As filed with the Securities and Exchange Commission on April 18, 2024

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission File Number: 001-31798

Shinhan Financial Group Co., Ltd.

(Exact name of registrant as specified in its charter)

N/A (Translation of registrant's name into English)	The Republic of Korea (Jurisdiction of incorporation or organization)

20, Sejong-daero 9-gil, Jung-gu
Seoul 04513, Korea
(Address of principal executive offices)

Park Cheolwoo, +822 6360 3129 (T), cheol.park@shinhan.com, +822 6360 3098 (F), 20, Sejong-daero 9-gil, Jung-gu, Seoul 04513, Korea
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common stock, par value Won 5,000 per share	SHG	New York Stock Exchange*
American depositary shares	SHG	New York Stock Exchange

* Not for trading, but only in connection with the listing of American depositary shares on the New York Stock Exchange, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of Shinhan Financial Group's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report: 512,759,471 shares of common stock, par value of Won 5,000 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes ☐ No ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Emerging growth company	☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes ☐ No ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). Yes ☐ No ☒

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐	International Financial Reporting Standards as issued by the International Accounting Standards Board ☒	Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court: Yes ☐ No ☒

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CERTAIN DEFINED TERMS, CONVENTIONS AND CURRENCY OF PRESENTATION

Unless otherwise specified or the context otherwise requires:

- the terms "we," "us," "our," "Shinhan Financial Group," "SFG" and the "Group" mean Shinhan Financial Group Co., Ltd. and its consolidated subsidiaries;
- the terms "Shinhan Financial Group Co., Ltd.," "our company" and "our holding company" mean Shinhan Financial Group Co., Ltd.; and
- "Shinhan Card" refers to Shinhan Card Co., Ltd., "Shinhan Life Insurance" refers to Shinhan Life Insurance Co., Ltd., "Shinhan Securities" refers to Shinhan Securities Co., Ltd. and "Orange Life Insurance" refers to Orange Life Insurance, Ltd.

All references to "Korea" or the "Republic" contained in this annual report are to the Republic of Korea. All references to the "Government" are to the government of the Republic of Korea. References to the "Financial Services Commission" are to the Financial Services Commission of Korea, and references to the "Financial Supervisory Service" are to the Financial Supervisory Service of Korea, the executive body of the Financial Services Commission.

The fiscal year for us and our subsidiaries ends on December 31 of each year. Unless otherwise specified or the context otherwise requires, all references to a particular year are to the year ended December 31 of that year.

The currency of the primary economic environment in which we operate is Korean Won.

In this annual report, unless otherwise indicated, all references to "Korean Won", "Won" or "₩" are to the currency of the Republic of Korea, and all references to "U.S. Dollars," "Dollars," "$" or "US$" are to the currency of the United States of America. Unless otherwise indicated, all translations from Won to Dollars were made at ₩1,291.0 to US$1.00, which was the noon buying rate in the City of New York on December 29, 2023 for cable transfers according to the H.10 statistical release of the Federal Reserve Board (the "Noon Buying Rate"). On April 5, 2024, the Noon Buying Rate was ₩1,352.6 to US$1.00. The Noon Buying Rate has been volatile recently and the U.S. Dollar amounts referred to in this report should not be relied upon as an accurate reflection of our results of operations. We expect this volatility to continue in the near future. No representation is made that the Won or U.S. Dollar amounts referred to in this report could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

Unless otherwise indicated, the financial information presented in this annual report has been prepared on a consolidated basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Any discrepancies in the tables included herein between totals and sums of the amounts listed are due to rounding.

FORWARD LOOKING STATEMENTS

This annual report includes "forward-looking statements," as defined in Section 27A of the U.S. Securities Act, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding our expectations and projections for future operating performance and business prospects. The words "believe," "expect," "anticipate," "estimate," "project" and similar words used in connection with any discussion of our future operating or financial performance identify forward-looking statements. In addition, all statements other than statements of historical facts included in this annual report are forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. This annual report discloses, under the caption "Item 3.D. Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from our expectations ("Cautionary Statements"). Included among the factors discussed under the caption "Item 3.D. Risk Factors" are the followings risks related to our business, which could cause actual results to differ materially from those described in the forward-looking statements: the risk of adverse impacts from an economic downturn; increased competition; market volatility in securities and derivatives markets, interest or foreign exchange rates or indices; other factors impacting our operational plans; or legislative and/or regulatory developments. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

ITEM 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Not applicable.

ITEM 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

ITEM 3. *KEY INFORMATION*

ITEM 3.A. [Reserved]

ITEM 3.B. Capitalization and Indebtedness

Not applicable.

ITEM 3.C. Reasons for the Offer and Use of Proceeds

Not applicable.

ITEM 3.D. Risk Factors

An investment in the American depositary shares representing our common shares involves a number of risks. You should carefully consider the following information about the risks we face, together with the other information contained in this annual report, in evaluating us and our business.

Summary

The following summarizes some, but not all, of the risks provided below. Please carefully consider all of the information discussed in this Item 3.D. "Risk Factors" in this annual report for a more thorough description of these and other risks:

- **Risks Relating to Our Overall Business**
  - Difficult conditions and turbulence in the Korean and global economy and financial markets may adversely affect our business, asset quality, capital adequacy and earnings.
  - High rates of global inflation and the occurrence of a recession could have a material and adverse impact on our business, results of operations and financial condition.
  - Competition in the Korean financial services industry is intense, and may further intensify.
  - We and our subsidiaries need to maintain our capital ratios above minimum required levels, and the failure to so maintain could result in the suspension of some or all of our operations.
  - Liquidity, funding management and credit ratings are critical to our ongoing performance.
  - Our business may be materially and adversely affected by legal claims and regulatory actions against us.
  - The implementation of IFRS 17 beginning on January 1, 2023 renders certain of our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, not directly comparable with our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report.

- Changes in interest rates, foreign exchange rates, bond and equity prices, and other market factors have affected and will continue to affect our business, results of operations and financial condition.
- Reforms of London Interbank Offered Rate and other interest rate benchmarks could adversely affect our business, financial condition and results of operations.
- We may incur losses associated with our counterparty exposures.

- **Risks Relating to Our Banking Business**
  - We have significant exposure to small- and medium-sized enterprises, and financial difficulties experienced by such enterprises may result in a deterioration of our asset quality.
  - A decline in the value of the collateral securing our loans or our inability to fully realize the collateral value may adversely affect our credit portfolio.
  - Guarantees received in connection with our real estate financing may not provide sufficient coverage.
  - A limited portion of our credit exposure is concentrated in a relatively small number of large corporate borrowers, and future financial difficulties experienced by them may have an adverse impact on us.
  - The asset quality of our retail loan portfolio may deteriorate.
  - Any deterioration in the asset quality of our guarantees and acceptances will likely have a material adverse effect on our financial condition and results of operations.
- **Risks Relating to Our Credit Card Business**
  - Future changes in market conditions as well as other factors, such as stricter regulation, may lead to reduced revenues and deterioration in the asset quality of credit card receivables.
- **Risks Relating to Our Other Businesses**
  - We may experience significant losses from our investments and, to a lesser extent, trading activities due to market fluctuations.
  - We may generate losses from our brokerage and other commission- and fee-based business.
  - Prolonged periods of declining or low interest rates or changes in related accounting standards may reduce or turn negative our investment margin on savings insurance products and result in an increase in the valuation of our liabilities associated with these products.
  - We may fail to realize the anticipated benefits of and encounter significant risks in connection with mergers and acquisitions.
- **Other Risks Relating to Us as the Holding Company**
  - Our ability to continue to pay dividends and service debt will depend on the level of profits and cash flows of our subsidiaries.
  - Damage to our reputation could harm our business.
  - Our risk management policies and procedures may not be fully effective at all times.
  - Labor unrest may adversely affect our operations.
  - We may experience disruptions, delays and other difficulties relating to our information technology systems.
  - Our activities are subject to cyber security risk.

    - Our customers may become victims to “voice phishing” or other financial scams, for which we may be required to make monetary compensation and suffer damage to our business and reputation.
- **Risks Relating to Law, Regulation and Government Policy**
    - We are a heavily regulated entity and operate in a legal and regulatory environment that is subject to change, and violations could result in penalties and other regulatory actions.
    - The Government may encourage targeted lending to certain sectors in furtherance of policy objectives, and we may take this factor into account.
    - The Government may also encourage investments in certain institutions in furtherance of policy objectives, and we may not recoup our investments therein in a timely or otherwise commercially reasonable manner.
    - The level and scope of government oversight of our retail lending business, particularly regarding mortgage and home equity loans, may change depending on the economic or political climate.
    - We engage in limited settlement transactions involving Iran and also in limited business in and related to Russia which may subject us to legal or reputational risks.
    - Evolving regulatory framework for artificial intelligence and machine learning technology, may have an adverse impact on our business, financial condition and results of operations.
- **Risks Relating to Korea**
    - Unfavorable financial and economic conditions in Korea and globally may have a material adverse impact on our asset quality, liquidity and financial performance.
    - Tensions with North Korea could have an adverse effect on us, the price of our common shares and our American depositary shares.
- **Risks Relating to Our American Depositary Shares**
    - There are restrictions on withdrawal and deposit of common shares under the depositary facility.
    - Ownership of our shares is restricted under Korean law.
    - Holders of our ADSs will not have preemptive rights in certain circumstances.
    - Holders of our ADSs will not be able to exercise dissent and appraisal rights unless they have withdrawn the underlying shares of our common stock and become our direct stockholders.
    - The market value of your investment in our ADSs may fluctuate due to the volatility of the Korean securities market.
    - Your dividend payments and the amount you may realize upon a sale of your ADSs will be affected by fluctuations in the exchange rate between the U.S. Dollar and the Won.
    - If the Government deems that certain emergency circumstances are likely to occur, it may restrict the depositary bank from converting and remitting dividends in Dollars.
- **Other Risks**
    - We are generally subject to Korean corporate governance and disclosure standards, which differ in significant respects from those in other countries.
    - You may not be able to enforce a judgment of a foreign court against us.
    - We may become a passive foreign investment company (“PFIC”), which could result in adverse U.S. tax consequences to U.S. investors.

Risks Relating to Our Overall Business

Difficult conditions and turbulence in the Korean and global economy and financial markets may adversely affect our business, asset quality, capital adequacy and earnings.

Most of our assets are located in, and we generate most of our income from, Korea. Accordingly, our business and profitability are largely dependent on the general economic and social conditions in Korea, including interest rates, inflation, exports, personal expenditures and consumption, unemployment, demand for business products and services, debt service burden of households and businesses, the general availability of credit, the asset value of real estate and securities and other factors affecting the financial well-being of our corporate and retail customers.

The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy. In light of global inflation caused by rising energy prices and global supply chain disruptions, the Russia-Ukraine conflict and the subsequent economic slowdown, rapidly changing monetary policies (including higher interest rates and quantitative tightening) led by developed countries in reaction to such inflation, instability in the financial industries (including potential for bank runs) and capital flight risks in emerging economies caused by such changes in monetary policy, credit risks of Chinese real estate developers, ongoing US-China trade conflicts, signs of economic slowdown in China, continuing geopolitical and social instability in various parts of the Middle East, including Iraq, Syria and Yemen, and risk of global pandemic such as recent COVID-19 outbreak, among others, significant uncertainty remains as to the global economic prospects in general and has adversely affected, and may continue to adversely affect, the Korean economy. In addition, as the Korean economy matures, it is increasingly exposed to the risk of a "scissor effect," namely being pursued by competitors in less advanced economies while not having fully caught up with competitors in advanced economies, which risk is amplified by the fact that Korean economy is heavily dependent on exports. The Korean economy also continues to face other difficulties, including sluggishness in domestic consumption and investment, risk of corporate debt liquidity issues, volatility in the real estate market, rising delinquencies on project financing loans, rising household debt, potential declines in productivity due to aging demographics and low birth rates, and a rise in youth unemployment. Any future deterioration of the global and Korean economies could adversely affect our business, financial condition and results of operations.

In particular, difficulties in financial and economic conditions could result in significant deterioration in the quality of our assets and accumulation of higher provisioning, allowance for credit losses on loans and charge-offs as an increasing number of our corporate and retail customers declare bankruptcy or insolvency or otherwise face increasing difficulties in meeting their debt obligations. For example, in 2011 and 2012, the continuing slump in the real estate market and the shipbuilding industry led to increased delinquency among our corporate borrowers, including some Korean commercial conglomerates knowns as "*chaebol*s," in such industries, and in certain cases, even insolvency, workouts, recovery proceedings and/or voluntary arrangements with creditors. During the same period, the sustained slump in the real estate market also led to increased delinquency among our retail borrowers, and in particular, borrowers with collective loans for pre-sale of newly constructed apartment units. Recently, various Government-led financial support programs have been introduced in response to the COVID-19 pandemic, rising inflation and economic slowdown, such as loan rescheduling and principal and interest payment deferral programs, have helped financial institutions, including Shinhan Bank, manage their asset quality at a stable level. Such financial support programs have been introduced since April 1, 2020 and are available to small-and medium-sized enterprises and "small office, home office" ("SOHO") that meet certain criteria, such as that they have not been delinquent on their prior loans and are not subject to liquidation or bankruptcy proceedings. Such financial support programs expired on September 30, 2022. However, the Government has decided, based on discussions with financial institutions, to provide further financial support to the debtors using the financial support programs as of the expiration date of such financial support programs in the forms of (i) the extension of loan maturity dates up to three years, (ii) the postponement of repaying loans up to one year until September 2023, or (iii) the rescheduling of loans under the New Start Fund set up by the Government on October 4, 2022 or loan rescheduling programs led by the financial institutions. Accordingly, Shinhan Bank's delinquency ratio was 0.19% as of December 31, 2021, 0.21% as of December 31, 2022 and

0.26% as of December 31, 2023. However, despite such financial support programs, there is no assurance that Shinhan Bank will not experience increased level of credit losses on loans from borrowers, particularly those in troubled industries, since the quality of loans to such borrowers may further deteriorate due to a continued slump in volatile industries amidst sluggish economic situation or for other reasons. Further, Government-led financial support programs or other countermeasures may not achieve their intended results and could also result in unintended consequences or otherwise adversely affect our business, financial condition and results of operations.

Moreover, as was the case during the global financial crisis of 2008-2009, depending on the nature of the difficulties in the financial markets and general economy, we may be forced to scale back certain of our core lending activities and other operations and/or borrow money at a higher funding cost or face a tightening in the net interest spread, any of which may have a negative impact on our earnings and profitability. Furthermore, while we and our principal subsidiaries currently maintain a capital adequacy ratio at a level higher than the required regulatory minimum, there is no guarantee that an even higher capital requirement will not be imposed by the Government in case of a renewed economic crisis.

In addition, given the highly integrated nature of financial systems and economic relationships worldwide, there may be other unanticipated systemic or other risks that may not be presently predictable. Any of these risks, if materialized, may have a material adverse effect on our business, liquidity, financial condition and results of operations.

High rates of global inflation and the occurrence of a recession could have a material and adverse impact on our business, results of operations and financial condition.

During 2023, the global markets experienced, and continue to experience, higher rates of inflation as a result of several market factors, including in the form of increased costs pertaining to labor, materials, shipping and overhead. As a result of these inflationary pressures, governments in many countries have implemented tighter monetary policies, which could slow the growth rate of local economies and restrict the availability of credit. We believe that our financial condition and results of operations have thus far not been materially impacted by inflationary pressures. However, to the extent the current rates of inflation and shifts in fiscal and monetary policy result in prolonged and slower growth or a recession, it could have a material and adverse effect on the demand for our products and services and, in the process, our business, results of operations and financial condition as a whole, including with respect to general and administrative expenses as a percentage of total revenue. Moreover, in the event that a global recession was to occur, it could adversely impact the critical counterparties that we engage, including in the form of a decrease in the products and services they seek to obtain from us.

Competition in the Korean financial services industry is intense, and may further intensify.

Competition in the Korean financial services industry is, and is likely to remain, intense, including as a result of the sustained low interest rate environment (which narrows opportunities to make profit based on the spread between lending rates and funding rates), the continuing sluggishness in the general economy, the growing maturation and saturation of the industry as a whole, the entry of new market participants and deregulation, among others.

In the banking sector, Shinhan Bank competes principally with other national commercial banks in Korea, but also faces competition from a number of additional banking institutions, including branches and subsidiaries of foreign banks operating in Korea, regional banks, Internet-only banks, government-owned development banks and Korea's specialized banks, such as Korea Development Bank, the Industrial Bank of Korea and the National Federation of Fisheries Cooperatives, as well as various other types of financial service providers, including savings institutions (such as mutual savings and finance companies, credit unions and credit cooperatives), investment companies (such as securities brokerage firms, merchant banking corporations and asset management companies) and life insurance companies. As of December 31, 2023, Korea had six major nationwide domestic commercial banks (including Citibank Korea Inc. and Standard Chartered Bank Korea Limited, both of which are domestic commercial banks acquired by global financial institutions), six regional commercial banks, three Internet-only banks and thirty-five branches and subsidiaries of foreign banks. Foreign financial institutions, many of which have greater experiences and resources than we do, may continue to enter the Korean market and compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions.

