | 6,309 | - | - | 49,217 | |
| Shinhan Healthcare Fund 2(*1) | 986 | - | (75) | - | (911) | - | |
| Pebblestone CGV Private Real Estate Trust No.1 | 13,346 | (748) | 1,112 | - | - | 13,710 | |
| SH Corporate Professional Investment Type Private Security Investment Trust No.45[Bond] | - | 174,154 | (199) | - | - | 173,955 | |
| Shinhan AIM Real Estate Fund No.2 | 22,464 | 1,911 | (1,100) | - | - | 23,275 | |
| Shinhan AIM Real Estate Fund No.1 | 46,945 | (4,412) | 1,779 | - | - | 44,312 | |
| SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust | 32,944 | (911) | 915 | - | - | 32,948 | |
| SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust | 20,902 | 7 | (359) | - | - | 20,550 | |
| SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | 6,692 | 13,667 | (1,504) | - | - | 18,855 | |
| SH Japan Photovoltaic Private Special Asset Investment Trust No.1 | 4,845 | (4,845) | - | - | - | - | |
| Korea Omega-Shinhan Project Fund I | 5,931 | 2,000 | (687) | - | - | 7,244 | |
| ST-Bonanja Food tech | 1,993 | - | 1,366 | - | - | 3,359 | |
| New Green Shinhan Mezzanine Fund | 4,916 | (5,622) | 706 | - | - | - | |
| KORAMKO-Daum Professional Private Investment Trust No.12 | 7,528 | (7,756) | 228 | - | - | - | |

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | Beginning balance | Investment and dividend | December 31, 2021 | | | Ending balance |
|---|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|----------------|
| | | | Equity method income (loss) | Change in other comprehensive income | Impairment loss | |
| Samsung SRA Real Estate Professional Private 45 | ₩ 10,666 | 2,656 | (442) | - | - | 12,880 |
| IBK Global New Renewable Energy Special Asset Professional Private2 | 32,349 | (1,988) | 1,526 | - | - | 31,887 |
| VS Cornerstone Fund | 3,464 | - | (54) | - | - | 3,410 |
| Aone Mezzanine Opportunity Professional Private | 9,580 | (28) | (12) | - | - | 9,540 |
| Kiwoom Unicorn3 New Technology Business Investment Fund | 4,283 | (3,633) | (650) | - | - | - |
| Multi Asset The United States Thortons Professional Private1 | 41,440 | (41,607) | 167 | - | - | - |
| Kiwoom Milestone US Real Estate Professional Private20 | 51,512 | (51,512) | - | - | - | - |
| NH-Amundi US Infrastructure Private Fund2 | 25,430 | 207 | 1,387 | - | - | 27,024 |
| KB Distribution Private Real Estate1 | 30,698 | (1,423) | 1,419 | - | - | 30,694 |
| SH Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | 20,712 | (22,293) | 1,581 | - | - | - |
| SH Japan Photovoltaic Private Special Asset Investment Trust No.2 | 29,149 | (16,798) | 665 | - | - | 13,016 |
| Kakao-Shinhan 1st TNYT Fund | 5,681 | 9,000 | (184) | - | - | 14,497 |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | 10,870 | (160) | 883 | - | - | 11,593 |
| Pacific Private Placement Real Estate Fund No.40 | 11,647 | (747) | 698 | - | - | 11,598 |
| Mastern Private Real Estate Loan Fund No.2 | 5,692 | 1,429 | 370 | - | - | 7,491 |
| LB Scotland Amazon Fulfillment Center Fund 29 | 31,182 | (1,734) | 1,820 | - | - | 31,268 |
| JR AMC Hungary Budapest Office Fund 16 | 12,204 | (821) | 757 | - | - | 12,140 |
| IGIS 372 Real Estate Professional Private | 56,835 | (56,835) | - | - | - | - |
| EDNCENTRAL Co.,Ltd.(*1) | 1,040 | - | (1,040) | - | - | - |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund | 3,830 | (8,388) | 4,558 | - | - | - |
| Future-Creation Neoplux Venture Capital Fund | 3,796 | (995) | 216 | - | - | 3,017 |
| Gyeonggi-Neoplux Superman Fund | 6,399 | (2,257) | 3,736 | - | - | 7,878 |
| NewWave 6th Fund | 6,150 | 7,575 | 730 | - | - | 14,455 |
| KTC-NP Growth Champ 2011-2 Private Equity Fund | 2,853 | - | 1,137 | - | - | 3,990 |
| Neoplux No.3 Private Equity Fund | 10,295 | 10,182 | 2,124 | - | - | 22,601 |
| PCC Amberstone Private Equity Fund I | 22,480 | (2,356) | 2,666 | - | - | 22,790 |
| KIAMCO POWERLOAN TRUST 4TH | 43,955 | (164) | 1,510 | - | - | 45,301 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | Beginning balance | Investment and dividend | December 31, 2021 | | | Ending balance |
|---|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|----------------|
| | | | Equity method income (loss) | Change in other comprehensive income | Impairment loss | |
| Mastern Opportunity Seeking Real Estate Fund II | ₩ 19,799 | (737) | 2,255 | - | - | 21,317 |
| AION ELFIS PROFESSIONAL PRIVATE 1 | 5,528 | (1,350) | 244 | - | - | 4,422 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | 4,453 | - | (93) | - | - | 4,360 |
| Neoplux Market-Frontier Secondary Fund | 11,545 | (614) | 382 | - | - | 11,313 |
| Harvest Private Equity Fund II | 2,982 | - | 499 | - | - | 3,481 |
| Synergy Green New Deal 1st New Technology Business Investment Fund | 10,008 | (247) | (77) | - | - | 9,684 |
| KAIM Real-estate Private Investment Trust 20 | 5,098 | (350) | 300 | - | - | 5,048 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust | 7,948 | (1,112) | 691 | - | - | 7,527 |
| Daishin New Technology Investment Fund 5th | 2,850 | - | 1,589 | - | - | 4,439 |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10 | 3,125 | - | 122 | - | - | 3,247 |
| Acurus Hyundai Investment Partners New Technology | 2,927 | - | 1,787 | - | - | 4,714 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1 | 44,594 | 4,103 | 11,371 | 3,876 | - | 63,944 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2 | 44,594 | 4,103 | 11,371 | 3,876 | - | 63,944 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | 15,855 | - | (1,077) | - | - | 14,778 |
| IGIS Professional Investors Private Investment Real Estate Investment LLC No.395 | 29,644 | (29,644) | - | - | - | - |
| SHINHAN-NEO Core Industrial Technology Fund | 1,979 | 3,960 | (248) | - | - | 5,691 |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | 21,142 | 5,271 | 830 | - | - | 27,243 |
| SIMONE Mezzanine Fund No.3 | 2,980 | - | 74 | - | - | 3,054 |
| Eum Private Equity Fund No.7 | 7,872 | 121 | (120) | - | - | 7,873 |
| Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund | 5,034 | - | 2,560 | - | - | 7,594 |
| Kiwoom Hero No.4 Private Equity Fund | 4,707 | - | (402) | - | - | 4,305 |
| Vogo Canister Professional Trust Private Fund I | 43,975 | (4,712) | 1,809 | - | - | 41,072 |
| SW-S Fund | - | 7,000 | (276) | - | - | 6,724 |
| CL Buyout 1st PEF | - | 13,875 | (84) | - | - | 13,791 |
| Timefolio The Venture-V second | - | 4,000 | 572 | - | - | 4,572 |
| Newlake Growth Capital Partners2 PEF | - | 13,000 | (79) | - | - | 12,921 |
| Shinhan Smilegate Global PEF I | - | 3,376 | (40) | - | - | 3,336 |
| Fount Professional Investors Private Investment Trust No.3 | - | 5,000 | 197 | - | - | 5,197 |
| Genesis Eco No.1 PEF | - | 11,292 | (162) | - | - | 11,130 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | |
|---|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income | Impairment loss | Ending balance |
| SHINHAN-NEO Market-Frontier 2nd Fund(*3) | ₩ - | 25,620 | (1,014) | - | - | 24,606 |
| NH-Synergy Core Industrial New Technology Fund | - | 6,500 | (63) | - | - | 6,437 |
| J& Moorim Jade Investment Fund | - | 5,500 | 40 | - | - | 5,540 |
| Ulmus SHC innovation investment fund | - | 5,000 | 192 | - | - | 5,192 |
| Mirae Asset Partners X Private Equity Fund | - | 8,000 | (142) | - | - | 7,858 |
| T Core Industrial Technology 1st Venture PEF | - | 4,500 | 35 | - | - | 4,535 |
| Curious Finale Corporate Recovery Private Equity Fund | - | 3,377 | 313 | - | - | 3,690 |
| TI First Property Private Investment Trust 1 | - | 2,879 | 176 | - | - | 3,055 |
| MPLUS Professional Private Real Estate Fund 25 | - | 3,010 | 280 | - | - | 3,290 |
| IBKC Global Contents Investment Fund | - | 5,000 | (57) | - | - | 4,943 |
| Nautic Smart No.6 Private Equity Fund | - | 4,000 | (26) | - | - | 3,974 |
| Premier Luminous Private Equity Fund | - | 7,095 | (104) | - | - | 6,991 |
| Hanyang-Meritz 1 Fund | - | 3,500 | (17) | - | - | 3,483 |
| KNT 2ND PRIVATE EQUITY FUND | - | 3,000 | 1,157 | - | - | 4,157 |
| Maple Mobility Fund | - | 9,274 | (591) | - | - | 8,683 |
| AVES 1st Corporate Recovery Private Equity Fund | - | 4,800 | (64) | - | - | 4,736 |
| JS Shinhan Private Equity Fund | - | 5,076 | (39) | - | - | 5,037 |
| Daishin Newgen New Technology Investment Fund 1 st | - | 8,000 | 4,169 | - | - | 12,169 |
| META ESG Private Equity Fund I | - | 5,726 | (49) | - | - | 5,677 |
| SWFV FUND-1 | - | 9,700 | (54) | - | - | 9,646 |
| PHAROS DK FUND | - | 4,000 | (51) | - | - | 3,949 |
| Shinhan VC tomorrow venture fund 1 | - | 9,113 | (71) | - | - | 9,042 |
| Highland 2021-8 Fund | - | 4,900 | (1) | - | - | 4,899 |
| Medicii 2021-3 Fund | - | 9,752 | (24) | - | - | 9,728 |
| Tres-Yujin Trust | - | 10,000 | (5) | - | - | 9,995 |
| Shinhan-Time mezzanine blind Fund | - | 15,000 | (58) | - | - | 14,942 |
| Capstone REITs No.26 | - | 4,849 | (454) | - | - | 4,395 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | |
|---|-------------------|-------------------------|-----------------------------|--------------------------------------|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income | Impairment loss | Ending balance |
| JB Incheon-Bucheon REITS No.54 | ₩ - | 5,000 | (1) | - | - | 4,999 |
| Hankook Smart Real Asset Investment Trust No.3 | - | 4,173 | 169 | - | - | 4,342 |
| JB Hwaseong-Hadong REITs No.53 | - | 5,000 | (1) | - | - | 4,999 |
| KB Oaktree Trust No.3 | - | 3,141 | 18 | - | - | 3,159 |
| Daehan No.36 Office Asset Management Company | - | 21,500 | - | - | - | 21,500 |
| Rhinos Premier Mezzanine Private Investment Fund No.1 | - | 3,000 | 5 | - | - | 3,005 |
| SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | - | 19,426 | 477 | - | - | 19,903 |
| Shinhan JigaeNamsan Road Private Special Asset Investment Trust | - | 39,996 | 109 | - | - | 40,105 |
| SKS-Yozma Fund No.1 | - | 6,000 | (55) | - | - | 5,945 |
| IBKC-METIS Global Contents Investment Fund | - | 4,000 | - | - | - | 4,000 |
| Keystone Unicorn Private Equity Fund | - | 6,300 | - | - | - | 6,300 |
| Others | 121,040 | 63,730 | 5,881 | (3) | (5,571) | 185,077 |
| | ₩ 2,657,768 | 101,583 | 158,600 | 6,514 | (10,720) | 2,913,745 |

(*1) The Group has stopped recognizing its equity method income or loss due to the carrying value of '0' resulting from the investees' cumulative loss.

(*2) For the year ended December 31, 2020, the Group has stopped recognizing its equity method income or loss to accumulated deficits and the shares are retired for the year ended December 31, 2021.

(*3) Classified as investments in associates without cash transactions.

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | ₩ | December 31, 2020 | | | | | Ending balance |
|---|---|-------------------|-------------------------|-----------------------------|--|-----------------|----------------|
| | | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income(loss) | Impairment loss | |
| BNP Paribas Cardif Life Insurance | | 52,586 | - | (928) | (1,058) | - | 50,600 |
| Songrim Partners(*1) | | - | - | - | - | - | - |
| Neoplux Technology Valuation Investment Fund (*3) | | 16,384 | (16,171) | (213) | - | - | - |
| Partners 4th Growth Investment Fund | | 14,917 | (4,474) | 1,515 | - | - | 11,958 |
| KTB Newlake Global Healthcare PEF | | 11,280 | (1,950) | 74 | - | - | 9,404 |
| Daekwang Semiconductor Co., Ltd. | | 3,388 | - | 243 | - | - | 3,631 |
| Shinhan-Neoplux Energy Newbiz Fund(*4) | | 7,880 | 5,887 | 703 | - | - | 14,470 |
| Shinhan-Albatross tech investment Fund | | 8,734 | 4,650 | (62) | - | - | 13,322 |
| Plutus-SG Private Equity Fund | | 4,231 | (5,230) | 999 | - | - | - |
| Eum Private Equity Fund No.3 | | 3,574 | (5,621) | 2,050 | - | - | 3 |
| KTB Confidence Private Placement | | 6,067 | (6,063) | (4) | - | - | - |
| Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund | | 4,256 | (772) | (3,484) | - | - | - |
| Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund | | 8,916 | (48) | (8,868) | - | - | - |
| VOGO Debt Strategy Qualified INV Private | | 9,930 | (1,700) | 472 | - | - | 8,702 |
| Shinhan-Midas Donga Secondary Fund | | 3,486 | 1,150 | 116 | - | - | 4,752 |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | | 4,549 | 1,495 | 3,924 | - | - | 9,968 |
| Synergy-Shinhan Mezzanine New Technology Investment Fund | | 3,912 | (4,406) | 494 | - | - | - |
| Shinhan Praxis K-Growth Global Private Equity Fund | | 10,302 | 78 | (435) | - | - | 9,945 |
| Credian Healthcare Private Equity Fund II | | 2,377 | (4,937) | 8,395 | - | - | 5,835 |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | | 10,407 | (265) | (224) | - | - | 9,918 |
| AIP EURO Green Private Real Estate Trust No.3 | | 20,884 | (1,189) | 1,326 | - | - | 21,021 |
| Hanhwa US Equity Strategy Private Real Estate Fund No.1 | | 25,964 | (26,907) | 3,220 | - | - | 2,277 |
| Shinhan Global Healthcare Fund 1 | | 3,209 | - | 128 | - | (3,337) | - |
| JB Power TL Investment Type Private Placement Special Asset Fund 7 | | 16,800 | (1,359) | 745 | - | - | 16,186 |
| IBK AONE convertible 1 | | 6,077 | (6,048) | (29) | - | - | - |
| Rico synergy collabo Multi-Mezzanine 3 | | 3,217 | (3,221) | 4 | - | - | - |
| KB NA Hickory Private Special Asset Fund | | 35,930 | (2,609) | 1,617 | - | - | 34,938 |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | | 19,562 | (1,330) | 386 | - | - | 18,618 |
| BNP Paribas Cardif General Insurance | | 2,113 | 3,066 | (1,244) | (40) | - | 3,895 |
| Axis Global Growth New Technology Investment Association | | 3,205 | (2,920) | (285) | - | - | - |
| Hermes Private Investment Equity Fund | | 6,376 | - | (277) | - | - | 6,099 |
| SHC ULMUS Fund No.1 | | 3,149 | (3,289) | 140 | - | - | - |
| Shinhan-Nvestor Liquidity Solution Fund | | 4,865 | (1,004) | 632 | - | - | 4,493 |
| Shinhan AIM FoF Fund 1a | | 7,242 | 1,324 | 194 | - | - | 8,760 |
| IGIS Global Credit Fund 150-1 | | 9,718 | (4,002) | 1,566 | - | - | 7,282 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|-------------------------|-----------------------------|--|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income(loss) | Impairment loss | Ending balance |
| GX Shinhan Intervest 1st Private Equity Fund | ₩ 33,166 | (54,515) | 21,349 | - | - | - |
| Soo Commerce Platform Growth Fund Partner One Value up I Private Equity Fund | 6,343 | (8,474) | 3,278 | - | - | 1,147 |
| Genesis No.1 Private Equity Fund | 11,891 | (20) | (92) | - | - | 11,779 |
| GMB ICT New Technology Investment Fund | 51,150 | 388 | 28,575 | - | - | 80,113 |
| Korea Omega Project Fund III | 7,854 | (7,853) | (1) | - | - | - |
| Soo Delivery Platform Growth Fund | 3,016 | - | 547 | - | - | 3,563 |
| Genesis North America Power Company No.1 PEF | 8,922 | (7,929) | 3,075 | - | - | 4,068 |
| Hyungje art printing (*1) | 18,275 | (3,869) | 2,577 | - | - | 16,983 |
| SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | - | - | - | - | - | - |
| Shinhan-Rhinos 1 Fund | 20,712 | (10,794) | 664 | - | - | 10,582 |
| Pacific Private Investment Trust No.20 | 3,029 | (1,004) | 574 | - | - | 2,599 |
| Susung Mezzanine project P1 Private Investment Trust | 4,076 | (1,289) | 212 | - | - | 2,999 |
| Korea Finance Security | 5,128 | (3,613) | (170) | - | - | 1,345 |
| Multimedia Tech Co.Ltd (*1) | 3,235 | - | (180) | - | - | 3,055 |
| MIEL CO.,LTD (*1) | 19 | - | (19) | - | - | - |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | - | - | - | - | - | - |
| DB Epic Convertiblebond Private Trust No.2 | 31,580 | 1,366 | 47 | - | - | 32,993 |
| PCC S/W 2nd Fund | 5,063 | 202 | 520 | - | - | 5,785 |
| E&Healthcare Investment Fund No.6 | 3,001 | (3,328) | 327 | - | - | - |
| One Shinhan Global FundI | 7,776 | - | 7,387 | - | - | 15,163 |
| Kiwoom-Shinhan Innovation Fund I | 4,441 | - | (412) | - | - | 4,029 |
| Daishin-K&T New Technology Investment Fund | 7,284 | 7,500 | 1,185 | - | - | 15,969 |
| Midas Asset Global CRE Debt Private Fund No.6 | 7,057 | - | (57) | - | - | 7,000 |
| Richmond Private Investment Trust No.82 | 23,731 | 21,537 | 2,121 | - | - | 47,389 |
| Tiger Alternative Real Estate Professional Private5 | 15,120 | (855) | 784 | - | - | 15,049 |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | 19,820 | (1,376) | 55 | - | - | 18,499 |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | 30,742 | (968) | (956) | - | - | 28,818 |
| AUCTUS FITRIN Corporate Recovery Private Equity Fund | 53,831 | 9,253 | 2,532 | - | - | 65,616 |
| NH-Amundi Global Infrastructure Trust 14 | 14,358 | (14,484) | 126 | - | - | - |
| | 18,497 | (460) | 782 | - | - | 18,819 |

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | | December 31, 2020 | | | | | Ending balance |
|--|---|-------------------|-------------------------|-----------------------------|--|-----------------|----------------|
| | | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income(loss) | Impairment loss | |
| Pacific Private Real Estate Fund Investment Trust No.30 (*3) | ₩ | 14,816 | (15,374) | 558 | - | - | - |
| Jarvis Memorial Private Investment Trust 1 | | 10,166 | (763) | 640 | - | - | 10,043 |
| Mastern Private Private Investment Trust 68 | | 9,999 | (460) | 471 | - | - | 10,010 |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 | | 4,397 | 30,510 | 734 | - | - | 35,641 |
| Milestone Private Real Estate Fund 3 (Derivative Type) | | 17,186 | (838) | 2,180 | - | - | 18,528 |
| IGIS Private Real Estate Investment Trust 286 | | 9,768 | (1,361) | 437 | - | - | 8,844 |
| Nomura-Rifa Private Real Estate Investment Trust 31 | | 8,914 | (932) | 425 | - | - | 8,407 |
| Lime Pricing Private Equity Fund | | 8,300 | (8,217) | (83) | - | - | - |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | | 41,991 | (29,980) | 1,312 | - | - | 13,323 |
| DS Solid.II Hedge Fund | | 4,123 | (6,397) | 2,274 | - | - | - |
| Hana Semiconductor New Technology Fund | | 12,856 | (2,557) | 13,832 | - | - | 24,131 |
| J&Magnet Startup Venture Specialized Private Equity Fund | | 5,979 | (2,151) | 2,107 | - | - | 5,935 |
| Cape IT Fund No.3 | | 9,967 | (580) | 1,262 | - | - | 10,649 |
| FuturePlay-Shinhan TechInnovation Fund I | | 868 | 3,661 | (234) | - | - | 4,295 |
| Stonebridge Corporate 1st Fund | | 2,981 | - | 258 | - | - | 3,239 |
| Vogo Realty Partners Private Real Estate Fund V | | 10,376 | (566) | 1,017 | - | - | 10,827 |
| IL GU FARM CO.,LTD (*1) | | - | - | - | - | - | - |
| Korea Credit Bureau | | 6,812 | (90) | 254 | - | - | 6,976 |
| Goduck Gangil PFV Co., Ltd (*1) | | 48 | - | (48) | - | - | - |
| SBC PFV Co., Ltd | | 20,000 | - | (1,792) | - | - | 18,208 |
| Sprott Global Renewable Private Equity Fund II | | 19,016 | (18,909) | (107) | - | - | - |
| NH-amundi global infra private fund 16 | | 48,158 | (1,236) | (3,083) | - | - | 43,839 |
| IMM Global Private Equity Fund | | 28,925 | 90,776 | 1,154 | - | - | 120,855 |
| HANA Alternative Estate Professional Private122 | | 26,205 | (644) | 4,070 | - | - | 29,631 |
| Hanwha-Incus Plus New Technology Fund No.1 | | 5,499 | - | 5,527 | - | - | 11,026 |
| SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond] | | 51,293 | (1,613) | 1,530 | - | - | 51,210 |
| SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust | | 150,317 | 127,753 | 8,461 | - | - | 286,531 |
| PSA EMP Private Equity Fund | | 9,927 | (278) | 165 | - | - | 9,814 |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 | | 29,463 | (239) | 177 | - | - | 29,401 |
| SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF] | | 5,727 | (5,727) | - | - | - | - |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|-------------------------|-----------------------------|--|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income(loss) | Impairment loss | Ending balance |
| SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF] | ₩ 5,729 | (5,729) | - | - | - | - |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | 3,065 | - | 376 | - | - | 3,441 |
| VISION US Muni US Local Debt Opportunities Professional Private1(*3) | 9,869 | (10,032) | 163 | - | - | - |
| UI Venture Fund 7th | - | 3,000 | 279 | - | - | 3,279 |
| Sparklabs-Shinhan Opportunity Fund 1 | - | 4,999 | (167) | - | - | 4,832 |
| BNW Tech-Innovation Private Equity Fund | - | 6,000 | (58) | - | - | 5,942 |
| IGIS Real-estate Private Investment Trust No.33 | - | 13,945 | 154 | - | - | 14,099 |
| Findvalue PreIPO 6th Professional Investment Type Private Investment Trust. | - | 3,000 | 2 | - | - | 3,002 |
| WWG Global Real Estate Investment Trust no.4 | - | 16,874 | 878 | - | - | 17,752 |
| Fidelis Global Private Real Estate Trust No.2 | - | 18,582 | 903 | - | - | 19,485 |
| IGIS PRIVATE REAL ESTATE TRUST NO.331 | - | 3,932 | (167) | - | - | 3,765 |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | - | 45,082 | 3,262 | - | - | 48,344 |
| Pebblestone CGV Private Real Estate Trust No.1 | - | 12,793 | 553 | - | - | 13,346 |
| Shinhan AIM Real Estate Fund No.2(*2) | - | 36,186 | (7,652) | - | (6,070) | 22,464 |
| Shinhan AIM Real Estate Fund No.1(*2) | - | 45,415 | 1,530 | - | - | 46,945 |
| SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business](*2) | - | 32,258 | 686 | - | - | 32,944 |
| SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business](*2) | - | 22,003 | (1,101) | - | - | 20,902 |
| SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2(USD) | - | 7,273 | (581) | - | - | 6,692 |
| SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative](*2) | - | 4,859 | (14) | - | - | 4,845 |
| Korea Omega-Shinhan Project Fund I | - | 6,000 | (69) | - | - | 5,931 |
| New Green Shinhan Mezzanine Fund | - | 4,000 | 916 | - | - | 4,916 |
| KORAMKO-Daum Professional Private Investment Trust No.12 | - | 6,930 | 598 | - | - | 7,528 |
| Samsung SRA Real Estate Professional Private 45[FoFs] | - | 10,701 | (35) | - | - | 10,666 |
| IBK Global New Renewable Energy Special Asset Professional Private2 | - | 29,177 | 3,172 | - | - | 32,349 |
| VS Cornerstone Fund | - | 3,500 | (36) | - | - | 3,464 |
| Aone Mezzanine Opportunity Professional Private | - | 8,000 | 1,580 | - | - | 9,580 |
| KiwoomUnicorn3New Technology Business Investment Fund | - | 3,000 | 1,283 | - | - | 4,283 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | Beginning balance | Investment and dividend | December 31, 2020 | | | Ending balance |
|--|-------------------|-------------------------|-----------------------------|--|-----------------|----------------|
| | | | Equity method income (loss) | Change in other comprehensive income(loss) | Impairment loss | |
| Multi Asset The United States Thortons Professional Private1(*2) | ₩ - | 44,202 | (2,762) | - | - | 41,440 |
| Kiwoom Milestone US Real Estate Professional Private20 | - | 49,791 | 1,721 | - | - | 51,512 |
| NH-Amundi US Infrastructure Private Fund2(*2) | - | 24,647 | 783 | - | - | 25,430 |
| KB Distribution Private Real Estate1(*2) | - | 29,984 | 714 | - | - | 30,698 |
| SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust [Infra business](*2) | - | 19,968 | 744 | - | - | 20,712 |
| SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 [Loan-Derivative](*2) | - | 28,251 | 898 | - | - | 29,149 |
| Kakao-Shinhan 1st TNYT Fund | - | 6,000 | (319) | - | - | 5,681 |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | - | 10,000 | 870 | - | - | 10,870 |
| Pacific Private Placement Real Estate Fund No.40 | - | 11,273 | 374 | - | - | 11,647 |
| Mastern Private Real Estate Loan Fund No.2 | - | 5,740 | (48) | - | - | 5,692 |
| LB Scotland Amazon Fulfillment Center Fund 29 | - | 30,753 | 429 | - | - | 31,182 |
| JR AMC Hungary Budapest Office Fund 16 | - | 11,380 | 824 | - | - | 12,204 |
| IGIS 372 Real Estate Professional Private | - | 58,200 | (1,365) | - | - | 56,835 |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund(*4) | - | 4,058 | (228) | - | - | 3,830 |
| Future-Creation Neoplux Venture Capital Fund(*4) | - | 4,204 | (408) | - | - | 3,796 |
| Gyeonggi-Neoplux Superman Fund(*4) | - | 7,665 | (1,266) | - | - | 6,399 |
| NewWave 6th Fund(*4) | - | 6,242 | (92) | - | - | 6,150 |
| Neoplux No.3 Private Equity Fund(*4) | - | 10,825 | (530) | - | - | 10,295 |
| PCC Amberstone Private Equity Fund I(*2) | - | 22,066 | 414 | - | - | 22,480 |
| KIAMCO POWERLOAN TRUST 4TH Mastern Opportunity Seeking Real Estate Fund II | - | 43,390 | 565 | - | - | 43,955 |
| AION ELFIS PROFESSIONAL PRIVATE 1 | - | 19,508 | 291 | - | - | 19,799 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | - | 5,000 | 528 | - | - | 5,528 |
| Neoplux Market-Frontier Secondary Fund(*4) | - | 4,500 | (47) | - | - | 4,453 |
| Synergy Green New Deal 1st New Technology Business Investment Fund | - | 10,974 | 571 | - | - | 11,545 |
| KAIM Real-estate Private Investment Trust 20 | - | 10,000 | 8 | - | - | 10,008 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust | - | 5,000 | 98 | - | - | 5,098 |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10 | - | 8,150 | (202) | - | - | 7,948 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1 | - | 3,125 | - | - | - | 3,125 |
| | - | 44,780 | (9) | (177) | - | 44,594 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|-------------------------|-----------------------------|--|-----------------|----------------|
| | Beginning balance | Investment and dividend | Equity method income (loss) | Change in other comprehensive income(loss) | Impairment loss | Ending balance |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2 | ₩ - | 44,780 | (9) | (177) | - | 44,594 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | - | 16,000 | (145) | - | - | 15,855 |
| IGIS Professional Investors Private Investment Real Estate Investment LLC No.395 | - | 30,000 | (356) | - | - | 29,644 |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | - | 21,142 | - | - | - | 21,142 |
| Eum Private Equity Fund No.7 | - | 7,872 | - | - | - | 7,872 |
| Kiwoom Private Equity Anti-Man Startup Venture Specialized Private Equity Fund | - | 5,034 | - | - | - | 5,034 |
| Kiwoom Hero No.4 Private Equity Fund | - | 4,707 | - | - | - | 4,707 |
| Vogo Canister Professional Trust Private Fund I(*2) | - | 43,975 | - | - | - | 43,975 |
| Others | 85,517 | 25,966 | 19,814 | (5) | - | 131,292 |
| | ₩ 1,452,861 | 1,056,238 | 159,533 | (1,457) | (9,407) | 2,657,768 |

(*1) The Group has stopped recognizing its equity method income or loss due to the carrying value of '0' resulting from the investees' cumulative loss.

(*2) Classified as investments in associates without cash transactions.

(*3) For the year ended December 31, 2020, it is incorporated into the consolidation target as it held control due to increased equity ratio.