In the small- and medium-sized enterprise and retail banking segments, which have been Shinhan Bank's traditional core businesses, competition is expected to increase further. In recent years, Korean banks, including Shinhan Bank, have increasingly focused on stable asset growth based on quality credit, such as corporate borrowers with high credit ratings, loans to SOHO with high levels of collateralization, and mortgage and home equity loans within the limits of the prescribed loan-to-value ratios and debt-to-income ratios. This common shift in focus toward stable growth based on less risky assets has intensified competition as banks compete for the same limited pool of quality credit by engaging in price competition or by other means although Shinhan Bank has traditionally focused, and will continue to focus, on enhancing profitability rather than increasing asset size or market share, and has avoided, to the extent practicable, engaging in price competition by way of lowering lending rates. In addition, such competition may result in lower net interest margin and reduced overall profitability, especially if a low interest rate environment were to continue for a significant period of time. Shinhan Bank's net interest margin (on a separate basis) increased to 1.86% in 2023 from 1.85% in 2022 primarily due to increases in base interest rate by the Bank of Korea from 1.00% to 1.25% in January 2022, from 1.25% to 1.50% in April 2022, from 1.50% to 1.75% in May 2022, from 1.75% to 2.25% in July 2022, from 2.25% to 2.50% in August 2022, from 2.50% to 3.00% in October 2022 and from 3.00% to 3.25% in November 2022. The Bank of Korea further raised the base interest rate from 3.25% to 3.50% in January 2023, and has maintained the same rate to date. Even if interest rates were to increase, the effect on Shinhan Bank's results of operations may not be as beneficial as expected, or at all, due to factors such as increased volatility of market interest rates and tighter regulations regarding SOHO loans, including the implementation of additional credit review guidelines for individual businesses. Further, if competing financial institutions seek to expand market share by lowering their lending rates, Shinhan Bank may suffer customer loss, especially among customers who select their lenders principally on the basis of lending rates. In response thereto or for other strategic reasons, Shinhan Bank may subsequently lower its lending rates to stay competitive, which could lead to a further decrease in its net interest margins and outweigh any potential positive impact on the net interest margin from a general rise in market interest rates. Any future decline in Shinhan Bank's customer base or its net interest margins could have an adverse effect on our results of operations and financial condition.

In the credit card sector, Shinhan Card competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks, consumer finance companies, other financial institutions and, recently, credit card service providers allied with mobile telecommunications service providers in Korea. Competition has been historically intense in this sector and the market has shown signs of saturation as existing and new credit card service providers make significant investments and engage in aggressive marketing campaigns and promotions to acquire new customers and target customers with high credit quality. While competition has subsided somewhat recently due to stricter government regulations, such as curbs on excessive marketing expenses, competition remains intense and credit card issuers may continue to compete with Shinhan Card for customers by offering lower interest rates and fees, higher credit limits, more attractive promotions and incentives and alternative products such as credit card reward points, gift cards and low-interest consumer loan products. As a result, Shinhan Card may lose customers or service opportunities to competing credit card issuers and/or incur higher marketing expenses. Also, over the years, the Government has implemented regulations lowering certain merchant fees chargeable by credit card companies. In 2012, the Government adopted regulations mandating lower merchant fees chargeable to small-and medium-sized enterprises, and beginning January 31, 2016, a further reduction in the merchant fees chargeable to small-and medium-sized enterprises went into effect. The Enforcement Decree of the Specialized Credit Finance Business Act was amended in July 2017 and January 2019 to further expand the range of small-and medium-sized enterprises subject to lower merchant fees. Pursuant to the Specialized Credit Financial Business Act, the rates of fees chargeable to merchants are subject to review and revision every three years, and beginning January 2022, the fees chargeable to small-and medium-sized enterprises with respect to credit cards were further reduced as a result of this periodic review and revision. Additional amendments to regulations requiring further downward adjustments to merchant fees may come into force in the future. For further details on the Government's regulations on merchant fees chargeable by credit card companies, see "Risks Relating to Our Credit Card Business — Future changes in market conditions as well as other factors, such as stricter regulation, may lead to reduced revenues and deterioration in the asset quality of credit card receivables." In March 2023, the Financial Services Commission set up a task force consisting of members of the Financial Services Commission, the Financial Supervisory Service, credit card companies, and consumer groups, to discuss how to improve the merchant commission rate adjustment system in order to address disagreements among the stakeholders involved in the periodic review of the rates of fees charged to merchants.

In addition, since the implementation of the Improper Solicitation and Graft Act in September 2016, revenue growth for corporate cards and service related industries such as dining, floral and entertainment have shown signs of decline, and additional regulations on loans reducing maximum interest rates chargeable from 24% to 20% came into effect in July 2021. These developments have put further downward pressure on the results of operations for credit card companies, including Shinhan Card. Furthermore, the Government's recent guidelines to bolster consumer protection and protect customers' personal data in the aftermath of data leaks at certain credit companies (not including Shinhan Card) may result in additional compliance costs for Shinhan Card. Customer attrition, together with any further lowering of fees or reduction in base and market interest rates and/or additional expenses from more extensive marketing and promotional campaigns that Shinhan Card might implement to acquire and retain customers, could reduce its revenues and earnings. Furthermore, the average credit quality of Shinhan Card's customers may deteriorate if customers with higher credit quality borrow from our competitors rather than Shinhan Card and it may become more difficult for Shinhan Card to attract and maintain quality customers. In general, the growth, market share and profitability of Shinhan Card's operations may decline or become negative as a result of market saturation in this sector, interest rate competition, pressure to lower fee rates and incur higher marketing expenses, as well as Government regulation and social and economic developments in Korea that are beyond our control, such as changes in consumer confidence levels, spending patterns or public perception of credit card usage and consumer debt. If Shinhan Card fails to maintain or attract new cardholders or increase the card usage by existing customers or experiences deterioration in its asset quality and a rise in delinquency, our business, financial condition and results of operations may be adversely affected. In other financial services sectors, our other subsidiaries also compete in a highly fragmented market. Some of our competitors, particularly major global financial institutions, have greater experience and resources than we do.

Consolidation among our rival institutions and the Government's privatization efforts may also add competition in the markets in which we and our subsidiaries conduct business. A number of significant mergers and acquisitions in the industry have taken place in Korea recently. In January 2019, Woori Financial Group was established pursuant to a comprehensive stock transfer under the Korean Commercial Code whereby holders of the common stock of Woori Bank and certain of its subsidiaries transferred all of their shares to Woori Financial Group (the new financial holding company) and in return received shares of Woori Financial Group. As a result, Woori Bank and certain of its former wholly-owned subsidiaries became direct and wholly-owned subsidiaries of Woori Financial Group. The Korea Deposit Insurance Corp., which as of April 9, 2021 owned 17.25% of the outstanding common stock of Woori Financial Group, has sold 13.63% of the outstanding common stock of Woori Financial Group in multiple transactions in accordance with its plan that was approved by the Financial Services Commission in June 2019. The Korea Deposit Insurance Corp. sold additional 2.33% of the outstanding common stock of Woori Financial Group in May 2022 and currently owns only 1.29% of the outstanding common stock of Woori Financial Group. In the asset management business sector, Woori Financial Group acquired two asset management companies, Tongyang Asset Management and ABL Global Asset Management (former Allianz Global Investors). In August 2021, KB Financial Group completed the acquisition of Prudential Life Insurance, the former Korean unit of Prudential Financial Inc. Any of these developments may place us at a competitive disadvantage and outweigh any potential benefit to us in the form of opportunities to acquire new customers who are displeased with the level of services at the newly reorganized entities or to provide credit facilities to corporate customers who wish to maintain relationships with a wide range of banks in order to diversify their sources of funding.

On February 1, 2019, we acquired a 59.15% interest in Orange Life Insurance, the former Korean unit of ING Life Insurance, as part of our efforts to diversify and enhance our non-banking businesses. On January 28, 2020, we acquired the remaining interests in Orange Life Insurance by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life Insurance's common stock transferred all of their shares to us and in return receive shares of our common stock, and hence Orange Life Insurance became our wholly owned subsidiary as of such date. In May 2021, the Financial Services Commission approved the merger of Shinhan Life Insurance and Orange Life Insurance, with Shinhan Life Insurance being the surviving entity upon completion of the merger. Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021. On September 29, 2020, we acquired a 96.8% interest in Neoplux Co., Ltd. ("Neoplux"), a venture capital company formerly under the Doosan Group. On December 30, 2020, we acquired the remaining interest in Neoplux by effecting a small-scale stock exchange under Article 360-10 of the Korean Commercial Code, and hence Neoplux has become our wholly owned subsidiary as of such date. On January 11, 2021, Neoplux changed its legal name to Shinhan Venture Investment. In addition, on January 15, 2021, we acquired the remaining 35% interest in Shinhan BNP Paribas Asset Management Co., Ltd. ("Shinhan BNP Paribas Asset Management") and changed its legal name to Shinhan Asset Management, and hence Shinhan Asset Management has become our wholly-owned subsidiary as of such date. On June 30, 2022 we acquired 94.54% interest in BNP Paribas Cardif General Insurance, which then changed its name to Shinhan EZ General Insurance, Ltd. Subsequently in November 2022, Shinhan EZ General Insurance, Ltd. conducted a paid-in capital increase and our shares decreased to 85.1%. We expect that such consolidation and other structural changes in the financial industry will continue. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability.

Regulatory reforms and the general modernization of business practices in Korea have also led to increased competition among financial institutions in Korea. In December 2017, the Financial Services Commission introduced the "my account at a glance" system, which enables consumers to view their key financial account information online, including information on banks, insurances, mutual finance, loan and card issuances on one page. The "my account at a glance" system became available on mobile channels in February 2016 and expanded its scope of services to include savings banks and securities companies. Since their introduction, the integrated automatic payment transfer management service, integrated account management service and "my account at a glance" system have gained widespread acceptance. As the reform of the financial sector continues, competition may become more intense among existing banks, insurance companies, securities companies and other financial organizations, and may lead to significant changes in the current Korean financial market. Moreover, since January 1, 2020, in calculating loan to deposit ratio, retail loans and corporate loans are weighed differently, with retail loans subject to a multiple of 115% and corporate loans (excluding loans to SOHOs) subject to a multiple of 85%, thereby increasing the impact of retail loans and reducing the impact of corporate loans in calculating such ratio. This may further intensify competition for corporate loans and deposits among commercial banks and, as a result, Shinhan Bank may face difficulties in increasing or retaining its corporate loans and deposits, which in turn may result in an increase in its cost of funding.

Furthermore, as the Korean economy further develops and new business opportunities arise, more competitors may enter the financial services industry. For example, as online service providers and technology companies with large-scale user networks, such as Kakao Corp., NAVER and Samsung Electronics, recently make significant inroads in providing virtual payment services through a system based on a growing convergence of financial services and technology commonly referred to as "fintech," competition for online customers is growing not just among commercial banks, but also from online and mobile payment service providers. In 2015, the Government announced its plans to allow Internet-only banks to operate in Korea. KT consortium's K-Bank, Kakao consortium's Kakao Bank and Viva Republica consortium's Toss Bank commenced operations in April 2017, July 2017 and October 2021, respectively. Internet-only banks may have advantages over traditional banks as the former can pass savings in labor and overhead costs to their customers by offering higher interest rates on deposit accounts, lower loan costs and reduced service fees. Accordingly, commercial banks will likely face increasing pressure to upgrade their service platforms to attract and maintain online users, which represents a growing customer base compared to traditional customers who have primarily conducted banking in-person at physical banking branches.

As part of the Government's financial policies to promote innovative digital finance, 10 commercial banks, including Shinhan Bank, began offering a preliminary open banking service in October 2019. More local banks and fintech companies joined in December 2019, when the open banking service was fully and officially launched. Open banking service allows each fintech company and bank to provide banking services, such as checking balances and making withdrawals and transfers, with regards to customers' accounts at other banks. Using open banking service, customers can easily access accounts, products and services across multiple banks, instead of being limited to the accounts, products and services available at the particular bank that they deal with. In addition, on January 9, 2020, the Korean National Assembly passed amendments to three major data privacy laws (the Personal Information Protection Act, the Act on the Promotion of Information and Communications Network Utilization and Information Protection and the Act on the Use and Protection of Credit Information). These amendments introduced the MyData service, allowing and requiring (upon the customer's request and subject to compliance requirements) financial institutions that have been approved by the Financial Service Commission as a MyData service provider access and sharing of customers' personal information, credit information and transaction data. On January 27, 2021, Shinhan Bank and Shinhan Card each obtained a license from the Financial Services Commission as a MyData service provider. On January 5, 2023, Shinhan Bank launched the MyData business and Shinhan Card is planning to provide advanced wealth management and various financial services. Until October 13, 2021, the Financial Services Commission granted MyData licenses to 58 companies (46 companies receiving main licenses and 12 companies receiving preliminary licenses), 22 of which were fintech firms (19 companies receiving main licenses and three companies receiving preliminary licenses), and competition between traditional financial institutions like us and fintech firms is expected to intensify, particularly with respect to asset management services. On January 5, 2022, the API-based MyData service was fully implemented and 33 companies (including ten fintech firms) are providing services. As of December 31, 2023, the Financial Services Commission had granted licenses to 64 companies to operate as MyData service providers, 24 of which were fintech or IT firms. If more fintech companies receive authorization as MyData service providers, we expect competition for customers among banks and fintech firms to intensify. In addition, the Financial Services Commission also led discussions in July 2022 about the creation of a government-led platform where consumers can compare loan products from various financial institutions and apply for debt consolidation on a single platform. The platform launched in May 2023.

Recently, following the global financial crisis, the Government has subjected Korean financial institutions to stricter regulatory requirements and guidelines in areas of asset quality, capital adequacy, liquidity and residential and other lending practices (including a requirement to maintain a certain ratio of core capital to total risk exposure, which was introduced in January 2018 in order to control excessive leverage), which has had a dampening effect on competition. The Financial Services Commission implemented the capital requirements of Basel III, whose minimum requirements were phased in sequentially from December 1, 2013 through full implementation by January 1, 2015, based on the guidelines set forth in the amended Regulation on the Supervision of the Banking Business and the Detailed Regulation on the Supervision of the Banking Business. In addition, the Financial Services Commission has implemented the Basel III requirements relating to liquidity coverage ratio and capital conservation buffer, each of which have been fully phased in as of January 1, 2019. As of January 1, 2016, the Financial Services Commission implemented Basel III requirements relating to accumulation of additional capital for systemically important banks and bank holding companies and countercyclical capital buffer requirements. Each year, the Financial Services Commission may designate banks with significant influence (based on size and connectivity with other financial institutions) on the domestic financial system as a domestic systemically important bank and require the accumulation of additional capital in accordance with the highest of: (i) ratio of common equity capital to risk-weighted assets, ranging from 0.0% to 2.0%, depending on the systematic importance evaluation score, (ii) if the bank's holding company is a domestic systemically important bank holding company, the capital ratio corresponding to the additional capital required for the bank holding company under the Financial Holding Company Supervision Regulations, or (iii) if the bank is also a global systemically important bank, as defined by the Basel Committee on Banking Supervision (the "Basel Committee"), the capital ratio as required by the Basel Committee. According to the instructions of the Financial Services Commission, domestic systemically important banks, including Shinhan Bank, have been required to maintain an additional capital buffer of 0.25% since January 1, 2016, with such buffer increased by 0.25% annually to reach 1.00% as of January 1, 2019. The additional capital buffer was set to 1.00% on January 1, 2019 and has remained unchanged as of the date hereof. The Financial Services Commission may also, upon quarterly review, determine and require banks to accumulate a required level of countercyclical capital buffer within the range of 0% to 2.5% of risk-weighted assets, taking into account factors such as the degree of increase in credit relative to the gross domestic product. Also, the Financial Services Commission has formally implemented a regulation on the limit for large exposures based on the Basel standards for banks and bank holding companies, through the Banking Supervision Regulations and the Financial Holding Company Supervision Regulations, effective as of February 1, 2024. On May 24, 2023, the Financial Services Commission decided to increase the level of cyclical capital buffer of banks and their holding companies to 1.00%. The decision will be put into effect starting from May 1, 2024. In July 2021, Shinhan Financial Group, Hana Financial Group, KB Financial Group, NongHyup Financial Group and Woori Financial Group were designated by the Financial Services Commission as domestic systemically important bank holding companies, and Shinhan Bank, Hana Bank, Kookmin Bank, NongHyup Bank and Woori Bank were designated by the Financial Services Commission as domestic systemically important banks. In addition, in July 2021, the Financial Services Commission identified domestic systemically important bank holding companies and domestic systemically important banks as domestic systemically important financial institutions under the Act on the Structural Improvement of the Financial Industry. Domestic systemically important financial institutions are required to prepare and submit their own recovery plans to the Financial Supervisory Service within three months from the date of notification of designation pursuant to the Act on the Structural Improvement of the Financial Industry. However, there is no assurance that these measures will have the effect of curbing competition or that the Government will not reverse or reduce such measures or introduce other deregulatory measures, which may further intensify competition in the Korean financial services industry. For further details on the capital requirements applicable to us, see "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Capital Adequacy."

If, despite our efforts to adapt to the changing macroeconomic environment and comply with new regulations, we are unable to compete effectively in the changing business and regulatory environment, our profit margin and market share may erode and our future growth opportunities may become limited, which could adversely affect our business, financial condition and results of operations.

We and our subsidiaries need to maintain our capital ratios above minimum required levels, and the failure to so maintain could result in the suspension of some or all of our operations.

We and our subsidiaries in Korea are required to maintain specified capital adequacy ratios. For example, since January 1, 2015, we and our banking subsidiaries in Korea are required to maintain a minimum common equity Tier I capital adequacy ratio of 4.5%, a Tier I capital adequacy ratio of 6.0% and a total capital (BIS) ratio of 8.0%. These ratios measure the respective regulatory capital as a percentage of risk-weighted assets on a consolidated basis and are determined based on guidelines of the Financial Services Commission. In addition, as further described below, Shinhan Bank is also required to maintain a capital conservation buffer and additional capital as a domestic systemically important bank and may be required to maintain a countercyclical capital buffer. Also, our subsidiaries Shinhan Card, Shinhan Life Insurance and Shinhan Securities are each required to maintain a consolidated adjusted equity capital ratio of 8.0%, a solvency ratio of 100% and a net capital ratio of 100%, respectively.

While we and our subsidiaries currently maintain capital adequacy ratios in excess of the respective required regulatory minimum levels, we or our subsidiaries may not be able to continue to satisfy the capital adequacy requirements for a number of reasons, including an increase in risky assets and provisioning expenses, substitution costs related to the disposal of problem loans, declines in the value of securities portfolios, adverse changes in foreign currency exchange rates, changes in the capital ratio requirements, the guidelines regarding the computation of capital ratios, or the framework set by the Basel Committee upon which the guidelines of the Financial Services Commission are based, or other adverse developments affecting our asset quality or equity capital.

In December 2010, the Basel Committee issued final rules in respect of (i) a global regulatory framework for more resilient banks and banking systems and (ii) an international framework for liquidity risk measurement, standards and monitoring, which together are commonly referred to as "Basel III." Under Basel III, Tier I capital is defined to include common equity Tier I and additional Tier I capital. Common equity Tier I capital is a new category of capital primarily consisting of common stock, capital surplus, retained earnings and other comprehensive income (progressively phased into the capital ratio calculation over several years). The new minimum capital requirements, including the minimum common equity Tier I requirement of 4.5% and additional mandatory capital conservation buffer requirement of 2.5%, have been fully implemented as of January 1, 2019. Additional discretionary countercyclical capital buffer requirements are also expected to be phased in, which will range at the discretion of national regulators between 0% and 2.5% of risk-weighted assets. Basel III also introduces a minimum leverage ratio requirement. On December 7, 2017, the Basel Committee finalized several key methodologies for measuring risk-weighted assets. The revisions include a standardized approach for credit risk, a standardized approach for operational risk, revisions to the credit valuation adjustment (CVA) risk framework and constraints on the use of internal models. The Basel Committee had also previously finalized a revised standardized model for counterparty credit risk, revisions to the securitization framework and its fundamental review of the trading book, which updates both modeled and standardized approaches for market risk measurement. The revisions also include an output floor set at 72.5% of total risk-weighted assets based on the revised standardized approaches to limit the extent to which banks can reduce risk-weighted asset levels through the use of internal models. In order to provide additional operational capacity for banks and supervisors to respond to the impact of COVID-19 on the global banking system, the Basel Committee has announced deferral of the implementation date of the final Basel III standards by one year, to January 2023, including the revised standardized approach for credit and operational risk, revised CVA framework, and revised market risk framework. The 72.5% output floor is subject to a six-year phase-in period, beginning at 60% in January 2020 and increasing to 72.5% by January 2028. Upon implementation, banks in jurisdictions that permit reference to external credit ratings will be able to take into account external credit ratings in determining the risk weights for certain exposure classes, and different mortgage risk weights will apply depending on the loan-to-value ratio of the mortgage. In addition, the 2017 reforms remove the option to use internal ratings-based approaches for measurement of equity exposures, thus requiring use of the standardized approach. Banks will also need to reflect internal loss data in evaluating operational risk and comply with the principles for sound management of operational risk.

In order to implement the capital requirements under Basel III in Korea, the Regulation on the Supervision of the Banking Business was amended, effective December 1, 2013. Under the amended Regulation on the Supervision of the Banking Business, effective from January 1, 2015, commercial banks in Korea are required to maintain a minimum common equity Tier I ratio of 4.5%, a minimum Tier I capital ratio of 6.0% and a minimum total capital (BIS) ratio of 8.0%. The Regulation on the Supervision of the Banking Business was further amended on December 26, 2014, to implement the liquidity coverage ratio requirements under Basel III in increments of 5% annually, from 80% as of January 1, 2015 to 100% as of January 1, 2019. In April 2020, in response to the COVID-19 pandemic, the Financial Services Commission temporarily lowered the liquidity coverage ratio requirement from 100% to 85%. The Financial Services Commission subsequently decided to gradually restore this ratio on a quarterly basis from the third quarter of 2022, to a ratio of 90% in the third quarter of 2022, 92.5% in the fourth quarter of 2022, 95% in the first quarter of 2023, 97.5% in the second quarter of 2023 and 100% from the third quarter of 2023. However, the Financial Services Commission decided to apply the 92.5% ratio until the end of June 2023. Afterwards, at a financial market inspection meeting in October 2023, the Financial Services Commission decided to maintain 95% ratio until June 2024, and in principle, the gradual normalization is expected to resume from July 2024, but the final decision on whether to start normalization will be made based on market conditions in the second quarter of 2024. Capital conservation buffer requirements have also been phased in from January 1, 2016 in increments of 0.625% annually, to the effect that commercial banks in Korea are required to maintain a capital conservation buffer of 2.5% as of January 1, 2019. If a commercial bank fails to maintain such capital conservation buffer requirements, such bank will be subject to certain restrictions relating to its use of income, such as distributing dividends and purchasing treasury stock. As of January 1, 2016, the Financial Services Commission implemented Basel III requirements relating to accumulation of additional capital for systemically important banks and bank holding companies and countercyclical capital buffer requirements. Each year, the Financial Services Commission may designate banks with significant influence (based on size and connectivity with other financial institutions) on the domestic financial system as a domestic systemically important bank and require the accumulation of additional capital in accordance with the highest of: (i) ratio of common equity capital to risk-weighted assets, ranging from 0.0% to 2.0%, depending on the systematic importance evaluation score, (ii) if the bank's holding company is a domestic systemically important bank holding company, the capital ratio corresponding to the additional capital required for the bank holding company under the Financial Holding Company Supervision Regulations, or (iii) if the bank is also a global systemically important bank, as defined by the Basel Committee, the capital ratio as required by the Basel Committee. Shinhan Financial Group and Shinhan Bank were selected as a domestic systemically important bank holding company and domestic systemically important bank, respectively, from 2016 through 2023. According to the instructions of the Financial Services Commission, domestic systemically important banks, including Shinhan Bank, have been required to maintain an additional capital buffer of 0.25% since January 1, 2016, with such buffer increased by 0.25% annually to reach 1.00% as of January 1, 2019. The additional capital buffer was set to 1.00% on January 1, 2019 and has remained unchanged as of the date hereof. The Financial Services Commission may also, upon quarterly review, determine and require banks to accumulate a required level of countercyclical capital buffer within the range of 0% to 2.5% of risk-weighted assets, taking into account factors such as the degree of increase in credit relative to the gross domestic product. Also, the Financial Services Commission has formally implemented a regulation on the limit for large exposures based on the Basel standards for banks and bank holding companies, through the Banking Supervision Regulations and the Financial Holding Company Supervision Regulations, effective as of February 1, 2024. On May 24, 2023, the Financial Services Commission decided to increase the level of cyclical capital buffer of banks and their holding companies to 1.00%. The decision will be put into effect starting from May 1, 2024.

We and our banking subsidiaries are currently, and have been, in full compliance with Basel III requirements as implemented in Korea since its introduction in December 2013. However, there is no assurance that we will continue to be able to be in compliance with Basel III requirements. New requirements under Basel III may require an increase in the credit risk capital requirements in the future, which may require us or our subsidiaries to either improve asset quality or raise additional capital. In addition, if the capital adequacy ratios of us or our subsidiaries were to fall below the required levels, the Financial Services Commission might impose penalties ranging from a warning to suspension or revocation of our or our subsidiaries' business licenses. In order to maintain the capital adequacy ratios above the required levels, we or our subsidiaries may be required to raise additional capital through equity financing, but there is no assurance that we or our subsidiaries will be able to do so on commercially favorable terms or at all and, even if successful, any such capital raising may have a dilutive effect on our shareholders with respect to their interest in us or on us with respect to our interest in our subsidiaries.

Liquidity, funding management and credit ratings are critical to our ongoing performance.

Liquidity is essential to our business as a financial intermediary, and we may seek additional funding in the near future to satisfy liquidity needs, meet regulatory requirements, enhance our capital levels or fund the growth of our operations as opportunities arise.

For example, Basel III includes an international framework for liquidity risk measurement, standards and monitoring, as noted above, including a new minimum liquidity standard, known as the liquidity coverage ratio, which is designed to ensure that banks have an adequate stock of unencumbered high quality liquid assets (“HQLA”) that can be easily and speedily converted into cash in the private marketplace to survive a significant stress scenario lasting 30 calendar days. The liquidity coverage ratio is computed as (a) the value of a banking organization’s HQLA, divided by (b) its total expected net cash outflows over the next 30 calendar days under stress scenarios. The minimum liquidity coverage ratio is 100%. In January 2013, the Basel Committee released a revised formulation of the liquidity coverage ratio, one of two quantitative liquidity measures approved in December 2010 as part of Basel III. The Basel Committee extended the timetable for full phase-in of the liquidity coverage ratio to the effect that the minimum liquidity coverage ratio was set at 60% as of January 1, 2015 and thereafter was increased in annual increments of 10% so that the minimum liquidity coverage ratio reached 100% as of January 1, 2019. In December 2014, the Financial Services Commission promulgated regulations to implement the liquidity requirements of Basel III, including raising the minimum liquidity coverage ratio to 80% as of January 1, 2015 and thereafter by annual increments of 5% so that the minimum liquidity coverage ratio for commercial banks in Korea is 100% since January 1, 2019. In April 2020, in response to the COVID-19 pandemic, the Financial Services Commission temporarily lowered the liquidity coverage ratio requirement from 100% to 85%. The Financial Services Commission subsequently decided to gradually restore this ratio on a quarterly basis from the third quarter of 2022, to a ratio of 90% in the third quarter of 2022, 92.5% in the fourth quarter of 2022, 95% in the first quarter of 2023, 97.5% in the second quarter of 2023 and 100% from the third quarter of 2023. However, the Financial Services Commission decided to apply the 92.5% ratio until the end of June 2023. Afterwards, at a financial market inspection meeting in October 2023, the Financial Services Commission decided to maintain 95% ratio until June 2024, and in principle, the gradual normalization is expected to resume from July 2024, but the final decision on whether to start normalization will be made based on market conditions in the second quarter of 2024.

A substantial part of the liquidity and funding requirements for our banking subsidiaries is met through short-term customer deposits, which typically roll over upon maturity. While the volume of our customer deposits has generally been stable over time, customer deposits have from time to time declined substantially due to the popularity of other, higher-yielding investment opportunities, namely stocks and mutual funds, for example, during times of bullish stock markets. During such times, our banking subsidiaries were required to obtain alternative funding at higher costs. There is no assurance that a similar development will not occur in the future. In addition, in recent years, we have faced increasing pricing competition from our competitors with respect to our deposit products. If we do not continue to offer competitive interest rates to our deposit customers, we may lose their business, which has traditionally provided a stable and low-cost source of funding. In addition, even if we are able to match our competitors’ pricing, doing so may result in an increase in our funding costs, which may have an adverse impact on our results of operations.

We and our subsidiaries also raise funds in capital markets and borrow from other financial institutions, the cost of which depends on market rates and the general availability of credit and the terms of which may limit our ability to pay dividends, make acquisitions or subject us to other restrictive covenants. While we and our subsidiaries are not currently facing liquidity difficulties in any material respect, if we or our subsidiaries are unable to obtain the funding we need on terms commercially acceptable to us for an extended period of time for whatever reason, we may not be able to ensure our financial viability, meet regulatory requirements, implement our strategies or compete effectively.

Credit ratings affect the cost and other terms upon which we and our subsidiaries are able to obtain funding. Domestic and international rating agencies regularly evaluate us and our subsidiaries, and their ratings of our and our subsidiaries' long-term debt are based on a number of factors, including our financial strength as well as conditions affecting the financial services industry and the Korean economy in general. There can be no assurance that the rating agencies will maintain our current ratings or outlooks. There is no assurance that Shinhan Bank, Shinhan Card, any of our other major subsidiaries or our holding company will not experience a downgrade in their respective credit ratings and outlooks for reasons related to the general Korean economy or reasons specific to such entity. Any downgrades in the credit ratings and outlooks of us and our subsidiaries will likely increase our cost of funding, limit our access to capital markets and other borrowings, or require us to provide additional credit enhancement in financial transactions, any of which could adversely affect our liquidity, net interest margins and profitability, and in turn, our business, financial condition and results of operations.

Our business may be materially and adversely affected by legal claims and regulatory actions against us.

In the ordinary course of our business, we are subject to risk of legal claims and regulatory actions. We are also subject to a variety of other lawsuits, claims, disputes, legal proceedings and government investigations in Korea and other jurisdictions where we are active, including with respect to financial products sold by us or our subsidiaries. These types of claims, disputes, proceedings or investigations may expose us to substantial monetary and/or reputational damages, legal defense costs, injunctive relief, criminal and civil penalties and the potential for regulatory restrictions on our businesses or sanctions against our management and employees. We may also be required to compensate purchasers of financial products sold by us that become subject to dispute or regulatory action, or suffer losses or record provisions for credit loss allowance for expected losses in connection with such financial products. See "Item 8.A. Consolidated Statements and Other Financial Information — Legal Proceedings" and Note 46 of the notes to our consolidated financial statements included in this annual report.

While we plan to rigorously defend our positions in such disputes, lawsuits or other regulatory proceedings against us, the outcome of these matters are highly uncertain and difficult to predict, and they could adversely affect our results of operation and future business. The total amount in dispute or subject to regulatory action may increase during the course of these legal claims and regulatory actions, and other lawsuits may be brought against us based on similar allegations. Accordingly, these legal claims and regulatory actions may have material adverse effect on our business, financial condition, results of operations and reputation.

Changes in interest rates, foreign exchange rates, bond and equity prices, and other market factors have affected and will continue to affect our business, results of operations and financial condition.

The most significant market risks we face are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. Changes in foreign currency exchange rates, particularly in the Korean Won to U.S. Dollar exchange rates, affect the value of our assets and liabilities denominated in foreign currencies, the reported earnings of our non-Korean subsidiaries and income from foreign exchange dealings, and substantial and rapid fluctuations in exchange rates may cause difficulty in obtaining foreign currency-denominated financing in the international financial markets on commercial terms acceptable to us or at all. The performance of financial markets may affect bond and equity prices and, therefore, cause changes in the value of our investment and trading portfolios. While we have implemented risk management systems and risk thresholds to mitigate and control these and other market risks to which we are exposed, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on our business, financial condition and results of operations.

Historically, Korea, like many other countries, has experienced interest rate fluctuations, in part due to the Government's policy to stabilize the economy through active rate-controlling measures. In November 2017, the Bank of Korea raised the base interest rate to 1.50%, marking the first time it has increased the base interest rate since 2011, and further raised such rate to 1.75% in November 2018. The Bank of Korea reduced the base interest rate from 1.75% to 1.50% in July 2019, from 1.50% to 1.25% in October 2019, from 1.25% to 0.75% in March 2020 and from 0.75% to 0.50% in May 2020. The Bank of Korea raised the base interest rate from 0.50%

to 0.75% in August 2021, from 0.75% to 1.00% in November 2021, from 1.00% to 1.25% in January 2022, from 1.25% to 1.50% in April 2022, from 1.50% to 1.75% in May 2022, from 1.75% to 2.25% in July 2022, from 2.25% to 2.50% in August 2022, from 2.50% to 3.00% in October 2022 and from 3.00% to 3.25% in November 2022. The Bank of Korea further raised the base interest rate from 3.25% to 3.50% in January 2023. Interest rate movements, in terms of magnitude and timing as well as their relative impact on our assets and liabilities, have a significant impact on our net interest margin and profitability, particularly with respect to our financial products that are sensitive to such movements. For example, if the interest rates applicable to our loans (which are recorded as assets) increase at a slower pace or by a thinner margin than the interest rates applicable to our deposits (which are recorded as liabilities), our net interest margin will shrink and our profitability will be negatively affected. In addition, the relative size and composition of our variable rate loans and deposits (as compared to our fixed rate loans and deposits) may also impact our net interest margin. Furthermore, the difference in the average repricing frequency of our interest-earning assets (primarily loans) compared to our interest-bearing liabilities (primarily deposits) may also impact our net interest margin. For example, since our deposits tend to have longer terms, on average, than those of our loans, our deposits are on average less sensitive to movements in the base interest rates on which our deposits and loans tend to be pegged, and therefore, a decrease in the base interest rates tends to decrease our net interest margin while an increase in the base interest rates tends to have the opposite effect. While we continually manage our assets and liabilities to minimize our exposure to interest rate volatility, such efforts by us may not mitigate the impact of interest rate volatility in a timely or effective manner, and our net interest margin, and in turn our financial condition and results of operations, could suffer significantly.