(*4) For the year ended December 31, 2020, it is incorporated into the investments in associates as Neoplux Co., Ltd. is incorporated into the consolidation target.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows:

| Investees | December 31, 2021 | | | | | | |
|--|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|--|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) | |
| BNP Paribas Cardif Life Insurance | ₩ 3,268,153 | 2,974,519 | 48,207 | (4,499) | (39,454) | (43,953) | |
| Songrim Partners | 1,003 | 1,065 | 548 | - | - | - | |
| Partners 4th Growth Investment Fund | 60,073 | 7,939 | 52,019 | 50,100 | 18,774 | 68,874 | |
| KTB Newlake Global Healthcare PEF | 30,969 | 161 | 552 | 27 | - | 27 | |
| Shinhan-Neoplux Energy Newbiz Fund | 66,213 | 1,002 | 20,575 | 18,016 | - | 18,016 | |
| Shinhan-Albatross tech investment Fund | 20,677 | 464 | 12,058 | 10,912 | - | 10,912 | |
| VOGO Debt Strategy Qualified IV Private | 35,919 | 23 | 5,393 | 1,138 | - | 1,138 | |
| Shinhan-Midas Donga Secondary Fund | 7,902 | - | 72 | (602) | - | (602) | |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | 17,960 | 352 | 27,318 | 8,906 | - | 8,906 | |
| Shinhan Praxis K-Growth Global Private Equity Fund | 41,193 | 60 | 1,217 | 669 | - | 669 | |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | 49,101 | 38,596 | 2,505 | (9,199) | - | (9,199) | |
| AIP EURO Green Private Real Estate Trust No.3 | 219,110 | 79,534 | 52,789 | 47,070 | - | 47,070 | |
| Shinhan Global Healthcare Fund 1 | 43 | 3,507 | - | (1,414) | - | (1,414) | |
| KB NA Hickory Private Special Asset Fund | 91,752 | 84 | 15,540 | 4,502 | - | 4,502 | |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | 46,169 | 1,894 | 7,743 | 4,719 | - | 4,719 | |
| BNP Paribas Cardif General Insurance | 140,179 | 78,748 | 61,951 | (6,872) | (28) | (6,900) | |
| Hermes Private Investment Equity Fund | 33,545 | 8 | 23,536 | 23,486 | - | 23,486 | |
| Shinhan-Nvestor Liquidity Solution Fund | 21,420 | - | 2,169 | 2,064 | - | 2,064 | |
| Shinhan AIM FoF Fund 1a | 36,651 | 28 | 4,527 | (1,466) | - | (1,466) | |
| IGIS Global Credit Fund 150-1 | 21,625 | 16 | 3,138 | 1,763 | - | 1,763 | |
| Partner One Value up I Private Equity Fund | 28,273 | - | 304 | 10,910 | - | 10,910 | |
| Genesis No.1 Private Equity Fund | 243,534 | - | - | (109,494) | - | (109,494) | |
| Korea Omega Project Fund III | 18,234 | - | 3,154 | 3,093 | - | 3,093 | |
| Soo Delivery Platform Growth Fund | 19,578 | - | 6,243 | 6,018 | - | 6,018 | |
| Genesis North America Power Company No.1 PEF | 34,626 | 316 | 11,654 | 4,951 | - | 4,951 | |
| SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | 178,427 | 358 | 28,997 | 27,719 | - | 27,719 | |
| Korea Finance Security | 35,044 | 14,966 | 63,693 | (412) | - | (412) | |
| MIEL CO.,LTD. | 491 | 632 | 36 | (56) | - | (56) | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows(continued):

| Investees | December 31, 2021 | | | | | | |
|--|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|--|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) | |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | ₩ 104,512 | 7,415 | 16,239 | 3,773 | - | 3,773 | |
| E&Healthcare Investment Fund No.6 | 32,615 | - | 17,133 | (23,116) | - | (23,116) | |
| One Shinhan Global Fund 1 | 15,799 | 41 | 8,276 | (1,280) | - | (1,280) | |
| Kiwoom-Shinhan Innovation Fund I | 23,613 | 151 | 4,803 | 1,823 | - | 1,823 | |
| Daishin-K&T New Technology Investment Fund | 25,637 | 66 | 8,639 | 3,171 | - | 3,171 | |
| Midas Asset Global CRE Debt Private Fund No.6 | 117,396 | 49 | 2,817 | 1,451 | - | 1,451 | |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | 65,966 | 35 | 11,141 | (4,113) | - | (4,113) | |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | 126,043 | 23 | 6,544 | 6,048 | - | 6,048 | |
| NH-Amundi Global Infrastructure Trust 14 | 61,005 | 1 | 4,134 | 4 | - | 4 | |
| Jarvis Memorial Private Investment Trust 1 | 10,214 | 4 | 39 | 35 | - | 35 | |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 | 55,273 | 19 | 6,500 | 23 | - | 23 | |
| Milestone Private Real Estate Fund 3 | 57,956 | 114 | 1,880 | 1,522 | - | 1,522 | |
| Nomura-Rifa Private Real Estate Investment Trust 31 | 97,211 | 72,103 | 7,364 | 639 | - | 639 | |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | 48,157 | 33 | 2,106 | 1,991 | - | 1,991 | |
| Cape IT Fund No.3 | 30,651 | 52 | 2,100 | (11) | - | (11) | |
| FuturePlay-Shinhan TechInnovation Fund 1 | 14,297 | - | 3 | (342) | - | (342) | |
| Stonebridge Corporate 1st Fund | 6,718 | - | 1 | (622) | - | (622) | |
| Vogo Realty Partners Private Real Estate Fund V | 49,842 | 82 | 2,110 | (2,066) | - | (2,066) | |
| Korea Credit Bureau | 129,478 | 43,981 | 121,982 | 8,988 | - | 8,988 | |
| Goduck Gangill PFV Co., Ltd | 301,513 | 317,276 | 88,085 | (1,835) | - | (1,835) | |
| SBC PFV Co., Ltd. | 334,262 | 175,976 | - | (4,462) | - | (4,462) | |
| NH-amundi global infra private fund 16 | 297,837 | 193,821 | 25,560 | 14,770 | - | 14,770 | |
| IMM Global Private Equity Fund | 362,514 | 3,099 | 50,060 | 24,933 | - | 24,933 | |
| HANA Alternative Estate Professional Private122 | 39,878 | 38 | 2,608 | 1,160 | - | 1,160 | |
| SH Corporate Professional Investment Type Private Security Investment Trust No.7 | 268,037 | 167,939 | 3,231 | 415 | - | 415 | |
| SH BNCT Professional Investment Type Private Special Asset Investment Trust | 389,240 | - | 14,978 | 14,978 | - | 14,978 | |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 | 54,914 | 756 | 23,920 | 2,948 | - | 2,948 | |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | 3,351 | - | 2,002 | 2,002 | - | 2,002 | |
| Sparklabs-Shinhan Opportunity Fund 1 | 9,372 | - | - | (388) | - | (388) | |
| BNW Tech-Innovation Private Equity Fund | 20,215 | 513 | 95 | (204) | - | (204) | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows(continued):

| Investees | December 31, 2021 | | | | | |
|--|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| IGIS Real-estate Private Investment Trust No.33 | ₩ 87,790 | 53,808 | 1,123 | 440 | - | 440 |
| WWG Global Real Estate Investment Trust no.4 | 36,030 | 11 | 2,538 | 293 | - | 293 |
| Goduck Gangil10 PFV Co., Ltd | 253,607 | 261,969 | - | (8,526) | - | (8,526) |
| Fidelis Global Private Real Estate Trust No.2 | 25,271 | 6 | 1,575 | 1,532 | - | 1,532 |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | 172,398 | 909 | 23,567 | 21,983 | - | 21,983 |
| Shinhan Healthcare Fund 2 | 35 | 138 | 340 | (7,310) | - | (7,310) |
| Pebblestone CGV Private Real Estate Trust No.1 | 64,667 | 36,415 | 7,147 | 2,350 | - | 2,350 |
| Shinhan AIM Real Estate Fund No.2 | 79,162 | 1,580 | 9,672 | (3,666) | - | (3,666) |
| Shinhan AIM Real Estate Fund No.1 | 226,809 | 15,901 | 20,209 | 8,467 | - | 8,467 |
| SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust | 149,702 | 75 | 4,451 | 4,152 | - | 4,152 |
| SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust | 70,637 | 236 | - | (1,231) | - | (1,231) |
| SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2(USD) | 26,429 | 33 | 2,310 | (2,105) | - | (2,105) |
| Korea Omega-Shinhan Project Fund I | 14,488 | - | - | (1,373) | - | (1,373) |
| ST-Bonanja Food tech | 8,650 | - | 3,666 | 3,519 | - | 3,519 |
| Samsung SRA Real Estate Professional Private 45 | 56,083 | 4,564 | 3,833 | (1,769) | - | (1,769) |
| IBK Global New Renewable Energy Special Asset Professional Private2 | 114,645 | 4,633 | 5,520 | 5,265 | - | 5,265 |
| VS Cornerstone Fund | 8,281 | - | 2 | (132) | - | (132) |
| Aone Mezzanine Opportunity Professional Private | 15,247 | 800 | 1,409 | (18) | - | (18) |
| NH-Amundi US Infrastructure Private Fund2 | 104,374 | 61 | 6,769 | 5,351 | - | 5,351 |
| KB Distribution Private Real Estate1 | 50,014 | 508 | 2,335 | 2,289 | - | 2,289 |
| SH Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | 43,540 | 155 | 7,216 | 2,216 | - | 2,216 |
| Kakao-Shinhan 1st TNYT Fund | 29,948 | 133 | 8 | (379) | - | (379) |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | 57,965 | 3 | 4,610 | 4,418 | - | 4,418 |
| Pacific Private Placement Real Estate Fund No.40 | 46,898 | - | 398 | 398 | - | 398 |
| Mastern Private Real Estate Loan Fund No.2 | 22,453 | 139 | 549 | 410 | - | 410 |
| LB Scotland Amazon Fulfillment Center Fund 29 | 44,614 | 37 | 5,177 | 3,345 | - | 3,345 |
| JR AMC Hungary Budapest Office Fund 16 | 38,545 | 1,271 | - | - | - | - |
| EDNCENTRAL Co.,Ltd. | 94,405 | 96,892 | 1,381 | (5,093) | - | (5,093) |
| Future-Creation Neoplux Venture Capital Fund | 22,488 | 3,919 | 10,294 | 1,332 | - | 1,332 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows(continued):

| Investees | December 31, 2021 | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| Gyeonggi-Neoplux Superman Fund ₩ | 36,815 | 620 | 21,349 | 17,163 | - | 17,163 |
| NewWave 6th Fund | 48,185 | - | 4,009 | 2,434 | - | 2,434 |
| KTC-NP Growth Champ 2011-2 Private Equity Fund | 80,853 | 9,024 | 20,479 | 20,472 | - | 20,472 |
| Neoplux No.3 Private Equity Fund | 226,970 | 962 | 38,467 | 21,233 | - | 21,233 |
| PCC Amberstone Private Equity Fund I | 105,169 | - | 12,174 | 12,302 | - | 12,302 |
| KIAMCO POWERLOAN TRUST 4TH | 95,658 | 24 | 3,282 | 3,188 | - | 3,188 |
| Mastern Opportunity Seeking Real Estate Fund II | 111,276 | 4,692 | 11,332 | 11,274 | - | 11,274 |
| AION ELFIS PROFESSIONAL PRIVATE 1 | 22,143 | 31 | 4,212 | 1,219 | - | 1,219 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | 15,062 | 374 | - | (312) | - | (312) |
| Neoplux Market-Frontier Secondary Fund | 58,273 | 954 | 7,913 | 1,932 | - | 1,932 |
| Harvest Private Equity Fund II | 15,877 | 97 | 2,496 | 2,262 | - | 2,262 |
| Synergy Green New Deal 1st New Technology Business Investment Fund | 34,379 | - | 977 | (272) | - | (272) |
| KAIM Real-estate Private Investment Trust 20 | 13,125 | - | 125 | 125 | - | 125 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust | 15,065 | 12 | - | - | - | - |
| Daishin New Technology Investment Fund 5th | 18,970 | 30 | 6,903 | 6,778 | - | 6,778 |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10 | 5,269 | 75 | 425 | 195 | - | 195 |
| Acurus Hyundai Investment Partners New Technology | 17,642 | 42 | 6,881 | 6,679 | - | 6,679 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1 | 60,740 | 59 | 6,767 | 6,637 | 2,339 | 8,976 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2 | 60,740 | 59 | 6,767 | 6,637 | 2,339 | 8,976 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | 134,667 | 94,282 | 6 | (8,090) | - | (8,090) |
| SHINHAN-NEO Core Industrial Technology Fund | 11,439 | - | 5 | (499) | - | (499) |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | 90,848 | 38 | 3,650 | 2,767 | - | 2,767 |
| SIMONE Mezzanine Fund No.3 | 10,404 | 9 | 345 | 253 | - | 253 |
| Eum Private Equity Fund No.7 | 37,495 | - | - | (573) | - | (573) |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows(continued) :

| Investees | December 31, 2021 | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund | ₩ 30,434 | 59 | 10,475 | 10,241 | - | 10,241 |
| Kiwoom Hero No.4 Private Equity Fund | 20,478 | 29 | 1 | (1,908) | - | (1,908) |
| Vogo Canister Professional Trust Private Fund I | 112,505 | 72 | 16,029 | 4,949 | - | 4,949 |
| SW-S Fund | 22,191 | - | - | (909) | - | (909) |
| CL Buyout 1st PEF | 64,518 | 159 | 1 | (390) | - | (390) |
| Timefolio The Venture-V second | 22,829 | 769 | 3,361 | 2,941 | - | 2,941 |
| Newlake Growth Capital Partners2 PEF | 43,187 | - | 290 | (263) | - | (263) |
| Shinhan Smilegate Global PEF I | 23,469 | - | - | (281) | - | (281) |
| Fount Professional Investors Private Investment Trust No.3 | 10,416 | 17 | 411 | 394 | - | 394 |
| Genesis Eco No.1 PEF | 38,369 | 4 | 308 | (377) | - | (377) |
| SHINHAN-NEO Market-Frontier 2nd Fund | 58,138 | 513 | 1,466 | (2,375) | - | (2,375) |
| NH-Synergy Core Industrial New Technology Fund | 17,430 | - | - | (170) | - | (170) |
| J& Moorim Jade Investment Fund | 22,265 | 6 | 356 | 160 | - | 160 |
| Ulmus SHC innovation investment fund | 21,601 | - | 956 | 801 | - | 801 |
| Mirae Asset Partners X Private Equity Fund | 22,035 | 33 | 1 | (398) | - | (398) |
| T Core Industrial Technology 1st Venture PEF | 14,418 | 5 | 197 | 113 | - | 113 |
| Curious Finale Corporate Recovery Private Equity Fund | 13,346 | 61 | 1,275 | 1,126 | - | 1,126 |
| TI First Property Private Investment Trust 1 | 7,654 | 17 | 156 | 139 | - | 139 |
| MPLUS Professional Private Real Estate Fund 25 | 8,186 | 290 | 451 | 396 | - | 396 |
| IBKC Global Contents Investment Fund | 20,265 | - | - | (235) | - | (235) |
| Nautic Smart No.6 Private Equity Fund | 10,565 | 32 | 50 | (68) | - | (68) |
| Premier Luminous Private Equity Fund | 25,170 | 3 | - | (375) | - | (375) |
| Hanyang-Meritz 1 Fund | 15,423 | - | - | (77) | - | (77) |
| KNT 2ND PRIVATE EQUITY FUND | 19,133 | 9 | 5,402 | 5,324 | - | 5,324 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows(continued) :

| Investees | December 31, 2021 | | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|--|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) | |
| Maple Mobility Fund | ₩ 43,024 | 1 | - | (2,930) | - | (2,930) | |
| AVES 1st Corporate Recovery Private Equity Fund | 6,215 | - | - | (85) | - | (85) | |
| JS Shinhan Private Equity Fund | 130,967 | 1 | 7 | (1,036) | - | (1,036) | |
| Daishin Newgen New Technology Investment Fund 1 st | 24,050 | 2 | 1 | 8,238 | - | 8,238 | |
| META ESG Private Equity Fund I | 21,722 | - | 1 | (178) | - | (178) | |
| SWFV FUND-1 | 24,055 | 90 | - | (135) | - | (135) | |
| PHAROS DK FUND | 16,349 | 60 | - | (210) | - | (210) | |
| Shinhan VC tomorrow venture fund 1 | 22,603 | - | 23 | (397) | - | (397) | |
| Highland 2021-8 Fund | 15,000 | 2 | - | (2) | - | (2) | |
| Medicii 2021-3 Fund | 39,217 | 15 | - | (98) | - | (98) | |
| Tres-Yujin Trust | 20,000 | 11 | - | (11) | - | (11) | |
| Shinhan-Time mezzanine blind Fund | 29,885 | - | - | (115) | - | (115) | |
| Capstone REITs No.26 | 12,223 | 3,433 | - | - | - | - | |
| JB Incheon-Bucheon REITS No.54 | 12,718 | 2 | - | (2) | - | (2) | |
| Hankook Smart Real Asset Investment Trust No.3 | 13,146 | 120 | 532 | 506 | - | 506 | |
| JB Hwaseong-Hadong REITs No.53 | 16,113 | 2 | - | (2) | - | (2) | |
| KB Oaktree Trust No.3 | 9,552 | 77 | 130 | 52 | - | 52 | |
| Daehan No.36 Office Asset Management Company | 133,884 | 95,993 | 1,000 | 111 | - | 111 | |
| Rhinos Premier Mezzanine Private Investment Fund No.1 | 10,759 | - | 19 | 17 | - | 17 | |
| SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | 66,959 | 12 | 1,617 | 1,605 | - | 1,605 | |
| Shinhan JigaeNamsan Road Private Special Asset Investment Trust | 161,417 | 27 | 467 | 440 | - | 440 | |
| SKS-Yozma Fund No.1 | 19,915 | - | 1 | (185) | - | (185) | |

(*) Excluded the financial information of associates that are not subject to equity method due to disposal or of which the financial information is not available as of end of the year.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows(continued):

| Investees | December 31, 2020 | | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|--|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) | |
| BNP Paribas Cardif Life Insurance | ₩ 3,526,148 | 3,188,562 | 38,669 | (6,555) | (7,052) | (13,607) | |
| Songrim Partners | 1,003 | 1,065 | 548 | - | - | - | |
| Partners 4th Growth Investment Fund | 48,678 | 846 | 7,231 | 6,059 | - | 6,059 | |
| KTB Newlake Global Healthcare PEF | 31,005 | 225 | 598 | 244 | - | 244 | |
| Daekwang Semiconductor Co., Ltd. | 23,682 | 6,339 | 3,836 | 1,163 | - | 1,163 | |
| Shinhan-Neoplux Energy Newbiz Fund | 44,615 | 25 | 4,221 | 1,749 | - | 1,749 | |
| Shinhan-Albatross tech investment Fund | 27,685 | 385 | 982 | 594 | - | 594 | |
| Eum Private Equity Fund No.3 | 20 | 4 | 13,445 | 9,875 | - | 9,875 | |
| Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund | 1 | 1 | 89 | 89 | - | 89 | |
| Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund | 2 | 2 | 363 | 361 | - | 361 | |
| VOGO Debt Strategy Qualified INV Private | 43,540 | 28 | 6,361 | 2,359 | - | 2,359 | |
| Shinhan-Midas Donga Secondary Fund | 9,504 | - | 365 | 233 | - | 233 | |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | 41,532 | - | 16,561 | 16,349 | - | 16,349 | |
| Shinhan Praxis K-Growth Global Private Equity Fund | 52,890 | 183 | 201 | (2,306) | - | (2,306) | |
| Credian Healthcare Private Equity Fund II | 17,141 | 15 | 25,926 | 24,638 | - | 24,638 | |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | 58,393 | 38,558 | 2,772 | (449) | - | (449) | |
| AIP EURO Green Private Real Estate Trust No.3 | 98,866 | 86 | 6,893 | 6,231 | - | 6,231 | |
| Hanhwa US Equity Strategy Private Real Estate Fund No.1 | 5,798 | 721 | 32,667 | 7,180 | - | 7,180 | |
| Shinhan Global Healthcare Fund I | 55 | 2,104 | 1,034 | (74,736) | - | (74,736) | |
| JB Power TL Investment Type Private Placement Special Asset Fund 7 | 48,605 | 45 | 23,547 | 2,251 | - | 2,251 | |
| KB NA Hickory Private Special Asset Fund | 93,236 | 69 | 13,464 | 4,312 | - | 4,312 | |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | 46,239 | 3,948 | 4,920 | 877 | - | 877 | |
| BNP Paribas Cardif General Insurance | 85,278 | 33,063 | 23,632 | (7,972) | (161) | (8,133) | |
| Hermes Private Investment Equity Fund | 20,919 | 8 | 11 | (948) | - | (948) | |
| Shinhan-Nvestor Liquidity Solution Fund | 18,032 | - | 2,704 | 2,537 | - | 2,537 | |
| Shinhan AIM FoF Fund 1a | 35,060 | 20 | 4,378 | 777 | - | 777 | |
| IGIS Global Credit Fund 150-1 | 29,153 | 24 | 10,076 | 6,263 | - | 6,263 | |
| Soo Commerce Platform Growth Fund | 4,661 | 3 | 13,172 | 13,314 | - | 13,314 | |
| Partner One Value up I Private Equity Fund | 42,205 | - | 457 | (329) | - | (329) | |
| Genesis No.1 Private Equity Fund | 382,353 | 31,024 | 158,070 | 125,312 | - | 125,312 | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| Korea Omega Project Fund III | ₩ 15,141 | - | 2,383 | 2,323 | - | 2,323 |
| Soo Delivery Platform Growth Fund | 13,563 | 3 | 11,300 | 10,249 | - | 10,249 |
| Genesis North America Power Company No.1 PEF | 48,221 | 5,727 | 6,976 | 6,449 | - | 6,449 |
| Hyungje art printing | 866 | 1,130 | 253 | - | - | - |
| SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | 46,514 | 1,164 | 11,240 | 2,846 | - | 2,846 |
| Shinhan-Rhinos 1 Fund | 11,561 | 1 | 2,784 | 2,554 | - | 2,554 |
| Pacific Private Investment Trust No.20 | 13,805 | 11 | 974 | 974 | - | 974 |
| Susung Mezzanine project P1 Private Investment Trust | 3,220 | - | 3,412 | (373) | - | (373) |
| Korea Finance Security | 37,522 | 17,032 | 118,906 | (1,174) | - | (1,174) |
| Multimedia Tech Co.Ltd | 593 | 662 | 555 | (158) | - | (158) |
| MIEL CO.,LTD | 474 | 559 | 585 | (169) | - | (169) |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | 92,454 | 101 | 17,221 | 132 | - | 132 |
| DB Epic Convertiblebond Private Trust No.2 | 11,382 | 34 | 1,169 | 1,021 | - | 1,021 |
| E&Healthcare Investment Fund No.6 | 72,023 | - | 36,332 | 33,844 | - | 33,844 |
| One Shinhan Global Fund1 | 22,244 | - | 92 | (406) | - | (406) |
| Kiwoom-Shinhan Innovation Fund I | 32,096 | 158 | 2,984 | 2,371 | - | 2,371 |
| Daishin-K&T New Technology Investment Fund | 55,501 | 33,101 | 64 | (183) | - | (183) |
| Midas Asset Global CRE Debt Private Fund No.6 | 115,240 | 118 | 7,041 | 5,153 | - | 5,153 |
| Richmond Private Investment Trust No.82 | 49,961 | 24,879 | 1,658 | 1,306 | - | 1,306 |
| Tiger Alternative Real Estate Professional Private5 | 38,064 | 86 | 7,827 | 113 | - | 113 |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | 67,177 | 36 | 8,012 | (2,228) | - | (2,228) |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | 327,973 | 56 | 13,607 | 12,656 | - | 12,656 |
| NH-Amundi Global Infrastructure Trust 14 | 62,729 | 1 | 7,216 | 2,606 | - | 2,606 |
| Jarvis Memorial Private Investment Trust 1 | 10,147 | 4 | 651 | 647 | - | 647 |
| Mastern Private Private Invetstment Trust 68 | 18,620 | - | 878 | 877 | - | 877 |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 | 59,422 | 20 | 6,374 | 1,224 | - | 1,224 |
| Milestone Private Real Estate Fund 3 | 57,792 | 2 | 7,083 | 6,797 | - | 6,797 |
| IGIS Private Real Estate Investment Trust 286 | 74,406 | 53,065 | 5,298 | 696 | - | 696 |
| Nomura-Rifa Private Real Estate Investment Trust 31 | 98,291 | 71,442 | 7,584 | 1,356 | - | 1,356 |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | 62,682 | 45 | 6,511 | 6,169 | - | 6,169 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|--|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| Hana Semiconductor New Technology Fund | ₩ 111,661 | 12,346 | 70,303 | 56,926 | - | 56,926 |
| J&Magnet Startup Venture Specialized Private Equity Fund | 24,381 | 50 | 8,291 | 8,638 | - | 8,638 |
| Cape IT Fund No.3 | 32,448 | 75 | 4,145 | 3,837 | - | 3,837 |
| FuturePlay-Shinhan TechInnovation Fund 1 | 8,621 | 31 | 5 | (469) | - | (469) |
| Stonebridge Corporate 1st Fund | 7,342 | 1 | 679 | 584 | - | 584 |
| Vogo Realty Partners Private Real Estate Fund V | 50,139 | 99 | 8,137 | 4,701 | - | 4,701 |
| Korea Credit Bureau | 114,571 | 37,062 | 93,275 | 3,992 | - | 3,992 |
| Goduck Gangil1 PFV Co., Ltd | 334,349 | 348,276 | - | (10,065) | - | (10,065) |
| SBC PFV Co., Ltd | 119,994 | 7,199 | - | (7,169) | - | (7,169) |
| NH-amundi global infra private fund 16 | 87,908 | 230 | 20,499 | (6,215) | - | (6,215) |
| IMM Global Private Equity Fund | 367,570 | 1,368 | 17,222 | 2,995 | - | 2,995 |
| HANA Alternative Estate Professional Private122 | 39,449 | 38 | 6,836 | 5,487 | - | 5,487 |
| Hanwha-Incus Plus New Technology Fund No.1 | 25,860 | - | 13,169 | 12,961 | - | 12,961 |
| SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond] | 198,644 | 87,218 | 4,479 | 3,329 | - | 3,329 |
| SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust | 395,815 | - | 14,737 | 11,688 | - | 11,688 |
| PSA EMP Private Equity Fund | 33,953 | 97 | 8 | (393) | - | (393) |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 | 57,026 | 784 | 13,342 | 339 | - | 339 |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | 11,827 | 12 | 1,414 | 1,292 | - | 1,292 |
| UI Venture Fund 7th | 13,466 | 21 | 2,044 | 1,145 | - | 1,145 |
| Sparklabs-Shinhan Opportunity Fund 1 | 9,760 | - | - | (340) | - | (340) |
| BNW Tech-Innovation Private Equity Fund | 20,119 | 213 | 45 | (194) | - | (194) |
| IGIS Real-estate Private Investment Trust No.33 | 88,319 | 53,812 | 1,570 | 378 | - | 378 |
| Findvalue PreIPO 6th Professional Investment Type Private Investment Trust | 9,505 | - | 5 | 5 | - | 5 |
| WWG Global Real Estate Investment Trust no.4 | 60,083 | 12 | 8,431 | 2,971 | - | 2,971 |
| Fidelis Global Private Real Estate Trust No.2 | 24,901 | 2 | 1,902 | 1,214 | - | 1,214 |
| IGIS PRIVATE REAL ESTATE TRUST NO.331 | 57,655 | 45,417 | 20 | (388) | - | (388) |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | 173,538 | 783 | 40,882 | 13,425 | - | 13,425 |
| Pebblestone CGV Private Real Estate Trust No.1 | 63,907 | 36,405 | 7,451 | 1,141 | - | 1,141 |
| Shinhan AIM Real Estate Fund No.2 | 75,018 | 138 | 7,611 | (45,741) | - | (45,741) |
| Shinhan AIM Real Estate Fund No.1 | 223,471 | 28 | 22,855 | 7,284 | - | 7,284 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows (continued) :

| Investees | December 31, 2020 | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business] | ₩ 149,686 | 75 | 3,342 | 3,117 | - | 3,117 |
| SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business] | 71,774 | 169 | 4,948 | (3,773) | - | (3,773) |
| SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | 9,380 | 12 | 576 | (814) | - | (814) |
| SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative] | 61,389 | 45,239 | 47,240 | (46) | - | (46) |
| Korea Omega-Shinhan Project Fund I | 11,861 | - | - | (139) | - | (139) |
| New Green Shinhan Mezzanine Fund | 12,538 | 1 | 2,387 | 2,337 | - | 2,337 |
| KORAMKO-Daum Professional Private Investment Trust No.12 | 22,740 | 157 | 1,949 | 1,792 | - | 1,792 |
| Samsung SRA Real Estate Professional Private 45[FoFs] | 42,895 | 230 | 4,155 | (355) | - | (355) |
| IBK Global New Renewable Energy Special Asset Professional Private2 | 116,284 | 4,679 | 19,514 | 10,943 | - | 10,943 |
| VS Cornerstone Fund | 8,413 | - | 2 | (87) | - | (87) |
| Aone Mezzanine Opportunity Professional Private | 14,530 | 40 | 2,507 | 2,390 | - | 2,390 |
| KiwoomUnicorn3New Technology Business Investment Fund | 20,132 | - | 6,112 | 6,031 | - | 6,031 |
| Multi Asset The United States Thortons Professional Private1 | 165,775 | 15 | 2,111 | 671 | - | 671 |
| Kiwoom Milestone US Real Estate Professional Private20 | 68,591 | 157 | 3,508 | 2,286 | - | 2,286 |
| NH-Amundi US Infrastructure Private Fund2 | 99,409 | 1,248 | 16,758 | 3,025 | - | 3,025 |
| KB Distribution Private Real Estate1 | 50,013 | 500 | 1,174 | 1,151 | - | 1,151 |
| SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust [Infra business] | 71,647 | 54 | 2,677 | 2,571 | - | 2,571 |
| SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 [Loan-Derivative] | 97,412 | 248 | 5,176 | 2,993 | - | 2,993 |
| Kakao-Shinhan 1st TNYT Fund | 12,014 | 331 | 2 | (657) | - | (657) |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | 54,328 | 33 | 4,378 | 4,344 | - | 4,344 |
| Pacific Private Placement Real Estate Fund No.40 | 145,123 | 98,029 | 2,554 | 1,511 | - | 1,511 |
| Mastern Private Real Estate Loan Fund No.2 | 17,156 | 201 | 98 | (143) | - | (143) |
| LB Scotland Amazon Fulfillment Center Fund 29 | 44,483 | 28 | 1,975 | 612 | - | 612 |
| JR AMC Hungary Budapest Office Fund 16 | 38,581 | 1,112 | 2,531 | 2,531 | - | 2,531 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2021 and 2020 are as follows (continued) :

| Investees | December 31, 2020 | | | | | |
|---|-------------------|-----------|-------------------|-------------------|-----------------------------------|-----------------------------------|
| | Asset | Liability | Operating revenue | Net profit (loss) | Other comprehensive income (loss) | Total comprehensive income (loss) |
| IGIS 372 Real Estate Professional Private | ₩ 628,769 | 428,577 | 10,221 | (4,808) | - | (4,808) |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund | 18,460 | 2,824 | 1,673 | 240 | - | 240 |
| Future-Creation Neoplux Venture Capital Fund | 27,271 | 4,137 | 7,270 | 4,300 | - | 4,300 |
| Gyeonggi-Neoplux Superman Fund | 31,898 | 186 | 533 | (212) | - | (212) |
| NewWave 6th Fund | 20,501 | - | 2,757 | 1,528 | - | 1,528 |
| Neoplux No.3 Private Equity Fund | 103,712 | 756 | 9,114 | (7,108) | - | (7,108) |
| PCC Amberstone Private Equity Fund I | 104,930 | 1,194 | 12,280 | 5,501 | - | 5,501 |
| KIAMCO POWERLOAN TRUST 4TH | 92,817 | 23 | 815 | 1,193 | - | 1,193 |
| Mastern Opportunity Seeking Real Estate Fund II | 99,087 | 93 | 1,391 | 1,453 | - | 1,453 |
| AION ELFIS PROFESSIONAL PRIVATE 1 | 27,672 | 30 | 2,710 | 2,642 | - | 2,642 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | 15,074 | 73 | - | (160) | - | (160) |
| Neoplux Market-Frontier Secondary Fund | 56,363 | 1,636 | 1,359 | (339) | - | (339) |
| Synergy Green New Deal 1st New Technology Business Investment Fund | 35,539 | 12 | 39 | 27 | - | 27 |
| KAIM Real-estate Private Investment Trust 20 | 13,254 | - | 254 | 254 | - | 254 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust | 15,902 | 6 | - | (404) | - | (404) |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10 | 5,010 | 10 | 10 | - | - | - |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1 | 45,582 | 9 | - | (9) | - | (9) |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2 | 45,582 | 9 | - | (9) | - | (9) |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | 141,811 | 93,336 | 1 | 1,290 | - | 1,290 |
| IGIS Professional Investors Private Investment Real Estate Investment LLC No.395 | 116,853 | 66,459 | - | (605) | - | (605) |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | 70,487 | 14 | 194 | 180 | - | 180 |
| Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund | 20,174 | 40 | 4,210 | 4,134 | - | 4,134 |
| Kiwoom Hero No.4 Private Equity Fund | 22,359 | 1 | - | 3,358 | - | 3,358 |
| Vogo Canister Professional Trust Private Fund I | 119,968 | 76 | 17,022 | 4,148 | - | 4,148 |

(*) Excluded the financial information of associates that are not subject to equity method due to disposal or of which the financial information is not available as of end of the year.