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate in Won per US$1.00.

Year Ended December 31,	At End of Period	Average[(1)]	High	Low
		(Won per US$1.00)		
2019	1,155.5	1,165.8	1,220.7	1,111.8
2020	1,086.1	1,180.6	1,267.3	1,081.9
2021	1,188.6	1,144.9	1,198.7	1,081.6
2022	1,260.2	1,291.8	1,440.5	1,187.0
2023	1,291.0	1,306.8	1,362.9	1,220.3
October	1,351.0	1,351.5	1,362.9	1,338.2
November	1,290.0	1,308.2	1,356.9	1,289.3
December	1,291.0	1,304.4	1,325.3	1,288.5
2024 (through April 5)	1,352.6	1,331.1	1,352.6	1,300.5
January	1,334.9	1,325.9	1,344.2	1,300.5
February	1,336.2	1,331.3	1,337.3	1,321.9
March	1,347.1	1,331.7	1,348.6	1,310.8
April (through April 5)	1,352.6	1,349.6	1,352.6	1,346.9

Source: Federal Reserve Board
Note:

(1) The average rate for annual and interim periods were calculated by taking the simple average of the Noon Buying Rates on the last day of each month during the relevant period. The average rates for the monthly periods (or portion thereof) were calculated by taking the simple average of the daily Noon Buying Rates during the relevant month (or portion thereof).

We have translated certain amounts in Korean Won, which appear in this annual report, into U.S. Dollars for convenience. This does not mean that the Won amounts referred to could have been, or could be, converted into U.S. Dollars at any particular rate, the rates stated above, or at all. Unless otherwise stated, translations of Won amounts to U.S. Dollars are based on the Noon Buying Rate in effect on December 29, 2023, which was ₩1,291.0 to US$1.00. On April 5, 2024, the Noon Buying Rate in effect was ₩1,352.6 to US$1.00.

We cannot assure you when and to what extent the Bank of Korea will in the future adjust the base interest rate, to which the market interest rate correlates. A decision to adjust the base interest rate is subject to many policy considerations as well as market factors, including the general economic cycle, inflationary levels, interest rates in other economies and foreign currency exchange rates, among others. In general, a decrease in interest rates adversely affects our interest income due to the different maturity structure for our assets and liabilities as discussed above. In contrast, if there were to be a significant or sustained increase in interest rates, all else being equal, such movement would lead to a decline in the value of traded debt securities and could also raise our funding costs, while reducing loan demand, especially among retail customers. Rising interest rates may therefore require us to re-balance our assets and liabilities in order to minimize the risk of potential mismatches in our asset liability management and to maintain our profitability. In addition, rising interest rates may adversely affect the Korean economy and the financial condition of our corporate and retail borrowers, including holders of our credit cards, which in turn may lead to deterioration of asset quality for our credit portfolio. Since most of our retail and corporate loans bear interest at rates that adjust periodically based on prevailing market rates, a sustained increase in interest rates will increase the funding costs of our borrowers and may adversely affect their ability to make payments on their outstanding loans. See “Item 5.A. Operating Results — Interest Rates.”

The implementation of IFRS 17 beginning on January 1, 2023 renders certain of our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, not directly comparable with our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report.

In response to a lack of comparability in the global insurance industry stemming from variations in accounting policies being applied, in May 2017, the International Accounting Standard Board issued IFRS 17 ‘Insurance Contracts’, a new IFRS accounting standard for insurance contracts effective for annual reporting periods beginning on or after January 1, 2023. In April 2021, the Korea Accounting Standard Board adopted IFRS 17 ‘Insurance Contracts’, effective for annual periods beginning on or after January 1, 2023. Under IFRS 17, insurance contract liabilities will be calculated in terms of market value (as the present value of future insurance cash flows with a provision for risk) instead of book value. As the discount rate will reflect current interest rates rather than book yields, we may have a significantly higher debt balance under IFRS 17 due to higher insurance liabilities, thereby resulting in a decrease in our risk-based capital.

Beginning January 1, 2023, IFRS 17 ‘Insurance Contracts’ has replaced in its entirety existing guidance in IFRS 4. Therefore, we have applied IFRS 17 to insurance contracts in preparing our financial statements as of December 31, 2023 and for the year ended December 31, 2023, and in preparing such financial statements we have retrospectively applied IFRS 17 to insurance contracts to restate the comparative financial information as of December 31, 2022 and for the year ended December 31, 2022 included therein, in each case, in accordance with IFRS 17. Unless stated otherwise, our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report are shown based on IFRS 17 whereas our financial information as of December 31, 2021 and for the year ended December 31, 2021 included in this annual report are shown based on IFRS 4 and have not been restated based on IFRS 17. Accordingly, certain of our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report may not be directly comparable against our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report. Investors must therefore exercise caution when making comparisons of any financial figures in the Annual Report on Form 20-F against our financial figures included in this annual report and when evaluating our financial condition, results of operations and results.

For further information regarding the implementation of IFRS 17, see “— Risks Related to Our Other Businesses — Prolonged periods of declining or low interest rates or changes in related accounting standards may reduce or turn negative our investment margin on savings insurance products and result in an increase in the valuation of our liabilities associated with these products.” in this annual report and Note 3 and Note 52 of the notes to the audited consolidated annual financial statements included in this annual report.

Replacement of London Interbank Offered Rate and reforms of other interest rate benchmarks could adversely affect our business, financial condition and results of operations.

Many of our products and services have referred to benchmark interest rates such as the London Interbank Offered Rate ("LIBOR") in many currencies, including the U.S. Dollar. We have also utilized such benchmark interest rates for our own evaluation of financial instruments and various other internal management purposes. In March 2021, the U.K. Financial Conduct Authority (the "FCA"), which has regulatory authority with respect to LIBOR, announced that all LIBOR settings will either cease to be provided by any administrator or no longer be representative (i) after December 31, 2021 in the case of all Sterling, Euro, Swiss franc and Japanese yen settings and the one-week and two month U.S. dollar settings and (ii) after June 30, 2023 in the case of the remaining U.S. dollar settings. While the ICE Benchmark Administration, the administrator of LIBOR, may publish certain LIBOR settings on the basis of a synthetic methodology for "tough legacy" contracts, there is no guarantee that such rates will be determined and published after the announced deadlines nor confirmed to be representative by the FCA.

In light of the transition away from LIBOR, the Secured Overnight Financing Rate ("SOFR") has been identified by the Alternative Reference Rates Committee convened by the Board of Governors of the U.S. Federal Reserve System and the Federal Reserve Bank of New York as the preferred alternative benchmark reference rate for LIBOR and differs from LIBOR in many respects, including its basis on actual observed transactions in the U.S. treasury market as opposed to LIBOR's usage of estimations of borrowing rates. While there are a number of international working groups focused on transition plans and the provision of fallback contract language that seek to minimize market disruption, replacement of LIBOR or any other benchmark with a new benchmark rate, such as SOFR, could adversely impact the value of and return on financial instruments and contracts. Moreover, replacement of LIBOR or other benchmark rates could result in market dislocations and have other adverse consequences for market participants, including the potential for increased costs, and litigation risks, including the potential for disputes with counterparties regarding the interpretation and enforceability of fallback contract language in LIBOR-based financial instruments and contracts. In particular, such transition may, among other things:

- adversely affect the price, liquidity, profitability, and tradability of a wide range of financial instruments, such as loans and derivatives, included in our financial assets and liabilities that reference LIBOR and other interest rate benchmarks;
- require negotiations with our counterparties to modify contracts to replace the reference rate for existing contracts based on or linked to LIBOR and other interest rate benchmarks with an alternative interest rate;
- result in disputes with customers and counterparties concerning the interpretation of affected contracts or economic adjustments to the alternative interest rate adopted in connection with the replacement of LIBOR and other interest rates and the transition to alternative interest rates, or disputes concerning inappropriate trade practices or abuse of a dominant bargaining position in transactions with customers;
- require us to respond to regulatory authorities in connection with the replacement of LIBOR and other interest rates benchmarks and the transition to an alternative interest rate;
- require us to develop risk management and other operational systems and processes (including information technology systems) necessary to effectively deal with the replacement of LIBOR and other interest rates and the transition to an alternative interest rate, which may prove challenging or impossible, or incur significant investment and other costs in connection with such replacement and transition; or
- result in accounting or other issues, such as by causing hedging accounting items to be derecognized.

There can be no assurance that a change in the benchmark interest rate and related valuation methods will not have a material adverse effect on our business, results of operations and financial condition.

We may incur losses associated with our counterparty exposures.

We face the risk that counterparties will be unable to honor contractual obligations to us or our subsidiaries. These parties may default on their obligations to us or our subsidiaries due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swaps or other derivative contracts under which counterparties have obligations to make payments to us or our subsidiaries or in executing currency or other trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Any realization of counterparty risk may adversely affect our business, operations and financial condition.

Risks Relating to Our Banking Business

We have significant exposure to small- and medium-sized enterprises, and financial difficulties experienced by such enterprises may result in a deterioration of our asset quality.

Our banking activities are conducted primarily through our wholly-owned subsidiary, Shinhan Bank. One of our core banking businesses has historically been and continues to be lending to small- and medium-sized enterprises (as defined in “Item 4.B. Business Overview — Our Principal Activities — Corporate Banking Services — Small- and Medium-sized Enterprises Banking”). Shinhan Bank’s loans (before allowance for credit losses and deferred loan origination costs and fees) to such enterprises amounted to ₩121,961 billion as of December 31, 2021, ₩131,304 billion as of December 31, 2022 and ₩134,271 billion as of December 31, 2023, representing 31.0%, 31.8% and 32.2%, respectively, of our total loan portfolio as of such dates.

Compared to loans to large corporations, which tend to be better capitalized and better able to weather business downturns, or loans to individuals and households, which tend to be secured with homes and with respect to which the borrowers are therefore less willing to default, loans to small- and medium-sized enterprises have historically had a relatively higher delinquency ratio. Many small- and medium-sized enterprises represent sole proprietorships or small businesses dependent on a relatively limited number of suppliers or customers and tend to be affected to a greater extent than large corporate borrowers by fluctuations in the Korean and global economy. In addition, small- and medium-sized enterprises often maintain less sophisticated financial records than large corporate borrowers. Therefore, it is generally more difficult for banks to judge the level of risk inherent in lending to such enterprises, as compared to large corporations. In addition, many small- and medium-sized enterprises are dependent on business relationships with large corporations in Korea, primarily as suppliers. Any difficulties encountered by those large corporations would likely hurt the liquidity and financial condition of related small- and medium-sized enterprises, including those to which we have exposure, also resulting in an impairment of their ability to repay loans. As large Korean corporations continue to expand into China, Southeast Asia and other countries with lower labor costs and other expenses by relocating their production plants and facilities to such countries, such development may have a material adverse impact on such small- and medium-sized enterprises.

Financial difficulties experienced by small- and medium-sized enterprises as a result of, among other things, recent economic difficulties in Korea and globally and aggressive marketing and intense competition among banks to lend to this segment in recent years, coupled with our efforts to counter asset quality deterioration through conservative lending policy, have led to a fluctuation in the asset quality of our loans to this segment. As of December 31, 2021, 2022 and 2023, Shinhan Bank’s delinquent loans to small- and medium-sized enterprises were ₩363 billion, ₩385 billion and ₩542 billion, respectively, representing delinquency ratios (net of charge-offs and loan sales) of 0.30%, 0.29% and 0.40%, respectively. If the ongoing difficulties in the Korean or global economy were to continue or aggravate, the delinquency ratio for our loans to small- and medium-sized enterprises may rise.

Of particular concern is our exposure to enterprises in the real estate and leasing, and construction industries. As of December 31, 2023, Shinhan Bank had outstanding loans (before allowance for credit losses on loans and deferred loan origination costs and fees) to enterprises in the real estate and leasing, and construction industries (many of which are small-and medium-sized enterprises) of ₩45,459 billion and ₩4,377 billion, respectively, representing 13.0% and 1.2%, respectively, of its total loan portfolio as of such date. We also have other exposure to borrowers in these sectors of the Korean economy, including extending guarantees for the benefit of such companies and holding debt and equity securities issued by such companies. In addition, Shinhan

Bank has exposure to borrowers in the shipbuilding and shipping industries, which have yet to stage a meaningful turnaround.

The enterprises in the real estate development and construction industries in Korea, which are heavily concentrated in the housing market, have recently struggled to achieve growth due to rising inflation rate in recent years as well has relatively high interest rate environment. Ongoing economic sluggishness in Korea and globally and demographic changes in the Korean population, in particular a continuing trend of low birth rate and aging population, may further cause difficulties to the housing market thereby adversely affecting such enterprises. We also have limited exposure to real estate project financing, particularly by construction companies that have built residential units in provinces outside the metropolitan Seoul area, which have recently been experiencing increasing level of delinquencies primarily due to low rate of pre-sales, the proceeds from which the construction companies primarily rely on as a key source for liquidity and cash flow.

Any of the foregoing developments may result in deterioration in the asset quality of our banking subsidiaries. See "Item 4.B. Business Overview — Description of Assets and Liabilities — Credit Exposures to Companies in Workout and Recovery Proceedings." We have been taking active steps to curtail delinquency among our small- and medium-sized enterprise customers, including by way of strengthening loan application review processes and closely monitoring borrowers in troubled sectors. Despite such efforts, there is no assurance that the delinquency ratio for our loans to small- and medium-sized enterprises will not rise in the future, especially if the Korean economy were to face renewed difficulties and, as a result, the liquidity and cash flow of these borrowers deteriorate. A significant rise in the delinquency ratios among these borrowers would lead to increased charge-offs and higher provisioning and reduced interest and fee income, which would have a material adverse effect on our business, financial condition and results of operations.

A decline in the value of the collateral securing our loans or our inability to fully realize the collateral value may adversely affect our credit portfolio.

Most of our mortgage and home equity loans are secured by borrowers' homes, other real estate, other securities and guarantees (which are principally provided by the Government and other financial institutions), and a substantial portion of our corporate loans are also secured, including by real estate. As of December 31, 2023, the secured portion were collateralized or guaranteed of Shinhan Bank's loans amounted to ₩223,568 billion, representing 63.7% of its total loans. No assurance can be given that the collateral value will not materially decline in the future. Shinhan Bank's general policy for mortgage and home equity loans is to lend up to 40% to 85% of the appraised value of the collateral, but subject to the maximum loan-to-value ratio, debt-to-income ratio and debt service ratio requirements for mortgage loans implemented by the Government, and to periodically re-appraise such collateral. In order to mitigate our loss in the event of a decrease in the value of collateral, we have made effort to increase the proportion of installment principal repayment-based loans and manage the loan-to-value ratio of loans. As of December 31, 2023, installment principal repayment-based housing loans accounted for 57.5% of the housing loans extended by Shinhan Bank, and the loan-to-value ratio of mortgage and home equity loans of Shinhan Bank was 46.2%. Despite these efforts however, if the real estate market in Korea experiences a downturn, the value of the collateral may fall below the outstanding principal balance of the underlying mortgage loans. Borrowers of such under-collateralized mortgages or loans may be forced to pay back all or a portion of such mortgage loans or, if unable to meet the collateral requirement through such repayment, sell the underlying collateral, which sales may lead to a further decline in the price of real estate in general and set off a chain reaction for other borrowers due to the further decline in the value of collateral. Declines in real estate prices reduce the value of the collateral securing our mortgage and home equity loans, and such reduction in the value of collateral may result in our inability to cover the uncollectible portion of our secured loans. A decline in the value of the real estate or other collateral securing our loans, or our inability to obtain additional collateral in the event of such decline, may result in the deterioration of our asset quality and require us to make additional loan loss provisions. In Korea, foreclosure on collateral generally requires a written petition to a Korean court. Foreclosure procedures in Korea generally take 7 to 12 months from initiation to collection depending on the nature of the collateral, and foreclosure applications may be subject to delays and administrative requirements, which may result in a decrease in the recovery value of such collateral. No assurance can be given that we will be able to realize the full value of collateral as a result of, among others, delays in foreclosure proceedings, defects in the perfection of collateral and general declines in collateral value. Our failure to recover the expected value of collateral could expose us to significant losses.

Guarantees received in connection with our real estate financing may not provide sufficient coverage.

Primarily through Shinhan Bank, we, alone or together with other financial institutions, provide financing to real estate development projects, which are concentrated largely in the construction of residential complexes. Developers in Korea commonly use project financing to acquire land and pay for related project development costs. As a market practice, lenders in project financing, including Shinhan Bank, generally receive from general contractors a performance guarantee for the completion of projects by the developers as well as a payment guarantee for the loans raised by a special purpose financing vehicle established by the developers in order to procure the construction orders, as the developers tend to be small and highly leveraged. Shinhan Bank has actively managed and reduced its real estate project financing-related exposure, particularly during sustained downturns in the Korean real estate market. As of December 31, 2023, the total outstanding amount of Shinhan Bank's real estate project financing-related exposure was ₩6.6 trillion. However, if defaults were to significantly increase under our existing loans to real estate development projects and the general contractors fail to pay the guaranteed amount necessary to cover the amount of our financings, this may have an adverse effect on our business, financial condition and results of operations.

A limited portion of our credit exposure is concentrated in a relatively small number of large corporate borrowers, and future financial difficulties experienced by them may have an adverse impact on us.

Of Shinhan Bank's 10 largest corporate exposures as of December 31, 2023, three were companies for which Shinhan Bank was a main creditor bank. All of the 10 companies are or were members of the main debtor groups as identified by the Governor of the Financial Supervisory Service, which are largely comprised of the largest Korean commercial conglomerates known as *"chaebols."* As of such date, the total amount of Shinhan Bank's exposures to the 10 companies was ₩30,521 billion, or 8.8%, of its total exposures. As of that date, Shinhan Bank's single largest outstanding exposure to a main debtor group amounted to ₩5,784 billion, or 1.7%, of its total exposures. Largely due to the continued stagnation in the shipbuilding industry, current and former member companies of the STX Group, one of the leading conglomerates in Korea, entered into voluntary arrangements in 2013 with their creditors (including Shinhan Bank) to improve their credit situation, and STX Offshore & Shipbuilding and STX Heavy Industries, two of the STX Group's member companies, recently filed for court receivership in May 2016 and July 2016, respectively. Due to stagnation in the construction industry, Keangnam Enterprises Co., Ltd., a large construction company in Korea, also entered into workout proceedings in 2013 and subsequently filed for recovery proceedings in March 2015. Dongbu Steel Co., Ltd. and Sambu Construction Co., Ltd. also experienced significant hardship and entered into workout or recovery proceedings in 2015. Additionally, in October 2015, creditors of Daewoo Shipbuilding & Marine Engineering Co., Ltd., led by Korea Development Bank, announced a restructuring plan that included cash injection and additional loans totaling ₩4.2 trillion and extensive streamlining measures, and in November 2016, Korea Development Bank agreed to swap ₩1.8 trillion of debt to equity and the Export-Import Bank of Korea agreed to issue ₩1 trillion of perpetual bonds. Amidst continued deterioration of Daewoo Shipbuilding & Marine Engineering Co., Ltd.'s financial conditions, in March 2017, Korea Development Bank and the Export-Import Bank of Korea further agreed to provide an additional ₩2.9 trillion in loans and swap ₩1.6 trillion of debt to equity, provided that other creditors and bondholders agree to certain debt-to-equity swaps and extension of maturities. In January 2016, Hanjin Heavy Industries & Construction Co., Ltd. entered into voluntary restructuring agreements with its creditors due to liquidity shortage in the wake of prolonged industry slowdown. Partly as a result of its active past efforts to reduce exposure to the shipbuilding and construction sectors, Shinhan Bank currently has limited exposure to the aforementioned troubled companies. However, if the credit quality of Shinhan Bank's exposure to large corporations, including those in the main debtor groups, declines, Shinhan Bank may be required to record additional loan loss provisions in respect of loans and impairment losses in respect of securities, which would adversely affect its financial condition, results of operations and capital adequacy. No assurance can be given that the allowances it has established against these exposures will be sufficient to cover all future losses arising from such exposures, especially in the case of a prolonged or renewed economic downturn.

A limited number of the main debtor groups to which Shinhan Bank has credit exposure are subject to restructuring programs or are otherwise making significant efforts to improve their financial conditions, such as by obtaining intragroup loans and entering into agreements to further improve their capital structures. No assurance can be given that there will not be future restructuring with Shinhan Bank's major corporate customers or that such restructuring will not result in significant losses to Shinhan Bank with less than full recovery. In addition, if the Government decides to pursue an aggressive restructuring policy with respect to distressed companies, Korean commercial banks, including Shinhan Bank, may face a temporary rise in delinquencies and intensified pressure for additional provisioning. Furthermore, bankruptcies or financial difficulties of large corporations, including *chaebol* groups, may have an adverse ripple effect of triggering delinquencies and impairment of Shinhan Bank's loans to small- and medium-sized enterprises that supply parts or labor to such corporations. If Shinhan Bank experiences future losses from its exposure to large corporations, including *chaebol* groups, it may have a material adverse effect on Shinhan Bank's business, financial condition and results of operations. See "Item 4.B. Business Overview — Description of Assets and Liabilities — Loans — Loan Portfolio — Exposure to Main Debtor Groups."

The asset quality of our retail loan portfolio may deteriorate.

In recent years, consumer debt, including lending to households and small unincorporated businesses, has continued to increase in Korea. Shinhan Bank's portfolio of retail loans is comprised of two principal product types, namely secured retail loans (which are primarily comprised of mortgage and home equity loans secured by real estate) and general purpose loans (which are unsecured loans and tend to carry a higher credit risk). As of December 31, 2023, Shinhan Bank's retail loan portfolio (before allowance for credit losses and deferred loan origination costs and fees and excluding credit card loans) was ₩141,542 billion, representing 40.3% of its total loans outstanding. As of December 31, 2021, 2022 and 2023, Shinhan Bank's non-performing retail loans (excluding credit card loans) were ₩261 billion, ₩289 billion and ₩377 billion, respectively, representing non-performing loan ratios (net of charge-offs and loan sales) of 0.18% and 0.20% and 0.27%, respectively.

Our large exposure to consumer debt means that we are exposed to changes in economic conditions affecting Korean consumers. For example, a rise in unemployment, an increase in interest rates or a decline in housing prices in Korea could adversely affect the ability of consumers to make payments and increase the likelihood of potential defaults. Economic difficulties in Korea that hurt consumers could result in increasing delinquencies and a decline in the asset quality of our household loan portfolio, which may in turn require us to record higher provisions for credit loss and charge-offs and may materially and adversely affect our financial condition and results of operations.

Any deterioration in the asset quality of our guarantees and acceptances will likely have a material adverse effect on our financial condition and results of operations.

In the normal course of banking activities, we make various commitments and incur certain contingent liabilities in the form of guarantees and acceptances. Financial guarantees, which are contracts that require us to make specified payments to reimburse the beneficiary of the guarantee for a loss such beneficiary incurs because the debtor in respect of which the guarantee is given fails to make payments when due in accordance with the terms of the relevant debt instrument, are recognized initially at fair value, and such initial fair value is amortized over the life of the financial guarantee. Other guarantees are recorded as off-balance sheet items in the notes to our financial statements and those guarantees that we have confirmed to make payments are recorded on the statements of financial position. As of December 31, 2023, Shinhan Bank had aggregate guarantees and acceptances of ₩18,303 billion, for which it provided allowances for losses of ₩62.2 billion. If there is significant deterioration in the quality of assets underlying our guarantees and acceptances, our allowances may be insufficient to cover actual losses resulting in respect of these liabilities.

Risks Relating to Our Credit Card Business

Future changes in market conditions as well as other factors, such as stricter regulation, may lead to reduced revenues and deterioration in the asset quality of credit card receivables.

As of December 31, 2021, 2022 and 2023, Shinhan Card's interest-earning credit card assets amounted to ₩34,437 billion, ₩39,034 billion and ₩40,457 billion, respectively. Our large exposure to credit card and other consumer debt means that we are exposed to changes in economic conditions affecting Korean consumers in general. For example, a rise in unemployment, an increase in interest rates, a downturn in the real estate market, or a general contraction or other difficulties affecting the Korean economy may lead Korean consumers to reduce spending (a substantial portion of which is conducted through credit card transactions), which in turn leads to reduced earnings for our credit card business, as well as to higher default rates on credit card loans, deterioration in the quality of our credit card assets and increased difficulties in recovering written-off assets from which a significant portion of Shinhan Card's revenues is derived. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

Increasing consumer and corporate spending and borrowing on our card products and growth in card lending balances depend in part on Shinhan Card's ability to develop and issue new or enhanced card and prepaid products and increase revenue from such products and services, as well as the level of discretionary income among our cardholders, which is largely affected by macroeconomic factors beyond our control. In addition, credit card companies in Korea, including Shinhan Card, may not be able to enjoy any rapid growth in revenue over the long term due to the maturing nature of the credit card industry, in part due to oversaturation of credit card service providers. Shinhan Card's future earnings and profitability also depend on its ability to attract new cardholders, reduce cardholder attrition, increase merchant coverage and capture a greater share of customers' total credit card spending in Korea and overseas. Shinhan Card may not be able to manage and expand cardholder benefits in a cost-effective manner or contain the growth of marketing, promotion and reward expenses to a commercially reasonable level. If Shinhan Card is not successful in increasing customer spending, maintaining or expanding its market position and asset growth, or containing costs or cardholder benefits, its financial condition, results of operations and cash flow could be negatively affected.

Non-financial companies, such as e-commerce and retail business, as well as fintech companies have become major competitors in various business areas. Fast-growing online service providers and tech companies joined the financial payment service market, changing the landscape of the payment service industry. Convenient payment service providers such as Kakao Pay, Naver Pay, and Coupang Pay are competing against the payment services of Shinhan Card. As a response to such market changes, Shinhan Card developed the "Shinhan pLay", which is a platform for mobile application-credit card payment model that can be used for both online and offline payments. Shinhan Card pioneered "touch payment" using magnetic secure transmission technology and commercialized biometric "Face Pay," which allows for payment without the need for card plates or digital devices. Competition is expected to intensify as MyData services are launched and the sharing of customer personal information, credit information, and transaction data across a variety of digital platforms is expanded.

In addition, Government policies and regulations aimed at protecting small-and medium-sized enterprises, such as the reduction of fees chargeable to small-and medium-sized merchants, may have a material adverse effect on our revenues from Shinhan Card. In January 2012, the Government expanded the definition of a small-and medium-sized merchant to include those with annual sales of up to ₩200 million and, effective September 2012, lowered fees chargeable to such merchants from 1.8% to 1.5% with respect to credit cards. In January 2015, the Government further expanded the definition of a small-and medium-sized merchant to include those with annual sales of more than ₩200 million and up to ₩300 million, and imposed a cap on fees chargeable to such merchants at 2.0% with respect to credit cards. In November 2015, the Government announced a further reduction in the merchant fees chargeable to small-and medium-sized enterprises with respect to credit cards, effective January 31, 2016, from 2.0% to 1.3% for merchants with annual sales of more than ₩200 million and up to ₩300 million, and from 1.5% to 0.8% for merchants with annual sales of up to ₩200 million. In July 2017, the Enforcement Decree of the Specialized Credit Finance Business Act was amended to expand the range of small-and medium-sized enterprises subject to lower merchant fees. Upon the amendment, merchants with annual sales of more than ₩300 million and up to ₩500 million are subject to merchant fees chargeable with respect to credit cards of 1.3%, and merchants with annual sales of up to ₩300 million are subject to merchant fees chargeable with respect to credit cards of 0.8%. In January 2019, the government further expanded the definition of a small-and medium-sized merchant to include those with annual sales of more than ₩500 million and up to ₩3 billion. Upon the amendment, merchants with annual sales of less than ₩500 million are subject to merchant fees chargeable with respect to credit cards of 0.8%, merchants with annual sales of more than ₩500 million and up to ₩1 billion are subject to merchant fees chargeable with respect to credit cards of 1.4%, and merchants with annual sales of more than ₩1 billion and up to ₩3 billion are subject to merchant fees chargeable with respect to credit cards of 1.6%. Effective January 2022, the fees chargeable to small-and medium-sized enterprises with respect to credit cards were further reduced. Upon the amendment, merchants with annual sales of less than ₩300 million are subject to merchant fees chargeable with respect to credit cards of 0.5%, merchants with annual sales of more than ₩300 million and up to ₩500 million are subject to merchant fees chargeable with respect to credit cards of 1.1%, merchants with annual sales of more than ₩500 million and up to ₩1 billion are subject to merchant fees chargeable with respect to credit cards of 1.25%, and merchants with annual sales of more than ₩1 billion and up to ₩3 billion are subject to merchant fees chargeable with respect to credit cards of 1.5%. Pursuant to the Specialized Credit Financial Business Act, the rates of fees chargeable to merchants are subject to review and revision every three years, starting from 2012, and the rates of fees chargeable may be further adjusted due to changes in relevant regulations or Government policy. A task force comprised of representatives from the credit card industry, consumers, merchants and the Financial Services Commission is expected to convene during 2022 to discuss improvements to the current system of adjustments to merchant commission rates. Additionally, during 2018, the Seoul metropolitan and other regional governments have launched "Zero Pay", a government sponsored QR code-based mobile payment platform charging little to no transaction fees (up to 0.5% depending on volume of sales) and aimed at reducing transaction fees small businesses pay to credit card companies. The Financial Services Commission also announced its plans to establish an open banking system that would provide fintech firms access to banks' payment systems at lower costs. Additional amendments to regulations requiring further downward adjustments to merchant fees or Government policies aimed at reducing transaction fees paid to credit card companies may be implemented in the future, placing further downward pressure on the results of operations for credit card companies, including Shinhan Card.

In 2013, the Government also implemented measures regulating marketing costs in order to control excessive marketing campaigns and curtail undue marketing expenses, which had the effect of impeding revenue growth for credit card companies but also reduced or slowed the growth in their marketing expenses. Effective December 2013, the Government also introduced guidelines to curb the interest rates that credit card companies, including Shinhan Card, may charge on card loans and cash advances. Furthermore, the Government also provides tax incentives, among others, for the use of check cards (where the amounts paid with check cards are instantly debited from the customer's bank accounts) to encourage the use of check cards in lieu of credit cards in an attempt to preempt a potential rise in delinquency among credit card users, and if check cards are widely used in lieu of credit cards, this would reduce interest income from credit cards, which generally have a longer repayment period than that of check cards, and may have an adverse impact on Shinhan Card's revenues and results of operations. On November 26, 2018, the Financial Services Commission introduced additional guidelines aimed at curtailing excessive marketing expenses for credit card companies, for example by limiting the benefits credit card companies may offer to large corporate credit card clients or merchants as well as requiring a reasonable level of annual service fees for credit card holders. Although these and similar Government initiatives and measures may result in a reduction in marketing expenses, which in turn may help reduce the overall expenses of our credit card business, there is no assurance that Government measures will achieve their intended results, and such measures may result in a decline in the volume of credit card transactions or otherwise adversely affect our business, financial condition and results of operations.

Risks Relating to Our Other Businesses

We may experience significant losses from our investments and, to a lesser extent, trading activities due to market fluctuations.

We enter into and maintain large investment positions in fixed income products, primarily through our treasury and investment operations. These activities are described in "Item 4.B. Business Overview — Our Principal Activities — Other Banking Services." We also maintain smaller trading positions, including equity and equity-linked securities and derivative financial instruments as part of our operations. Taking these positions entails making assessments about financial market conditions and trends. The revenues and profits we derive from many of these positions and related transactions are dependent on market prices, which are beyond our control. When we own assets such as debt or equity securities, a decline in market prices, for example, as a result of fluctuating market interest rates or stock market indices, can expose us to trading and valuation losses. If market prices move in a way that we have not anticipated, we may experience losses. In addition, when markets are volatile and subject to rapid changes in price directions, actual market prices may be contrary to our assessments and lead to lower than anticipated revenues or profits, or even result in losses, with respect to the related transactions and positions.

We may generate losses from our brokerage and other commission- and fee-based business.

We, through our investment and other subsidiaries, currently provide, and seek to expand the offerings of, brokerage and other commission- and fee-based services. Downturns in stock markets typically lead to a decline in the volume of transactions that we execute for our customers and, therefore, a decline in our non-interest revenues. In addition, because the fees that we charge for managing our clients' portfolios are often based on the size of the assets under management, a downturn in the stock market, which has the effect of reducing the value of our clients' portfolios or increasing the amount of withdrawals, also generally reduces the fees we receive from our securities brokerage, trust account management and other asset management services. Even in the absence of a market downturn, below-market performance by our securities, trust account or asset management subsidiaries may result in increased withdrawals and reduced cash inflows, which would reduce the revenue we receive from these businesses. In addition, protracted declines in asset prices can reduce liquidity for assets held by us and lead to material losses if we cannot close out or otherwise dispose of deteriorating positions in a timely way or at commercially reasonable prices. In July 2019, we made a capital contribution of ₩660 billion by subscribing for new shares of common stock of Shinhan Securities, enabling Shinhan Securities to satisfy the ₩4 trillion capitalization requirement required to apply to the Financial Services Commission for designation as a mega-investment bank ("**mega-IB**"). Upon designation as a mega-IB, Shinhan Securities will be able to issue debt securities up to 200% of its capitalization amount and would be able to utilize such proceeds for corporate lending and other businesses. This capital contribution was made in line with our strategic initiative to strengthen our non-banking businesses and capital market activities. However, we cannot assure you that this capital contribution, any designation of Shinhan Securities as a mega-IB or any resulting developments will not have a negative effect on our business, financial condition and results of operations that outweigh any potential benefits, and we may not be successful in furthering our strategic initiative.