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying value of its interests in the associates as of December 31, 2021 and 2020 are as follows:

| Investees | December 31, 2021 | | | | | |
|--|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| BNP Paribas Cardif Life Insurance | ₩ 293,634 | 14.99 | 44,039 | (17) | - | 44,022 |
| Songrim Partners(*1) | (62) | 35.34 | (22) | - | 22 | - |
| Partners 4th Growth Investment Fund | 52,134 | 25.00 | 13,033 | - | - | 13,033 |
| KTB Newlake Global Healthcare PEF(*1) | 30,808 | 30.00 | 9,299 | - | 113 | 9,412 |
| Shinhan-Neoplux Energy Newbiz Fund | 65,211 | 31.66 | 16,032 | - | - | 16,032 |
| Shinhan-Albatross tech investment Fund | 20,213 | 50.00 | 10,389 | - | - | 10,389 |
| VOGO Debt Strategy Qualified IV Private | 35,896 | 20.00 | 7,179 | - | - | 7,179 |
| Shinhan-Midas Donga Secondary Fund | 7,902 | 50.00 | 3,951 | - | - | 3,951 |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | 17,608 | 24.00 | 4,226 | - | - | 4,226 |
| Shinhan Praxis K-Growth Global Private Equity Fund | 41,133 | 18.87 | 7,761 | - | - | 7,761 |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | 10,505 | 50.00 | 5,253 | - | - | 5,253 |
| AIP EURO Green Private Real Estate Trust No.3 | 139,576 | 21.28 | 29,703 | - | - | 29,703 |
| Shinhan Global Healthcare Fund I(*1) | (3,464) | 4.41 | (153) | - | 153 | - |
| KB NA Hickory Private Special Asset Fund | 91,668 | 37.50 | 34,376 | - | - | 34,376 |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | 44,275 | 44.02 | 19,492 | - | - | 19,492 |
| BNP Paribas Cardif General Insurance | 61,431 | 5.46 | 3,354 | - | - | 3,354 |
| Hermes Private Investment Equity Fund | 33,537 | 29.17 | 9,782 | - | - | 9,782 |
| Shinhan-Nvestor Liquidity Solution Fund | 21,420 | 24.92 | 5,338 | - | - | 5,338 |
| Shinhan AIM FoF Fund 1a | 36,623 | 25.00 | 9,156 | - | - | 9,156 |
| IGIS Global Credit Fund 150-1 | 21,609 | 25.00 | 5,402 | - | - | 5,402 |
| Partner One Value up I Private Equity Fund | 28,273 | 27.91 | 7,891 | - | - | 7,891 |
| Genesis No.1 Private Equity Fund | 243,534 | 22.80 | 55,533 | - | - | 55,533 |
| Korea Omega Project Fund III | 18,234 | 23.53 | 4,290 | - | - | 4,290 |
| Soo Delivery Platform Growth Fund | 19,578 | 30.00 | 5,873 | - | - | 5,873 |
| Genesis North America Power Company No.1 PEF | 34,310 | 40.03 | 13,736 | - | - | 13,736 |
| SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | 178,069 | 23.33 | 41,549 | - | - | 41,549 |
| Korea Finance Security | 20,078 | 14.91 | 2,994 | - | - | 2,994 |
| MIEL CO.,LTD.(*1) | (141) | 28.77 | (41) | - | 41 | - |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying value of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | | Carrying amount |
|--|-------------------|-------------------|-------------------------------------|--------------------------|---------|---------|-----------------|
| | Net assets (a) | Ownership (%) (b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | | |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | ₩ 97,097 | 35.73 | 34,688 | - | - | 34,688 | |
| E&Healthcare Investment Fund No.6 | 32,615 | 21.05 | 6,866 | - | - | 6,866 | |
| One Shinhan Global Fund 1 | 15,758 | 20.56 | 3,773 | - | - | 3,773 | |
| Kiwoom-Shinhan Innovation Fund I | 23,462 | 50.00 | 11,731 | - | - | 11,731 | |
| Daishin-K&T New Technology Investment Fund | 25,571 | 31.25 | 7,991 | - | - | 7,991 | |
| Midas Asset Global CRE Debt Private Fund No.6 | 117,347 | 41.16 | 48,305 | - | - | 48,305 | |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | 65,931 | 42.92 | 27,471 | - | - | 27,471 | |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | 126,020 | 20.00 | 25,204 | - | - | 25,204 | |
| NH-Amundi Global Infrastructure Trust 14 | 61,004 | 30.00 | 18,301 | - | - | 18,301 | |
| Jarvis Memorial Private Investment Trust 1 | 10,210 | 99.01 | 10,109 | - | - | 10,109 | |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 | 55,254 | 60.00 | 33,153 | - | - | 33,153 | |
| Milestone Private Real Estate Fund 3 | 57,842 | 32.06 | 18,544 | - | - | 18,544 | |
| Nomura-Rifa Private Real Estate Investment Trust 31 | 25,108 | 31.31 | 7,902 | - | - | 7,902 | |
| SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | 48,124 | 21.27 | 10,236 | - | - | 10,236 | |
| Cape IT Fund No.3 | 30,599 | 32.89 | 10,065 | - | - | 10,065 | |
| FuturePlay-Shinhan TechInnovation Fund 1 | 14,297 | 50.00 | 7,149 | - | - | 7,149 | |
| Stonebridge Corporate 1st Fund | 6,718 | 44.12 | 2,964 | - | - | 2,964 | |
| Vogo Realty Partners Private Real Estate Fund V | 49,760 | 21.64 | 10,766 | - | - | 10,766 | |
| Korea Credit Bureau | 85,497 | 9.00 | 7,695 | - | - | 7,695 | |
| Goduck Gangil1 PFV Co., Ltd>(*1) | (15,763) | 1.04 | (164) | - | 164 | - | |
| SBC PFV Co., Ltd.(*1) | 158,286 | 25.00 | 34,581 | - | (4,995) | 29,586 | |
| NH-amundi global infra private fund 16 | 104,016 | 50.00 | 52,008 | - | - | 52,008 | |
| IMM Global Private Equity Fund | 359,415 | 33.00 | 118,615 | - | - | 118,615 | |
| HANA Alternative Estate Professional Private122 | 39,840 | 74.02 | 29,489 | - | - | 29,489 | |
| SH Corporate Professional Investment Type Private Security Investment Trust No.7 | 100,098 | 45.96 | 49,899 | - | - | 49,899 | |
| SH BNCT Professional Investment Type Private Special Asset Investment Trust | 389,240 | 72.50 | 282,199 | - | - | 282,199 | |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 | 54,158 | 52.28 | 28,312 | - | - | 28,312 | |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | 3,351 | 29.13 | 976 | - | - | 976 | |
| Sparklabs-Shinhan Opportunity Fund 1 | 9,372 | 49.50 | 4,640 | - | - | 4,640 | |
| BNW Tech-Innovation Private Equity Fund | 19,702 | 29.85 | 5,881 | - | - | 5,881 | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying value of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | |
|--|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| IGIS Real-estate Private Investment Trust No.33 | ₩ 33,982 | 40.86 | 13,884 | - | - | 13,884 |
| WWG Global Real Estate Investment Trust no.4 | 36,019 | 29.55 | 10,644 | - | - | 10,644 |
| Goduck Gangil10 PFV Co., Ltd(*1) | (8,362) | 19.90 | (1,664) | - | 1,664 | - |
| Fidelis Global Private Real Estate Trust No.2 | 25,265 | 78.26 | 19,773 | - | - | 19,773 |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | 171,489 | 28.70 | 49,217 | - | - | 49,217 |
| Shinhan Healthcare Fund 2(*1) | (103) | 13.68 | (14) | - | 14 | - |
| Pebblestone CGV Private Real Estate Trust No.1 | 28,252 | 48.53 | 13,710 | - | - | 13,710 |
| Shinhan AIM Real Estate Fund No.2 | 77,582 | 30.00 | 23,275 | - | - | 23,275 |
| Shinhan AIM Real Estate Fund No.1 | 210,908 | 21.01 | 44,312 | - | - | 44,312 |
| SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust | 149,627 | 22.02 | 32,948 | - | - | 32,948 |
| SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust | 70,401 | 29.19 | 20,550 | - | - | 20,550 |
| SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2(USD) | 26,396 | 71.43 | 18,855 | - | - | 18,855 |
| Korea Omega-Shinhan Project Fund I | 14,488 | 50.00 | 7,244 | - | - | 7,244 |
| ST-Bonanja Food tech | 8,650 | 38.83 | 3,359 | - | - | 3,359 |
| Samsung SRA Real Estate Professional Private 45 | 51,519 | 25.00 | 12,880 | - | - | 12,880 |
| IBK Global New Renewable Energy Special Asset Professional Private2 | 110,012 | 28.98 | 31,887 | - | - | 31,887 |
| VS Cornerstone Fund | 8,281 | 41.18 | 3,410 | - | - | 3,410 |
| Aone Mezzanine Opportunity Professional Private | 14,447 | 66.09 | 9,540 | - | - | 9,540 |
| NH-Amundi US Infrastructure Private Fund2 | 104,313 | 25.91 | 27,024 | - | - | 27,024 |
| KB Distribution Private Real Estate1 | 49,506 | 62.00 | 30,694 | - | - | 30,694 |
| SH Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | 43,385 | 30.00 | 13,016 | - | - | 13,016 |
| Kakao-Shinhan 1st TNYT Fund | 29,815 | 48.62 | 14,497 | - | - | 14,497 |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | 57,962 | 20.00 | 11,593 | - | - | 11,593 |
| Pacific Private Placement Real Estate Fund No.40 | 46,898 | 24.73 | 11,598 | - | - | 11,598 |
| Mastern Private Real Estate Loan Fund No.2 | 22,314 | 33.57 | 7,491 | - | - | 7,491 |
| LB Scotland Amazon Fulfillment Center Fund 29 | 44,577 | 70.14 | 31,268 | - | - | 31,268 |
| JR AMC Hungary Budapest Office Fund 16 | 37,274 | 32.57 | 12,140 | - | - | 12,140 |
| EDNCENTRAL Co.,Ltd.(*1) | (2,487) | 19.87 | (494) | - | 494 | - |
| Future-Creation Neoplux Venture Capital Fund | 18,569 | 16.25 | 3,017 | - | - | 3,017 |
| Gyeonggi-Neoplux Superman Fund | 36,195 | 21.76 | 7,878 | - | - | 7,878 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying value of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | |
|---|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| NewWave 6th Fund | ₩ 48,185 | 30.00 | 14,455 | - | - | 14,455 |
| KTC-NP Growth Champ 2011-2 Private Equity Fund | 71,829 | 5.56 | 3,990 | - | - | 3,990 |
| Neoplux No.3 Private Equity Fund | 226,008 | 10.00 | 22,601 | - | - | 22,601 |
| PCC Amberstone Private Equity Fund I | 105,169 | 21.67 | 22,790 | - | - | 22,790 |
| KIAMCO POWERLOAN TRUST 4TH | 95,634 | 47.37 | 45,301 | - | - | 45,301 |
| Mastern Opportunity Seeking Real Estate Fund II | 106,584 | 20.00 | 21,317 | - | - | 21,317 |
| AION ELFIS PROFESSIONAL PRIVATE 1 | 22,112 | 20.00 | 4,422 | - | - | 4,422 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | 14,688 | 29.68 | 4,360 | - | - | 4,360 |
| Neoplux Market-Frontier Secondary Fund | 57,319 | 19.74 | 11,313 | - | - | 11,313 |
| Harvest Private Equity Fund II | 15,780 | 22.06 | 3,481 | - | - | 3,481 |
| Synergy Green New Deal 1st New Technology Business Investment Fund | 34,379 | 28.17 | 9,684 | - | - | 9,684 |
| KAIM Real-estate Private Investment Trust 20 | 13,125 | 38.46 | 5,048 | - | - | 5,048 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust | 15,053 | 50.00 | 7,527 | - | - | 7,527 |
| Daishin New Technology Investment Fund 5th | 18,940 | 23.44 | 4,439 | - | - | 4,439 |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10 | 5,194 | 62.50 | 3,247 | - | - | 3,247 |
| Acurus Hyundai Investment Partners New Technology | 17,600 | 26.79 | 4,714 | - | - | 4,714 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1 | 60,681 | 97.10 | 63,944 | - | - | 63,944 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2 | 60,681 | 97.10 | 63,944 | - | - | 63,944 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | 40,385 | 25.00 | 14,778 | - | - | 14,778 |
| SHINHAN-NEO Core Industrial Technology Fund | 11,439 | 49.75 | 5,691 | - | - | 5,691 |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | 90,810 | 30.00 | 27,243 | - | - | 27,243 |
| SIMONE Mezzanine Fund No.3 | 10,395 | 29.38 | 3,054 | - | - | 3,054 |
| Eum Private Equity Fund No.7 | 37,495 | 21.00 | 7,873 | - | - | 7,873 |
| Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund | 30,375 | 25.00 | 7,594 | - | - | 7,594 |
| Kiwoom Hero No.4 Private Equity Fund | 20,449 | 21.05 | 4,305 | - | - | 4,305 |
| Vogo Canister Professional Trust Private Fund I | 112,433 | 36.53 | 41,072 | - | - | 41,072 |
| SW-S Fund | 22,191 | 30.30 | 6,724 | - | - | 6,724 |
| CL Buyout 1st PEF | 64,359 | 21.43 | 13,791 | - | - | 13,791 |
| Timefolio The Venture-V second | 22,060 | 20.73 | 4,572 | - | - | 4,572 |
| Newlake Growth Capital Partners2 PEF | 43,187 | 29.91 | 12,921 | - | - | 12,921 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2021 | | | | | |
|--|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| Shinhan Smilegate Global PEF I | ₩ 23,469 | 14.21 | 3,336 | - | - | 3,336 |
| Fount Professional Investors Private Investment Trust No.3 | 10,399 | 49.98 | 5,197 | - | - | 5,197 |
| Genesis Eco No.1 PEF | 38,365 | 29.01 | 11,130 | - | - | 11,130 |
| SHINHAN-NEO Market-Frontier 2nd Fund | 57,625 | 42.70 | 24,606 | - | - | 24,606 |
| NH-Synergy Core Industrial New Technology Fund | 17,430 | 36.93 | 6,437 | - | - | 6,437 |
| J& Moorim Jade Investment Fund | 22,259 | 24.89 | 5,540 | - | - | 5,540 |
| Ulmus SHC innovation investment fund | 21,601 | 24.04 | 5,192 | - | - | 5,192 |
| Mirae Asset Partners X Private Equity Fund | 22,002 | 35.71 | 7,858 | - | - | 7,858 |
| T Core Industrial Technology 1st Venture PEF | 14,413 | 31.47 | 4,535 | - | - | 4,535 |
| Curious Finale Corporate Recovery Private Equity Fund | 13,285 | 27.78 | 3,690 | - | - | 3,690 |
| TI First Property Private Investment Trust 1 | 7,637 | 40.00 | 3,055 | - | - | 3,055 |
| MPLUS Professional Private Real Estate Fund 25 | 7,896 | 41.67 | 3,290 | - | - | 3,290 |
| IBKC Global Contents Investment Fund | 20,265 | 24.39 | 4,943 | - | - | 4,943 |
| Nautic Smart No.6 Private Equity Fund | 10,533 | 37.74 | 3,974 | - | - | 3,974 |
| Premier Luminous Private Equity Fund | 25,167 | 27.78 | 6,991 | - | - | 6,991 |
| Hanyang-Meritz 1 Fund | 15,423 | 22.58 | 3,483 | - | - | 3,483 |
| KNT 2ND PRIVATE EQUITY FUND | 19,124 | 21.74 | 4,157 | - | - | 4,157 |
| Maple Mobility Fund | 43,023 | 20.18 | 8,683 | - | - | 8,683 |
| AVES 1st Corporate Recovery Private Equity Fund | 6,215 | 76.19 | 4,736 | - | - | 4,736 |
| JS Shinhan Private Equity Fund | 130,966 | 3.85 | 5,037 | - | - | 5,037 |
| Daishin Newgen New Technology Investment Fund 1 st | 24,048 | 50.60 | 12,169 | - | - | 12,169 |
| META ESG Private Equity Fund I | 21,722 | 27.40 | 5,677 | - | - | 5,677 |
| SWFV FUND-1 | 23,965 | 40.25 | 9,646 | - | - | 9,646 |
| PHAROS DK FUND | 16,289 | 24.24 | 3,949 | - | - | 3,949 |
| Shinhan VC tomorrow venture fund 1 | 22,603 | 39.62 | 9,042 | - | - | 9,042 |
| Highland 2021-8 Fund | 14,998 | 32.67 | 4,899 | - | - | 4,899 |
| Medicii 2021-3 Fund | 39,202 | 24.81 | 9,728 | - | - | 9,728 |
| Tres-Yujin Trust | 19,989 | 50.00 | 9,995 | - | - | 9,995 |
| Shinhan-Time mezzanine blind Fund | 29,885 | 50.00 | 14,942 | - | - | 14,942 |
| Capstone REITs No.26 | 8,790 | 50.00 | 4,395 | - | - | 4,395 |
| JB Incheon-Bucheon REITS No.54 | 12,716 | 39.31 | 4,999 | - | - | 4,999 |
| Hankook Smart Real Asset Investment Trust No.3 | 13,026 | 33.33 | 4,342 | - | - | 4,342 |
| JB Hwaseong-Hadong REITs No.53 | 16,111 | 31.03 | 4,999 | - | - | 4,999 |
| KB Oaktree Trust No.3 | 9,475 | 33.33 | 3,159 | - | - | 3,159 |
| Daehan No.36 Office Asset Management Company(*1) | 37,891 | 48.05 | 18,206 | - | 3,294 | 21,500 |
| Rhinos Premier Mezzanine Private Investment Fund No.1 | 10,759 | 27.93 | 3,005 | - | - | 3,005 |
| SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | 66,947 | 29.73 | 19,903 | - | - | 19,903 |
| Shinhan JigaeNamsan Road Private Special Asset Investment Trust | 161,390 | 24.85 | 40,105 | - | - | 40,105 |
| SKS-Yozma Fund No.1 | 19,915 | 29.85 | 5,945 | - | - | 5,945 |
| Others | 666,941 | - | 367,840 | - | 1,492 | 369,332 |
| | ₩ 8,508,993 | - | 2,911,306 | (17) | 2,456 | 2,913,745 |

(*1) Other represents the adjustments of fair value when acquired.

(*2) The adjustments for others are the unrecognized equity method for preferred stocks without voting rights issued by the invested company.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|--|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| BNP Paribas Cardif Life Insurance | ₩ 337,586 | 14.99 | 50,632 | (32) | - | 50,600 |
| Songrim Partners(*1) | (62) | 35.34 | (22) | - | 22 | - |
| Partners 4th Growth Investment Fund | 47,832 | 25.00 | 11,958 | - | - | 11,958 |
| KTB Newlake Global Healthcare PEF(*2) | 30,780 | 30.00 | 9,234 | - | 170 | 9,404 |
| Daekwang Semiconductor Co., Ltd. | 17,343 | 20.94 | 3,631 | - | - | 3,631 |
| Shinhan-Neoplux Energy Newbiz Fund | 44,590 | 31.66 | 14,470 | - | - | 14,470 |
| Shinhan-Albatross tech investment Fund | 27,300 | 49.97 | 13,322 | - | - | 13,322 |
| Eum Private Equity Fund No.3 | 16 | 20.76 | 3 | - | - | 3 |
| Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund | - | 23.89 | - | - | - | - |
| Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund | - | 20.16 | - | - | - | - |
| VOGO Debt Strategy Qualified INV Private | 43,512 | 20.00 | 8,702 | - | - | 8,702 |
| Shinhan-Midas Donga Secondary Fund | 9,504 | 50.00 | 4,752 | - | - | 4,752 |
| ShinHan – Soo Young Entrepreneur Investment Fund No.1 | 41,532 | 24.00 | 9,968 | - | - | 9,968 |
| Shinhan Praxis K-Growth Global Private Equity Fund | 52,707 | 18.87 | 9,945 | - | - | 9,945 |
| Credian Healthcare Private Equity Fund II | 17,126 | 34.07 | 5,835 | - | - | 5,835 |
| Kiwoom Milestone Professional Private Real Estate Trust 19 | 19,835 | 50.00 | 9,918 | - | - | 9,918 |
| AIP EURO Green Private Real Estate Trust No.3 | 98,780 | 21.28 | 21,021 | - | - | 21,021 |
| Hanhwa US Equity Strategy Private Real Estate Fund No.1 | 5,077 | 44.84 | 2,277 | - | - | 2,277 |
| Shinhan Global Healthcare Fund I(*1) | (2,049) | 4.41 | (90) | - | 90 | - |
| JB Power TL Investment Type Private Placement Special Asset Fund 7 | 48,560 | 33.33 | 16,186 | - | - | 16,186 |
| KB NA Hickory Private Special Asset Fund | 93,167 | 37.50 | 34,938 | - | - | 34,938 |
| Koramco Europe Core Private Placement Real Estate Fund No.2-2 | 42,291 | 44.02 | 18,618 | - | - | 18,618 |
| BNP Paribas Cardif General Insurance | 52,215 | 7.46 | 3,895 | - | - | 3,895 |
| Hermes Private Investment Equity Fund | 20,911 | 29.17 | 6,099 | - | - | 6,099 |
| Shinhan-Nvestor Liquidity Solution Fund | 18,032 | 24.92 | 4,493 | - | - | 4,493 |
| Shinhan AIM FoF Fund 1a | 35,040 | 25.00 | 8,760 | - | - | 8,760 |
| IGIS Global Credit Fund 150-1 | 29,129 | 25.00 | 7,282 | - | - | 7,282 |
| Soo Commerce Platform Growth Fund | 4,658 | 24.62 | 1,147 | - | - | 1,147 |
| Partner One Value up I Private Equity Fund | 42,205 | 27.91 | 11,779 | - | - | 11,779 |
| Genesis No.1 Private Equity Fund | 351,329 | 22.80 | 80,113 | - | - | 80,113 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| Korea Omega Project Fund III | ₩ 15,141 | 23.53 | 3,563 | - | - | 3,563 |
| Soo Delivery Platform Growth Fund | 13,560 | 30.00 | 4,068 | - | - | 4,068 |
| Genesis North America Power Company No.1 PEF | 42,494 | 39.96 | 16,983 | - | - | 16,983 |
| Hyungje art printing(*1) | (264) | 31.54 | (83) | - | 83 | - |
| SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | 45,350 | 23.33 | 10,582 | - | - | 10,582 |
| Shinhan-Rhinos 1 Fund | 11,560 | 22.48 | 2,599 | - | - | 2,599 |
| Pacific Private Investment Trust No.20 | 13,794 | 21.74 | 2,999 | - | - | 2,999 |
| Susung Mezzanine project P1 Private Investment Trust | 3,220 | 41.31 | 1,345 | - | - | 1,345 |
| Korea Finance Security | 20,490 | 14.91 | 3,055 | - | - | 3,055 |
| Multimedia Tech Co.Ltd.(*1) | (69) | 21.06 | (15) | - | 15 | - |
| MIEL CO.,LTD(*1) | (85) | 28.77 | (25) | - | 25 | - |
| AIP Transportation Specialized Privately Placed Fund Trust #1 | 92,353 | 35.73 | 32,993 | - | - | 32,993 |
| DB Epic Convertiblebond Private Trust No.2 | 11,348 | 50.98 | 5,785 | - | - | 5,785 |
| E&Healthcare Investment Fund No.6 | 72,023 | 21.05 | 15,163 | - | - | 15,163 |
| One Shinhan Global Fund1 | 22,244 | 19.96 | 4,029 | - | - | 4,029 |
| Kiwoom-Shinhan Innovation Fund I | 31,938 | 50.00 | 15,969 | - | - | 15,969 |
| Daishin-K&T New Technology Investment Fund | 22,400 | 31.25 | 7,000 | - | - | 7,000 |
| Midas Asset Global CRE Debt Private Fund No.6 | 115,122 | 41.16 | 47,389 | - | - | 47,389 |
| Richmond Private Investment Trust No.82 | 25,082 | 60.00 | 15,049 | - | - | 15,049 |
| Tiger Alternative Real Estate Professional Private5 | 37,978 | 48.71 | 18,499 | - | - | 18,499 |
| Samchully Midstream Private Placement Special Asset Fund 5-4 | 67,141 | 42.92 | 28,818 | - | - | 28,818 |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3 | 327,917 | 20.00 | 65,616 | - | - | 65,616 |
| NH-Amundi Global Infrastructure Trust 14 | 62,728 | 30.00 | 18,819 | - | - | 18,819 |
| Jarvis Memorial Private Investment Trust 1 | 10,143 | 99.01 | 10,043 | - | - | 10,043 |
| Masterm Private Private Investment Trust 68 | 18,620 | 53.76 | 10,010 | - | - | 10,010 |
| Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 | 59,402 | 60.00 | 35,641 | - | - | 35,641 |
| Milestone Private Real Estate Fund 3 | 57,790 | 32.06 | 18,528 | - | - | 18,528 |
| IGIS Private Real Estate Investment Trust 286 | 21,341 | 41.44 | 8,844 | - | - | 8,844 |
| Nomura-Rifa Private Real Estate Investment Trust 31 | 26,849 | 31.31 | 8,407 | - | - | 8,407 |
| SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2 | 62,637 | 21.27 | 13,323 | - | - | 13,323 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|--|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| Hana Semiconductor New Technology Fund ₩ | 99,315 | 24.30 | 24,131 | - | - | 24,131 |
| J&Magnet Startup Venture Specialized Private Equity Fund | 24,331 | 24.39 | 5,935 | - | - | 5,935 |
| Cape IT Fund No.3 | 32,373 | 32.89 | 10,649 | - | - | 10,649 |
| FuturePlay-Shinhan TechInnovation Fund 1 | 8,590 | 50.00 | 4,295 | - | - | 4,295 |
| Stonebridge Corporate 1st Fund | 7,341 | 44.12 | 3,239 | - | - | 3,239 |
| Vogo Realty Partners Private Real Estate Fund V | 50,040 | 21.64 | 10,827 | - | - | 10,827 |
| Korea Credit Bureau | 77,509 | 9.00 | 6,976 | - | - | 6,976 |
| Goduck Gangil PFV Co., Ltd(*1) | (13,927) | 1.04 | (145) | - | 145 | - |
| SBC PFV Co., Ltd | 112,795 | 25.00 | 18,208 | - | - | 18,208 |
| NH-amundi global infra private fund 16 | 87,678 | 50.00 | 43,839 | - | - | 43,839 |
| IMM Global Private Equity Fund | 366,202 | 33.00 | 120,855 | - | - | 120,855 |
| HANA Alternative Estate Professional Private122 | 39,411 | 75.19 | 29,631 | - | - | 29,631 |
| Hanwha-Incus Plus New Technology Fund No.1 | 25,860 | 42.64 | 11,026 | - | - | 11,026 |
| SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond] | 111,426 | 45.96 | 51,210 | - | - | 51,210 |
| SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust | 395,815 | 72.39 | 286,531 | - | - | 286,531 |
| PSA EMP Private Equity Fund | 33,856 | 28.99 | 9,814 | - | - | 9,814 |
| Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 | 56,242 | 52.28 | 29,401 | - | - | 29,401 |
| BRAIN DO PROFESSIONALE PRIVATE No. 27 | 11,815 | 29.13 | 3,441 | - | - | 3,441 |
| UI Venture Fund 7th | 13,445 | 24.39 | 3,279 | - | - | 3,279 |
| Sparklabs-Shinhan Opportunity Fund 1 | 9,760 | 49.50 | 4,832 | - | - | 4,832 |
| BNW Tech-Innovation Private Equity Fund | 19,906 | 29.85 | 5,942 | - | - | 5,942 |
| IGIS Real-estate Private Investment Trust No.33 | 34,507 | 40.86 | 14,099 | - | - | 14,099 |
| Findvalue PreIPO 6th Professional Investment Type Private Investment Trust. | 9,505 | 31.58 | 3,002 | - | - | 3,002 |
| WWG Global Real Estate Investment Trust no.4 | 60,071 | 29.55 | 17,752 | - | - | 17,752 |
| Fidelis Global Private Real Estate Trust No.2 | 24,899 | 78.26 | 19,485 | - | - | 19,485 |
| IGIS PRIVATE REAL ESTATE TRUST NO.331 | 12,238 | 30.77 | 3,765 | - | - | 3,765 |
| AIP EURO PRIVATE REAL ESTATE TRUST No. 12 | 172,755 | 28.70 | 48,344 | - | - | 48,344 |
| Pebblestone CGV Private Real Estate Trust No.1 | 27,502 | 48.53 | 13,346 | - | - | 13,346 |
| Shinhan AIM Real Estate Fund No.2 | 74,880 | 30.00 | 22,464 | - | - | 22,464 |
| Shinhan AIM Real Estate Fund No.1 | 223,443 | 21.01 | 46,945 | - | - | 46,945 |

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business] | ₩ 149,611 | 22.02 | 32,944 | - | - | 32,944 |
| SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business] | 71,605 | 29.19 | 20,902 | - | - | 20,902 |
| SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2 | 9,368 | 71.43 | 6,692 | - | - | 6,692 |
| SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative] | 16,150 | 30.00 | 4,845 | - | - | 4,845 |
| Korea Omega-Shinhan Project Fund I | 11,861 | 50.00 | 5,931 | - | - | 5,931 |
| New Green Shinhan Mezzanine Fund | 12,537 | 39.22 | 4,916 | - | - | 4,916 |
| KORAMKO-Daum Professional Private Investment Trust No.12 | 22,583 | 33.33 | 7,528 | - | - | 7,528 |
| Samsung SRA Real Estate Professional Private 45[FoFs] | 42,665 | 25.00 | 10,666 | - | - | 10,666 |
| IBK Global New Renewable Energy Special Asset Professional Private2 | 111,605 | 28.98 | 32,349 | - | - | 32,349 |
| VS Cornerstone Fund | 8,413 | 41.18 | 3,464 | - | - | 3,464 |
| Aone Mezzanine Opportunity Professional Private | 14,490 | 66.12 | 9,580 | - | - | 9,580 |
| KiwoomUnicorn3New Technology Business Investment Fund | 20,132 | 21.28 | 4,283 | - | - | 4,283 |
| Multi Asset The United States Thortons Professional Private1 | 165,760 | 25.00 | 41,440 | - | - | 41,440 |
| Kiwoom Milestone US Real Estate Professional Private20 | 68,434 | 75.27 | 51,512 | - | - | 51,512 |
| NH-Amundi US Infrastructure Private Fund2 | 98,161 | 25.91 | 25,430 | - | - | 25,430 |
| KB Distribution Private Real Estate1 | 49,513 | 62.00 | 30,698 | - | - | 30,698 |
| SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust | 71,593 | 28.93 | 20,712 | - | - | 20,712 |
| SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 | 97,164 | 30.00 | 29,149 | - | - | 29,149 |
| Kakao-Shinhan 1st TNYT Fund | 11,683 | 48.62 | 5,681 | - | - | 5,681 |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | 54,295 | 20.02 | 10,870 | - | - | 10,870 |
| Pacific Private Placement Real Estate Fund No.40 | 47,094 | 24.73 | 11,647 | - | - | 11,647 |
| Mastern Private Real Estate Loan Fund No.2 | 16,955 | 33.57 | 5,692 | - | - | 5,692 |
| LB Scotland Amazon Fulfillment Center Fund 29 | 44,455 | 70.14 | 31,182 | - | - | 31,182 |
| JR AMC Hungary Budapest Office Fund 16 | 37,469 | 32.57 | 12,204 | - | - | 12,204 |
| IGIS 372 Real Estate Professional Private | 200,192 | 28.39 | 56,835 | - | - | 56,835 |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund | 15,636 | 19.00 | 3,830 | - | - | 3,830 |
| Future-Creation Neoplux Venture Capital Fund | 23,134 | 16.25 | 3,796 | - | - | 3,796 |
| Gyeonggi-Neoplux Superman Fund | 31,712 | 21.76 | 6,399 | - | - | 6,399 |
| NewWave 6th Fund | 20,501 | 30.00 | 6,150 | - | - | 6,150 |
| Neoplux No.3 Private Equity Fund | 102,956 | 10.00 | 10,295 | - | - | 10,295 |

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2021 and 2020 are as follows (continued):

| Investees | December 31, 2020 | | | | | |
|---|-------------------|---------------------|---|-----------------------------|-------|--------------------|
| | Net assets (a) | Ownership (%)(b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| PCC Amberstone Private Equity Fund I | ₩ 103,736 | 21.67 | 22,480 | - | - | 22,480 |
| KIAMCO POWERLOAN TRUST 4TH Mastern Opportunity Seeking Real Estate Fund II | 92,794 | 47.37 | 43,955 | - | - | 43,955 |
| AION ELFIS PROFESSIONAL PRIVATE I | 98,994 | 20.00 | 19,799 | - | - | 19,799 |
| T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business | 27,642 | 20.00 | 5,528 | - | - | 5,528 |
| Neoplux Market-Frontier Secondary Fund Synergy Green New Deal 1st New Technology Business Investment Fund | 15,001 | 29.68 | 4,453 | - | - | 4,453 |
| KAIM Real-estate Private Investment Trust 20 | 54,727 | 19.74 | 11,545 | - | - | 11,545 |
| KIAMCO Vietnam Solar Special Asset Private Investment Trust | 35,527 | 28.17 | 10,008 | - | - | 10,008 |
| CSQUARE SNIPER PROFESSIONAL PRIVATE 10 | 13,254 | 38.46 | 5,098 | - | - | 5,098 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1 | 15,896 | 50.00 | 7,948 | - | - | 7,948 |
| IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2 | 5,000 | 62.50 | 3,125 | - | - | 3,125 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | 45,573 | 97.85 | 44,594 | - | - | 44,594 |
| IGIS Professional Investors Private Investment Real Estate Investment LLC No.395 | 45,573 | 97.85 | 44,594 | - | - | 44,594 |
| SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2 | 48,475 | 25.00 | 15,855 | - | - | 15,855 |
| Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund | 50,394 | 58.82 | 29,644 | - | - | 29,644 |
| Kiwoom Hero No.4 Private Equity Fund | 70,473 | 30.00 | 21,142 | - | - | 21,142 |
| Vogo Canister Professional Trust Private Fund I | 20,134 | 25.00 | 5,034 | - | - | 5,034 |
| Others | 22,358 | 21.05 | 4,707 | - | - | 4,707 |
| | 119,892 | 36.68 | 43,975 | - | - | 43,975 |
| | 519,091 | | 139,164 | - | - | 139,164 |
| | ₩ 8,101,037 | | 2,657,250 | (32) | 550 | 2,657,768 |

(*1) Other represents the adjustments of fair value when acquired.

(*2) The adjustments for others are the unrecognized equity method for preferred stocks without voting rights issued by the invested company.

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15. Investments in associates (continued)

(e) The unrecognized equity method losses as of and for the years ended December 31, 2021 and 2020 are as follows:

| <u>Investees</u> | December 31, 2021 | |
|----------------------------------|--|---|
| | Unrecognized equity method losses | Cumulative unrecognized equity method losses |
| Songrim Partners. | ₩ - | (22) |
| MIEL CO.,LTD | (16) | (41) |
| Goduck Gangil1 PFV Co., Ltd | (19) | (164) |
| Goduck Gangil10 PFV Co., Ltd | (1,664) | (1,664) |
| Shinhan Global Healthcare Fund 1 | (153) | (153) |
| Shinhan Global Healthcare Fund 2 | (14) | (14) |
| EDNCENTRAL Co.,Ltd. | (494) | (494) |
| | ₩ <u>(2,360)</u> | <u>(2,552)</u> |

| <u>Investees</u> | December 31, 2020 | |
|-----------------------------|--|---|
| | Unrecognized equity method losses | Cumulative unrecognized equity method losses |
| Songrim Partners. | ₩ - | (22) |
| Multimedia Tech Co.Ltd | (15) | (15) |
| Hyungje art printing | (83) | (83) |
| MIEL CO.,LTD | (25) | (25) |
| Goduck Gangil1 PFV Co., Ltd | (145) | (145) |
| | ₩ <u>(268)</u> | <u>(290)</u> |

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16. Investment properties

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Acquisition cost | ₩ 852,458 | 767,118 |
| Accumulated depreciation | (177,067) | (151,883) |
| Carrying value | <u>₩ 675,391</u> | <u>615,235</u> |

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Beginning balance | ₩ 615,235 | 488,610 |
| Acquisition | 8,292 | 244,100 |
| Disposal | (2,279) | (92,337) |
| Depreciation | (21,616) | (20,165) |
| Amounts transferred from (to) property and equipment | 73,773 | (4,064) |
| Amounts transferred from(to) assets held for sale(*) | 2,238 | (910) |
| Foreign currency adjustment | (252) | 1 |
| Ending balance | <u>₩ 675,391</u> | <u>615,235</u> |

(*) Comprise land and buildings, etc.

(c) Income and expenses on investment property for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Rental income | ₩ 35,887 | 23,890 |
| Direct operating expenses for investment properties that generated rental income | 12,033 | 11,951 |

(d) The fair value of investment property as of December 31, 2021 and 2020 is as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------|--------------------------|--------------------------|
| Land and buildings(*) | ₩ 1,374,389 | 1,254,149 |

(*) Fair value of investment properties is estimated based in the recent market transaction conditions with an independent third party and certain significant unobservable inputs. Accordingly, fair value of investment properties is classified as level 3.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

17. Other assets

(a) Other assets as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Accounts receivable | ₩ 12,754,436 | 12,511,880 |
| Domestic exchange settlement debit | 6,700,373 | 4,055,744 |
| Guarantee deposits | 1,077,644 | 1,145,045 |
| Accrued income | 2,655,894 | 2,535,847 |
| Prepaid expense | 491,950 | 202,218 |
| Provisional payments | 295,149 | 183,935 |
| Sundry assets | 88,797 | 106,341 |
| Separate account assets | 9,501,135 | 9,267,722 |
| Advance payments | 207,128 | 203,023 |
| Unamortized deferred acquisition cost | 954,949 | 979,942 |
| Leased assets | 1,395,334 | 1,016,013 |
| Others | 125,815 | 102,913 |
| Discounted present value | (30,614) | (33,062) |
| Allowances for credit loss of other assets | (244,236) | (82,895) |
| | <u>₩ 35,973,754</u> | <u>32,194,666</u> |

(b) Changes in unamortized deferred acquisition cost by insurance type for the year ended December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | | | | | |
|--------------------------|---|--------------------------|----------------------------------|------------------|-----------------|---------------------|-----------------------|
| | | <u>Beginning balance</u> | <u>Acquisition cost incurred</u> | | | <u>Amortization</u> | <u>Ending balance</u> |
| | | | <u>Cost</u> | <u>Expensed</u> | <u>Deferral</u> | | |
| Individual insurance | | | | | | | |
| Pure endowment insurance | ₩ | 37,504 | 12,386 | (3,680) | 8,706 | (23,468) | 22,742 |
| Death insurance | | 932,922 | 655,210 | (278,147) | 377,063 | (393,942) | 916,043 |
| Endowment insurance | | 8,925 | 19,703 | (8,382) | 11,321 | (4,477) | 15,769 |
| | | <u>979,351</u> | <u>687,299</u> | <u>(290,209)</u> | <u>397,090</u> | <u>(421,887)</u> | <u>954,554</u> |
| Group insurance | | | | | | | |
| Pure protection | | 591 | 170 | (64) | 106 | (302) | 395 |
| | ₩ | <u>979,942</u> | <u>687,469</u> | <u>(290,273)</u> | <u>397,196</u> | <u>(422,189)</u> | <u>954,949</u> |
| | | <u>December 31, 2020</u> | | | | | |
| | | <u>Beginning balance</u> | <u>Acquisition cost incurred</u> | | | <u>Amortization</u> | <u>Ending balance</u> |
| | | | <u>Cost</u> | <u>Expensed</u> | <u>Deferral</u> | | |
| Individual insurance | | | | | | | |
| Pure endowment insurance | ₩ | 67,856 | 11,602 | (6,450) | 5,152 | (35,504) | 37,504 |
| Death insurance | | 834,415 | 771,973 | (298,355) | 473,618 | (375,111) | 932,922 |
| Endowment insurance | | 4,764 | 19,024 | (11,001) | 8,023 | (3,862) | 8,925 |
| | | <u>907,035</u> | <u>802,599</u> | <u>(315,806)</u> | <u>486,793</u> | <u>(414,477)</u> | <u>979,351</u> |
| Group insurance | | | | | | | |
| Pure protection | | 833 | 343 | (164) | 179 | (421) | 591 |
| | ₩ | <u>907,868</u> | <u>802,942</u> | <u>(315,970)</u> | <u>486,972</u> | <u>(414,898)</u> | <u>979,942</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

18. Leases

(a) Gross investment and present value of minimum lease payment of finance lease as of December 31, 2021 and 2020, are as follows:

| | | December 31, 2021 | | |
|-----------------------|---|--------------------------|-----------------------------------|---|
| | | Gross investment | Unrealized interest income | Present value of minimum lease payment |
| Not later than 1 year | ₩ | 635,826 | 65,349 | 570,477 |
| 1 ~ 2 years | | 470,800 | 39,631 | 431,169 |
| 2 ~ 3 years | | 308,999 | 18,738 | 290,261 |
| 3 ~ 4 years | | 191,257 | 6,606 | 184,651 |
| 4 ~ 5 years | | 113,638 | 4,417 | 109,221 |
| Later than 5 years | | 5,170 | 32 | 5,138 |
| | ₩ | <u>1,725,690</u> | <u>134,773</u> | <u>1,590,917</u> |

(*) Interest income on finance lease receivables recognized for the year ended December 31, 2021 is ₩60,475 million.

| | | December 31, 2020 | | |
|-----------------------|---|--------------------------|-----------------------------------|---|
| | | Gross investment | Unrealized interest income | Present value of minimum lease payment |
| Not later than 1 year | ₩ | 678,790 | 73,230 | 605,560 |
| 1 ~ 2 years | | 527,757 | 43,701 | 484,056 |
| 2 ~ 3 years | | 391,447 | 21,169 | 370,278 |
| 3 ~ 4 years | | 219,040 | 6,089 | 212,951 |
| 4 ~ 5 years | | 93,975 | 432 | 93,543 |
| Later than 5 years | | 6,320 | 53 | 6,267 |
| | ₩ | <u>1,917,329</u> | <u>144,674</u> | <u>1,772,655</u> |

(*) Interest income on finance lease receivables recognized for the year ended December 31, 2020 is ₩76,742 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

18. Leases (continued)

(b) Minimum lease payment receivable schedule for lease contracts of the Group as lessor as of December 31, 2021 and 2020 are as follows:

i) *Finance lease*

| | | December 31, 2021 | | |
|-----------------------|---|------------------------------|---------------------------------|---|
| | | Minimum lease payment | Present value adjustment | Present value of minimum lease payment |
| Not later than 1 year | ₩ | 635,826 | 65,349 | 570,477 |
| 1 ~ 2 years | | 470,800 | 39,631 | 431,169 |
| 2 ~ 3 years | | 308,999 | 18,738 | 290,261 |
| 3 ~ 4 years | | 191,257 | 6,606 | 184,651 |
| 4 ~ 5 years | | 113,638 | 4,417 | 109,221 |
| Later than 5 years | | 5,170 | 32 | 5,138 |
| | ₩ | <u>1,725,690</u> | <u>134,773</u> | <u>1,590,917</u> |

| | | December 31, 2020 | | |
|-----------------------|---|------------------------------|---------------------------------|---|
| | | Minimum lease payment | Present value adjustment | Present value of minimum lease payment |
| Not later than 1 year | ₩ | 678,790 | 73,230 | 605,560 |
| 1 ~ 2 years | | 527,757 | 43,701 | 484,056 |
| 2 ~ 3 years | | 391,447 | 21,169 | 370,278 |
| 3 ~ 4 years | | 219,040 | 6,089 | 212,951 |
| 4 ~ 5 years | | 93,975 | 432 | 93,543 |
| Later than 5 years | | 6,320 | 53 | 6,267 |
| | ₩ | <u>1,917,329</u> | <u>144,674</u> | <u>1,772,655</u> |

ii) *Operating lease*

| | | Minimum lease payment | |
|-----------------------|---|------------------------------|--------------------------|
| | | December 31, 2021 | December 31, 2020 |
| Not later than 1 year | ₩ | 371,521 | 276,590 |
| 1 ~ 2 years | | 320,603 | 233,443 |
| 2 ~ 3 years | | 251,720 | 182,261 |
| 3 ~ 4 years | | 147,134 | 124,556 |
| 4 ~ 5 years | | 53,879 | 52,997 |
| Later than 5 years | | 94,143 | 95,414 |
| | ₩ | <u>1,239,000</u> | <u>965,261</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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18. Leases (continued)

(c) Changes in operating lease assets for the years ended December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------|---|--------------------------|--------------------------|
| Beginning balance | ₩ | 1,014,300 | 549,741 |
| Acquisition | | 691,192 | 681,607 |
| Disposal | | (54,721) | (54,042) |
| Depreciation | | (257,033) | (163,006) |
| Ending balance | ₩ | <u>1,393,738</u> | <u>1,014,300</u> |

(d) The details of the right-of-use assets by the lessee's underlying asset type as of December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | | |
|-------------|---|--------------------------|---------------------------------|-----------------------|
| | | <u>Acquisition cost</u> | <u>Accumulated depreciation</u> | <u>Carrying value</u> |
| Real estate | ₩ | 1,153,021 | (578,980) | 574,041 |
| Vehicle | | 45,670 | (23,821) | 21,849 |
| Others | | 30,478 | (18,241) | 12,237 |
| | ₩ | <u>1,229,169</u> | <u>(621,042)</u> | <u>608,127</u> |
| | | <u>December 31, 2020</u> | | |
| | | <u>Acquisition cost</u> | <u>Accumulated depreciation</u> | <u>Carrying value</u> |
| Real estate | ₩ | 953,135 | (396,716) | 556,419 |
| Vehicle | | 36,680 | (16,059) | 20,621 |
| Others | | 26,368 | (12,991) | 13,377 |
| | ₩ | <u>1,016,183</u> | <u>(425,766)</u> | <u>590,417</u> |

(e) The details of the changes in the right-of-use assets for the years ended December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | | | |
|---------------------------------------|---|--------------------------|----------------|---------------|----------------|
| | | <u>Real estate</u> | <u>Vehicle</u> | <u>Others</u> | <u>Total</u> |
| Beginning balance | ₩ | 556,419 | 20,621 | 13,377 | 590,417 |
| Acquisition | | 295,228 | 17,524 | 4,173 | 316,925 |
| Disposal | | (22,829) | (4,070) | (31) | (26,930) |
| Depreciation(*) | | (271,895) | (12,408) | (5,282) | (289,585) |
| Effects of foreign currency movements | | 17,118 | 182 | - | 17,300 |
| Ending balance | ₩ | <u>574,041</u> | <u>21,849</u> | <u>12,237</u> | <u>608,127</u> |
| | | <u>December 31, 2020</u> | | | |
| | | <u>Real estate</u> | <u>Vehicle</u> | <u>Others</u> | <u>Total</u> |
| Beginning balance | ₩ | 1,077,803 | 21,994 | 12,999 | 1,112,796 |
| Acquisition | | 286,981 | 12,556 | 6,421 | 305,958 |
| Disposal | | (21,763) | (2,394) | (16) | (24,173) |
| Depreciation(*) | | (268,376) | (11,625) | (6,027) | (286,028) |
| Substitution | | (513,437) | - | - | (513,437) |
| Effects of foreign currency movements | | (5,375) | (5) | - | (5,380) |
| Business combination (Note 47) | | 586 | 95 | - | 681 |
| Ending balance | ₩ | <u>556,419</u> | <u>20,621</u> | <u>13,377</u> | <u>590,417</u> |

(*) Included in general administrative expense and other operating income(expense) of the consolidated statements of comprehensive income.

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18. Leases (continued)

(f) The details of the maturity of the lease liability as of December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | | | | |
|-------------|---|--------------------|----------------------------------|-----------------------------------|---------------------------------|--------------------------------|----------------------|----------------|
| | | 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 |
| Real estate | ₩ | 22,890 | 33,950 | 46,532 | 82,467 | 266,299 | 121,360 | 573,498 |
| Vehicle | | 4,496 | 1,935 | 2,536 | 4,718 | 12,298 | 513 | 26,496 |
| Others | | 465 | 650 | 1,124 | 2,205 | 8,226 | 26 | 12,696 |
| | ₩ | <u>27,851</u> | <u>36,535</u> | <u>50,192</u> | <u>89,390</u> | <u>286,823</u> | <u>121,899</u> | <u>612,690</u> |

| | | December 31, 2020 | | | | | | |
|-------------|---|--------------------|----------------------------------|-----------------------------------|---------------------------------|--------------------------------|----------------------|----------------|
| | | 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 |
| Real estate | ₩ | 22,560 | 36,746 | 49,746 | 90,057 | 287,932 | 69,083 | 556,124 |
| Vehicle | | 3,404 | 1,840 | 2,490 | 4,765 | 11,632 | - | 24,131 |
| Others | | 520 | 806 | 1,203 | 2,031 | 9,345 | 1 | 13,906 |
| | ₩ | <u>26,484</u> | <u>39,392</u> | <u>53,439</u> | <u>96,853</u> | <u>308,909</u> | <u>69,084</u> | <u>594,161</u> |

(*) The above amounts are based on undiscounted cash flows, and have been classified at the earliest maturity that the Group has the obligation to pay.

(g) The lease payments for low-value assets and short-term leases for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|
| Low-value assets | ₩ 5,885 | 6,181 |
| Short-term lease (*) | 766 | 836 |
| Total | ₩ <u>6,651</u> | <u>7,017</u> |

(*) The payments for leases with terms less than 1 month are included.

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19. Pledged assets

(a) Assets pledged as collateral as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>Reasons for collateral</u> |
|--------------------------------------|--------------------------|--------------------------|--|
| Securities: | | | |
| Securities at FVTPL | ₩ 14,944,525 | 15,328,573 | Customer RP, etc |
| Securities at FVOCI | 3,244,232 | 4,058,033 | Borrowings, Settlement security for Bank of Korea, Borrowing securities, etc |
| Securities at amortized cost | 16,284,795 | 14,516,567 | Borrowings, Settlement security for Bank of Korea, Customer RP, etc |
| | <u>34,473,552</u> | <u>33,903,173</u> | |
| Deposits at amortized cost | 958,206 | 784,626 | Borrowings, etc |
| Property and Equipment (real estate) | 300,352 | 301,098 | Establishing the right to collateral security, etc |
| Other financial assets | - | 355 | Performance guarantee, etc |
| | <u>₩ 35,732,110</u> | <u>34,989,252</u> | |

(*) The carrying values of assets pledged that the pledgees have the right to sell or re-pledge regardless of the Group's default as of December 31, 2021 and 2020 are ₩11,017,362 million and ₩11,190,218 million, respectively.

(b) The fair value of collateral held that the Group has the right to sell or re-pledge regardless of the pledger's default as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | | <u>December 31, 2020</u> | |
|------------|--------------------------------------|---|--------------------------------------|---|
| | <u>Assets received as collateral</u> | <u>The fair value of collateral sold or re-provided as collateral</u> | <u>Assets received as collateral</u> | <u>The fair value of collateral sold or re-provided as collateral</u> |
| Securities | ₩ 2,163,744 | - | 2,871,910 | - |

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20. Deposits

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Demand deposits: | | |
| Korean won | ₩ 151,787,483 | 132,444,929 |
| Foreign currencies | 20,320,241 | 16,280,268 |
| | <u>172,107,724</u> | <u>148,725,197</u> |
| Time deposits: | | |
| Korean won | 140,651,250 | 137,719,464 |
| Foreign currencies | 20,847,651 | 20,114,427 |
| | <u>161,498,901</u> | <u>157,833,891</u> |
| Certificates of deposits | 16,576,536 | 5,946,704 |
| Discount note deposits | 5,818,001 | 6,226,937 |
| CMA | 5,246,478 | 4,006,319 |
| Others | 3,649,035 | 3,677,820 |
| | <u>₩ 364,896,675</u> | <u>326,416,868</u> |

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21. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------|--------------------------|--------------------------|
| Securities sold: | | |
| Stocks | ₩ 275,451 | 387,857 |
| Bonds | 505,202 | 503,920 |
| Others | 7,114 | 5,352 |
| | <u>787,767</u> | <u>897,129</u> |
| Gold/silver deposits | 581,458 | 539,565 |
| | ₩ <u>1,369,225</u> | <u>1,436,694</u> |

22. Financial liabilities designated at fair value through profit or loss

(a) Financial liabilities designated at fair value through profit or loss as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>Reason for designation</u> |
|---|--------------------------|--------------------------|-------------------------------|
| Equity-linked securities sold | ₩ 5,795,071 | 6,556,288 | Compound financial instrument |
| Securities sold with embedded derivatives | 2,228,799 | 1,899,436 | |
| | ₩ <u>8,023,870</u> | <u>8,455,724</u> | |

(*) The Group designated the financial liabilities at the initial recognition(or subsequently) in accordance with paragraph 6.7.1 of K-IFRS No. 1109 as financial liabilities at fair value through profit or loss.

Maximum credit risk exposure of the financial liabilities designated at fair value through profit or loss amounts to ₩8,023,870 million as of December 31, 2021. Decrease in values of the liability due to credit risk changes is ₩1,526 million for the year ended December 31, 2021 and the accumulated changes in values are ₩(-)2,506 million as of December 31, 2021.

(b) The difference between the carrying value of financial liabilities designated at fair value through profit or loss and the amount required to be paid at contractual maturity as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------|--------------------------|--------------------------|
| Expiration payment | ₩ 7,325,678 | 7,568,498 |
| Carrying value | <u>8,023,870</u> | <u>8,455,724</u> |
| Difference from carrying value | ₩ <u>(698,192)</u> | <u>(887,226)</u> |

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23. Borrowings

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

| | December 31, 2021 | | December 31, 2020 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Borrowings denominated in Korean won: | | | | |
| Borrowings from Bank of Korea | 0.25~0.25 | ₩ 5,278,331 | 0.25~0.25 | ₩ 5,351,110 |
| Others | 0.00~3.93 | 18,412,343 | 0.00~6.20 | 16,375,272 |
| | | <u>23,690,674</u> | | <u>21,726,382</u> |
| Borrowings denominated in foreign currencies: | | | | |
| Overdraft due from banks | 0.00~0.30 | 42,434 | 0.00 | 71,309 |
| Borrowings from banks | (0.49)~12.29 | 5,292,872 | 0.00~8.00 | 5,423,571 |
| Others | 0.00~11.25 | 1,890,291 | 0.00~12.45 | 1,538,021 |
| | | <u>7,225,597</u> | | <u>7,032,901</u> |
| Call money | (0.30)~ 1.52 | 1,534,611 | 0.35~ 0.55 | 1,760,042 |
| Bill of sale | 0.00~ 1.47 | 9,032 | 0.00~ 1.10 | 10,706 |
| Bonds sold under repurchase agreements: | 0.00~ 6.25 | 10,709,115 | 0.00~ 5.15 | 11,065,584 |
| Deferred origination costs | | (1,964) | | (1,551) |
| | | <u>₩ 43,167,065</u> | | <u>₩ 41,594,064</u> |

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24. Debt securities issued

Debt securities issued as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Interest rate (%) | Amount | Interest rate (%) | Amount |
| Debt securities issued in Korean won: | | | | |
| Debt securities issued | 0.79~8.00 | ₩ 64,419,771 | 0.67~8.00 | ₩ 59,816,756 |
| Subordinated debt securities issued | 2.20~4.60 | 5,030,125 | 2.20~4.60 | 4,370,125 |
| Gain on fair value hedges | - | (122,069) | - | (63,652) |
| Discount on debt securities issued | - | (38,845) | - | (39,309) |
| | | <u>69,288,982</u> | | <u>64,083,920</u> |
| Debt securities issued in foreign currencies: | | | | |
| Debt securities issued | 0.25~7.59 | 7,462,087 | 0.25~7.59 | 7,182,619 |
| Subordinated debt securities issued | 3.34~5.10 | 3,307,306 | 3.34~5.10 | 3,598,624 |
| Loss on fair value hedges | - | 130,392 | - | 309,880 |
| Discount on debt securities issued | - | (39,404) | - | (40,649) |
| | | <u>10,860,381</u> | | <u>11,050,474</u> |
| | | <u>₩ 80,149,363</u> | | <u>₩ 75,134,394</u> |

25. Defined benefit plans

(a) Defined benefit plan assets and obligations

The Group has operated a defined benefit plan and calculates defined benefit obligations based on the employee's pension compensation benefits and service period.

Defined benefit obligations and plan assets as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Present value of defined benefit obligations | ₩ 2,205,869 | 2,182,464 |
| Fair value of plan assets | (2,296,685) | (2,138,324) |
| Recognized liability(asset) for defined benefit obligations(*) | <u>₩ (90,816)</u> | <u>44,140</u> |

(*) The asset for defined benefit obligation of ₩90,816 million as of December 31, 2021 is the net defined benefit assets of ₩142,020 million less the net defined liabilities of ₩51,204 million. In addition, the liability for defined benefit obligation of ₩44,140 million as of December 31, 2020 is the net defined benefit liabilities of ₩62,514 million less the net defined assets of ₩18,374 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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25. Defined benefit plans (continued)

(b) Changes in the present value of defined benefit obligation and plan assets for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | |
|--|-------------------------------|--------------------|--|
| | Defined benefit obligation | Plan assets | Net defined benefit liability(asset) |
| Beginning balance | ₩ 2,182,464 | (2,138,324) | 44,140 |
| Included in profit or loss: | | | |
| Current service cost | 179,751 | - | 179,751 |
| Past service cost | 2,570 | - | 2,570 |
| Interest expense (income) | 64,729 | (64,759) | (30) |
| Settlement income | (4,844) | - | (4,844) |
| | <u>242,206</u> | <u>(64,759)</u> | <u>177,447</u> |
| Included in other comprehensive income: | | | |
| Remeasurement loss (gain): | | | |
| - Actuarial gains (losses) arising from : | | | |
| Demographic assumptions | (1,642) | - | (1,642) |
| Financial assumptions | (87,406) | 2,421 | (84,985) |
| Experience adjustment | (5,450) | - | (5,450) |
| - Return on plan assets excluding interest income | - | 32,720 | 32,720 |
| | <u>(94,498)</u> | <u>35,141</u> | <u>(59,357)</u> |
| Other: | | | |
| Benefits paid by the plan | (127,493) | 120,347 | (7,146) |
| Succession through related party transactions | 5,135 | - | 5,135 |
| Contributions paid into the plan | (10) | (249,099) | (249,109) |
| Settlement gain or loss | (2,231) | 9 | (2,222) |
| Effect of changes in foreign exchange rates | 296 | - | 296 |
| | <u>(124,303)</u> | <u>(128,743)</u> | <u>(253,046)</u> |
| Ending balance | ₩ <u>2,205,869</u> | <u>(2,296,685)</u> | <u>(90,816)</u> |

(*) Profit and loss related to defined benefit plans are all included in the general administrative expense.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

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25. Defined benefit plans (continued)

(b) Changes in the present value of defined benefit obligation and plan assets for the years ended December 31, 2021 and 2020 are as follows (continued):

| | December 31, 2020 | | |
|--|-------------------------------|--------------------|--|
| | Defined benefit obligation | Plan assets | Net defined benefit liability(asset) |
| Beginning balance | ₩ 2,063,102 | (1,943,644) | 119,458 |
| Included in profit or loss: | | | |
| Current service cost | 179,390 | - | 179,390 |
| Past service cost | 9,069 | - | 9,069 |
| Interest expense (income) | 57,674 | (55,466) | 2,208 |
| Settlement expense | (306) | - | (306) |
| | <u>245,827</u> | <u>(55,466)</u> | <u>190,361</u> |
| Included in other comprehensive income: | | | |
| Remeasurement loss (gain): | | | |
| - Actuarial gains (losses) arising from : | | | |
| Demographic assumptions | 18 | - | 18 |
| Financial assumptions | (44,424) | - | (44,424) |
| Experience adjustment | 2,957 | - | 2,957 |
| - Return on plan assets excluding interest income | - | 20,027 | 20,027 |
| | <u>(41,449)</u> | <u>20,027</u> | <u>(21,422)</u> |
| Other: | | | |
| Benefits paid by the plan | (83,614) | 77,567 | (6,047) |
| Contributions paid into the plan | (268) | (239,570) | (239,838) |
| Settlement gain or loss | (2,695) | 4,053 | 1,358 |
| Business combination (Note 47) | 2,139 | (1,291) | 848 |
| Effect of changes in foreign exchange rates | (578) | - | (578) |
| | <u>(85,016)</u> | <u>(159,241)</u> | <u>(244,257)</u> |
| Ending balance | ₩ <u>2,182,464</u> | <u>(2,138,324)</u> | <u>44,140</u> |

(*) Profit and loss related to defined benefit plans are all included in the general administrative expense.

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December 31, 2021 and 2020

(In millions of won)

25. Defined benefit plans (continued)

(c) The composition of plan assets as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------|--------------------------|--------------------------|
| Plan assets comprise: | | |
| Equity securities | ₩ - | 74,631 |
| Debt securities | 43,607 | 23,713 |
| Due from banks | 1,915,361 | 1,900,963 |
| Others | 337,717 | 139,017 |
| | <u>₩ 2,296,685</u> | <u>2,138,324</u> |

(d) Actuarial assumptions as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> | <u>Description</u> |
|-----------------------------|--------------------------|--------------------------|---------------------------|
| Discount rate | 3.19%~3.77% | 2.68%~3.30% | AA0 corporate bond yields |
| Future salary increase rate | 1.98%~5.00% | 1.90%~4.00% | Average for 5 years |
| | + Upgrade rate | + Upgrade rate | |
| Weighted average maturity | 7.4 years~ | 7.6 years~ | |
| | 14.8 years | 15.4 years | |

(e) Sensitivity analysis

As of December 31, 2021 and 2020, reasonably possible changes in one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

| | <u>December 31, 2021</u> | |
|--|-----------------------------------|-----------------|
| | <u>Defined benefit obligation</u> | |
| | <u>Increase</u> | <u>Decrease</u> |
| Discount rate (1%p movement) | ₩ (197,174) | 216,226 |
| Future salary increase rate (1%p movement) | 216,450 | (200,843) |
| | <u>December 31, 2020</u> | |
| | <u>Defined benefit obligation</u> | |
| | <u>Increase</u> | <u>Decrease</u> |
| Discount rate (1%p movement) | ₩ (207,093) | 233,570 |
| Future salary increase rate (1%p movement) | 232,892 | (210,305) |

(f) The Group's estimated contribution is ₩ 182,632 million as of December 31, 2022.

26. Provisions

(a) Provisions as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Asset retirement obligations | ₩ 82,123 | 65,659 |
| Expected loss related to litigation | 9,693 | 12,468 |
| Unused credit commitments | 300,008 | 305,719 |
| Guarantee contracts issued | 81,922 | 83,851 |
| Financial guarantee contracts issued | 55,344 | 61,895 |
| Non-financial guarantee contracts issued | 26,578 | 21,956 |
| Others(*) | 693,110 | 337,039 |
| | <u>₩ 1,166,856</u> | <u>804,736</u> |

(*) As of December 31, 2021 and 2020, the Group recognizes a provision of ₩518,955 million and ₩211,365 million, respectively, an estimated amount which is highly probable to be paid for customer losses expected due to delays in redemption of Lime CI funds.