Prolonged periods of declining or low interest rates or changes in related accounting standards may reduce or turn negative our investment margin on savings insurance products and result in an increase in the valuation of our liabilities associated with these products.

We, principally through Shinhan Life Insurance, offer fixed rate insurance policies such as savings insurance products that include guaranteed benefits. These products expose us to the risk that changes in interest rates will reduce our investment margin, which is the difference between the amounts that we are required to pay under the contracts and the rate of return we earn on investments intended to support obligations under such contracts. During periods of declining or low interest rates, we may have to invest insurance cash flows and reinvest the cash flows we received as interest or return of principal on our investments in lower yielding instruments. In addition, during periods of declining or low interest rates, fixed rate policies may become relatively more attractive investments to consumers. This could result in an increase in payments we are required to pay on such products and higher percentage of such products remaining in-force from year to year, during a period when our new investments carry lower returns. During periods of sustained lower interest rates, our reserves for policy liabilities may not be sufficient to meet future policy obligations and may need to be strengthened.

Significantly lower or negative investment margins may cause us to accelerate amortization, thereby reducing net income in the affected reporting period and potentially negatively affecting our credit instrument covenants or rating agency assessment of our financial condition. In addition, under IFRS 17, which became effective beginning 2023, insurance contract liabilities will be calculated in terms of market value (as the present value of future insurance cash flows with a provision for risk) instead of book value. As the discount rate will reflect current interest rates rather than book yields, we may have a significantly higher debt balance under IFRS 17 due to higher insurance liabilities, thereby resulting in a decrease in our risk-based capital. For further information regarding the implementation of IFRS 17, see "— Risks Related to Our Overall Business — The implementation of IFRS 17 beginning on January 1, 2023 renders certain of our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, not directly comparable with our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report." in this annual report and Note 3 and Note 52 of the notes to the audited consolidated annual financial statements included in this annual report.

We may fail to realize the anticipated benefits of and encounter significant risks in connection with mergers and acquisitions.

We continue to seek and evaluate opportunities for diversification and growth of our business, including through strategic acquisitions, and have experienced substantial growth through several mergers and acquisitions. On February 1, 2019, we acquired a 59.15% interest in Orange Life Insurance, the former Korean unit of ING Life Insurance, as part of our efforts to diversify and enhance our non-banking businesses. On January 28, 2020, we acquired the remaining interests in Orange Life Insurance by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life Insurance's common stock transferred all of their shares to us and in return receive shares of our common stock, and hence Orange Life Insurance became our wholly owned subsidiary as of such date. Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021. On October 31, 2018, we agreed to acquire Asia Trust Co., Ltd. in order to expand our real estate business capacity and have also acquired certain small-sized overseas financial service companies and asset management companies. On September 29, 2020, we acquired a 96.8% interest in Neoplux, a venture capital company formerly under the Doosan Group. On December 30, 2020, we acquired the remaining interest in Neoplux by effecting a small-scale stock exchange under Article 360-10 of the Korean Commercial Code, and hence Neoplux has become our wholly owned subsidiary as of such date. On January 11, 2021, Neoplux changed its legal name to Shinhan Venture Investment. In addition, on January 15, 2021, we acquired the remaining 35% interest in Shinhan BNP Paribas Asset Management and changed its legal name to Shinhan Asset Management, and hence Shinhan Asset Management has become our wholly-owned subsidiary as of such date. On June 30, 2022 we acquired 94.54% interest in BNP Paribas Cardif General Insurance, which then changed its name to Shinhan EZ General Insurance, Ltd. Subsequently in November 2022, Shinhan EZ General Insurance, Ltd. conducted a paid-in capital increase and our shares decreased to 85.1%. We expect to integrate these and any future acquisitions with our existing businesses and generate synergies and expand our business capabilities. However, we may encounter significant risks, including difficulty in successfully integrating acquired businesses, increased expenses such as working capital requirements or capital expenditures, regulatory risks and financial risks such as potential liabilities of the businesses we acquire. In addition, evaluating potential acquisitions may require us to incur significant expenses or divert management's attention away from other business issues. As such, no assurance can be given that any completed or contemplated acquisitions will not have a negative effect on our business, financial condition and results of operations that outweigh any potential benefits.

Other Risks Relating to Us as the Holding Company

Our ability to continue to pay dividends and service debt will depend on the level of profits and cash flows of our subsidiaries.

We are a financial holding company with minimal operating assets other than the shares of our subsidiaries. Our primary source of funding and cash flow is dividends from, or disposition of our interests in, our subsidiaries or our cash resources, most of which are currently the result of borrowings. Since our principal assets are the outstanding capital stock of our subsidiaries, our ability to pay dividends on our common and preferred shares and service debt will mainly depend on the dividend payments from our subsidiaries.

Companies in Korea are subject to certain legal and regulatory restrictions with respect to payment of dividends. For example, under the Korean Commercial Code, dividends may only be paid out of distributable income, which is calculated by subtracting the aggregate amount of a company's paid-in capital and certain mandatory legal reserves from its net assets, in each case as of the end of the prior fiscal year. In addition, financial companies in Korea, including banks, credit card companies, securities companies and life insurers, such as our subsidiaries, must meet minimum capital requirements and capital adequacy ratios applicable to their respective industries before dividends can be paid. For example, under the Banking Act of 1950, as amended (the "Banking Act"), a bank is required to credit at least 10% of its net profit to a legal reserve each time it pays dividends on distributable income until such time when this reserve equals the amount of its total paid-in capital, and under the Banking Act, the Specialized Credit Financial Business Act and the regulations promulgated by the Financial Services Commission, if a bank or a credit card company fails to meet its required capital adequacy ratio or is otherwise subject to the management improvement measures imposed by the Financial Services Commission, then the Financial Services Commission may restrict the declaration and payment of dividend by such a bank or credit card company. In addition, if our or our subsidiaries' capital adequacy ratios fall below the required levels, our ability to pay dividends may be restricted by the Financial Services Commission.

Damage to our reputation could harm our business.

We are one of the largest and most influential financial institutions in Korea by virtue of our financial track records, market share and the size of our operations and customer base. Our reputation is critical to maintaining our relationships with clients, investors, regulators and the general public. Our reputation can be damaged in numerous ways, including, among others, employee misconduct (including embezzlement), cyber or other security breaches, litigation, compliance failures, corporate governance issues, failure to properly address potential conflicts of interest, the activities of customers and counterparties over which we have limited or no control, prolonged or exacting scrutiny from regulatory authorities and customers regarding our trade practices, or uncertainty about our financial soundness and our reliability. If we are unable to prevent or properly address these concerns, we could lose our existing or prospective customers and investors, which could adversely affect our business, financial condition and results of operations. For details of the claims, disputes, legal proceedings and government investigations we are subject to, see "Item 8.A. Consolidated Statements and Other Financial Information — Legal Proceedings."

Our risk management policies and procedures may not be fully effective at all times.

In the course of our operations, we must manage a number of risks, such as credit risks, market risks and operational risks. We seek to monitor and manage our risk exposures through a comprehensive risk management platform, encompassing centralized risk management organization and credit evaluation systems, reporting and monitoring systems, early warning systems and other risk management infrastructure, using a variety of risk management strategies and techniques. See "Item 4.B. Business Overview — Risk Management." Although we devote significant resources to developing and improving our risk management policies and procedures and expect to continue to do so in the future, our risk management practices may not be fully effective at all times in eliminating or mitigating risk exposures in all market environments or against all types of risk, including risks that are unidentified or unanticipated. For example, in the past, a limited number of our and our subsidiaries' personnel engaged in embezzlement of substantial amounts for an extended period of time before such activities were detected by our risk management systems. In response to these incidents, we have strengthened our internal control procedures by, among others, implementing a real-time monitoring system, but there is no assurance that such measures will be sufficient to prevent similar employee misconducts in the future. Management of credit, market and operational risk requires, among others, policies and procedures to record properly and verify a large number of transactions and events, and we cannot assure you that these policies and procedures will prove to be fully effective at all times against all the risks we face.

Labor unrest may adversely affect our operations.

Any significant labor unrest in the Korean financial industry or other sectors of the Korean economy could adversely affect our operations, as well as the operations of many of the Bank's customers and their ability to repay their loans, and could affect the financial conditions of Korean companies in general. Such developments would likely have an adverse effect on our business, financial condition, results of operations and capital adequacy. See "Item 6.D. Employees."

On February 28, 2018, the National Assembly passed a bill to amend the Labor Standards Act, pursuant to which the maximum working hours of employees will be reduced from 68 hours per week to 52 hours per week. This new maximum working hours restriction under the amended Labor Standards Act applied to workplaces with 300 or more workers since July 1, 2018, workplaces with 50 or more workers since January 1, 2020, and workplaces with five or more workers from July 1, 2021. There can be no assurance that any further changes to Labor Standards Act will not have a material adverse effect on our results of operations and financial condition.

We may experience disruptions, delays and other difficulties relating to our information technology systems.

We rely on our information technology systems to seamlessly provide our wide-ranging financial services as well as for our daily operations, including billing, online and offline financial transactions settlement and record keeping. We continually upgrade, and make substantial expenditures to upgrade, our group-wide information technology system, including in relation to customer data-sharing and other customer relations management systems, particularly in light of the heightened cyber security risks from advances in technology. Despite our best efforts, however, we may experience disruptions, delays, cyber or other security breaches or other difficulties relating to our information technology systems, and may not timely upgrade our systems as currently planned. Any of these developments may have an adverse effect on our business, particularly if our customers perceive us to not be providing the best-in-class cyber security systems and failing to timely and fully rectify any glitches in our information technology systems.

Our activities are subject to cyber security risk.

Our activities have been, and will continue to be, subject to an increasing risk of cyber-attacks, the nature of which is continually evolving. Cyber security risks include unauthorized access, through system-wide "hacking" or other means, to privileged and sensitive customer information, including passwords and account information, and illegal use thereof. Cyber security risk is generally on the rise as a growing number of our customers increasingly rely on our Internet- and mobile phone-based banking services for various types of financial transactions. While we vigilantly protect customer data through encryption and other security programs and have made substantial investments to build and upgrade our systems and defenses to address the growing threats from cyber-attacks, there is no assurance that such data will not be subject to future security breaches. In addition, there can be no assurance that we will not experience a leakage of customer information or other security breaches as a result of illegal activities by our employees, outside consultants or hackers, or otherwise.

In order to minimize the risk of security breaches related to customer and our other proprietary information, we have taken a series of group-wide preventive measures, such as the adoption and implementation of a best-in-class information security system and reinforcement of internal control measures. We are fully committed to maintaining the highest standards of cyber security and consumer protection measures and upgrading them continually. We have implemented the ISO 27001-certified security management system for us and all our subsidiaries, and we have obtained the Information Security Management System certification for most of our subsidiaries. We believe such certifications represent third-party validations that we are in compliance with best-in-class international standards on matters of information security. Our Integrated Security Control Center's security management system enables us to continuously monitor for signs of potential cyber-attacks and provides us with advance warnings that will allow us to promptly respond to such attacks. Our security management system continuously monitors for signs of potential cyber-attacks and is designed to provide early warning alerts to enable prompt action by us. In order to prevent intentional and accidental security issues by our employees, we have created a violation monitoring system, reinforcing our security measures by preemptively identifying various scenarios of threats and by collecting and analyzing different types of data that allows us to quickly identify any potential security violations. Moreover, we established a new information security lab to build a continuous security research and development system to respond to hacking and other cyber threats. Through these measures, we are developing technical capabilities necessary to respond to the latest security threats. We also provide intensive employee training to our information technology staff and other employees on cyber security and have adopted advanced security infrastructure (including through hiring a highly competent team of information security experts) for online financial services such as mandatory website certification and keyboard security functions. In addition, reviews of our system are conducted, across all of our subsidiaries, through periodic audits and simulation reviews by external experts. In addition, in compliance with applicable regulations we currently carry insurance to cover cyber security breaches up to ₩10 billion in relation to our banking business and up to ₩3 billion in the aggregate and up to ₩1 billion per incident for our securities investment business and have set aside a reserve of ₩1 billion for our credit card business. In addition, in light of the growing use of mobile devices to access financial services, we have implemented security measures (including encryptions and service terminal monitoring) to provide a secure mobile banking service as well as to prevent illegal leakage or sharing of customer data and otherwise enhance customer privacy. We are also keenly aware of the litigation and regulatory sanctions risks that may arise from security breaches and are aggressively reinforcing a group-wide culture that stresses safety and good custodianship as among our highest priorities. Furthermore, we are actively taking steps to implement preventive and other steps recommended or required by the regulatory authorities in relation to actual and potential financial scams. Although we have not experienced any material security breaches or any similar large scale leakage of customer information recently, given the unpredictable and continually evolving nature of cyber security threats due to advances in technology or other reasons, there is no assurance that, notwithstanding our best efforts at maintaining the best-in-class cyber security systems, we will not be vulnerable to major cyber security attacks in the future.

The public is developing heightened awareness about the importance of keeping their personal data private, and the financial regulators are placing greater emphasis on data protection by financial service providers. For example, under the Personal Information Protection Act, as amended in August 2020, financial institutions, as personal information manager, may not collect, store, maintain, utilize or provide resident registration numbers of their customers, unless other laws or regulations specifically request or permit the management of resident registration numbers. Further, under the Use and Protection of Credit Information Act, as last amended in December 2021, a financial institution has a higher duty to protect credit information, meaning information necessary to assess the creditworthiness of the counterparty to financial transactions and other commercial transactions. Such regulations have considerably restricted a financial institution's ability to transfer or provide the information to its affiliate or holding company, and quintuple damages can be imposed on a financial institution for a leakage of such information. In addition, under the Electronic Financial Transaction Act, as last amended in June 2020 with effect from December 2020, a financial institution is primarily responsible for compensating its customers harmed by the financial institution's cyber security breach, even if the breach is not directly attributable to the financial institution. Three major data privacy laws (the Personal Information Protection Act, the Act on the Promotion of Information and Communications Network Utilization and Information Protection and the Act on the Use and Protection of Credit Information) amended on February 4, 2024 and effective as of August 5, 2020, expands the scope of personal information that may be shared among financial institutions. With this, we expect cyber security and ensuring confidentiality of customers' information to become more important than ever for financial institutions. We maintain an integrated system that closely monitors customer information to ensure compliance with data protection laws and regulations as well as our internal policies.

If a cyber or other security breach were to happen with respect to us or any of our subsidiaries, it may result in litigation by affected customers or other third parties (including class actions), compensation for any losses suffered by victims of cyber security attacks, reputational damage, loss of customers, heightened regulatory scrutiny and related sanctions, more stringent compliance with the present and future regulatory restrictions, and other costs related to damage control, reparation and reinforcement of information security systems, any of which may have a material adverse effect on our business, results of operations and financial condition.

Our customers may become victims to "voice phishing" or other financial scams, for which we may be required to make monetary compensation and suffer damage to our business and reputation.

In recent years, financial scams known as voice phishing have been on the rise in Korea. While voice phishing takes many forms and has evolved over time in terms of sophistication, it typically involves the scammer making a phone call to a victim under false pretenses (for example, the scammer pretending to be a member of law enforcement, an employee of a financial institution or even an abductor of the victim's child) and luring the victim to transfer money to an untraceable account controlled by the scammer. More recently, voice phishing has increasingly taken the form of the scammer "hacking" or otherwise wrongfully obtaining personal financial information of the victim (such as credit card numbers or Internet banking login information) over the telephone or other means and illegally using such information to obtain credit card loans or cash advances through automated telephone banking or Internet banking. Reportedly, a substantial number of such scammers belong to international criminal syndicates with bases overseas, such as China, with operatives in Korea.

In response to the growing incidents of voice phishing, regulatory authorities have undertaken a number of steps to protect consumers against voice phishing and other financial scams. Also in response to the heightened risk, Shinhan Card and our other subsidiaries have established certain fraud detection system that identifies any questionable transactions based on deviations from a customer's conventional transaction patterns. There is no assurance, however, that these regulatory activities and fraud detection system will have the desired effect of substantially eradicating or even containing the incidents of voice phishing or other financial scams. Also given continual advances in technology and the increasing sophistication of the financial scammers, there is no assurance that we will be able to prevent future financial scams or that the frequency and scope of financial scams will not increase. If financial scams involving us and our subsidiaries were to continue or to become more prevalent, it may result in compensation for any losses suffered by victims thereof, reputational damage, loss of customers, heightened regulatory scrutiny and related sanctions, compliance with the present and future regulatory restrictions, and other costs related to damage control, reparation and reinforcement of our preventive measures, any of which may have a material adverse effect on our business, results of operations and financial condition.