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26. Provisions (continued)

(b) Changes in provision for unused credit commitments and financial guarantee contracts issued for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | | Total |
|---|---|---|-------------------------------------|---|---|-------------------------------------|----------------|
| | Unused credit commitments | | | Financial guarantee contracts issued | | | |
| | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | |
| Beginning allowance | ₩ 164,147 | 140,137 | 1,435 | 54,550 | 7,335 | 10 | 367,614 |
| Transfer (from)to 12 months expected credit loss | 63,335 | (63,249) | (86) | 2,931 | (2,931) | - | - |
| Transfer (from)to life time expected credit loss | (11,889) | 11,917 | (28) | (3,621) | 3,621 | - | - |
| Transfer (from)to impaired financial asset | (274) | (939) | 1,213 | - | - | - | - |
| Provided (reversed) | (66,373) | 58,188 | (610) | (581) | (178) | 5 | (9,549) |
| Change in foreign exchange rate | 1,964 | 1,077 | - | 1,910 | 534 | - | 5,485 |
| Others(*) | (337) | 380 | - | (6,582) | (1,672) | 13 | (8,198) |
| Ending balance | ₩ <u>150,573</u> | <u>147,511</u> | <u>1,924</u> | <u>48,607</u> | <u>6,709</u> | <u>28</u> | <u>355,352</u> |

(*) Others include effects of the provision from the new financial guarantee contracts measured at fair value, and the expired contracts, and the change of discount rate.

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26. Provisions (continued)

(b) Changes in provision for unused credit commitments and financial guarantee contracts issued for the years ended December 31, 2021 and 2020 are as follows (continued):

| | December 31, 2020 | | | | | | Total |
|---|---|---|-------------------------------------|---|---|-------------------------------------|--------------|
| | Unused credit commitments | | | Financial guarantee contracts issued | | | |
| | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | 12 months expected credit loss | Life time expected credit loss | Impaired financial asset | |
| Beginning allowance | ₩ 132,028 | 119,839 | 11,885 | 68,467 | 5,569 | 811 | 338,599 |
| Transfer (from)to 12 months expected credit loss | 63,818 | (55,295) | (8,523) | 2,059 | (2,059) | - | - |
| Transfer (from)to life time expected credit loss | (9,883) | 11,365 | (1,482) | (3,951) | 3,951 | - | - |
| Transfer (from)to impaired financial asset | (244) | (875) | 1,119 | - | - | - | - |
| Provided (reversed) | (20,377) | 65,455 | (1,564) | 8,258 | 1,845 | (822) | 52,795 |
| Change in foreign exchange rate | (1,195) | (352) | - | (1,335) | (223) | (49) | (3,154) |
| Others (*) | - | - | - | (18,948) | (1,748) | 70 | (20,626) |
| Ending balance | ₩ 164,147 | 140,137 | 1,435 | 54,550 | 7,335 | 10 | 367,614 |

(*) Others include effects of the provision from the new financial guarantee contracts measured at fair value, and the expired contracts, and the change of discount rate.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

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26. Provisions (continued)

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

| December 31, 2021 | | | | | |
|------------------------------------|-----------------------------|-------------------|------------------|---------------|--------------|
| | Asset retirement | Litigation | Guarantee | Others | Total |
| Beginning balance | ₩ 65,659 | 12,468 | 21,956 | 337,039 | 437,122 |
| Provision(reversal) | 8,185 | 2,552 | 3,457 | 350,090 | 364,284 |
| Provision used | (3,793) | (5,327) | - | (37,604) | (46,724) |
| Change in foreign exchange rate | 4 | - | 1,265 | (1,314) | (45) |
| Others(*) | 12,068 | - | (100) | 44,899 | 56,867 |
| Ending balance | ₩ 82,123 | 9,693 | 26,578 | 693,110 | 811,504 |

(*) Others include increase in provisions based on the present value and the effect of changes in discount rate over the period.

| December 31, 2020 | | | | | |
|------------------------------------|-----------------------------|-------------------|------------------|--------------|--------------|
| | Asset retirement | Litigation | Guarantee | Other | Total |
| Beginning balance | ₩ 64,922 | 8,789 | 25,583 | 119,131 | 218,425 |
| Provision(reversal) | 898 | 4,317 | (2,709) | 261,983 | 264,489 |
| Provision used | (2,463) | (638) | - | (46,654) | (49,755) |
| Change in foreign exchange rate | (3) | - | (1,030) | 570 | (463) |
| Others(*) | 2,305 | - | 112 | 1,814 | 4,231 |
| Business combination (Note 47) | - | - | - | 195 | 195 |
| Ending balance | ₩ 65,659 | 12,468 | 21,956 | 337,039 | 437,122 |

(*) Others include increase in provisions based on the present value and the effect of changes in discount rate over the period.

(d) Asset retirement obligation liabilities represent the estimated cost to restore the existing leased properties which is discounted to the present value using the appropriate discount rate at the end of the reporting period. Disbursements of such costs are expected to incur at the end of lease contract. Such costs are reasonably estimated using the average lease year and the average restoration expenses. The average lease year 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.

(e) Allowance for guarantees and acceptances as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| Outstanding guarantees and acceptances | ₩ 10,540,968 | 10,249,827 |
| Contingent guarantees and acceptances | 4,670,771 | 3,433,953 |
| ABS and ABCP purchase commitments | 1,525,768 | 1,604,958 |
| Endorsed bill | 8,199 | 1,650 |
| | ₩ 16,745,706 | 15,290,388 |
| Allowance for loss on guarantees and acceptances | ₩ 81,922 | 83,851 |
| Ratio | % | 0.49 |
| | | 0.55 |

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27. Liability under insurance contracts

(a) Overview of the insurance risk

i) Insurance risk and reinsurance

Insurance risk is the possibility of insured events to occur, and it refers to an uncertainty of the amount and the timing of claims that incurred as an occurrence of the insured event. The main risks faced by insurance contracts include the risk of actual claims or benefits exceeding insurance liability. These risks may arise due to following reasons:

① Frequency risk

The risk of actual number of claims being different from the number of claims anticipated by the insurer.

② Depth risk

The risk of an actual amount of claims being different from the expected amount of claims anticipated by the insurer.

As there are more numbers of insurance contracts that are empirically similar or are diversified, it is less likely to have abnormal effects from some of the contracts. The Group is trying to form a sufficiently diversified group of contracts considering these points when acquiring a contract. Insurance risk includes a lack of risk diversification and is related to geographical area, the characteristics of policyholders as well as diversification of the form or the size of the risk.

If the insurance covers death, the frequency, or the death rates are mostly affected by natural causes, while other causes may include eating habits, smoking and exercise habits etc. If the insurance provides lifetime coverage, the survival rates may rise due to developments of medical technology or enhancements in social conditions. Insured events of life insurance include not only death of the policyholder (the insured person), but also survival, disability and hospitalization.

The Group basically divides the entity's insurance products into individual and group insurance depending on the characteristics of the policyholder. Group insurance refers to a contract in which the insured person belongs to an organization of a certain or a larger size, and he/she is the representative of that organization. Group insurance can largely be divided into pure protection and savings insurance. Pure protection insurance refers to insurance in which the amount of claim paid for survival does not exceed the premiums paid, and savings insurance is defined as insurance in which the amount of claim paid for survival exceeds the premium paid. Individual insurance can largely be divided into death insurance which considers death of a policyholder as an insured event, pure endowment insurance which considers a survival of a certain period of time as an insured event, and endowment insurance which is a combination of pure endowment and death insurance.

Life insurance products can also be divided into fixed rate insurance which guarantees fixed interest rates, a floating rate insurance which is accreted at variable interest rates, and a dividend-paying insurance based on interest rate application scheme.

For fixed rate products, interest rates expected at the beginning of the insurance contract do not vary till the end of the contract. Hence, if the return on assets or market rates are lower than the expected rates, the entity will bear the interest rate risk. On the other hand, for floating rate products, net premium is divided into guarantees and reserves portion. For guarantees portion, fixed interest rate is applied while for reserves portion, floating interest rates are applied to the reserves based on return on assets. As a result, though hedging may be possible for some interest rate risks, as the minimum guaranteed rate is fixed for reserves, interest rate risks will be borne in accordance with the changes in return on assets.

To manage the uncertainty of the amount and timing of the claims arising due to occurrences of insured events, that is, an insurance risk, the Group uses an acquisition and a reinsurance strategy.

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27. Liability under insurance contracts (continued)

(a) Overview of the insurance risk (continued)

① Acquisition strategy

Acquisition strategy is a strategy to diversify the types of risks or the level of claims. For example, an entity can manage each mortality risk and survival risk in a balanced manner. In addition, the policyholder's choice of a regular check-up is one of the main acquisition strategies.

② Reinsurance strategy

The Group's reinsurer risk is based on the insurance contracts acquired and may be the amount of risks per contract or the total amount of risks based on number of contracts or insured person. In principle, reinsurance is applied in excess of risk insurance premiums, but other methods can be used to the extent recognized by relevant laws and regulations, where necessary. The limit of holding reinsurance is determined by considering the assets, types of contracts, risk level, contract selecting technology of the Group.

Insurance risk can also be affected by the policyholder's right to reduce premiums or not paying in premiums in full by terminating the contract or exercising a conversion of pension rights. As a result, insurance risk is likely to be affected by the actions and decisions of the policyholders. The insurance risk of the Group may be estimated under the assumption that the policyholder makes reasonable decisions. For instance, people with bad health will have lower intentions to terminate the contract which provides insurance over death, rather than those with good health. These factors are also reflected in the assumptions of evaluating the insurance liability of the Group.

ii) Discretionary participation features

The discretionary participation feature is a contractual right to receive additional benefits with the following characteristics in addition to the benefits that policyholders or investors have unconditional rights and meets all the three criteria below. The premiums for investment contracts without discretionary participation features are recognized as deposits, and premiums for investment contracts with discretionary participation features are recognized as profits or losses, like insurance contracts.

- ① they are expected to be a significant portion of the total contractual benefits;
- ② the timing or amount of which are contractually at the discretion of the issuer; and
- ③ they are contractually based on:
 - i) the returns on a specified pool of contracts or a specified type of contract; or
 - ii) realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - iii) the profit or loss of the entity or fund that issues the contract.

The investment contracts held by the Group meets all the above criteria, hence they do include discretionary participation features.

If the expected base rate of interest and the actual base rate of interest match, income and expenses are balanced through insurance contracts, so that premiums are not excessively insufficient. However, when calculating premiums, the expected mortality rate, interest rate, and operating expense ratios change due to changes in risk rates or economic conditions, which will result to differences with the actual premiums. These differences constitute the profits and losses of the Group and will consist of profit or loss from the differences in risk rate, interest rate and operating expense depending on the source of occurrence.

In case of contracts with discretionary participation features, it reduces risk as participation features are shared among the policyholder and the Group for the below sources of profit or loss.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(a) Overview of the insurance risk (continued)

① Profit or loss due to differences in mortality rates

It occurs due to the difference between the expected and the actual mortality rate. For death insurance, if the actual mortality rate is lower than the expected mortality rate, profits occur, and for the opposite case, losses occur.

② Profit or loss due to differences in interest rates

It occurs due to the difference between the expected and the actual interest rate. If the actual operating return on assets is higher than the expected interest rate, profits occur, and for the opposite case, losses occur.

③ Profit or loss due to differences in operating expenses

It is caused by the difference between the expected and the actual operating expenses ratio. If the actual operating expenses are lower than the expected operating expenses, profits occur, and for the opposite case, losses occur.

As seen above, the source of the profits being generated when the expected base rate used by the Group in calculating the insurance premiums is different from the actual rate is within the premium which has been roughly calculated, hence the profits must be returned to the policyholder. This type of amount being distributed is called the policyholder dividend and is distinguished from the shareholder dividend.

At the end of each reporting period, the Group adds to existing policy reserve and divides the remaining amount into dividend or non-dividend insurance gains and losses, and capital gains and losses. Non-dividend insurance gains and losses and capital gains and losses are treated as shareholders' interest, shareholders' interest in dividend insurance profits are less than 10/100, and the remaining portion is treated as policyholder's interest. Policyholders' interest may not be used or accumulated for any purpose other than financial resources for policyholder dividends and the purpose of accumulating reserves for loss from participating insurance.

Policyholder dividends are divided into interest dividends, long-term duration dividends, mortality dividends, and expense dividends, and reserves for policyholder dividends are divided into reserve for participating policyholder's dividends and excess participating policyholder dividend reserve. Excess participating policyholder dividend reserve is the total amount accumulated to be used as future policyholder dividend funds if there is any surplus left after accumulating reserves for loss from participating insurance and reserves for participating policyholder's dividends from the policyholder's stake in the relevant business year.

Reserve for participating policyholder's dividends are fixed dividend reserves in which the amount to be allocated is confirmed for each policyholder, while excess participating policyholder dividend reserves are not a confirmed amount to be paid to the policyholders. The Group shall first use the total amount of excess participating policyholder dividend reserves accumulated prior to the current financial year as reserves for participating policyholder's dividends, and the accumulated excess participating policyholder dividend reserves shall be used as a resource of policyholder dividends within five years from the end of the current year.

Reserves for loss from participating insurance are accumulated for the purpose of compensating for losses in dividend insurance contracts under laws, etc., and shall take precedence over reserves for participating policyholder's dividends and excess participating policyholder dividend reserves.

Reserves for loss from participating insurance are accumulated within 30/100 of the policyholder's stake, and are compensated for losses incurred in dividend insurance contracts within five years of accumulation, and the remaining amount after preservation is used as a resource of policyholder dividends.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(b) Insurance risk management policy

Unlike other financial products, life insurance products have the nature of long-term duration, which can lead to a significant increase in actual claims in comparison to the risk rates set at product development stage, and the entities may be exposed to differences in interest rates and maturity of insurance liability and the financial asset.

The purpose of the Group's risk management is to reflect these uncertain financial environments and the characteristics of life insurance products with long-term duration to prevent and systematically manage various risks in the course of management activities.

In order to achieve this, risk management strategy of the Group is to measure the required capital of the Risk-Based Capital (RBC) and to manage it within an acceptable range. To achieve this, the Group has established and implemented basic principles for risk management and has established regulations and management systems aiming for the implementation to be successful. Also, the Risk Management Committee and the Risk Management TF are in place to support various risk-related decisions and prepare risk management procedures to identify and manage risks in a timely manner.

In general, risk management procedures are to recognize exposed risks, measure their scale, set acceptable limits, monitor them regularly and report them to management, and control them efficiently to prevent the case of risks exceeding the limits.

The risk management methods of different types of risks are as follows.

① Insurance risk management

From the product development stage, profitability guidelines are set to secure appropriate level of profitability, acquisition standards are set and operated to prevent reverse selection, and payment review standards are operated to ensure fairness upon payments of claims.

② Interest risk management

Determination of the official interest rate and the estimated interest rate within the scope of the guideline in consideration of the market interest rate and the rate of return on operating assets. In addition, asset management strategies are established in consideration of the interest rate and maturity structure of liabilities, long-term target portfolios are established and annually viable portfolios are set as guidelines to allocate and operate assets based on the risk level and return on assets after analyzing the long-term insurance liability.

③ Liquidity risk management

Inspection and management of insurance payments and current assets on a day-to-day basis.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(c) Statutory reserves

Policy reserves are liabilities related to policyholders, and the fidelity of accumulating reserves based on profit or loss is being strictly regulated by the regulators as they are directly related to maintaining the quality of the business and protecting the interests of policyholders. Accordingly, the supervisory authorities are reinforcing the statutory reserves system in relation to the method of accumulating and calculating each policy reserve.

The current method, which uses the basic reserve rates as equivalent to the basic rate of premium calculation, may threaten the financial quality of the Group by causing insolvency of reserves when insurance prices are liberally set. The system is designed to prevent insolvency of the financial structure that can lead to liberalization of premium and protect the rights and interests of policyholders by introducing a statutory reserves system to use objective and conservative basic rates when accumulating reserves.

In other words, statutory reserve is an institutional framework that dualizes the base rate of contracts by evaluating the fidelity of reserves by setting the risk rate or interest rate applied to calculate policy reserves more conservatively than the risk rate or interest rate applied when calculating the premiums. For an insurer to calculate its policy reserves, it needs expected base rates of the future such as interest base rates and expected risk rates, and the estimated valuation of the liability based on these expected base rates is the policy reserve. As simply leaving these policy reserves entirely to the insurance entity's self-determination after the liberalization of policy reserves framework is not the main purpose of the liberalization, the government needs to establish a certain level of reserve framework to protect policyholders, strengthen financial solvency of the insurance entities, and prevent insurance entities from being insolvent due to price competition such as insurance dumping.

According to the regulations on supervision of insurance business, premium reserves are calculated by applying the base rate of interest and base risk rate set by the Financial Supervisory Service. In this case, the base rate is the base rate of interest for the year of entering into an insurance contract over the entire coverage period. However, the highest interest rate among the accreted interest rate set in the premiums and policy reserves calculation method is applied for the reserves of interest-sensitive insurance. As a result, if the premium reserves calculated at the base rate applied in calculation of the premiums and the premium reserves calculated at the base rate of interest and base risk rates are different, a large amount should be set aside as the premium reserves to protect the policyholder by accumulating reserves above a certain level.

Current policy reserves are calculated by the year of issuance evaluation. In other words, the base rate of valuation of policy reserves are applied equally to the interest rate and risk rate applied at the time of entering an insurance contract until the end of the contract. This method is suitable for stable circumstances in which the financial environment at the sale of insurance products and the financial environment during the policy period barely change, so liability can be accumulated stably, but it cannot be dealt flexibly with in the event of changes in market interest rates and expected risk upon the sale of a contract. Therefore, there is a possibility that the policy reserves will not properly reflect the fair value of the contract. To compensate for the shortcomings that do not reflect these market changes, the Liability Adequacy Test was introduced.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(d) Financial risks related to insurance contracts

i) Forms of risk exposure and the different types of risks

Investment contracts with insurance contracts and discretionary participation features may be exposed to insurance liability or financial risks, and the form of exposure is as follows.

① Credit risk

Credit risk refers to the risk of loss caused by the counterparty's default in provision of funds or entering a contract agreed to exchange at a predetermined price at a certain point in the future. The Group's reinsurance assets and reinsurance receivables are exposed to losses in case of default by the reinsurer upon collection of premiums and receivables from the reinsurer in the future.

② Interest rate risk

Interest rate risk refers to the risk that occurs when the financial position of the Group is affected by the adverse interest rate movements on assets and liabilities.

③ Liquidity risk

Liquidity risk refers to a risk caused by inconsistency in the maturity of assets and liabilities or failure to respond to unexpected capital outflows. Therefore, future cash outflows from investment contracts with insurance liability and discretionary participation features which takes the most proportion of the Group's liabilities, will determine the level of risk related to the liquidity of the Group.

④ Market risk

Market risk refers to the risk of losses being incurred when the entity's financial position is affected by the adverse price movements such as stock prices and exchange rates. The prices of investment contracts with insurance liability and discretionary participation features, does not change due to movements in stock prices and exchange rates, hence there is no effect on profit or loss and capital from movements in the amount of each liability.

ii) The degree to which discretionary participation features mitigate or increase the risk.

For contracts with discretionary participation features, policyholders will receive relatively high premiums by calculating the expected base rate relatively conservative compared to contracts without discretionary participation features, and future payments of premiums will be refunded to the policyholders through policyholder dividends. However, for contracts without discretionary participation features, an optimal expected base rate which is unlikely to be conservative will be set when setting the initial expected base rate and policyholders will receive a relatively low premium. Furthermore, if the expected and the actual base rates are different, the Group will bear the resulting profit or loss. Therefore, a contract with discretionary participation features has a structure in which a conservative base rate of interest is set, and risks related to the contract are shared with the policyholder. In the case of a contract without discretionary participation features, the entity alone bears the risk of the initial base rate of interest.

iii) Risks associated with guarantees

Guarantee options inherent in insurance contracts include Guaranteed Minimum Death Benefit (GMDB), Guaranteed Minimum Pension (GMP), and guaranteed minimum interest rate, which can increase cash outflows where market prices and interest rates fall below a certain level.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(e) Insurance liabilities as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|----------------------------------|--------------------------|--------------------------|
| Policy reserve | ₩ 54,330,046 | 53,391,401 |
| Policyholder's equity adjustment | 3,452 | 68,829 |
| | <u>₩ 54,333,498</u> | <u>53,460,230</u> |

(f) Policy reserve as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|------------------------|--------------------------|--------------------------|
| Variable interest rate | ₩ 29,399,446 | 29,977,303 |
| Fixed interest rate | 24,930,600 | 23,414,098 |
| | <u>₩ 54,330,046</u> | <u>53,391,401</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(g) The details of policy reserves for insurance risk classification as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | | | | |
|---|----------------------|------------|-----------|------------|-----------------|---------|----------|------------|
| | Individual insurance | | | | Group insurance | | | |
| | Pure endowment | Death | Endowment | Subtotal | Pure protection | Savings | Subtotal | Total |
| Premium reserve | ₩ 14,515,676 | 28,443,718 | 9,078,015 | 52,037,409 | 15,609 | 64 | 15,673 | 52,053,082 |
| Guarantee reserve | 24,717 | 284,474 | 871 | 310,062 | - | - | - | 310,062 |
| Unearned premium reserve | 1 | 1,660 | - | 1,661 | 8 | - | 8 | 1,669 |
| Reserve for outstanding claims | 266,157 | 1,137,858 | 424,897 | 1,828,912 | 14,376 | - | 14,376 | 1,843,288 |
| Interest rate difference guarantee reserve | 1,734 | 130 | 7 | 1,871 | - | - | - | 1,871 |
| Mortality gains reserve | 6,894 | 34,085 | 88 | 41,067 | 2 | - | 2 | 41,069 |
| Interest gains reserve | 23,031 | 242 | 12 | 23,285 | - | - | - | 23,285 |
| Expense gains reserve | 6,068 | 7,595 | - | 13,663 | - | - | - | 13,663 |
| Long term duration dividend reserve | 26,799 | 12,663 | 7 | 39,469 | - | - | - | 39,469 |
| Reserve for policyholder's profit dividend | 1,635 | - | - | 1,635 | - | - | - | 1,635 |
| Reserve for losses on dividend insurance contract | 953 | - | - | 953 | - | - | - | 953 |
| | ₩ 14,873,665 | 29,922,425 | 9,503,897 | 54,299,987 | 29,995 | 64 | 30,059 | 54,330,046 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(g) The details of policy reserves for insurance risk classification as of December 31, 2021 and 2020 are as follows (continued):

| | December 31, 2020 | | | | | | | |
|--|----------------------|------------|------------|------------|-----------------|---------|----------|------------|
| | Individual insurance | | | | Group insurance | | | |
| | Pure endowment | Death | Endowment | Subtotal | Pure protection | Savings | Subtotal | Total |
| Premium reserve | ₩ 14,597,735 | 26,634,537 | 9,981,880 | 51,214,152 | 18,430 | 62 | 18,492 | 51,232,644 |
| Guarantee reserve | 28,168 | 267,154 | 762 | 296,084 | - | - | - | 296,084 |
| Unearned premium reserve | 1 | 1,640 | - | 1,641 | 13 | - | 13 | 1,654 |
| Reserve for outstanding claims | 240,324 | 1,111,052 | 363,688 | 1,715,064 | 15,384 | - | 15,384 | 1,730,448 |
| Interest rate difference guarantee reserve | 1,937 | 141 | 9 | 2,087 | - | - | - | 2,087 |
| Mortality gains reserve | 7,865 | 37,553 | 124 | 45,542 | 1 | - | 1 | 45,543 |
| Interest gains reserve | 23,651 | 256 | 14 | 23,921 | - | - | - | 23,921 |
| Expense gains reserve | 6,606 | 8,336 | - | 14,942 | - | - | - | 14,942 |
| Long term duration dividend reserve | 28,737 | 13,775 | 12 | 42,524 | - | - | - | 42,524 |
| Reserve for policyholder's profit dividend | 1,080 | - | - | 1,080 | - | - | - | 1,080 |
| Reserve for losses on dividend insurance contract | 474 | - | - | 474 | - | - | - | 474 |
| | ₩ 14,936,578 | 28,074,444 | 10,346,489 | 53,357,511 | 33,828 | 62 | 33,890 | 53,391,401 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(h) Changes in policy reserves

Changes in policy reserves for the year ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | |
|-------------------|---|--|---|------------|
| | | Insurance contracts with fixed-interest | Insurance contracts with variable-interest | Total |
| Beginning balance | ₩ | 23,414,098 | 29,977,303 | 53,391,401 |
| Reserve (*) | | 1,516,502 | (577,857) | 938,645 |
| Ending balance | ₩ | 24,930,600 | 29,399,446 | 54,330,046 |

(*) This is the amount of provision for insurance contract liabilities less changes in reinsurance assets.

| | | December 31, 2020 | | |
|-------------------|---|--|---|------------|
| | | Insurance contracts with fixed-interest | Insurance contracts with variable-interest | Total |
| Beginning balance | ₩ | 22,028,112 | 30,058,020 | 52,086,132 |
| Reserve (*) | | 1,385,986 | (80,717) | 1,305,269 |
| Ending balance | ₩ | 23,414,098 | 29,977,303 | 53,391,401 |

(*) This is the amount of provision for insurance contract liabilities less changes in reinsurance assets.

(i) Changes in policy reserves by insurance risk classification

Changes in policy reserves by insurance risk classification for the year ended December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | | | | | |
|------------------------|---|----------------------|------------|------------|------------|--------------------|---------|--------------|------------|
| | | Individual insurance | | | | Group insurance | | | |
| | | Pure endowment | Death | Endowment | Subtotal | Pure protection | Savings | Sub total | Total |
| Beginning balance | ₩ | 14,936,578 | 28,074,444 | 10,346,489 | 53,357,511 | 33,828 | 62 | 33,890 | 53,391,401 |
| Reserve (reversal) (*) | | (62,913) | 1,847,981 | (842,592) | 942,476 | (3,833) | 2 | (3,831) | 938,645 |
| Ending balance | ₩ | 14,873,665 | 29,922,425 | 9,503,897 | 54,299,987 | 29,995 | 64 | 30,059 | 54,330,046 |

(*) This is the amount of provision for insurance contract liabilities less changes in reinsurance assets.

| | | December 31, 2020 | | | | | | | |
|------------------------|---|----------------------|------------|------------|------------|--------------------|---------|--------------|------------|
| | | Individual insurance | | | | Group insurance | | | |
| | | Pure endowment | Death | Endowment | Subtotal | Pure protection | Savings | Sub total | Total |
| Beginning balance | ₩ | 14,986,916 | 26,382,609 | 10,677,484 | 52,047,009 | 39,063 | 60 | 39,123 | 52,086,132 |
| Reserve (reversal) (*) | | (50,338) | 1,691,835 | (330,995) | 1,310,502 | (5,235) | 2 | (5,233) | 1,305,269 |
| Ending balance | ₩ | 14,936,578 | 28,074,444 | 10,346,489 | 53,357,511 | 33,828 | 62 | 33,890 | 53,391,401 |

(*) This is the amount of provision for insurance contract liabilities less changes in reinsurance assets.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(j) Reinsurance credit risk as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | December 31, 2020 | |
|------------|--------------------|--------------------------------|--------------------|--------------------------------|
| | Reinsurance assets | Reinsurance account receivable | Reinsurance assets | Reinsurance account receivable |
| AAA | ₩ - | - | 10,611 | 47,690 |
| AA- to AA+ | 15,310 | 23,472 | 29,294 | 23,348 |
| A- to A+ | 31,740 | 46,615 | 2,375 | 4,018 |
| | ₩ 47,050 | 70,087 | 42,280 | 75,056 |

(k) Income or expenses on insurance for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
| Insurance income: | | |
| Premium income | ₩ 6,255,872 | 7,037,308 |
| Reinsurance income | 153,534 | 152,892 |
| Separate account income | 75,117 | 57,553 |
| | 6,484,523 | 7,247,753 |
| Insurance expenses: | | |
| Claims paid | 5,346,364 | 5,564,875 |
| Reinsurance premium expenses | 175,282 | 167,215 |
| Provision for policy reserves (*) | 933,875 | 1,311,252 |
| Separate account expenses | 75,116 | 57,553 |
| Acquisition costs | 687,469 | 802,942 |
| Collection expenses and discount fee | 16,810 | 19,922 |
| Deferred acquisition costs | (397,196) | (486,972) |
| Amortization of deferred acquisition costs | 422,189 | 414,898 |
| | 7,259,909 | 7,851,685 |
| Net loss on insurance | ₩ (775,386) | (603,932) |

(*) Interest expenses on savings insurance contracts are included.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(l) Maturity of premium reserve as of December 31, 2021 and 2020 are as follows:

| | | December 31, 2021 | | | | | | |
|------------------------|---|------------------------------------|------------------|------------------|------------------|------------------|-----------------------|-------------------|
| | | Less than or equal to 1 year | 1 ~ 3 years | 3 ~ 7 years | 7 ~ 10 years | 10 ~ 20 years | More than 20 years | Total |
| Variable interest rate | ₩ | 906,017 | 1,492,275 | 1,420,942 | 653,388 | 2,001,348 | 20,082,744 | 26,556,714 |
| Fixed interest rate | | 99,289 | 471,909 | 772,549 | 687,077 | 2,072,122 | 21,393,422 | 25,496,368 |
| Ending balance | ₩ | <u>1,005,306</u> | <u>1,964,184</u> | <u>2,193,491</u> | <u>1,340,465</u> | <u>4,073,470</u> | <u>41,476,166</u> | <u>52,053,082</u> |

| | | December 31, 2020 | | | | | | |
|------------------------|---|------------------------------------|------------------|------------------|------------------|------------------|-----------------------|-------------------|
| | | Less than or equal to 1 year | 1 ~ 3 years | 3 ~ 7 years | 7 ~ 10 years | 10 ~ 20 years | More than 20 years | Total |
| Variable interest rate | ₩ | 929,268 | 1,944,710 | 1,819,554 | 820,964 | 2,056,906 | 19,729,536 | 27,300,938 |
| Fixed interest rate | | 164,890 | 418,574 | 983,635 | 594,667 | 2,090,669 | 19,679,271 | 23,931,706 |
| Ending balance | ₩ | <u>1,094,158</u> | <u>2,363,284</u> | <u>2,803,189</u> | <u>1,415,631</u> | <u>4,147,575</u> | <u>39,408,807</u> | <u>51,232,644</u> |

(m) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd.

i) Scope

Liability adequacy tests are performed on the premium reserve, unearned premium reserve and guarantee reserve for the contracts held at December 31, 2021. The premium reserve considered the amount net level premium reserve less, where appropriate, deferred acquisition cost in accordance with the article 6-3 of Regulation on Supervision of Insurance Business Act.

ii) Output overview

In the debt appraisal system, the insurance premium surplus method is applied to calculate premium deficits. Premium deficiency refers to deficiency when the amount of accumulated reserve is insufficient due to a decrease in the interest rate after the sale of the product or an increase in the risk rate compared with the expected basic rate at the time of product development.

The insurance premium standard inspection method is a method of calculating the reserve amount based on the present value of total income reflecting the interest rate, the risk rate, the business ratio, the cancellation rate, etc. and the present value of the total expenditure, that is, interest rate(discount rate), business ratio, risk rate, and cancellation rate calculated based on the Group's own experience, which reflects company-specific characteristics, and does not reflect subjective factors such as management's willingness to improve management.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(i) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd. (continued)

iii) Assumptions and basis of calculation applied

The assumptions and basis of calculation applied to calculate the estimates of future cash flows when performing liability adequacy test for the year ended December 31, 2021 and 2020 are as follows. The criteria of Insurance contract liability adequacy test were changed during the period, and the Group has applied the change in the accounting policy as it provides more reliable and relevant information on the estimate of future cash flows, and the comparative figures with the prior period disclosed in the notes have been rewritten.

| | Assumptions | | | Assumption applied and calculation method |
|-----------------|-------------------|---|---|---|
| | December 31, 2021 | December 31, 2020 | January 1, 2020 | |
| Discount rate | -3.39% ~ 19.541% | Shinhan Life Insurance Co., Ltd. -3.623% ~ 23.477% Orange Life Insurance Co., Ltd. -3.623% ~ 23.477% | Shinhan Life Insurance Co., Ltd. -2.861% ~ 16.336% Orange Life Insurance Co., Ltd. -2.861% ~ 16.336% | The interest rate scenario calculated and presented by the Financial Supervisory Service as a scenario in which a liquidity premium is added to the risk-free rate of return scenario. (Shinhan Life Insurance) · Death due to other causes: Based on the statistics illustrating the past five-year experience, the ratio of premiums to on-level risk premiums by risk collateral and time elapsed. |
| Mortality rate | 16% ~ 751% | Shinhan Life Insurance Co., Ltd. 10.38% ~ 585.90% Orange Life Insurance Co., Ltd. 15% ~ 255% | Shinhan Life Insurance Co., Ltd. 11.36% ~ 497.99% Orange Life Insurance Co., Ltd. 20% ~ 255% | · Death due to natural causes: The ratio of actual mortality to the latest expected mortality (Orange Life Insurance) Based on the statistics illustrating the past five-year experience or more, it is calculated by reflecting the trend in the ratio of claims paid to expected claims by collateral, gender, product group, and time elapsed. |
| Surrender ratio | 0% ~ 84% | Shinhan Life Insurance Co., Ltd. 0.53% ~ 29.83% Orange Life Insurance Co., Ltd. 0% ~ 61% | Shinhan Life Insurance Co., Ltd. 0.76% ~ 33.03% Orange Life Insurance Co., Ltd. 0% ~ 50% | Lapse rate by sales channel, product, and time elapsed for the past five years. |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

27. Liability under insurance contracts (continued)

(i) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd. (continued)

iv) The result of liability adequacy test as of December 31, 2021 and 2020, and January 1, 2020 are as follows:

| | | | | December 31, 2021 | | |
|---------------------|---|------------|-------------|---------------------|----------|---------------------------|
| | | | | Provisions for test | LAT base | Premium surplus (loss) |
| Participating: | | | | | | |
| Fixed interest | ₩ | 1,371,625 | 2,098,387 | (726,762) | | |
| Variable interest | | 2,099,040 | 3,024,911 | (925,871) | | |
| Non- Participating: | | | | | | |
| Fixed interest | | 18,749,426 | 8,155,797 | 10,593,629 | | |
| Variable interest | | 23,059,035 | 21,378,217 | 1,680,818 | | |
| Variable type | | 109,753 | (1,437,388) | 1,547,141 | | |
| | ₩ | 45,388,879 | 33,219,924 | 12,168,955 | | |

< Shinhan Life Insurance >

| | | | | December 31, 2020 | | |
|---------------------|---|------------|------------|---------------------|----------|---------------------------|
| | | | | Provisions for test | LAT base | Premium surplus (loss) |
| Participating: | | | | | | |
| Fixed interest | ₩ | 598,793 | 1,371,496 | (772,703) | | |
| Variable interest | | 915,382 | 1,062,384 | (147,002) | | |
| Non- Participating: | | | | | | |
| Fixed interest | | 7,230,482 | 4,222,670 | 3,007,812 | | |
| Variable interest | | 14,456,394 | 13,753,963 | 702,431 | | |
| Variable type | | 165,259 | 61,212 | 104,047 | | |
| | ₩ | 23,366,310 | 20,471,725 | 2,894,585 | | |

<Orange Life Insurance >

| | | | | December 31, 2020 | | |
|---------------------|---|------------|-------------|---------------------|----------|---------------------------|
| | | | | Provisions for test | LAT base | Premium surplus (loss) |
| Participating: | | | | | | |
| Fixed interest | ₩ | 745,614 | 793,719 | (48,105) | | |
| Variable interest | | 1,174,807 | 1,698,984 | (524,177) | | |
| Non- Participating: | | | | | | |
| Fixed interest | | 10,061,004 | 5,850,160 | 4,210,844 | | |
| Variable interest | | 9,190,507 | 8,998,793 | 191,714 | | |
| Variable type | | (15,032) | (1,548,878) | 1,533,846 | | |
| | ₩ | 21,156,900 | 15,792,778 | 5,364,122 | | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

27. Liability under insurance contracts (continued)

(i) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd. (continued)

iv) The result of liability adequacy test as of December 31, 2021 and 2020 and January 1, 2020 are as follows (continued):

< Shinhan Life Insurance >

| | January 1, 2020 | | |
|---------------------|---------------------|------------|------------------------|
| | Provisions for test | LAT base | Premium surplus (loss) |
| Participating: | | | |
| Fixed interest | ₩ 595,317 | 1,367,648 | (772,331) |
| Variable interest | 900,378 | 1,082,341 | (181,963) |
| Non- Participating: | | | |
| Fixed interest | 6,608,221 | 4,199,666 | 2,408,555 |
| Variable interest | 14,481,696 | 13,770,288 | 711,408 |
| Variable type | 81,369 | (28,011) | 109,380 |
| | ₩ 22,666,981 | 20,391,932 | 2,275,049 |

<Orange Life Insurance >

| | January 1, 2020 | | |
|---------------------|---------------------|-------------|------------------------|
| | Provisions for test | LAT base | Premium surplus (loss) |
| Participating: | | | |
| Fixed interest | ₩ 716,607 | 762,204 | (45,597) |
| Variable interest | 1,134,245 | 1,651,134 | (516,889) |
| Non- Participating: | | | |
| Fixed interest | 9,296,542 | 5,795,590 | 3,500,952 |
| Variable interest | 9,236,731 | 9,142,918 | 93,813 |
| Variable type | (268,818) | (1,877,845) | 1,609,027 |
| | ₩ 20,115,307 | 15,474,001 | 4,641,306 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

28. Other liabilities

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Lease liabilities(*) | ₩ 612,690 | 594,161 |
| Accounts payable | 14,041,740 | 14,568,962 |
| Accrued expenses | 3,273,939 | 3,054,247 |
| Dividend payable | 32,275 | 32,508 |
| Advance received | 177,121 | 164,885 |
| Unearned income | 397,010 | 317,283 |
| Withholding value-added tax and other taxes | 673,294 | 692,719 |
| Securities deposit received | 1,985,269 | 2,198,722 |
| Foreign exchange settlement pending | 221,521 | 259,138 |
| Domestic exchange settlement pending | 1,890,408 | 5,745,338 |
| Payable from trust account | 5,191,901 | 5,086,459 |
| Due to agencies | 887,400 | 790,486 |
| Deposits for subscription | 133,550 | 148,506 |
| Separate account liabilities | 9,834,895 | 10,120,258 |
| Sundry liabilities | 1,563,832 | 1,617,449 |
| Others | 126,455 | 185,027 |
| Present value discount | (52,464) | (49,935) |
| | ₩ <u>40,990,836</u> | <u>45,526,213</u> |

(*) As of December 31, 2021, the Group accounts for the lease liabilities as other liabilities. For the year ended December 31, 2021, the amount of variable lease payments that are not included in the measurement of lease liabilities is ₩79 million, cash outflows from leases are ₩ 283,470 million, and interest expense on lease liabilities is ₩10,873 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

29. Equity

(a) Equity as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Capital stock: | | |
| Common stock(*1) | ₩ 2,608,176 | 2,608,176 |
| Preferred stock | 361,465 | 361,465 |
| | <u>2,969,641</u> | <u>2,969,641</u> |
| Hybrid bond | 3,334,531 | 2,179,934 |
| Capital surplus: | | |
| Share premium | 11,352,819 | 11,352,924 |
| Others | 742,224 | 882,015 |
| | <u>12,095,043</u> | <u>12,234,939</u> |
| Capital adjustments | (664,429) | (687,935) |
| Accumulated other comprehensive income, net of tax: | | |
| Gain(loss) on financial assets at fair value through other comprehensive income | (614,872) | 226,811 |
| Gain on financial assets at fair value through profit or loss (Overlay approach) | 141,821 | 161,919 |
| Equity in other comprehensive income of associates | 7,595 | 4,849 |
| Foreign currency translation adjustments for foreign operations | (125,219) | (377,061) |
| Net loss from cash flow hedges | (26,471) | (48,171) |
| Other comprehensive income(loss) of separate account | (22,850) | 18,423 |
| Remeasurement of defined benefit obligation | (343,124) | (385,780) |
| Changes in own credit risk on financial liabilities designated under fair value option | (1,816) | (5,171) |
| | <u>(984,936)</u> | <u>(404,181)</u> |
| Retained earnings(*2),(*3),(*4) | 30,541,300 | 27,777,169 |
| Non-controlling interest(*5),(*6),(*7) | 2,247,272 | 2,287,291 |
| | <u>₩ 49,538,422</u> | <u>46,356,858</u> |

(*1) For the year ended December 31, 2020, it increased due to common stock and third-party allocation paid-in capital increase issued when the Group acquired residual shares of Orange Life Insurance Co., Ltd and Shinhan Venture Investment Co., Ltd. The cost deducted from the issuing capital is ₩13,300 million. Affinity Equity Partners and Baring Private Equity Asia who have participated in third-party allocation-based capital increase have a right to practically appoint one director, respectively.

(*2) As of December 31, 2021 and 2020, profits reserved by the Group as of Article 53 of the Financial Holding Companies Act amounted to ₩2,432,039 million and ₩2,304,595 million, respectively.

(*3) As of December 31, 2021 and 2020, the regulatory reserves for loan losses the Group appropriated in retained earnings are ₩15,552 million and ₩11,988 million, respectively.

(*4) As of December 31, 2021, profit dividends within retained earnings of subsidiaries of the Group restricted in accordance with laws, etc. are amounted to ₩7,265,086 million.

(*5) As of December 31, 2021 and 2020, the total amounts of hybrid bonds that Shinhan Bank, Jeju Bank, Shinhan Capital Co.,Ltd. and Shinhan Life Insurance Co., Ltd. have recognized as non-controlling interests are ₩2,035,762 million and ₩2,035,762 million, respectively. And, for the years ended December 31, 2021 and 2020, the amounts of dividends paid for the hybrid bonds by Shinhan Bank, Jeju Bank, Shinhan Capital Co.,Ltd. and Shinhan Life Insurance Co., Ltd. ₩71,746 million and ₩54,619 million, respectively, are allocated to profit attributed to non-controlling interest.

(*6) The non-controlling interests of ₩59,709 million decreased for the year ended December 31, 2021 due to the acquisition of the remaining shares of Shinhan Asset Management Co., Ltd.

(*7) The non-controlling interests of ₩1,330,337 million decreased for the year ended December 31, 2020 due to the acquisition of the remaining shares of Orange Life Insurance Co., Ltd.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won, except per share data)

29. Equity (continued)

(b) Capital stock

Capital stock of the Group as of December 31, 2021 and 2020 are as follows:

| | | |
|--|---|---------------|
| Number of authorized shares | | 1,000,000,000 |
| Par value per share in won | ₩ | 5,000 |
| Number of issued common stocks as of December 31, 2021 | | 516,599,554 |
| Number of issued common stocks as of December 31, 2020 | | 516,599,554 |
| Number of issued preferred stocks as of December 31, 2021 and 2020 | | 17,482,000 |

The details of changes in the number of common shares outstanding as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------|--------------------------|--------------------------|
| Beginning balance | 515,894,758 | 460,317,525 |
| Increase | 700,870 | 60,626,827 |
| Decrease | (2,426) | (5,049,594) |
| Ending balance | 516,593,202 | 515,894,758 |

(c) The details of preferred stock are as follows:

| | <u>The number of shares</u> | <u>Contracted dividend rate</u> | <u>Conversion request period(*)</u> |
|-----------------------------|---------------------------------|--|-------------------------------------|
| Convertible preferred stock | 17,482,000 | 4.0% per year based on issue price (non-cumulative participating) | 2020.05.01~2023.04.30 |

(*) Preferred stocks that have not been converted for 4 years from the issuance date and until the expiration date of the period of existence are automatically converted to common stocks at the expiration date of the period of existence.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won, except per share data)

29. Equity (continued)

(d) Hybrid bonds

Hybrid bonds classified as other equity instruments as of December 31, 2021 and 2020 are as follows:

| | <u>Issue date</u> | <u>Maturity date</u> | <u>Interest rate (%)</u> | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----|--------------------|----------------------|--------------------------|---|--------------------------|--------------------------|
| | June 25, 2015 | June 25, 2045 | 4.38 | ₩ | 199,455 | 199,455 |
| | September 15, 2017 | - | 3.77 | | 134,683 | 134,683 |
| | September 15, 2017 | - | 4.25 | | 89,783 | 89,783 |
| | April 13, 2018 | - | 4.08 | | 134,678 | 134,678 |
| | April 13, 2018 | - | 4.56 | | 14,955 | 14,955 |
| KRW | August 29, 2018 | - | 4.15 | | 398,679 | 398,679 |
| | June 28, 2019 | - | 3.27 | | 199,476 | 199,476 |
| | September 17, 2020 | - | 3.12 | | 448,699 | 448,699 |
| | March 16, 2021 | - | 2.94 | | 429,009 | - |
| | March 16, 2021 | - | 3.30 | | 169,581 | - |
| USD | August 13, 2018 | - | 5.88 | | 559,526 | 559,526 |
| | May 12, 2021 | - | 2.88 | | 556,007 | - |
| | | | | ₩ | <u>3,334,531</u> | <u>2,179,934</u> |

(*) For the year ended December 31, 2021, the deduction for capital related to hybrid bonds issued is ₩4,953 million.

The hybrid bonds above can be repaid early after 5 or 10 years from the date of issuance, and the controlling company has an unconditional right to extend the maturity under the same condition. In addition, if no dividend is to be paid for common stocks, the agreed interest is also not paid.

(e) Capital adjustments

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

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|---|--------------------------|--------------------------|
| Beginning balance | ₩ | (687,935) | (1,116,770) |
| Acquisition of treasury stocks | | (79) | (150,467) |
| Disposal and retirement of treasury stocks | | 23,589 | 601,809 |
| The acquisition commitment amount for subsidiaries' remaining shares | | - | (22,019) |
| Other transactions with owners | | (4) | (488) |
| Ending balance | ₩ | <u>(664,429)</u> | <u>(687,935)</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

29. Equity (continued)

(e) Accumulated other comprehensive income

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

| | December 31, 2021 | | | | | | | | | | |
|---|--|--|---|---|---------------------------------------|---|---|--|--|---|-------------|
| | Items that are or may be reclassified to profit or loss | | | | | | Items that will never be reclassified to profit or loss | | | | |
| | Gain (loss) on securities at fair value through other comprehensive income | Gain (loss) on valuation of financial asset measured at FVTPL (overlay approach) | Equity in other comprehensive income (loss) of associates | Foreign currency translation adjustments for foreign operations | Net gain (loss) from cash flow hedges | Other comprehensive income (loss) of separate account | Remeasurements of the defined benefit plans | Equity in other comprehensive income (expense) of associates | Gain (loss) on securities at fair value through other comprehensive income | Gain (loss) on financial Liabilities measured at FVTPL attributable to changes in credit risk | |
| Beginning balance | ₩ 146,829 | 161,919 | 4,875 | (377,061) | (48,171) | 18,423 | (385,780) | (26) | 79,982 | (5,171) | (404,181) |
| Change due to fair value | (1,110,290) | (31,924) | 6,517 | - | - | (56,484) | - | (3) | 21,408 | (1,526) | (1,172,302) |
| Reclassification: | | | | | | | | | | | |
| Change due to impairment or disposal | (114,399) | - | - | - | - | - | - | - | - | - | (114,399) |
| Effect of hedge accounting | - | - | - | - | (209,869) | - | - | - | - | - | (209,869) |
| Hedging | 10,627 | - | - | (74,525) | 239,800 | - | - | - | - | - | 175,902 |
| Effects from changes in foreign exchange rate | - | - | - | 333,059 | - | - | - | - | 673 | - | 333,732 |
| Remeasurements of the defined benefit plans | - | - | - | - | - | - | 59,441 | - | - | - | 59,441 |
| Deferred income taxes | 334,391 | 11,826 | (3,769) | (6,226) | (8,231) | 15,211 | (16,164) | 1 | (16,061) | (1,272) | 309,706 |
| Transfer to other account | - | - | - | - | - | - | - | - | 29,421 | 6,153 | 35,574 |
| Non-controlling interests | 2,547 | - | - | (466) | - | - | (621) | - | - | - | 1,460 |
| Ending balance | ₩ (730,295) | 141,821 | 7,623 | (125,219) | (26,471) | (22,850) | (343,124) | (28) | 115,423 | (1,816) | (984,936) |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

29. Equity (continued)

(e) Accumulated other comprehensive income (continued)

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

| | December 31, 2020 | | | | | | | | | | |
|---|--|--|---|---|---------------------------------------|---|---|--|--|---|-----------|
| | Items that are or may be reclassified to profit or loss | | | | | Items that will never be reclassified to profit or loss | | | | | Total |
| | Gain (loss) on securities at fair value through other comprehensive income | Gain (loss) on valuation of financial asset measured at FVTPL (overlay approach) | Equity in other comprehensive income (loss) of associates | Foreign currency translation adjustments for foreign operations | Net gain (loss) from cash flow hedges | Other comprehensive income (loss) of separate account | Remeasurements of the defined benefit plans | Equity in other comprehensive income (expense) of associates | Gain (loss) on securities at fair value through other comprehensive income | Gain (loss) on financial Liabilities measured at FVTPL attributable to changes in credit risk | |
| Beginning balance | ₩ 233,328 | 71,621 | 8,193 | (217,465) | (33,711) | 14,539 | (401,532) | (16) | 73,142 | (8,255) | (260,156) |
| Change due to fair value | (3,601) | 125,298 | (1,080) | - | - | 5,358 | - | (15) | (19,133) | (9,689) | 97,138 |
| Reclassification: | | | | | | | | | | | |
| Change due to impairment or disposal | (105,274) | - | - | 5,858 | - | - | - | - | - | 13,942 | (85,474) |
| Effect of hedge accounting | - | - | - | - | 144,750 | - | - | - | - | - | 144,750 |
| Hedging | (4,395) | - | - | 45,083 | (164,708) | - | - | - | - | - | (124,020) |
| Effects from changes in foreign exchange rate | - | 74 | (355) | (219,306) | - | - | - | - | 721 | - | (218,866) |
| Remeasurements of the defined benefit plans | - | - | - | - | - | - | 21,422 | - | - | - | 21,422 |
| Deferred income taxes | 26,486 | (35,074) | (1,883) | 7,000 | 5,498 | (1,474) | (5,610) | 5 | (2,573) | (1,169) | (8,794) |
| Transfer to other account | - | - | - | - | - | - | - | - | 27,825 | - | 27,825 |
| Non-controlling interests | 285 | - | - | 1,769 | - | - | (60) | - | - | - | 1,994 |
| Ending balance | ₩ 146,829 | 161,919 | 4,875 | (377,061) | (48,171) | 18,423 | (385,780) | (26) | 79,982 | (5,171) | (404,181) |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

29. Equity (continued)

(f) Appropriation of retained earnings

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

| Date of appropriation: | December 31, 2021 | December 31, 2020 |
|---|---------------------------|--------------------------|
| | March 24, 2022 | March 25, 2021 |
| Unappropriated retained earnings: | | |
| Balance at beginning of year | ₩ 5,355,358 | 5,251,413 |
| Retirement of treasury stock | - | (150,325) |
| Dividend to hybrid bonds | (116,388) | (85,327) |
| Interim dividends | (299,082) | - |
| Net income | 1,413,956 | 1,274,443 |
| | <u>6,353,844</u> | <u>6,290,204</u> |
| Appropriation of retained earnings: | | |
| Legal reserve | (141,396) | (127,444) |
| Dividends | | |
| Dividends on common stocks paid | (723,230) | (773,839) |
| Dividends on preferred stocks paid | (24,475) | (29,999) |
| Regulatory reserve for loan losses | (2,972) | (3,564) |
| | <u>(892,073)</u> | <u>(934,846)</u> |
| Unappropriated retained earnings to be carried over to subsequent year | ₩ <u>5,461,771</u> | <u>5,355,358</u> |

(*) These statements of appropriation of retained earnings are based on the separate financial statements of Shinhan Finance Group.

(g) Regulatory reserve for loan losses

In accordance with Regulations for the Supervision of Financial Institutions, the Group reserves the difference between allowance for credit losses by K-IFRS and that as required by the Regulations at the account of regulatory reserve for loan losses in retained earnings.

i) Changes in regulatory reserve for loan losses including non-controlling interests as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|--|--------------------------|--------------------------|
| Beginning balance | ₩ 3,329,899 | 3,161,170 |
| Planned regulatory reversal of loan losses | 269,743 | 168,729 |
| Ending balance | <u>₩ 3,599,642</u> | <u>3,329,899</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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29. Equity (continued)

(g) Regulatory reserve for loan losses (continued)

ii) Profit attributable to equity holders of Shinhan Financial Group and earnings per share after factoring in regulatory reserve for loan losses for the years ended December 31, 2021 and 2020 are as follows:

| | | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|---|--------------------------|--------------------------|
| Profit attributable to equity holders of Shinhan Financial Group | ₩ | 4,019,254 | 3,414,595 |
| Provision for regulatory reserve for loan losses | | (269,085) | (177,620) |
| Profit attributable to equity holders of Shinhan Financial Group adjusted for regulatory reserve | ₩ | <u>3,750,169</u> | <u>3,236,975</u> |
| Basic and diluted earnings per share adjusted for regulatory reserve in won(*) | | 6,804 | 6,299 |

(*) Dividends for hybrid bonds are deducted.

(h) Treasury stock

The acquisitions of treasury stock for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | | <u>December 31, 2020(*)</u> | |
|-------------------|----------------------------|-----------------------|-----------------------------|-----------------------|
| | <u>The number of share</u> | <u>Carrying value</u> | <u>The number of share</u> | <u>Carrying value</u> |
| Beginning balance | 704,796 ₩ | 28,215 | 13,882,062 ₩ | 600,000 |
| Acquisition | 2,426 | 79 | 5,049,594 | 150,467 |
| Disposal | 700,870 | (28,067) | 13,191,202 | (572,252) |
| Retirement | - | - | 5,035,658 | (150,000) |
| Ending balance | <u>6,352 ₩</u> | <u>227</u> | <u>704,796 ₩</u> | <u>28,215</u> |

(*) Changes in equity shares due to the exchange of shares with Orange Life Insurance Co., Ltd. and Shinhan Venture Investment Co., Ltd. are included in the acquisition and disposal for treasury stock. Shares of Shinhan Financial Group Co., Ltd. is owned by Orange Life Insurance Co., Ltd. and Shinhan Venture Investment Co., Ltd. are included in its own shares.

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30. Dividends

(a) For the year ended December 31, 2021, the interim dividends paid are as follows.:

| Dividend base date | | Amount |
|-------------------------|--|-----------|
| 2 ND Quarter | Common stock (₩300 per share) | ₩ 154,978 |
| | Convertible preferred stock (₩300 per share) | 5,245 |
| | | ₩ 160,223 |
| 3 rd Quarter | Common stock (₩260 per share) | ₩ 134,314 |
| | Convertible preferred stock (₩260 per share) | 4,545 |
| | | ₩ 138,859 |

(*) The Group has amended the articles of association by resolution of the general meeting of stockholders on March 25, 2021 and the Group has been offering interim dividends since June 30, 2021.

(b) Details of dividends recognized as distributions to stockholders for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021(*1) | December 31, 2020 |
|---|-----------------------|-------------------|
| Common Stock: | | |
| Total number of shares issued and outstanding | 516,599,554 | 516,599,554 |
| Par value per share in won | 5,000 | 5,000 |
| Dividend per share in won | 1,400 | 1,500 |
| Dividends(*2) | ₩ 723,230 | 773,839 |
| Dividend rate per share | % 28.0 | 30.0 |
| Preferred Stock: | | |
| Total number of shares issued and outstanding | 17,482,000 | 17,482,000 |
| Par value per share in won | 5,000 | 5,000 |
| Dividend per share in won | 1,400 | 1,716 |
| Dividends | ₩ 24,475 | 29,999 |
| Dividend rate per share | % 28.0 | 34.3 |

(*1) The current dividend(plan) will be decided on March 24, 2022. The amount of dividends was not recognized as a distribution to the owner during the period.

(*2) Dividends on own shares held by the Group are excluded.

(c) The details of dividends paid by the Group related to the preferred stock issued for the year ended December 31, 2021 are as follows:

| Number of shares | Dividend per share (in won) | Total dividend paid | Issue price per share (in won) | Dividend rate per issue price (%) |
|------------------|-----------------------------|---------------------|--------------------------------|-----------------------------------|
| 17,482,000 | 1,960 | 34,265 | 42,900 | 4.57 |

(d) Dividends for hybrid bond is calculated as follows for the years ended December 31, 2021 and 2020:

| | December 31, 2021 | December 31, 2020 |
|-----------------------|-------------------|-------------------|
| Amount of hybrid bond | ₩ 3,347,700 | 2,188,150 |
| Interest rate (%) | % 2.88 ~ 5.88 | 3.12 ~ 5.88 |
| Dividends | ₩ 116,388 | 85,327 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

31. Net interest income

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------------|--------------------------|--------------------------|
| Interest income: | | |
| Cash and deposits at amortized cost | ₩ 85,846 | 128,023 |
| Deposits at FVTPL | 1,298 | 13,888 |
| Securities at FVTPL | 659,927 | 742,958 |
| Securities at FVOCI | 896,027 | 957,817 |
| Securities at amortized cost | 1,091,974 | 1,076,849 |
| Loans at amortized cost | 11,889,767 | 11,697,775 |
| Loans at FVTPL | 35,587 | 73,991 |
| Others | 63,804 | 82,695 |
| | <u>14,724,230</u> | <u>14,773,996</u> |
| Interest expense: | | |
| Deposits | 2,173,804 | 2,842,625 |
| Borrowings | 330,548 | 426,607 |
| Debt securities issued | 1,390,230 | 1,554,544 |
| Others | 60,323 | 67,520 |
| | <u>3,954,905</u> | <u>4,891,296</u> |
| Net interest income | ₩ <u>10,769,325</u> | <u>9,882,700</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

32. Net fees and commission income

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Fees and commission income: | | |
| Credit placement fees | ₩ 71,480 | 94,836 |
| Commission received as electronic charge receipt | 148,626 | 143,449 |
| Brokerage fees | 577,238 | 546,236 |
| Commission received as agency | 146,662 | 145,162 |
| Investment banking fees | 188,644 | 161,439 |
| Commission received in foreign exchange activities | 271,808 | 239,467 |
| Trust management fees | 310,376 | 255,043 |
| Credit card fees | 1,175,084 | 1,170,078 |
| Operating lease fees(*) | 365,447 | 245,173 |
| Others | 884,520 | 813,591 |
| | <u>4,139,885</u> | <u>3,814,474</u> |
| Fees and commission expense: | | |
| Credit-related fee | 38,668 | 46,456 |
| Credit card fees | 836,990 | 849,256 |
| Others | 589,230 | 535,829 |
| | <u>1,464,888</u> | <u>1,431,541</u> |
| Net fees and commission income | ₩ <u>2,674,997</u> | <u>2,382,933</u> |

(*) Among operating lease fees recognized for the years ended December 31, 2021 and 2020, there is no variable lease fee income which does not vary by index or rate.

33. Dividend income

Dividend income for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------|--------------------------|--------------------------|
| Securities at FVTPL | ₩ 100,315 | 76,453 |
| Securities at FVOCI | 24,216 | 21,503 |
| | <u>₩ 124,531</u> | <u>97,956</u> |

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34. Net gain (loss) on financial instruments measured at fair value through profit or loss

Net gain(loss) on financial instruments measured at fair value through profit or loss for the ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Net gain (loss) on deposits measured at FVTPL | | |
| Gain (loss) on valuation | ₩ (296) | 1,267 |
| Gain (loss) on sale | (1,479) | 28,461 |
| | <u>(1,775)</u> | <u>29,728</u> |
| Net gain (loss) on loans measured at FVTPL | | |
| Loss on valuation | (78,416) | (204,702) |
| Gain on sale | 15,312 | 17,516 |
| | <u>(63,104)</u> | <u>(187,186)</u> |
| Net gain (loss) on securities measured at FVTPL | | |
| Debt securities | | |
| Gain on valuation | 97,281 | 41,208 |
| Gain (loss) on sale | (92,230) | 72,338 |
| Other gains | 506,980 | 331,837 |
| | <u>512,031</u> | <u>445,383</u> |
| Equity securities | | |
| Gain on valuation | 180,363 | 134,922 |
| Gain on sale | 199,702 | 283,265 |
| | <u>380,065</u> | <u>418,187</u> |
| Other | | |
| Gain on valuation | 9,316 | 22,690 |
| | <u>901,412</u> | <u>886,260</u> |
| Net gain (loss) on financial liabilities measured at FVTPL | | |
| Debt securities | | |
| Loss on valuation | (7,745) | (48,261) |
| Gain (loss) on disposal | (67,522) | 82,724 |
| | <u>(75,267)</u> | <u>34,463</u> |
| Other | | |
| Loss on valuation | (26,224) | (83,316) |
| Gain on disposal | 3,489 | 8,313 |
| | <u>(22,735)</u> | <u>(75,003)</u> |
| | <u>(98,002)</u> | <u>(40,540)</u> |
| Derivatives: | | |
| Gain (loss) on valuation | (64,128) | 245,681 |
| Gain(loss) on transaction | 429,228 | (661,113) |
| | <u>365,100</u> | <u>(415,432)</u> |
| | <u>₩ 1,103,631</u> | <u>272,830</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

35. Net gain (loss) on financial instruments designated at fair value through profit or loss

Net gain (loss) on financial instruments designated at fair value through profit or loss for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|------------------------------|------------------------------|
| Financial liabilities designated at fair value through profit or loss: | | |
| Compound financial instruments : | | |
| Gain on valuation | ₩ 423,914 | 241,066 |
| Loss on sale and redemption | (512,215) | (42,827) |
| | <u>₩ (88,301)</u> | <u>198,239</u> |

36. Reversal of (provision for) credit loss allowance

Reversal of (provision for) credit loss allowance on financial assets for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Allowance provided: | | |
| Loans at amortized cost | ₩ (907,070) | (1,290,695) |
| Other financial assets at amortized cost | (52,162) | (33,785) |
| Securities at fair value through other comprehensive income | (19,697) | (3,829) |
| Unused credit line and financial guarantee | - | (52,795) |
| Securities at amortized cost | (5,305) | (1,075) |
| | <u>(984,234)</u> | <u>(1,382,179)</u> |
| Allowance reversed: | | |
| Unused credit commitment and financial guarantee | 9,549 | - |
| | <u>₩ (974,685)</u> | <u>(1,382,179)</u> |

37. General and administrative expenses

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------|--------------------------|--------------------------|
| Employee benefits: | | |
| Salaries | ₩ 3,283,436 | 3,034,543 |
| Severance benefits: | | |
| Defined contribution | 38,577 | 36,660 |
| Defined benefit | 192,614 | 184,753 |
| Termination benefits | 268,089 | 94,723 |
| | <u>3,782,716</u> | <u>3,350,679</u> |
| Entertainment | 38,552 | 34,963 |
| Depreciation | 490,457 | 475,506 |
| Amortization | 155,202 | 129,976 |
| Taxes and utility bills | 187,432 | 197,996 |
| Advertising | 280,780 | 204,308 |
| Research | 25,320 | 20,271 |
| Others | 782,629 | 798,774 |
| | <u>₩ 5,743,088</u> | <u>5,212,473</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won, except per share data)

38. Share-based payments

(a) Stock options granted as of December 31, 2021 are as follows:

| | <u>7th grant (*)</u> |
|--------------------------------------|-----------------------------------|
| Type | Cash payment |
| Grant date | March 19, 2008 |
| Exercise price in Korean won | ₩49,053 |
| Number of shares granted | 808,700 |
| Options' expiry dates | May 17, 2021 / September 17, 2021 |
| Changes in number of shares granted: | |
| Balance at January 1, 2021 | 36,162 |
| Exercised | 36,162 |
| Balance at December 31, 2021 | <u>-</u> |

(b) Performance shares granted as of December 31, 2021 are as follows:

| | <u>Expired</u> | <u>Not expired</u> |
|--|--|--------------------|
| Type | Cash-settled share-based payment | |
| Performance conditions (*1) | Relative stock price linked (20.0%), management index (80.0%) | |
| Exercising period | 4 years from the commencement date of the year to which the grant date belongs | |
| Estimated number of shares vested at December 31, 2021 | 578,201 | 1,941,484 |
| Fair value per share in Korean won (*2) | ₩40,580, ₩44,222, ₩33,122 and ₩37,387 for the expiration of exercising period from 2018 to 2021 | ₩ 36,800 |

(*1) Starting with the shares provided from 2020, Shinhan Financial Group and Shinhan Bank apply relative stock price linked (20.0%), management index (60.0%), and prudential index (20.0%).