Risks Relating to Law, Regulation and Government Policy

We are a heavily regulated entity and operate in a legal and regulatory environment that is subject to change, and violations could result in penalties and other regulatory actions.

As a financial services provider, we are subject to a number of regulations that are designed to maintain the safety and soundness of Korea's financial system, to ensure our compliance with economic and other obligations and to limit our risk exposure. These regulations may limit our activities, and changes in these regulations may increase our costs of doing business. Regulatory agencies frequently review regulations relating to our business and implement new regulatory measures, including increasing the minimum required provisioning levels or capital adequacy ratios applicable to us and our subsidiaries from time to time. We expect the regulatory environment in which we operate to continue to change. Changes in regulations applicable to us, our subsidiaries and our or their business or changes in the implementation or interpretation of such regulations could affect us and our subsidiaries in unpredictable ways and could adversely affect our business, results of operations and financial condition.

Furthermore, the Financial Consumer Protection Act (the "FCPA") was enacted on March 24, 2020 and took effect beginning March 25, 2021. The FCPA unifies the systems for the protection of consumers of financial products, which had been dispersed in various laws, while tightening the existing consumer protection systems to strengthen the rights afforded to consumers of financial products. Banks under the Banking Act are financial instrument distributors subject to the FCPA, and deposit and loan products under the Banking Act are financial instruments subject to the FCPA.

Under the FCPA, a financial instrument distributor who intends to sell financial instruments shall comply with the following requirements: (i) confirmation of suitability and adequacy of financial instruments, (ii) compliance with the duty to explain, (iii) prohibition of unfair sales activities, (iv) prohibition of undue solicitation, and (v) prohibition of false or exaggerated advertising, etc. (collectively, the “Sales Principles”). If a financial instrument distributor breaches any of the Sales Principles, consumers may request the termination of such financial instrument within a period to be prescribed by a Presidential Decree and are entitled to unilaterally terminate the contract if the financial instrument distributor fails to present a justifiable reason for not accepting the consumer’s request. Consumers who purchased a loan product, in particular, shall be entitled to withdraw from the contract within 14 days from the later of (i) the date of receipt of the proceeds pursuant to the contract and (ii) the execution date of the contract (or the date of receipt of the documents necessary for execution of the contract (if required under the FCPA), regardless of whether the financial instrument distributor breached any of the Sales Principles. When a consumer files a lawsuit for damages against a financial instrument distributor for breach of the duty to explain, the financial instrument distributor (and not the consumer) shall bear the burden of proof to prove that no willful conduct or negligence was involved in such breach of the duty to explain. In the event of a dispute with a financial instrument distributor, consumers may apply for mediation to the Dispute Mediation Committee of the Financial Services Commission. If a financial instrument distributor files a lawsuit with a court while such mediation is in progress, the court may suspend the litigation proceedings. For certain small-sum cases, a financial instrument distributor may not file a lawsuit with a court until the completion of such mediation. Financial instrument distributors must accept requests from its consumers to access information for purposes of litigation or mediation. In the event the Financial Services Commission determines that there is a clear risk that a financial product may cause significant damage to the properties of customers, the Financial Services Commission may prohibit or restrict the solicitation of, and execution of a contract for, such financial product.)

We and our subsidiaries have been proactively taking actions necessary to comply with the FCPA, including the examination of our financial products and training of our officers and employees. However, no assurance can be given that the implementation of the FCPA will not adversely affect us our subsidiaries’ businesses or lead to a material adverse effect on their reputation, business, results of operations or financial condition. We may also become subject to other restrictions on our operations as a result of future changes in laws and regulations, including more stringent liquidity and capital requirements under Basel III, which are being adopted in phases in Korea in consideration of, among others, the pace and scope of international adoption of such requirements. Any of these regulatory developments may have a material adverse effect on our ability to expand operations or adequately manage our risks and liabilities. For further details on the principal laws and regulations applicable to us as a holding company and our principal subsidiaries, see “Item 4.B. Business Overview — Supervision and Regulation.”

In addition, violations of law and regulations could expose us to significant liabilities and sanctions. For example, the Financial Supervisory Service conducts periodic audits on us and, from time to time, we have received institutional warnings from the Financial Supervisory Service. If the Financial Supervisory Service determines as part of such audit or otherwise that our financial condition, including the financial conditions of our operating subsidiaries, is unsound or that we have violated applicable law or regulations, including Financial Services Commission orders, or if we or our operating subsidiaries fail to meet the applicable requisite capital ratio or the capital adequacy ratio, as the case may be, set forth under Korean law, the Financial Supervisory Service may ask the Financial Services Commission to order, among other things, cancellations of authorization, permission or registration of the business, suspensions of a part or all of the business, closures of branch offices, recommendations for dismissal of officers or suspensions of officers from performing their duties, or may order, among other things, institutional warnings, institutional cautions, reprimanding warnings on officers, cautionary warnings on officers or cautions on officers. From time to time, our subsidiaries, including Shinhan Bank and Shinhan Card, have been subject to investigations and/or sanctions from the Financial Supervisory Service. See “Item 8.A. Consolidated Statements and Other Financial Information — Legal Proceedings.” If any such measures are imposed on us or our subsidiaries as a result of unsound financial condition or failure to comply with minimum capital adequacy requirements or for other reasons, it will have a material adverse effect on us and our subsidiaries' business, financial condition and results of operations.

The Government may encourage targeted lending to certain sectors in furtherance of policy objectives, and we may take this factor into account.

The Government has encouraged and may in the future encourage targeted lending to certain types of enterprises and individuals in furtherance of government initiatives. The Government, through its regulatory bodies such as the Financial Services Commission, from time to time announces lending policies to encourage Korean banks and financial institutions, including us and our subsidiaries, to lend to particular industries, business groups or customer segments, and, in certain cases, has provided lower cost funding through loans made by the Bank of Korea for further lending to specific customer segments.

For example, the Government has taken and is taking various initiatives to support small-and medium-sized enterprises and low-income individuals, who were disproportionately affected by the downturn in the Korean and global economy in the late 2000s and have yet to fully recover. As part of these initiatives, the Financial Supervisory Service has recently encouraged banks in Korea to increase lending to small-and medium-sized enterprises in order to ease the financial burden on such enterprises amidst sluggish economic recovery, and in February 2016, the Bank of Korea announced that it would increase support for loans to small-and medium-sized enterprises in anticipation of growing liquidity difficulties among such enterprises in light of the sustained sluggishness of the general economy and to stimulate trade exports, infrastructure investments and entrepreneurial efforts. The financial regulators have also adopted several measures designed to improve certain lending practices of the commercial banks which practices were perceived as having an unduly prohibitive effect on extending loans to small-to medium-sized enterprises. Moreover, in response to the threat posed to the economy by the COVID-19 outbreak, the Government has implemented various emergency aid initiatives involving Korean banks, including Shinhan Bank, to provide liquidity assistance to small-and medium-sized enterprises. Such initiatives include extending new loans to borrowers with low credit ratings, extending maturity dates on existing loans and deferring interest payment obligations on certain loans. Our participation in such Government initiatives may lead us to extend credit to small-and medium-sized enterprises that we would not otherwise extend, or offer terms on such credit that we would not otherwise offer, in the absence of such initiatives. There is no guarantee that the financial condition and liquidity of the small-and medium-sized enterprises benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis or at all. Accordingly, an increase in our exposure to small-and medium-sized enterprise borrowers resulting from such Government initiatives may have a material adverse effect on our financial condition and results of operations.

In addition, as a way of supporting the Government's initiative to assist promising startups, in February 2015, the financial regulators announced that they would encourage the banks in Korea to increase lending to technology companies in the small- to medium-sized enterprise segment and to enhance technology-related credit review capabilities. According to the Korea Federation of Banks, the aggregate balance of loans to technology companies in the small- to medium-sized enterprise segment reached ₩316.3 trillion, ₩326 trillion and ₩306 trillion, as of December 31, 2021, 2022 and 2023, respectively. Shinhan Bank's total balance of outstanding loans to technology companies As of December 31, 2021, 2022 and 2023 was ₩46.2 trillion and ₩44.8 trillion and ₩42.8 trillion, respectively.

Furthermore, amidst concerns about increasing household debt, the Financial Services Commission increased target proportions for fixed interest rate loans and installment principal repayment-based housing loans for 2022 to 52.5% and 60.0%, respectively, which remained the same for 2023.

In furtherance of the policy to expand the proportion of fixed rate housing loans, the Financial Services Commission implemented "Relief Debt Conversion" program from March 24 to March 27, 2015 and from March 30 to April 3, 2015, respectively, under which borrowers of eligible housing loans (namely, loans that have been in existence for one year or more since the original loan date, with no delinquency in the past six months, with principal amounts of ₩500 million or less and for houses valued at ₩900 million or less that are on a floating rate basis and/or an interest payment only basis) might convert such loans to new fixed rate loans in respect of which the borrowers would be required to repay the principal and interest in installment for a term of 10, 15, 20 or 30 years without a grace period, provided that the new loans pass the maximum loan-to-value ratio of 70% (irrespective of the location of the property) and the maximum debt-to-income ratio of 60% (only in respect of apartment units located in the greater Seoul metropolitan area, subject to certain exceptions). The borrowers were allowed to convert the original loans only at the banks that extended such loans. According to the Financial Services Commission, under this program, approximately 327,000 borrowers converted loans in the aggregate amount of ₩31.7 trillion to fixed rate loans, of which Shinhan Bank accounted for approximately 13.5%.

On August 26, 2019, the Financial Services Commission announced that it will implement an additional round of the program for up to ₩20 trillion. Despite tighter thresholds for eligibility, including newly adopted restrictions on annual income, and the imposition of prepayment penalties, the newly implemented program is expected to be substantively similar to the mortgage refinancing program implemented in 2015. Similar to the 2015 program, banks holding newly converted fixed rate loans will be required to sell such loans to Korea Housing Finance Corporation, which will then securitize such loans and issue mortgage-backed securities (backed by such loans) to be purchased by the banks who sold the loans in proportion to the amounts of the loans sold. The amount of loans Shinhan Bank will need to transfer to Korea Housing Finance Corporation is ₩1.7 trillion, but the amount of mortgage-backed securities Shinhan Bank will need to purchase from Korea Housing Finance Corporation has yet to be determined. Similar to the 2015 program, in the event that market interest rates increase from those applicable during this program's implementation, we may experience valuation or realization losses on the mortgage-backed securities to be held by Shinhan Bank. Further, Shinhan Bank will be required to hold mortgage-backed securities it purchases from Korea Housing Finance Corporation under the program for a period of one year, and Shinhan Bank also may not be able to sell or otherwise dispose of the mortgage backed securities in the market or otherwise in amounts or at prices commercially reasonable due to the prevailing interest rate environment and/or other market conditions. As a result of this program, we may incur additional costs from recalibrating our asset portfolio and asset-liability management policy. Any of these developments could adversely affect our results of operations and financial condition. Due in large part to such initiatives, fixed interest rate loans and installment principal repayment-based loans accounted for 44.2% and 51.0%, respectively, of the total housing loans extended by commercial banks in Korea as of June 30, 2018, according to data published by the Government in December 2018. Fixed interest rate and installment principal repayment-based housing loans accounted for 57.0% and 57.5%, respectively, of the housing loans extended by Shinhan Bank as of December 31, 2023.

We, on a voluntary basis, may factor the existence of the Government's policies and encouragements into consideration in making loans although the ultimate decision whether to make loans remains with us and is made based on our internal credit approval procedures and risk management systems independently of Government policies. In addition, in tandem with providing additional loans to small-and medium-sized enterprises and low-income individuals, Shinhan Bank takes active steps to mitigate the potential adverse impacts from making bad loans to enterprises or individuals with high risk profiles as a result of such arrangement, such as by strengthening its loan review and post-lending monitoring processes. However, we cannot assure you that such arrangement did not or will not, or similar or other government-led initiatives in the future will not, result in a suboptimal allocation of our loan portfolio from a risk-reward perspective compared to what we would have allocated based on purely commercial decisions in the absence of such initiatives. The Government may implement similar or other initiatives in the future to spur the overall economy or encourage the growth of targeted industries or relief to certain segments of the population. Specifically, the Government may introduce lending-related initiatives or enforce existing ones in a heightened fashion during times when small-and medium-sized enterprises or low-income households on average are facing an increased level of financial distress or vulnerability due to an economic downturn, which makes lending to them in the volume and the manner suggested by the Government even riskier and less commercially desirable. Accordingly, such policy-driven lending may create enhanced difficulties for us in terms of risk management, deterioration of our asset quality and reduced earnings, compared to what would have been in the absence of such initiatives, which may have an adverse effect on our business, financial condition and results of operations.

The Government may also encourage investments in certain institutions in furtherance of policy objectives, and we may not recoup our investments therein in a timely or otherwise commercially reasonable manner.

In addition to targeted lending, the Government may from time to time encourage or request the financial institutions in Korea, including us and our subsidiaries, to make investments in, or provide other forms of financial support to, certain institutions in furtherance of the Government's policy objectives. In response thereto, we have made and will continue to make the ultimate decision on whether, how and to what extent we will comply with such encouragements or requests based on our internal risk assessment and in accordance with our risk management systems and policies. At the same time, as a leading member of the financial service industry in Korea and as a responsible corporate citizen we will also fully give due consideration to such encouragements or requests from the Government, especially in relation to the long-term benefit arising from furthering the policy objective of maintaining a sound financial system, even if complying with such requests may involve additional short-term costs and risks to a limited extent.

For example, to deal with a growing number of non-performing loans in the wake of the global financial crisis of 2008-2009, the Government sponsored the establishment of United Asset Management Company Ltd. ("UAMCO") in October 2009 through capital contributions from six major policy and commercial banks, namely Shinhan Bank, Kookmin Bank, KEB Hana Bank, Industrial Bank of Korea, Woori Bank and Nonghyup Bank. The Government originally planned to dispose of UAMCO during 2015 and establish a new company that specializes in corporate restructuring, but the Government scrapped such plans and instead decided to reorganize UAMCO and expand its restructuring business. As part of an effort to strengthen its balance sheet, UAMCO received additional capital contributions in May 2016 from two new shareholders, Korea Development Bank and the Export-Import Bank of Korea, and two of its existing shareholders, Woori Bank and Nonghyup Bank. In July 2020, UAMCO notified its shareholders of a capital contribution in the aggregate amount of ₩200.0 billion (to be borne in proportion to the respective shareholding percentages of its shareholders) to improve financial soundness and secure additional investment capacity in case sales of non-performing loans increase due to the COVID-19 pandemic. Accordingly, on July 28, 2020, Shinhan Bank made a capital contribution of ₩28 billion. Shinhan Bank has committed to contribute ₩140 billion of capital to UAMCO, of which ₩113.1 billion has been contributed to date. As of the date hereof, Shinhan Bank holds a 14% equity interest in UAMCO, while seven other policy and commercial banks each hold interests ranging from 2% to 14%.

UAMCO seeks to achieve financial improvement of struggling companies through a wide range of restructuring programs, including debt restructuring, capital injection, asset sales, corporate reorganization, workouts and liquidation and bankruptcy proceedings and is the largest purchaser in Korea of non-performing financial assets generally. Shinhan Bank sold non-performing assets to UAMCO in the amount of ₩92.4 billion, ₩91.3 billion and ₩516.7 billion in 2021, 2022 and 2023, respectively. With an enlarged capital base following the recent capital contributions mentioned above, it is expected that UAMCO will play a more active role in the restructuring of the Korean corporate sector. The Government is also considering an amendment of the Financial Investment Services and Capital Markets Act of Korea to facilitate the business activities of UAMCO.

If UAMCO is successful in its expanded restructuring activities, it is anticipated that financial institutions including us will be able to further enhance their financial soundness by transferring more non-performing loans to UAMCO rather than directly engaging in the restructuring activities of the troubled borrowers. However, Shinhan Bank or other banks may be requested by the Government to make additional capital contributions or loans to UAMCO, which may entail unanticipated costs. Additionally, given the generally poor quality of our non-performing assets, there is no assurance that we will be able to sell such assets held by us to UAMCO on commercially reasonable terms and on a timely basis. Furthermore, there is no assurance that in furtherance of similar or other policy objectives, the Government may not request or otherwise encourage us or our subsidiaries to provide similar or other investments or provide other financial support for which we are not duly compensated or otherwise take up additional risk that we would not normally have undertaken, which may have an adverse effect on our business, financial condition and results of operations.

The level and scope of government oversight of our retail lending business, particularly regarding mortgage and home equity loans, may change depending on the economic or political climate.

Real estate comprises the most significant asset for a substantial number of households in Korea, and movements of housing prices have generally had a significant impact on the domestic economy. Accordingly, regulating housing prices, either in terms of attempting to stem actual or anticipated excessive speculation during times of a suspected housing price bubble and spur the pricing and/or volume of real estate transactions during times of a depressed real estate market by way of tax subsidy, guidelines to lending institutions or otherwise, has been a key policy initiative for the Government.