(*2) 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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2021 and 2020

(In millions of won)

38. Share-based payments (continued)

(c) Share-based compensation costs for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | |
|------------------------|------------------------------------|-------------------------|--------------|
| | Employees of | | |
| | The controlling company | The subsidiaries | Total |
| Stock options granted: | | | |
| 7th | ₩ (1) | (1) | (2) |
| Performance shares | 4,286 | 32,899 | 37,185 |
| | ₩ 4,285 | 32,898 | 37,183 |

| | December 31, 2020 | | |
|------------------------|------------------------------------|-------------------------|--------------|
| | Employees of | | |
| | The controlling company | The subsidiaries | Total |
| Stock options granted: | | | |
| 6th | ₩ (1) | (4) | (5) |
| 7th | (18) | (26) | (44) |
| Performance shares | (257) | (3,902) | (4,159) |
| | ₩ (276) | (3,932) | (4,208) |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

38. Share-based payments (continued)

(d) Accrued expenses and the intrinsic value as of December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | |
|------------------------|------------------------------------|-------------------------|--------------|
| | Accrued expense (*) | | |
| | The controlling company | The subsidiaries | Total |
| Stock options granted: | | | |
| Performance shares | ₩ 10,598 | 82,498 | 93,096 |

(*) As of December 31, 2021, all stock options have expired, and the fair value is considered as intrinsic value for performance shares, respectively.

| | December 31, 2020 | | |
|------------------------|------------------------------------|-------------------------|--------------|
| | Accrued expense (*) | | |
| | The controlling company | The subsidiaries | Total |
| Stock options granted: | | | |
| 7th | ₩ 1 | 1 | 2 |
| Performance shares | 7,201 | 60,241 | 67,442 |
| | ₩ 7,202 | 60,242 | 67,444 |

(*) The intrinsic value of share-based payments is ₩ 67,442 million as of December 31, 2020. For the calculation, the quoted market price of ₩ 32,050 per share is used for stock options and the fair value is considered as intrinsic value for performance shares, respectively.

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(In millions of won)

39. Net other operating expense

Other operating income and other operating expense for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Other operating income | | |
| Gain on disposal of assets: | | |
| Loans at amortized cost | ₩ 18,843 | 21,348 |
| Others: | | |
| Gain on hedged items | 501,676 | 536,768 |
| Reversal of allowance for guarantees and acceptances | - | 2,709 |
| Gain on other trust accounts | 44,238 | - |
| Reversal of other allowance | 8,886 | 850 |
| Others | 356,611 | 164,999 |
| | <u>911,411</u> | <u>705,326</u> |
| | ₩ <u>930,254</u> | <u>726,674</u> |
| Other operating expense | | |
| Loss on disposal of assets: | | |
| Loans at amortized cost | ₩ 347 | 18,675 |
| Others: | | |
| Loss on hedged items | 518,891 | 605,808 |
| Fund contribution | 397,884 | 367,993 |
| Provision for guarantees and acceptances | 3,457 | - |
| Provision for other debt allowances | 52,123 | 16,862 |
| Depreciation of operating lease assets | 257,033 | 163,006 |
| Others | 1,190,546 | 924,796 |
| | <u>2,419,934</u> | <u>2,078,465</u> |
| | ₩ <u>2,420,281</u> | <u>2,097,140</u> |
| Net other operating expenses | ₩ <u>(1,490,027)</u> | <u>(1,370,466)</u> |

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December 31, 2021 and 2020

(In millions of won)

40. Net other non-operating income

Other non-operating income and other non-operating expense for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Other non-operating income | | |
| Gain on disposal of assets: | | |
| Property and equipment (*1) | ₩ 1,836 | 64,427 |
| Investment property (*1) | 108 | 20,701 |
| Assets held for sale | 16,976 | 1,147 |
| Lease assets | 247 | 2,712 |
| Right-of-use assets | 2,986 | 3,415 |
| Others | - | 24 |
| | <u>22,153</u> | <u>92,426</u> |
| Gain on disposal of Investments in associates | 39,593 | 11,325 |
| Others: | | |
| Rental income on investment property | 35,887 | 23,890 |
| Reversal of impairment losses on intangible asset | 372 | 119 |
| Gain from assets contributed | 20 | 4 |
| Others | 64,272 | 66,268 |
| | <u>100,551</u> | <u>90,281</u> |
| | <u>162,297</u> | <u>194,032</u> |
| Other non-operating expense | | |
| Loss on disposal of assets: | | |
| Property and equipment (*1) | 2,027 | 5,884 |
| Investment property | 2,111 | - |
| Lease assets | - | 5,538 |
| Right-of-use assets | 2,920 | 1,195 |
| Others | 1,186 | 64 |
| | <u>8,244</u> | <u>12,681</u> |
| Loss on disposal of investments in associates | 11,002 | 5,754 |
| Impairment loss on investments in associates | 10,719 | 9,407 |
| | <u>21,721</u> | <u>15,161</u> |
| Others: | | |
| Donations | 64,098 | 86,608 |
| Depreciation of investment properties | 21,616 | 20,165 |
| Impairment loss on property and equipment | 7,594 | - |
| Impairment loss on intangible assets | 34,916 | 41,429 |
| Write-off of intangible assets | 1,346 | 474 |
| Expenses on collection of special bonds | 11,275 | 7,978 |
| Others (*2) | 518,519 | 344,934 |
| | <u>659,364</u> | <u>501,588</u> |
| | <u>689,329</u> | <u>529,430</u> |
| Net other non-operating loss | ₩ <u>(527,032)</u> | <u>(335,398)</u> |

(*1) Gain and loss on disposal of sale-and-leaseback are included in gain and loss on disposal of property, plant, and equipment and gain on disposal of investment property, respectively. Gain on disposal of sale-and-leaseback for the year ended December 31, 2020 is ₩ 9,761 million.

(*2) It includes ₩ 466,775 million and ₩ 284,176 million, respectively, for the years ended December 31, 2021 of estimated claim for damages that are highly probable to be paid in case of customer losses expected due to redemption delays of Lime CI funds.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

41. Income tax expense

(a) Income tax expense for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Current income tax expense | ₩ 1,498,819 | 1,131,254 |
| Temporary differences | (322,279) | 131,862 |
| Income tax recognized in other comprehensive income | 294,496 | (7,321) |
| Income tax expenses | <u>₩ 1,471,036</u> | <u>1,255,795</u> |

(b) Income tax expense calculated by multiplying net income before tax with the tax rate for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-------------------------------------|--------------------------|--------------------------|
| Profit before income taxes | ₩ 5,583,664 | 4,753,871 |
| Income taxes at statutory tax rates | 1,530,030 | 1,301,836 |
| Adjustments: | | |
| Non-taxable income | (8,417) | (4,932) |
| Non-deductible expense | 15,975 | 14,529 |
| Tax credit | (159) | (88) |
| Others | (66,393) | (55,550) |
| Income tax expense | <u>₩ 1,471,036</u> | <u>1,255,795</u> |
| Effective tax rate | % | 26.35 |
| | | 26.42 |

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41. Income tax expense (continued)

(c) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | |
|---|--------------------------|----------------|--|----------------------|
| | Beginning Balance | Profit or loss | Other comprehensive income(loss) | Ending Balance(*) |
| Unearned income | ₩ (328,278) | (12,714) | - | (340,992) |
| Account receivable | (29,078) | 2,498 | - | (26,580) |
| Financial assets measured at fair value | (142,085) | 83,716 | 325,327 | 266,958 |
| Investment in associates and etc | 161,270 | 22,616 | (5,624) | 178,262 |
| Valuation and depreciation of property and equipment | (150,786) | 14,616 | - | (136,170) |
| Derivative asset (liability) | (55,590) | 86,234 | (8,995) | 21,649 |
| Deposits | 27,632 | (3,202) | - | 24,430 |
| Accrued expenses | 140,864 | 13,852 | - | 154,716 |
| Defined benefit obligation | 538,654 | 26,411 | (15,115) | 549,950 |
| Plan assets | (553,907) | (47,067) | (870) | (601,844) |
| Other provisions | 312,278 | 77,268 | - | 389,546 |
| Allowance for acceptances and guarantees | 88,050 | (55,588) | - | 32,462 |
| Allowance related to asset revaluation | (49,713) | - | - | (49,713) |
| Allowance for expensing depreciation | (337) | 63 | - | (274) |
| Accrued contributions | 16,618 | 19,496 | - | 36,114 |
| Financial assets(liabilities) designated at fair value through profit of loss | (28,226) | (46,429) | - | (74,655) |
| Allowances | 223,651 | (91,412) | - | 132,239 |
| Constructive dividend | 16,291 | 446 | - | 16,737 |
| Liability under insurance contracts | 1,739 | 132 | - | 1,871 |
| Deficit carried over | 311 | (311) | - | - |
| Others | (837,736) | (44,441) | (227) | (882,404) |
| | <u>(648,378)</u> | <u>46,184</u> | <u>294,496</u> | <u>(307,698)</u> |
| Expired unused tax losses: | | | | |
| Extinguishment of deposit and insurance liabilities | 284,067 | (17,462) | - | 266,605 |
| | <u>₩ (364,311)</u> | <u>28,722</u> | <u>294,496</u> | <u>(41,093)</u> |

(*) Deferred tax assets from overseas subsidiaries are increased by ₩ 939 million due to foreign exchange rate movements.

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41. Income tax expense (continued)

(c) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2021 and 2020 are as follows (continued) :

| | | December 31, 2020 | | | | |
|---|---|--------------------------|-------------------------|------------------|--|----------------------|
| | | Beginning Balance | Business combination | Profit or loss | Other comprehensive income(loss) | Ending Balance(*) |
| Unearned income | ₩ | (331,679) | - | 3,401 | - | (328,278) |
| Account receivable | | (26,324) | - | (2,754) | - | (29,078) |
| Financial assets measured at fair value | | (101,577) | 1,750 | (28,950) | (13,308) | (142,085) |
| Investment in associates and etc | | 18,758 | - | 144,390 | (1,878) | 161,270 |
| Valuation and depreciation of property and equipment | | (151,046) | 7 | 253 | - | (150,786) |
| Derivative asset (liability) | | 21,005 | - | (80,357) | 3,762 | (55,590) |
| Deposits | | 30,641 | - | (3,009) | - | 27,632 |
| Accrued expenses | | 145,494 | 441 | (5,071) | - | 140,864 |
| Defined benefit obligation | | 506,132 | 209 | 39,072 | (6,759) | 538,654 |
| Plan assets | | (507,140) | - | (47,934) | 1,167 | (553,907) |
| Other provisions | | 213,055 | - | 99,223 | - | 312,278 |
| Allowance for acceptances and guarantees | | 80,014 | - | 8,036 | - | 88,050 |
| Allowance related to asset revaluation | | (49,713) | - | - | - | (49,713) |
| Allowance for expensing depreciation | | (401) | - | 64 | - | (337) |
| Deemed dividend | | - | - | - | - | - |
| Accrued contributions | | 36,818 | - | (20,200) | - | 16,618 |
| Financial assets(liabilities) designated at fair value through profit of loss | | 42,817 | - | (71,043) | - | (28,226) |
| Allowances | | 38,068 | - | 185,583 | - | 223,651 |
| Constructive dividend | | 1,341 | - | 14,950 | - | 16,291 |
| Liability under insurance contracts | | 24,147 | - | (22,408) | - | 1,739 |
| Deficit carried over | | - | - | 311 | - | 311 |
| Others | | (543,770) | 451 | (304,112) | 9,695 | (837,736) |
| | | <u>(553,360)</u> | <u>2,858</u> | <u>(90,555)</u> | <u>(7,321)</u> | <u>(648,378)</u> |
| Expired unused tax losses: | | | | | | |
| Extinguishment of deposit and insurance liabilities | | 320,011 | - | (35,944) | - | 284,067 |
| | ₩ | <u>(233,349)</u> | <u>2,858</u> | <u>(126,499)</u> | <u>(7,321)</u> | <u>(364,311)</u> |

(*) Deferred tax assets from overseas subsidiaries are increased by ₩ 1,960 million due to foreign exchange rate movements.

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(In millions of won)

41. Income tax expense (continued)

(d) Deferred tax assets and liabilities that are directly charged or credited to equity for the years ended December 31, 2021 and 2020 are as follows:

| | January 1, 2021 | | Changes | | December 31, 2021 | |
|---|------------------------|-------------------|------------------|-------------------|--------------------------|-------------------|
| | OCI | Tax effect | OCI | Tax effect | OCI | Tax effect |
| Gain (loss) on valuation of financial assets measured at FVOCI | ₩ 335,800 | (108,989) | (1,160,013) | 318,331 | (824,213) | 209,342 |
| Gain (loss) on financial liabilities measured at FVTPL attributable to changes in credit risk | (7,133) | 1,961 | 4,627 | (1,272) | (2,506) | 689 |
| Foreign currency translation adjustments for foreign operations | (374,944) | (2,117) | 258,068 | (6,226) | (116,876) | (8,343) |
| Gain (loss) on cash flow hedge | (67,935) | 19,764 | 29,931 | (8,232) | (38,004) | 11,532 |
| Equity in other comprehensive income(loss) of associates | 6,850 | (2,000) | 6,512 | (3,766) | 13,362 | (5,766) |
| The accumulated other comprehensive income(loss) in separate account(*) | 25,412 | (6,988) | (56,484) | 15,211 | (31,072) | 8,223 |
| Remeasurements of the defined benefit liability | (532,176) | 146,396 | 58,820 | (16,164) | (473,356) | 130,232 |
| Gain (loss) on valuation of financial asset measured at FVTPL (Overlay approach) | 224,049 | (62,130) | (31,924) | 11,826 | 192,125 | (50,304) |
| | ₩ <u>(390,077)</u> | <u>(14,103)</u> | <u>(890,463)</u> | <u>309,708</u> | <u>(1,280,540)</u> | <u>295,605</u> |

| | January 1, 2020 | | Changes | | December 31, 2020 | |
|---|------------------------|-------------------|------------------|-------------------|--------------------------|-------------------|
| | OCI | Tax effect | OCI | Tax effect | OCI | Tax effect |
| Gain (loss) on valuation of financial assets measured at FVOCI | ₩ 439,370 | (132,901) | (103,570) | 23,912 | 335,800 | (108,989) |
| Gain (loss) on financial liabilities measured at FVTPL attributable to changes in credit risk | (11,386) | 3,131 | 4,253 | (1,170) | (7,133) | 1,961 |
| Foreign currency translation adjustments for foreign operations | (208,348) | (9,117) | (166,596) | 7,000 | (374,944) | (2,117) |
| Gain (loss) on cash flow hedge | (47,977) | 14,266 | (19,958) | 5,498 | (67,935) | 19,764 |
| Equity in other comprehensive income(loss) of associates | 8,300 | (122) | (1,450) | (1,878) | 6,850 | (2,000) |
| The accumulated other comprehensive income(loss) in separate account(*) | 20,054 | (5,515) | 5,358 | (1,473) | 25,412 | (6,988) |
| Remeasurements of the defined benefit liability | (553,538) | 152,006 | 21,362 | (5,610) | (532,176) | 146,396 |
| Gain (loss) on valuation of financial asset measured at FVTPL (Overlay approach) | 98,678 | (27,057) | 125,371 | (35,073) | 224,049 | (62,130) |
| | ₩ <u>(254,847)</u> | <u>(5,309)</u> | <u>(135,230)</u> | <u>(8,794)</u> | <u>(390,077)</u> | <u>(14,103)</u> |

(*) Deferred tax effects, which are originated from the accumulated other comprehensive income in separate account, are included in the other liabilities of principle and interest guaranteed separate account's financial statement.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

41. Income tax expense (continued)

(e) There is no the amount of deductible temporary differences, that are not recognized as deferred tax assets as of December 31, 2021 and 2020.

(f) The amount of temporary difference regarding investment in subsidiaries that are not recognized as deferred tax liabilities as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Investment in associates | ₩ (1,304,370) | (897,110) |

(g) The Group set off a deferred tax asset against a deferred tax liability of the same taxable entity if, and only if, they relate to income taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets and liabilities presented on a gross basis prior to any offsetting as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------|--------------------------|--------------------------|
| Deferred tax assets | ₩ 593,852 | 440,430 |
| Deferred tax liabilities | (634,945) | (804,741) |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
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(In millions of won, except per share data)

42. Earnings per share

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

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Profit attributable to equity holders of Shinhan Financial Group | ₩ 4,019,254 | 3,414,595 |
| Less: | | |
| Dividends to hybrid bond | (116,388) | (85,327) |
| Net profit available for common stock | <u>₩ 3,902,866</u> | <u>3,329,268</u> |
| Weighted average number of common shares outstanding(*1)(*2) | 534,049,948 | 500,343,324 |
| Basic and diluted earnings per share in won | <u>₩ 7,308</u> | <u>6,654</u> |

(*1) The number of basic ordinary shares outstanding is 516,599,554 shares and the above weighted-average stocks are calculated by reflecting treasury stocks issued and 17,482,000 shares of convertible preferred shares issued on May 1, 2019.

(*2) Treasury stock has retired on June 1, 2020.

(b) The calculation details of the weighted average number of ordinary shares for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | |
|--|--------------------------|-----------------------|
| | <u>Number of shares</u> | <u>Number of days</u> |
| Number of common shares issued | 516,599,554 | 188,558,837,210 |
| Shares of convertible preferred stock | 17,482,000 | 6,380,930,000 |
| Shares of treasury stock | (6,352) | (11,536,338) |
| Average number of ordinary shares | 534,075,202 | 194,928,230,872 |
| Days | | 365 days |
| Weighted average number of ordinary shares | | 534,049,948 |
| | <u>December 31, 2020</u> | |
| | <u>Number of shares</u> | <u>Number of days</u> |
| Number of common shares issued | 516,599,554 | 178,880,869,852 |
| Shares of convertible preferred stock | 17,482,000 | 6,398,412,000 |
| Shares of treasury stock | (704,796) | (2,153,625,403) |
| Average number of ordinary shares | 533,376,758 | 183,125,656,449 |
| Days | | 366 days |
| Weighted average number of ordinary shares | | 500,343,324 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

43. Commitments and contingencies

(a) Guarantees, acceptances and credit commitments as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| Guarantees and purchase agreements: | | |
| Outstanding guarantees | ₩ 10,540,968 | 10,249,827 |
| Contingent guarantees | 4,670,771 | 3,433,953 |
| ABS and ABCP purchase agreements | 1,525,768 | 1,604,958 |
| | <u>16,737,507</u> | <u>15,288,738</u> |
| Commitments to extend credit: | | |
| Loan commitments in won | 81,707,963 | 80,598,639 |
| Loan commitments in foreign currency | 19,807,686 | 19,319,903 |
| Other agreements (*) | 92,338,217 | 87,718,227 |
| | <u>193,853,866</u> | <u>187,636,769</u> |
| Endorsed bills: | | |
| Secured endorsed bills | 8,199 | 1,650 |
| Unsecured endorsed bills | 7,683,165 | 7,324,559 |
| | <u>7,691,364</u> | <u>7,326,209</u> |
| | <u>₩ 218,282,737</u> | <u>210,251,716</u> |

(*) Unused credit commitments provided to the card customers are included, the amounts are ₩ 86,979,545 million for the year ended December 31, 2021 and ₩ 82,991,589 million for the year ended December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

43. Commitments and contingencies (continued)

(b) Pending litigations

The Group's pending lawsuits as a defendant as of December 31, 2021 are as follows:

| Case | Number of claim | Claim amount | Description | Status |
|--|-----------------|------------------|--|---|
| 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 bankrupt creditors of the borrower. Therefore, the Plaintiff filed a lawsuit for damages. | The first order is ongoing as of December 31, 2021. |
| Request for return of trust and etc. | 1 | 10,997 | Claims for payment of principal of trust and trust profits upon termination of a specific trust. Loans lawsuit | It was filed on December 13, 2021 The Group won the first order and second order is ongoing as of December 31, 2021. |
| Loans lawsuit | 1 | 10,654 | | The Group won the first order and second order is ongoing as of December 31, 2021. |
| Return of down payment for Ulsan Innovative City | 1 | 12,045 | The Plaintiffs, the distributors, had received the properties from the Group in accordance with the Act of Industrial Integration, but Ulsan City refused to approve the move-in under the Act of Innovative City, claiming that if the Act of Innovative City is applied, they will suffer from significant losses in future re-transfer. | The Group won the first order and second order is ongoing as of December 31, 2021. |
| Others(*) | 583 | 337,417 | It includes various cases, such as compensation for loss claim. | |
| | <u>587</u> | <u>₩ 404,209</u> | | |

(*) In January 2022, two lawsuits were filed, claiming damages (lawsuit value of ₩101,183 million) for joint and several liability.

As of the December 31, 2021, the Group has recorded ₩9,693 million and ₩3,828 million, respectively, as provisions and insurance contract liabilities (reserve for claims) for litigations, etc., which have been decided to lose at the first trial. The outcome of the remaining litigations other than those accounted for provisions, etc. are not expected to have a material impact on the consolidated financial statements, but additional losses may result from future litigation.

(c) The Group entered into an agreement between shareholders with Asia Trust Co., Ltd. (60% of its total shares) to acquire remaining stake. In accordance with the agreement, the Group has the right to purchase shares held by the shareholders of Asia Trust Co., Ltd. In response, the shareholders of Asia Trust Co., Ltd. have the right to demand to purchase the shares to the Group.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

43. Commitments and contingencies (continued)

(d) As a Prime Brokerage Service operator, the Group entered into a total return swap agreement (TRS, derivatives that exchange profits and losses from underlying assets such as stocks, bonds and funds) with a fund operated by Lime Asset Management ("Lime Fund"). Through TRS with the Group, the Lime Fund invested approximately \$200 million in IIG Global Trade Finance Fund, IIG Trade Finance Fund, and IIG Trade Finance Fund-FX Hedged ("IIG Fund") from May 2017 to September 2017. The Group invested the IIG Fund in LAM Enhanced Finance III L.P. ("LAM III Fund") in kind and acquired the LAM III Fund's beneficiary certificates in accordance with the management instructions of Lime Asset Management in 2019. The recoverable value of the LAM III Fund beneficiary certificates is affected by the recoverable value of the IIG Fund invested in kind.

Meanwhile, IIG Fund received cancellation of registration and asset freeze from the US Securities and Exchange Commission in November 2019. The Financial Supervisory Service (FSS) announced in its interim inspection of Lime Fund in February 2020 that the Group is charged of being involved in poor concealment and fraud of Lime Fund while operating TRSs with Lime Fund, and a related prosecution investigation has been under way since then.

Institutional sanctions (Shinhan Investment Corp. has been banned from the sale of new private equity funds and etc for six months) against the Group was finalized by the Financial Services Commission on November 12, 2021.

In addition, the prosecution arrested and indicted the former director of Prime Brokerage Services for fraud charges and violation of the Capital Market and Financial Investment Services Act. Finally, the former director of Prime Brokerage Services was found guilty.

The prosecution indicted the Group and the former director of Prime Brokerage Services on January 22, 2021 for violating 'Financial Investment Services and Capital Markets Act'. It is expected that the criminal trial will determine whether the Group is legally responsible or not. The Group has determined the present obligation that the Group may liable for the charge of involvement in the fraud is not significant.

As of December 31, 2021, there is a dispute between companies over some beneficiary certificates acquired under the management order of Lime Asset Management.

Considering the board resolutions and the results of the Financial Supervisory Service's dispute settlement committee, the Group has been completed or will be carried out the compensation and liquidity supply for some of the Lime Fund sales in the future.

(e) The Group sold approximately ₩390.7 billion of German Heritage DLS trust products from May 2017 to December 2018. As of December 31, 2021, the repayment of ₩379.9 billion has been delayed. Accordingly, the supervisory authorities were conducting an inspection on the incomplete sale of trust products. The institutional sanctions (Shinhan Investment Corp. has been banned from the sale of new private equity funds and etc for six months) against the Group was partially finalized by the Financial Services Commission on November 12, 2021.

(f) The Group has sold Gen2 related trust instruments from May 2014 to November 2019. As of December 31, 2021, approximately ₩373.8 billion, expired amount, of ₩420.0 billion, outstanding balance, is suspended from redemption and delayed in repayment. In accordance with a resolution of the Board of Directors on September 28, 2021, the Group has decided to pay 40% of the investment principal to the customers who have agreed to the suspension of redemption and settle the amount upon investment recovery.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

43. Commitments and contingencies (continued)

(g) The Group is responsible for the completion of construction when the contractor fails to fulfill its responsibilities. In case the Group fails to fulfill its responsibility, it is in the process of a responsible-for-completion land trust project (122 cases other than the new construction project of accommodation facilities in Sutaek-dong, Guri-si, Gyeonggi-do (excluding completed workplaces)) to compensate for damages incurred to the financial institutions, and for the year ended December 31, 2021, the total PF loans amounted to ₩4,344.9 billion. The amount of claim for damages of the Group is determined after identifying whether it is a damage caused by the Group's failure to fulfill its responsibilities. As of December 31, 2021, the risk of the Group to bear the responsibility to complete the project is low, and the loss cannot be reliably measured, hence this was not reflected in the financial statements for the year ended December 31, 2021. Meanwhile, the process of each business sites will be continuously monitored.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

44. Statement of cash flows

(a) Cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|--|--------------------------|--------------------------|
| Cash and due from banks at amortized cost | ₩ 28,471,127 | 33,420,549 |
| Adjustments: | | |
| Due from financial institutions with a maturity over three months from date of acquisition | (1,490,600) | (2,488,156) |
| Restricted due from banks | (13,896,642) | (21,969,411) |
| | <u>(15,387,242)</u> | <u>(24,457,567)</u> |
| | ₩ <u>13,083,885</u> | <u>8,962,982</u> |

(b) Significant non-cash activities for the years ended December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Investment conversion | ₩ 32,239 | 58,528 |
| Transfers from construction-in-progress to property and equipment | 18,748 | 56,575 |
| Transfers between property and equipment and investment property | 73,773 | 4,064 |
| Transfers between assets held for sale and property and equipment | 1,022 | 31,633 |
| Transfers between investment property and assets held for sale | 2,238 | 910 |
| Accounts payable for purchase of intangible assets, etc. | 137,058 | 137,476 |
| Transaction for right-of-use assets | 289,995 | 281,785 |
| Exchange of shares related to acquisition of subsidiaries | - | 629,449 |
| Exchange of shares related to disposal of treasury stocks | - | 287,669 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

44. Statement of cash flows (continued)

(c) Changes in assets and liabilities arising from financing activities for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | | | | |
|---|---|-------------------|---------------------------------------|------------------------------|--------------------|
| | Net Derivative liabilities | Borrowings | Debt securities issued | Lease liabilities | Total |
| Beginning balance | ₩ (88,784) | 41,594,064 | 75,134,394 | 594,161 | 117,233,835 |
| Changes from cash flows | 12,667 | 849,212 | 4,417,830 | (275,273) | 5,004,436 |
| Changes from non-cash flows | | | | | |
| Amortization of discount on borrowings and debentures | - | (71,390) | 9,257 | 10,873 | (51,260) |
| Changes in foreign currency | - | 193,892 | 779,919 | - | 973,811 |
| Other non-financial change | (5,290) | 601,287 | (192,037) | 282,929 | 686,889 |
| Ending balance | ₩ <u>(81,407)</u> | <u>43,167,065</u> | <u>80,149,363</u> | <u>612,690</u> | <u>123,847,711</u> |
| | | | | | |
| | December 31, 2020 | | | | |
| | Net Derivative liabilities | Borrowings | Debt securities issued | Lease liabilities | Total |
| Beginning balance | ₩ (5,822) | 34,863,156 | 75,363,364 | 1,104,259 | 111,324,957 |
| Changes from cash flows | 43,676 | 7,465,106 | (28,372) | (781,867) | 6,698,543 |
| Changes from non-cash flows | | | | | |
| Amortization of discount on borrowings and debentures | - | 22,836 | 437,627 | 14,504 | 474,967 |
| Changes in foreign currency | - | 271,179 | (417,151) | - | (145,972) |
| Other non-financial change | (126,638) | (1,037,213) | (221,074) | 256,426 | (1,128,499) |
| Business combination(Note47) | - | 9,000 | - | 839 | 9,839 |
| Ending balance | ₩ <u>(88,784)</u> | <u>41,594,064</u> | <u>75,134,394</u> | <u>594,161</u> | <u>117,233,835</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

45. Related parties

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. In accordance with K-IFRS No. 1024, the Group defines the retirement benefit plans of the associates, key management and their families, the consolidation group and related parties as the scope of related parties. The amount of profit and loss, bond and debt balance between the Group and the related parties are disclosed. For details of the subsidiaries and associates, refer to 'Note 15'.

(a) Balances with the related parties as of December 31, 2021 and 2020 are as follows:

| Related party | Account | December 31, 2021 | December 31, 2020 |
|--|-------------------|----------------------|----------------------|
| Investments in associates: | | | |
| BNP Paribas Cardif Life Insurance | Other assets | ₩ 61 | 76 |
| " | Credit card loans | 87 | 81 |
| " | Deposits | 14,870 | 13,941 |
| Partners 4th Growth Investment Fund | Deposits | 10,096 | 2,802 |
| BNP Paribas Cardif General Insurance | Credit card loans | 24 | 21 |
| " | ACL | (2) | - |
| " | Other provisions | 4 | - |
| " | Deposits | 1,455 | 41 |
| Dream High Fund III | Deposits | 4 | 4 |
| Credian Healthcare Private Equity Fund II(*) | Deposits | - | 2 |
| Midas Dong-A Snowball Venture Fund 2 | Deposits | 350 | 1,739 |
| Eum Private Equity Fund No.3(*) | Deposits | - | 20 |
| Incorporated association Finance Saving Information Center | Deposits | 16 | 7 |
| Nomura investment property trust No.19 | Loans | 11,880 | 11,976 |
| " | Other assets | - | 44 |
| SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | Other assets | 345 | 1,160 |
| Korea Finance Security | Deposits | 457 | 568 |
| SHINHAN-CORE TREND GLOBAL FUND 1 | Unearned revenue | 17 | 16 |
| Hermes Private Investment Equity Fund | Deposits | 246 | 352 |
| Korea Credit Bureau | Deposits | 1,394 | 2,088 |
| Goduck Gangil1 PFV Co., Ltd | Loans | 12,000 | 24,000 |
| " | ACL | (52) | (71) |
| SBC PFV Co., Ltd | Deposits | 33,278 | 8,011 |
| Sprott Global Renewable Private Equity Fund I | Deposits | 176 | 258 |
| IMM Global Private Equity Fund | Loans | 800 | 800 |
| " | ACL | (3) | (2) |
| " | Deposits | 21,543 | 10,820 |
| Goduck Gangil10 PFV Co., Ltd | Loans | 7,600 | 9,400 |
| " | ACL | (24) | (19) |
| " | Deposits | 72,740 | 2,718 |
| Shinhan Global Healthcare Fund 2 | Deposits | 1 | 1 |
| One Shinhan Global Fund 1 | Unearned revenue | 104 | 122 |
| IGIS PRIVATE REAL ESTATE TRUST NO.331(*) | Loans | - | 9,919 |
| " | Accrued income | - | 121 |
| " | Unearned revenue | - | 22 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

45. Related parties (continued)

(a) Balances with the related parties as of December 31, 2021 and 2020 are as follows (continued):

| Related party | Account | December 31, 2021 | December 31, 2020 |
|--|---------------------|----------------------|----------------------|
| Investments in associates (continued): | | | |
| COSPEC BIM tech(*) | Loans | ₩ - | 151 |
| " | ACL | - | (95) |
| " | Deposits | - | 1 |
| IMM Special Situation 1-2 PRIVATE EQUITY FUND | Deposits | 23 | 117 |
| EDNCENTRAL Co.,Ltd. | Loans | 19,739 | 19,450 |
| " | Accrued income | 9 | 9 |
| " | Deposits | 1 | - |
| " | Unearned revenue | 40 | 578 |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Investment(*) | Account receivables | - | 2,823 |
| Future-Creation Neoplux Venture Capital Fund | Account receivables | 3,919 | 4,137 |
| Neoplux Market-Frontier Secondary Fund | Account receivables | 954 | 1,630 |
| Gyeonggi-Neoplux Superman Fund | Account receivables | 620 | 186 |
| Shinhan-Neoplux Energy Newbiz Fund | Account receivables | 1,002 | 25 |
| SHINHAN-NEO Core Industrial Technology Fund | Account receivables | - | 3 |
| KTC-NP Growth Champ 2011-2 Private Equity Fund | Account receivables | 4,512 | 4,528 |
| Neoplux No.3 Private Equity Fund | Account receivables | 662 | 748 |
| NV Station Private Equity Fund | Deposits | 41 | 100 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | Unearned revenue | - | 76 |
| IGIS Private Real Estate Investment Trust 286(*) | Other loans | - | 436 |
| Genesis North America Power Company No.1 PEF | Other loans | - | 2,171 |
| Korea Digital Asset Custody | Deposits | 526 | - |
| SW-N Fund | Deposits | 115 | - |
| Shinhan Smilegate Global PEF I | Unearned revenue | 49 | - |
| WaveTechnology co.Ltd | Deposits | 99 | - |
| SHINHAN-NEO Market-Frontier 2nd Fund | Account receivables | 513 | - |
| iPIXEL Co.,Ltd. | Loans | 55 | - |
| " | Deposits | 651 | - |
| CJL No.1 Private Equity Fund | Deposits | 779 | - |
| Nova New Technology Investment Fund No.1 | Deposits | 357 | - |
| Key management personnel and their immediate relatives: | | | |
| | Loans | 6,149 | 5,144 |
| | Assets | 70,850 | 98,852 |
| | Liabilities | ₩ 159,432 | 44,404 |

(*) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2021

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

45. Related parties (continued)

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

| Related party | Account | December 31, 2021 | December 31, 2020 |
|--|-------------------------------------|----------------------|----------------------|
| Investments in associates | | | |
| BNP Paribas Cardif Life Insurance | Fees and commission income | ₩ 3,023 | 3,390 |
| " | Interest expense | (13) | (5) |
| " | General and administrative expenses | (2) | (4) |
| Shinhan Praxis K-Growth Global Private Equity Fund | Fees and commission income | 323 | 361 |
| BNP Paribas Cardif General Insurance | Fees and commission income | 10 | 10 |
| " | Reversal for credit loss | 6 | - |
| " | Other operating income | - | 333 |
| " | Interest expense | (1) | - |
| SM New Technology Business Investment Fund I(*1) | Fees and commission income | 187 | - |
| Partners 4th Growth Investment Fund | Interest expense | (11) | (4) |
| Shinhan-Albatross Technology Investment Fund | Fees and commission income | 129 | 54 |
| KDBC Midas Dong-A Snowball Venture Fund No.2 | Interest expense | - | (2) |
| SHC-K2 Global Material Fund(*2) | Fees and commission income | - | 19 |
| Synergy-Shinhan Mezzanine New Technology Investment Fund(*2) | Fees and commission income | - | 50 |
| Shinhan-Midas Dong-A Secondary Venture Fund | Fees and commission income | 115 | 63 |
| GX Shinhan interest 1st Private Equity Fund(*2) | Fees and commission income | - | 454 |
| Shinhan-Nvestor Liquidity Solution Fund | Fees and commission income | 271 | 361 |
| SHC ULMUS Fund No.1(*2) | Fees and commission income | - | 39 |
| Shinhan-PS Investment Fund No.1 | Fees and commission income | 20 | 20 |
| Nomura investment property trust No.19 | Interest income | 530 | 525 |
| " | Other operating income | - | 3 |
| SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3 | Fees and commission income | 974 | 2,501 |

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December 31, 2021 and 2020

(In millions of won)

45. Related parties (continued)

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

| Related party | Account | December 31, 2021 | December 31, 2020 |
|--|-------------------------------------|----------------------|----------------------|
| Investments in associates (continued) | | | |
| KOREA FINANCE SECURITY | Fees and commission income | ₩ 8 | 10 |
| " | Interest expense | (1) | (1) |
| ShinHan – Soo Young Entrepreneur Investment Fund | Fees and commission income | 1,028 | 206 |
| Shinhan-Rhinos 1 Fund | Fees and commission income | 47 | 64 |
| SHINHAN-CORE TREND GLOBAL FUND1 | Fees and commission income | 106 | 100 |
| Kiwoom-Shinhan Innovation Fund I | Fees and commission income | 240 | 240 |
| One Shinhan Global Fund1 | Fees and commission income | 208 | 399 |
| Open-Shinhan Portfolio Investment Association No. 1 | Fees and commission income | 59 | 59 |
| FuturePlay-Shinhan TechInnovation Fund 1 | Fees and commission income | 241 | 218 |
| Korea Credit Bureau | Fees and commission income | 14 | 13 |
| " | Interest expense | (9) | (12) |
| Goduck Gangil1 PFV Co., Ltd | Interest income | 754 | 915 |
| " | Reversal for credit loss | 20 | 7 |
| SBC PFV Co., Ltd | Fees and commission income | 776 | 732 |
| " | Interest expense | (14) | (5) |
| IMM Global Private Equity Fund | Interest income | 23 | 25 |
| " | Interest expense | (49) | (13) |
| " | Provision for credit loss | (1) | - |
| Goduck Gangil10 PFV Co., Ltd | Interest income | 283 | 299 |
| " | Fees and commission income | - | 793 |
| " | Interest expense | (78) | (4) |
| " | Provision for credit loss | (4) | (19) |
| IGIS PRIVATE REAL ESTATE TRUST NO.331(*1) | Interest income | - | 731 |
| " | Other operating expense | - | (67) |
| " | Fees and commission income | - | 478 |
| COSPEC BIM tech(*1) | Interest income | 41 | - |
| " | Provision(reversal) for credit loss | 95 | (95) |
| Korea Omega Project Fund I | Fees and commission income | 180 | 131 |
| New Green Shinhan Mezzanine Fund(*1) | Fees and commission income | 334 | 42 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

45. Related parties (continued)

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

| Related party | Account | December 31, 2021 | December 31, 2020 |
|---|----------------------------|-------------------|-------------------|
| Investments in associates (continued) | | | |
| Sparklabs-Shinhan Opportunity Fund 1 | Fees and commission income | ₩ 202 | 174 |
| EDNCENTRAL Co.,Ltd. | Interest income | 1,140 | 649 |
| " | Fees and commission income | 714 | 578 |
| " | Other operating expense | - | (121) |
| Shinhan Western T&D Consignment Management Real Estate Investment Co., Ltd(*2) | Fees and commission income | - | 300 |
| Kakao-Shinhan 1st TNYT Fund | Fees and commission income | 386 | 165 |
| KoFC-Neoplux R&D-Biz Creation 2013-1 Investment(*1) | Interest income | 1 | 9 |
| " | Fees and commission income | 5,474 | 44 |
| Future-Creation Neoplux Venture Capital Fund | Interest income | 31 | 14 |
| " | Fees and commission income | 308 | 116 |
| Neoplux Market-Frontier Secondary Fund | Fees and commission income | 954 | 416 |
| Gyeonggi-Neoplux Superman Fund | Fees and commission income | 621 | 149 |
| Shinhan-Neoplux Energy Newbiz Fund | Fees and commission income | 1,002 | 308 |
| NewWave 6th Fund | Fees and commission income | 1,210 | 303 |
| SHINHAN-NEO Core Industrial Technology Fund | Fees and commission income | 498 | 3 |
| KTC-NP Growth Champ 2011-2 Private Equity Fund | Interest income | 26 | 5 |
| " | Fees and commission income | - | 86 |
| Neoplux No.3 Private Equity Fund | Fees and commission income | 2,433 | 748 |
| Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 | Fees and commission income | 83 | 1,412 |
| CREDIAN T&F 2020 CORPORATE FINANCIAL STABILITY PRIVATE EQUITY FUND(*2) | Interest expense | - | (1) |

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45. Related parties (continued)

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

| Related party | Account | December 31, 2021 | December 31, 2020 |
|---|----------------------------|-------------------|-------------------|
| Investments in associates (continued) | | | |
| Shinhan Smilegate Global PEF I | Fees and commission income | ₩ 189 | - |
| SHINHAN-NEO Market-Frontier 2nd Fund | Fees and commission income | 2,026 | - |
| Korea Digital Asset Custody | Interest expense | (2) | - |
| SWK-Shinhan New Technology Investment Fund 1st | Fees and commission income | 41 | - |
| Ulmus SHC innovation investment fund | Fees and commission income | 63 | - |
| iPIXEL Co.,Ltd. | Interest income | 2 | - |
| CJL No.1 Private Equity Fund | Interest expense | (2) | - |
| Reverent-Shinhan Vista Fund | Fees and commission income | 90 | - |
| Hermes Private Investment Equity Fund | Interest expense | (1) | - |
| Kiwoom-Shinhan Innovation Fund 2 | Fees and commission income | 115 | - |
| ETRI Holdings-Shinhan 1st Unicorn Fund | Fees and commission income | 32 | - |
| Shinhan-Time mezzanine blind Fund | Fees and commission income | 300 | - |
| Shinhan VC tomorrow venture fund 1 | Fees and commission income | 419 | - |
| JS Shinhan Private Equity Fund | Fees and commission income | 250 | - |
| Key management personnel and their immediate relatives | | | |
| Interest income | | 122 | 126 |
| | | ₩ 28,589 | 18,897 |

(*1) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2021

(*2) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

45. Related parties (continued)

(c) Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2021 and 2020 are as follows:

| | December 31, 2021 | December 31, 2020 |
|-------------------------------------|----------------------|----------------------|
| Short-term employee benefits | ₩ 23,972 | 23,468 |
| Severance benefits | 686 | 651 |
| Share-based payment transactions(*) | 13,886 | 2,628 |
| | <u>₩ 38,544</u> | <u>26,747</u> |

(*) The expenses of share-based payment transactions are the remuneration expenses during the vesting period.

(d) The guarantees provided between the related parties as of December 31, 2021 and 2020 are as follows:

| Guarantor | Guaranteed Parties | Amount of guarantees | | Account |
|--------------|--------------------------------------|----------------------|----------------------|--------------------|
| | | December 31, 2021 | December 31, 2020 | |
| Shinhan Bank | BNP Paribas Cardif Life Insurance | ₩ 10,000 | 10,000 | Unused loan limit |
| Shinhan Card | BNP Paribas Cardif Life Insurance | 913 | 919 | Unused credit line |
| " | BNP Paribas Cardif General Insurance | 226 | 229 | Unused credit line |
| The Group | Structured entities | 207,078 | 135,459 | Purchase agreement |
| | | <u>₩ 218,217</u> | <u>146,607</u> | |

(e) Details of collaterals provided by the related parties as of December 31, 2021 and 2020 are as follows:

| Provided to | Provided by | Pledged assets | Amount of assets pledged | |
|--------------|-----------------------------------|-----------------------------|--------------------------|----------------------|
| | | | December 31, 2021 | December 31, 2020 |
| Shinhan Bank | BNP Paribas Cardif Life Insurance | Government bonds | ₩ 12,000 | 12,000 |
| | Hyungje art printing | Properties | - | 120 |
| | Goduck Gangil1 PFV Co., Ltd | Guarantee insurance policy | - | 28,800 |
| | Goduck Gangil10 PFV Co., Ltd | Guarantee insurance policy | - | 13,000 |
| | iPIXEL Co.,Ltd. | Electronic credit guarantee | 190 | - |
| | | | <u>₩ 12,190</u> | <u>53,920</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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45. Related parties (continued)

(f) Details of significant loan transactions with related parties as of December 31, 2021 and 2020 are as follows:

| Classification | Company | December 31, 2021 | | | | |
|------------------------------|--|-------------------|-----------|------------|-----------|--------|
| | | Beginning | Execution | Collection | Others(*) | Ending |
| Investments in associates | Nomura investment property trust No.19 IGIS PRIVATE REAL ESTATE TRUST NO.331 | ₩ 11,973 | - | - | (93) | 11,880 |
| | EDNCENTRAL Co.,Ltd. | 9,688 | - | (9,769) | 81 | - |
| | Goduck Gangil1 PFV Co., Ltd. | 19,381 | - | - | 358 | 19,739 |
| | Goduck Gangil10 PFV Co., Ltd. | 24,000 | - | (12,000) | - | 12,000 |
| | IMM Global Private Equity Fund | 9,400 | 600 | (2,400) | - | 7,600 |
| | COSPEC BIM tech | 800 | - | - | - | 800 |
| | iPIXEL Co.,Ltd. | 151 | - | - | (151) | - |
| | | - | 71 | - | (16) | 55 |
| | Total | ₩ 75,393 | 671 | (24,169) | 179 | 52,074 |

(*) The effect on changes in allowance for credit loss is included.

| Classification | Company | December 31, 2020 | | | | |
|------------------------------|--|-------------------|--------|----------|------------|--------|
| | | Beginning | Loan | Recover | Others(*1) | Ending |
| Investments in associates | Nomura investment property trust No.19 IGIS PRIVATE REAL ESTATE TRUST NO.331 | ₩ 11,973 | - | - | - | 11,973 |
| | EDNCENTRAL Co.,Ltd. | - | 10,000 | - | (312) | 9,688 |
| | Goduck Gangil1 PFV Co., Ltd | - | 20,000 | - | (619) | 19,381 |
| | Goduck Gangil10 PFV Co., Ltd | 24,000 | - | - | - | 24,000 |
| | IMM Global Private Equity Fund | - | 28,200 | (18,800) | - | 9,400 |
| | COSPEC BIM tech(*2) | 800 | - | - | - | 800 |
| | | - | - | - | 151 | 151 |
| | Total | ₩ 36,773 | 58,200 | (18,800) | (780) | 75,393 |

(*1) The effect on changes in allowance for credit loss is included.

(*2) For the year ended December 31, 2020, it is incorporated as a related party, and has marked the balance as of December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

46. Interests in unconsolidated structured entities

(a) The nature and extent of interests in unconsolidated structured entities

The Group involved in assets-backed securitization, structured financing, beneficiary certificates (primarily investment funds) and other structured entities and characteristics of these 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 so able) 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 so 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 means an investment trust, a PEF (private equity fund) or a partnership which invests in a group of assets such as stocks or bonds by issuing a type of beneficiary certificates to raise funds from the general public, and distributes its income and capital gains to their investors. The Group manages assets by investing in shares of investment fund or playing a role of an operator or a GP (general partner) of investment fund, on behalf of other investors.</p> |

The size of unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|-----------------------------|--------------------------|--------------------------|
| Total assets: | | |
| Asset-backed securitization | ₩ 248,200,446 | 253,958,036 |
| Structured financing | 255,854,384 | 257,475,395 |
| Investment fund | 301,241,508 | 203,863,889 |
| | <u>₩ 805,296,338</u> | <u>715,297,320</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(In millions of won)

46. Interests in unconsolidated structured entities (continued)

(b) Nature of risks

i) The carrying values of the assets and liabilities relating to its interests in unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:

| December 31, 2021 | | | | |
|---|---|---------------------------------|----------------------------|-------------------|
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets under consolidated financial statements: | | | | |
| Loans measured at fair value through profit or loss | ₩ 16,352 | 156,630 | 42,231 | 215,213 |
| Loan at amortized cost | 731,184 | 13,548,490 | 155,572 | 14,435,246 |
| Securities at fair value through profit or loss | 3,752,394 | 235,238 | 14,014,493 | 18,002,125 |
| Derivate assets | 4,343 | 16,560 | - | 20,903 |
| Securities at fair value through other comprehensive income | 2,510,057 | 215,237 | - | 2,725,294 |
| Securities at amortized cost | 6,493,106 | - | - | 6,493,106 |
| Other assets | 138 | 17,280 | 177 | 17,595 |
| | ₩ 13,507,574 | 14,189,435 | 14,212,473 | 41,909,482 |
| Liabilities under consolidated financial statements: | | | | |
| Derivate liabilities | ₩ 3,817 | 48 | - | 3,865 |
| Other liabilities | 103 | 21,683 | - | 21,786 |
| | ₩ 3,920 | 21,731 | - | 25,651 |
| December 31, 2020 | | | | |
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets under consolidated financial statements: | | | | |
| Loans measured at fair value through profit or loss | ₩ 10,007 | 396,006 | - | 406,013 |
| Loan at amortized cost | 882,708 | 11,631,322 | 80,166 | 12,594,196 |
| Securities at fair value through profit or loss | 4,703,527 | 200,966 | 9,403,611 | 14,308,104 |
| Derivate assets | 10,353 | 1,050 | - | 11,403 |
| Securities at fair value through other comprehensive income | 2,105,239 | 122,664 | - | 2,227,903 |
| Securities at amortized cost | 6,294,228 | - | - | 6,294,228 |
| Other assets | 2,019 | 59,980 | 4,936 | 66,935 |
| | ₩ 14,008,081 | 12,411,988 | 9,488,713 | 35,908,782 |
| Liabilities under consolidated financial statements: | | | | |
| Derivate liabilities | ₩ 582 | - | - | 582 |
| Other liabilities | 2,610 | 21,421 | - | 24,031 |
| | ₩ 3,192 | 21,421 | - | 24,613 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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46. Interests in unconsolidated structured entities (continued)

(b) Nature of risks (continued)

ii) *The maximum risk exposure of the Group relating to its interests in unconsolidated structured entities as of December 31, 2021 and 2020 are as follows:*

| December 31, 2021 | | | | |
|--------------------------|---|---------------------------------|----------------------------|-------------------|
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets held | ₩ 13,507,574 | 14,189,435 | 14,212,473 | 41,909,482 |
| ABS and ABCP | | | | |
| purchase agreements | 895,273 | 2,210 | 2,703,353 | 3,600,836 |
| Loan commitments | 439,843 | 984,082 | 6,900 | 1,430,825 |
| Guarantees | 21,200 | 105,550 | - | 126,750 |
| Others | - | 150,579 | - | 150,579 |
| | <u>₩ 14,863,890</u> | <u>15,431,856</u> | <u>16,922,726</u> | <u>47,218,472</u> |
| December 31, 2020 | | | | |
| | Assets-backed securitization | Structured financing | Investment fund | Total |
| Assets held | ₩ 14,008,081 | 12,411,988 | 9,488,713 | 35,908,782 |
| ABS and ABCP | | | | |
| purchase agreements | 932,113 | 2,300 | 1,923,035 | 2,857,448 |
| Loan commitments | 618,030 | 707,860 | - | 1,325,890 |
| Guarantees | 87,293 | - | - | 87,293 |
| Others | - | 123,210 | 5,887 | 129,097 |
| | <u>₩ 15,645,517</u> | <u>13,245,358</u> | <u>11,417,635</u> | <u>40,308,510</u> |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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47. Business combination

(a) Shinhan Venture Investment Co., Ltd.

i) General information

As of September 29, 2020, the Group gained control of Neoplux Co., Ltd. as a subsidiary by acquiring a 96.77% (97.08% stake of voting rights) stake and reporting to the Financial Services Commission about the transfer of subsidiary. As of December 30, 2020, the Group acquired the remaining shares, and Neoplux Co., Ltd. became a wholly owned subsidiary of the Group. Also, the name was changed from Neoplux Co., Ltd. to Shinhan Venture Investment Co., Ltd. The main reason for business combination is to promote investment financing and secure new business opportunities in the investment banking sector.

ii) Identifiable net assets

Fair values of assets acquired and liabilities assumed as of acquisition date are as follows:

| | <u>Amount(*1)</u> |
|---|-------------------|
| Assets: | |
| Cash and due from banks at amortized cost | ₩ 179 |
| Investment assets in the long-term | 463 |
| Venture capital investment assets | 38,800 |
| Private equity investment company investment assets | 12,230 |
| Property and equipment | 835 |
| Intangible assets(*2) | 1,254 |
| Other assets(*3) | 18,911 |
| | <u>72,672</u> |
| Liabilities: | |
| Borrowings | 9,000 |
| Other liabilities | 4,804 |
| | <u>13,804</u> |
| Fair value of the identifiable net assets | ₩ <u>58,868</u> |

(*1) The accounting for the acquisition of Shinhan Venture Investment Co., Ltd. was determined using the identifiable assets and liabilities recognized by Shinhan Venture Investment Co., Ltd. at the time of business combination.

(*2) The contract balance recognized as a business combination includes ₩ 793 million. The contract balance that Shinhan Venture Investment Co., Ltd. had was considered an important asset that can generate additional revenue in the future. Therefore, it was assessed at fair value through the Multi-period Excess Earning Method.

(*3) During the business combination, the Group acquired receivables that were fair value of ₩ 15,803 million, and the total contract amount was ₩ 15,803 million. There is no contractual cash flow that is not expected to be recovered from the receivables.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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47. Business combination (continued)

(a) Shinhan Venture Investment Co., Ltd. (continued)

iii) Goodwill

Goodwill recognized as a result of business combination is as follows:

| | <u>Amount</u> |
|---------------------------------------|-----------------|
| Consideration paid in cash | ₩ 71,128 |
| Fair value of identifiable net assets | (58,868) |
| Non-controlling interests(*) | 1,718 |
| Goodwill | <u>₩ 13,978</u> |

(*) For the year ended December 31, 2020, the non-controlling interests for Shinhan Venture Investment Co., Ltd. were measured at proportionate shares of non-controlling interests in the acquiree's identifiable net assets for Shinhan Venture Investment Co., Ltd. At the business combination, the goodwill is generated because the transfer price includes the premium of corporate control paid to acquire Shinhan Venture Investment Co., Ltd. The transfer price for the business combination includes expected synergies, future market growth, and the amount related to human resources. These benefits are not recognized separately from goodwill because it does not meet the recognition requirements for identifiable intangible assets.

(b) Business Acquisition of Leaders Financial Sales Co., Ltd.

According to the resolutions of the Board of Directors on November 25, 2020 and December 23, 2020, The Group has acquired its GF and IMGA business department of Leaders Financial Sales Co., Ltd on May 31, 2021. The acquired assets and liabilities were recognized as fair value at the time of acquisition, and the difference between the fair value and the amount paid in consideration for the transfer was recognized as goodwill.

| | <u>Amount</u> |
|---------------------------------------|-----------------|
| Consideration paid in cash | ₩ |
| Cash | 8,183 |
| Contingent consideration arrangement | 2,600 |
| | <u>10,783</u> |
| Fair value of assets and liabilities | |
| Cash and cash equivalents | 200 |
| Trade payable and other payable | (200) |
| Accounts payable | (3,068) |
| Fair value of identifiable net assets | <u>(3,068)</u> |
| Goodwill | <u>₩ 13,851</u> |

(c) The merger of Shinhan Life Insurance Co., Ltd. and Orange Life Insurance Co., Ltd.

Shinhan Life Insurance Co., Ltd. and Orange Life Insurance Co., Ltd. have merged on July 1, 2021 to form a holding company named Shinhan Life Insurance Co., Ltd. As a result of the merger, the common shareholders as of immediately prior to the merger of Orange Life Insurance Co., Ltd. (the extinct corporation) are entitled to receive 0.9226202 share of Shinhan Life Insurance Co., Ltd (the surviving corporation)'s common share (₩ 5,000 per share) per common share of Orange Life Insurance Co., Ltd. There is no further transfer of any such shares except in accordance with the exchange ratio agreed upon by both parties under the merger agreement addressed above.

(d) Subsidiary investment shares

On October 29, 2021, the Group signed a Share Purchase Agreement with BNP Paribas Group Co., Ltd. for a 94.54% (7,230,174 shares of common stock) stake in BNP Paribas Cardif Life Insurance Co., Ltd. At the end of the reporting period, the Financial Services Commission has yet approved the incorporation of subsidiary.

48. Events after reporting period

Subsidiaries of the Company, Shinhan Alternative Investment Management Inc. and Shinhan Asset Management Co., Ltd. has merged on January 5, 2022. After the merger, it has changed its name to Shinhan Asset Management Co., Ltd.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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49. Uncertainty due to changes in domestic and global economic conditions

The rapid spread of the COVID-19 is negatively affecting the global economy. The Group uses forward-looking information to estimate expected credit losses in accordance with K-IFRS No.1109 'Financial Instruments' and the default rate at the end of 2021 was re-estimated and reflected in the measurement of expected credit loss allowance using the changed forward-looking information on GDP growth and private consumption growth, which are major variables for calculating the default rate. As of December 31, 2021, the economic environment has remained uncertain. Expected credit losses may change depending on the end of the COVID-19 and the pace of economic recovery. The Group will continue to monitor the impact of the COVID-19 on the economy.

Risk exposures by major consolidated subsidiaries due to COVID-19 are as follows, figures may significantly vary for industries that are highly affected by future economic conditions:

(a) Shinhan Bank

| | | December 31, 2021 | | | | | | | |
|---|---|------------------------------|------------------|-----------------------------------|--------------------|--------------------------|-----------------------------------|----------------|-------------------|
| | | <u>Airlift passenger</u> | <u>Lodging</u> | <u>Oil/petroleum refinery</u> | <u>Art-related</u> | <u>Movie theater</u> | <u>Clothing manufacturing</u> | <u>Travel</u> | <u>Total</u> |
| Loans at amortized cost | ₩ | 164,904 | 3,314,684 | 937,385 | 219,859 | 86,241 | 2,082,545 | 92,152 | 6,897,770 |
| Securities at fair value through profit or loss | | - | - | 29,911 | - | - | - | 2,737 | 32,648 |
| Securities at fair value through other comprehensive income | | 114,158 | 18,142 | 264,343 | - | 7,123 | 10,678 | - | 414,444 |
| Off-balance accounts | | 364,351 | 323,638 | 2,650,311 | 20,196 | 91,622 | 982,026 | 37,941 | 4,470,085 |
| | ₩ | <u>643,413</u> | <u>3,656,464</u> | <u>3,881,950</u> | <u>240,055</u> | <u>184,986</u> | <u>3,075,249</u> | <u>132,830</u> | <u>11,814,947</u> |
| | | December 31, 2020 | | | | | | | |
| | | <u>Airlift passenger</u> | <u>Lodging</u> | <u>Oil/petroleum refinery</u> | <u>Art-related</u> | <u>Movie theater</u> | <u>Clothing manufacturing</u> | <u>Travel</u> | <u>Total</u> |
| Loans at amortized cost | ₩ | 120,854 | 3,445,269 | 685,336 | 244,036 | 95,240 | 1,763,741 | 112,647 | 6,467,123 |
| Securities at fair value through profit or loss | | - | - | 3,088 | - | - | 3,060 | - | 6,148 |
| Securities at fair value through other comprehensive income | | 52,878 | 2,611 | 224,894 | - | 6,539 | 9,797 | - | 296,719 |
| Off-balance accounts | | 404,767 | 289,948 | 3,058,516 | 9,630 | 111,266 | 938,705 | 60,171 | 4,873,003 |
| | ₩ | <u>578,499</u> | <u>3,737,828</u> | <u>3,971,834</u> | <u>253,666</u> | <u>213,045</u> | <u>2,715,303</u> | <u>172,818</u> | <u>11,642,993</u> |

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49. Uncertainty due to changes in domestic and global economic conditions (continued)

Risk exposures by major consolidated subsidiaries due to COVID-19 are as follows, figures may significantly vary for industries that are highly affected by future economic conditions (continued):

(b) Shinhan Card Co., Ltd.

| December 31, 2021 | | | | |
|--------------------------|---------------------|-----------------------------|----------------------------|--------------|
| Retails | | | | |
| | Credit sales | Short term card loan | Long term card loan | Total |
| Loans at amortized cost | ₩ 371,197 | 152,838 | 387,318 | 911,353 |
| Total Exposure | 814,598 | | - | 814,598 |
| December 31, 2020 | | | | |
| Retails | | | | |
| | Credit sales | Short term card loan | Long term card loan | Total |
| Loans at amortized cost | ₩ 357,589 | 142,252 | 283,150 | 782,991 |
| Total Exposure | 702,124 | | - | 702,124 |

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49. Uncertainty due to changes in domestic and global economic conditions (continued)

Risk exposures by major consolidated subsidiaries due to COVID-19 are as follows, figures may significantly vary for industries that are highly affected by future economic conditions (continued):

(c) Jeju Bank

| | | December 31, 2021 | | | | | | | | |
|-------------------------|---|----------------------|----------------|----------------|--------------------------|---|----------------------------|------------------|---|----------------|
| | | Airlift passenger | Lodging | Art-related | Movie theater | Leisure related service industry | Bus business | Bath business | Youth training facilities business | Total |
| Loans at amortized cost | ₩ | - | 295,664 | 4,161 | 596 | 25,432 | 7,535 | 17,089 | 5,466 | 355,943 |
| Off-balance accounts | | 4 | 5,439 | 161 | 4 | 991 | 197 | 538 | 6 | 7,340 |
| | ₩ | <u>4</u> | <u>301,103</u> | <u>4,322</u> | <u>600</u> | <u>26,423</u> | <u>7,732</u> | <u>17,627</u> | <u>5,472</u> | <u>363,283</u> |
| | | December 31, 2020 | | | | | | | | |
| | | Lodging | Manufacturing | Retail | Construction Industry | Leisure related service industry | Transportation Business | Etc | Total | |
| Loans at amortized cost | ₩ | 599,875 | 30,095 | 517,843 | 85,640 | 57,677 | 29,679 | 92,373 | 1,413,182 | |
| Off-balance accounts | | 20,658 | 563 | 18,691 | 7,100 | 1,053 | 2,103 | 3,082 | 53,250 | |
| | ₩ | <u>620,533</u> | <u>30,658</u> | <u>536,534</u> | <u>92,740</u> | <u>58,730</u> | <u>31,782</u> | <u>95,455</u> | <u>1,466,432</u> | |

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49. Uncertainty due to changes in domestic and global economic conditions (continued)

As of December 31, 2021 and 2020, the exposure of the loans applied for moratorium of interest payments and moratorium of repayment in installments by Shinhan Bank is as follows:

(a) Shinhan Bank

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Moratorium of interest payments | ₩ 224,449 | 242,794 |
| Moratorium of repayment in installments | 1,342,366 | 1,067,502 |
| Moratorium of interest payments and moratorium of repayment in installments | <u>65,773</u> | <u>80,581</u> |
| | <u>₩ 1,632,588</u> | <u>1,390,877</u> |

(b) Jeju Bank

| | <u>December 31, 2021</u> | <u>December 31, 2020</u> |
|---|--------------------------|--------------------------|
| Moratorium of interest payments | ₩ 348 | 629 |
| Moratorium of repayment in installments | <u>276,193</u> | <u>328,055</u> |
| | <u>₩ 276,541</u> | <u>328,684</u> |