The regulations on mortgage and home equity loans are susceptible to the changes of housing market cycles and have been revised from time to time. From 2017 to 2022, the Government led by President Moon Jae-in announced and implemented a series of robust polices aimed at taming speculation and deterring the rise of housing prices. However, since the second half of 2022, the Government led by President Yoon Suk Yeol has announced and implemented a series of policies to ease the demand-side regulations in the real estate market in order to prevent housing prices from crashing due to the recent hike in interest rates. For example, the Government has released most areas from “speculative areas”, “overheated speculative areas” and “adjustment targeted areas” (collectively, the “**regulated areas**”) where tighter loan-to-value ratios and debt-to-income ratios are applicable to mortgage or home equity loans, with only Gangnam-Gu, Seocho-Gu, Songpa-Gu and Yongsan-Gu in the greater Seoul metropolitan area currently remaining as the regulated areas, removed the application of stricter loan-to-value ratio to new loans secured by high-price houses located in the regulated areas and allowed the extension of new loans secured by houses located in the regulated areas to households that already own one or more houses.

The Government also increased the loan-to-value ratio applicable to the regulated areas (i) up to 50% of the appraised value of the houses, except that such maximum loan-to-value ratio is 70% for low-income households that (1) have a combined (in case of married couple) annual income of no more than ₩90 million, (2) do not currently own any housing and (3) are using the loan to purchase low-price housing valued at ₩900 million or less (₩800 million or less in case of houses located in “adjustment targeted areas”) and (ii) up to 80% of the appraised value of the houses, for new loans to a first-time home buyer with a maximum residential mortgage loan amount of ₩600 million or less. The regulations on the debt-to-income ratio remained largely unchanged, with the debt-to-income ratio applicable to houses being (i) 60% for those that are located in the greater Seoul metropolitan area but excluding the regulated areas, (ii) 50% for those that are located in “adjustment targeted areas” and (iii) 40% for those that are located in “speculative areas” or “overheated speculative areas”. However, such debt-to-income ratios for houses located in regulated areas are adjusted to 60% for (i) low-income households that (1) have a combined (in case of married couple) annual income of no more than ₩90 million, (2) do not currently own any housing and (3) are using the loan to purchase low-price housing valued at ₩900 million or less (₩800 million or less in case of houses located in “adjustment targeted areas”) and (ii) first-time homebuyers.

The Financial Services Commission also introduced a debt service ratio and a modified debt-to-income ratio in order to modernize credit review methods and stabilize the management of household debt. The modified debt-to-income ratio, which has been implemented beginning January 31, 2018 reflects (i) both principal and interest payments on the applicable mortgage and home equity loan and existing mortgage and home equity loans and (ii) interest payments on other loans. Previously, debt-to-income ratio had only reflected (i) both principal and interest payments on the applicable mortgage and home equity loan and (ii) interest payments on existing mortgage and home equity loans. Debt service ratios reflect principal and interest payments on both the applicable loan and other loans and have been fully implemented since October 2018. The modified debt-to-income ratios are used as the primary reference index in the evaluation and approval process for mortgage and home equity loans, and debt service ratios are generally used as a supplementary reference index providing additional limits on mortgage and home equity loans. For example, debt service ratios applicable to a loan applicant with a total aggregate loan amount exceeding ₩100 million (including the applied but not yet extended loan amount) should not exceed 40% unless otherwise specified by the applicable regulations.

In August 2023, the Government enacted a special law aimed at protecting victims of lease fraud and ensuring housing stability. In connection with this, the Financial Services Commission has decided to provide special treatment for victims of lease fraud, notwithstanding existing regulations on loan-to-value ratio, debt-to-income ratio, and debt service ratios. Victims of lease fraud are eligible to receive an loan-to-value ratio of up to 80%, and in the case of mortgage loans obtained through auction winnings, the loan may be granted regardless of the regulatory status of the area, provided that the loan amount does not exceed four hundred million Won. Furthermore, such victims may be exempt from the application of debt-to-income ratio and debt service ratios regulations.

Meanwhile, the Financial Services Commission introduced the "Stress DSR" system for floating rate, blended rate, and cyclical loans in the financial sector in order to prevent excessive household debt. The "Stress DSR" system imposes a certain level of interest rate spread (a stress rate) when calculating the DSR, taking into consideration the possibility that a borrower of a floating interest rate loan may be burdened with repayment of principal and interest due to an increase in the interest rate during the loan period. The Financial Services Commission began applying the system on February 26, 2024 initially to mortgage loans in the banking sector, and plans on gradually expanding the application to all types of loans in all industries.

In addition, the supervising authorities in Korea from time to time issue administrative instructions to Korean banks, which have the effect of regulating the access of borrowers to housing loans and, as such, demand for real estate properties. For example, the Financial Supervisory Service issued administrative instructions to financial institutions to (except in limited circumstances) verify the borrower's ability to repay based on proof of income prior to making a mortgage and home equity loan regardless of the type or value of the collateral or the location of the property, which has had the effect of practically barring the grant of any new mortgage and home equity loans to borrowers without verifiable income.

Pursuant to the Regulation on the Supervision of the Banking Business, Shinhan Bank must maintain a loan to deposit ratio of no more than 100%. Since January 1, 2020, in calculating such loan to deposit ratio, retail loans and corporate loans are weighed differently, with retail loans subject to a multiple of 115% and corporate loans (excluding loans to SOHOs) subject to a multiple of 85%, thereby increasing the impact of retail loans and reducing the impact of corporate loans in calculating such ratio. In response to the COVID-19 pandemic, on April 20, 2020, the Financial Services Commission announced a series of measures to temporarily ease the regulations on loan-to-deposit ratio. In particular, the loan-to-deposit ratio of 100% was temporarily increased to 105% and weighing of corporate loans to SOHOs extended since January 1, 2020 to December 31, 2021 also became subject to a multiple of 85% provided such loans are not real estate related. On March 30, 2022, the Financial Services Commission announced plans to cease the temporary easement of regulations relating to the loan-to-deposit ratio as of June 30, 2022 and to gradually normalize the loan-to-deposit ratio back down to 100% beginning July 1, 2022. On October 27, 2022, the Financial Services Commission further announced measures to temporarily ease the loan-to-deposit ratio requirement from 100% to 105%, and on March 27, 2023, and on June 20, 2023, the Financial Services Commission announced to extend the deadline to end of June 2023 and end of 2023, respectively, in consideration of the increasing demand for corporate loans due to the contraction of the corporate bond market. This temporary increase ended as of the end of June 2023, and a loan-to-deposit ratio of 100% has been applied since July 2023.

There is no assurance that Government measures will achieve their intended results. While any Government measure that is designed to stimulate growth in the real estate sector may result in growth of, and improved profitability for, our retail lending business (particularly with respect to mortgage and home equity loans) at least for the short term, such measure could also result in unintended consequences, including potentially excessive speculation resulting in a “bubble” for the Korean real estate market and a subsequent market crash. In contrast, any Government measure changing the direction of its stimulus measures (for example, in order to preemptively curtail an actual or anticipated bubble in the real estate market) may result in a contraction of the real estate market, a decline in real estate prices and consequently, a reduction in the growth of, and profitability for, our retail and/or other lending businesses, as well as otherwise have an adverse effect on our business, financial condition and results of operations or profitability. See “— Risks Relating to Our Banking Business — A decline in the value of the collateral securing our loans or our inability to fully realize the collateral value may adversely affect our credit portfolio.”

We engage in limited settlement transactions involving Iran and also in limited business in and related to Russia which may subject us to legal or reputational risks.

The U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) administers and enforces certain laws and regulations (“OFAC Sanctions”) that impose restrictions upon dealings with or related to certain countries, governments, entities and individuals that are the subject of OFAC Sanctions, including Iran, and maintains a list of specially designated nationals (the “SDN List”), whose assets are blocked and with whom U.S. persons are generally prohibited from dealing. OFAC Sanctions may apply to non-U.S. persons when there is a U.S. nexus. Non-U.S. persons can be held liable for violations of OFAC Sanctions on various legal grounds, such as causing U.S. persons to violate sanctions by routing transactions through the United States or the U.S. financial system. Even in the absence of a U.S. nexus, non-U.S. persons may be imposed of sanctions by OFAC if it engages in certain dealings with or related to Iran, North Korea, Russia or other sanctioned persons or individuals (“Secondary Sanctions”). The European Union also enforces certain laws and regulations that impose restrictions upon nationals and entities of, and business conducted in, member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such laws and regulations. The United Nations Security Council and other governmental authorities also impose similar sanctions.

In August 2016, the Government authorized Shinhan Bank to act as a settlement bank for Euro-denominated transactions between Korean and Iranian businesses. Prior to the granting of this permission, payments for business activities were settled only in Korean Won and we did not participate in such settlements. From August 2016 through August 2017, Shinhan Bank processed ten such transactions that resulted in a minimal amount of revenue. Since August 2017, Shinhan Bank has ceased processing any such transactions and has no intention to process any such transactions in the future. We are committed to engaging only in lawful activities and in obeying all relevant OFAC Sanctions and European Union sanctions but cannot guarantee that actions taken by our employees will not violate such sanctions. On May 8, 2018, U.S. President Donald Trump announced his decision to terminate the participation of the United States in the Joint Comprehensive Plan of Action (the “JCPOA”), pursuant to which certain relief of OFAC Sanctions relating to Iran had been provided. Following two wind down periods, one that ended on August 6, 2018 and one that ended on November 4, 2018, all Iran-related Secondary Sanctions that had been waived pursuant to the JCPOA were re-imposed and non-U.S. persons now face risk of Secondary Sanctions for dealing with certain key sectors of the Iranian economy or for providing associated services related to the targeted activities. As such, any Iran-related activities may subject us to OFAC Sanctions and to potential legal or reputational risks.

Shinhan Bank engages in certain limited lending activities in or related to Russia. In response to the Russia-Ukraine conflict, the U.S., E.U., U.K., Korean and other governments have imposed economic sanctions on Russia, Belarus, and certain regions of Ukraine. Such sanctions target, among other persons, a wide range of Russian financial institutions as sanctioned parties as well as the Russian Central Bank and certain other state entities. They also target specific sectors of the Russian economy, including the technology, defense and related materiel, construction, aerospace and manufacturing sectors. In December 2023, OFAC was authorized to impose Secondary Sanctions on foreign financial institutions when they conduct or facilitate significant Russia-related transactions or provide certain Russia-related services, in particular involving sanctioned persons in targeted sectors or critical items relating to Russia's military-industrial base. Russia-related activities may subject us to sanctions and potential legal or reputational risk.

Evolving regulatory framework for artificial intelligence and machine learning technology, may have an adverse impact on our business, financial condition and results of operations.

The regulatory framework for artificial intelligence and machine learning technology is evolving and remains uncertain. It is possible that new laws and regulations will be adopted, or existing regulations, notably those relating to data and copyright protection, may be interpreted in new ways that would affect our operations and the way in which we use artificial intelligence and machine learning technology, including with respect to our digital platforms provided to our customers. Further, the cost of complying with such laws or regulations could be significant and would increase our operating expenses, which could adversely affect our business, financial condition and results of operations.

Risks Relating to Korea

Unfavorable financial and economic conditions in Korea and globally may have a material adverse impact on our asset quality, liquidity and financial performance.

We are incorporated in Korea, where most of our assets are located and most of our income is generated. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea, and our business, results of operations and financial condition are substantially dependent on developments relating to the Korean economy. As Korea's economy is highly dependent on the health and direction of the global economy, and investors' reactions to developments in one country can have adverse effects on the securities price of companies in other countries, we are also subject to the fluctuations of the global economy and financial markets. Factors that determine economic and business cycles in the Korean or global economy are for the most part beyond our control and inherently uncertain. In addition to discussions of recent developments regarding the global economic and market uncertainties and the risks relating to us as provided elsewhere in this section, factors that could have an adverse impact on Korea's economy in the future include, among others:

- continued volatility or deterioration in Korea's credit and capital markets;
- difficulties in the financial sectors in Europe, China and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets, including possibility of global inflation and the spread of economic downturn to Europe as a result of geopolitical risks arising from Russia-Ukraine conflict;
- declines in consumer confidence and a slowdown in consumer spending and corporate investments;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. Dollar, the Euro or the Japanese Yen exchange rates or revaluation of the Chinese Renminbi, increased exchange rate volatility as a result of government interventions, interest rates, inflation rates or stock markets;
- increasing levels of household debt;
- increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;
- continuing adverse conditions in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere;
- the economic impact of any pending or future free trade agreements;
- potential escalation of the ongoing trade war between the U.S. and China as each country introduces tariffs on goods traded with the other;

- social and labor unrest;
- significant fluctuations or decreases in the market prices of Korean real estate;
- a decrease in tax revenue and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues concerning certain Korean business groups;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and risk of further attacks by terrorist groups around the world, including the actions of the so-called "Islamic State";
- the occurrence of severe health epidemics in Korea and other parts of the world, including COVID-19, Ebola, Middle East Respiratory Syndrome (MERS) and Zika virus outbreaks;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy such as the recent diplomatic tension between Korea and China with respect to the deployment of the Terminal High Altitude Area Defense (THAAD) system in Korea and trade disputes between Korea and the United States with respect to the imposition of anti-dumping duties on Korean steel, washing machines, transformers and solar panels;
- political uncertainty, or increasing strife among or within political parties in Korea, and political gridlock within the government or in the legislature, which prevents or disrupts timely and effective policy making;
- hostilities or political or social tensions involving oil-producing countries in the Middle East and North Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- political or social tensions involving Russia and any resulting adverse effects on the global supply of oil or the global financial markets;
- the occurrence of natural or man-made disasters in Korea (such as the sinking of the Sewol ferry in April 2014, which significantly dampened consumer sentiment in Korea for months) and other parts of the world, particularly in trading partners of Korea; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Any future deterioration of the Korean economy could have an adverse effect on our business, financial condition and results of operations.

Tensions with North Korea could have an adverse effect on us, the price of our common shares and our American depositary shares.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between Korea and North Korea has fluctuated and may increase abruptly as a result of current and future events. In particular, there continues to be heightened security tension in the region stemming from North Korea's hostile military and diplomatic actions, including in respect of its nuclear weapons and long-range missile programs. Some examples from recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, which are more powerful than plutonium bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea, most recently in November 2022 in response to North Korea's intercontinental ballistic missile test in November 2022. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In February 2016, in retaliation of North Korea's launch of a long-range rocket, Korea announced that it would halt its operations of the Kaesong Industrial Complex, an industrial complex in the border city of Kaesong, to impede North Korea's utilization of funds from the industrial complex to finance its nuclear and missile programs. In response, North Korea announced that it would expel all Korean employees from the industrial complex and freeze all Korean assets in the complex. All 280 Korean workers present at Kaesong left hours after the announcement by North Korea, and the complex remains closed as of the date hereof.
- In March 2013, North Korea stated that it had entered "a state of war" with Korea, declaring the 1953 armistice invalid, and put its artillery at the highest level of combat readiness to protest the Korea-United States allies' military drills and additional sanctions imposed on North Korea for its missile and nuclear tests.

North Korea's economy also faces severe challenges, including severe inflation and food shortages, which may further aggravate social and political tensions within North Korea. In addition, reunification of Korea and North Korea could occur in the future, which would entail significant economic commitment and expenditure by Korea that may outweigh any resulting economic benefits of reunification.

In April, May and September 2018, President Moon Jae-in met Kim Jong-un in a series of summit meetings to discuss, among other matters, denuclearization of the Korean peninsula. In June 2018, U.S. President Donald Trump and Kim Jong-un in turn had an official summit in Singapore, the first ever meeting between leaders of the United States and North Korea. Subsequent to the Singapore summit, they signed a joint statement, which stated, among others, new peaceful relations and the denuclearization of the Korean peninsula. A second official summit between U.S. President Donald Trump and Kim Jong-un was held in Vietnam in February 2019 but ended abruptly and without an agreement. In June 2019, U.S. President Donald Trump and Kim Jong-un had another summit at the Korean Demilitarized Zone, following which both sides announced a resumption of denuclearization talks. However, in December 2019, North Korea announced its intention to resume missile testing, heightening tensions. On June 16, 2020, North Korea destroyed the joint liaison office in Kaesong, citing anti-regime propaganda allegedly disseminated using balloons across the border by Korean activists, and cut all other communication channels with Korea. In September 2023, North Korea amended constitution declaring itself to be a nuclear weapons state.

In the aftermath of these developments, there remains significant uncertainty regarding peace talks and the denuclearization of the Korean peninsula. As such, there can be no assurance that the level of tension on the Korean peninsula will not escalate in the future or that the political regime in North Korea may not suddenly collapse. Any further increase in tension or uncertainty relating to the military, political or economic stability in the Korean peninsula, including a breakdown of diplomatic negotiations over the North Korean nuclear program, occurrence of military hostilities, heightened concerns about the stability of North Korea's political leadership or its actual collapse, a leadership crisis, a breakdown of high-level contacts or accelerated reunification could have a material adverse effect on our business, financial condition and results of operations, as well as the price of our common shares and our American depositary shares.

Risks Relating to Our American Depositary Shares

There are restrictions on withdrawal and deposit of common shares under the depositary facility.

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the depositary bank's custodian in Korea and obtain American depositary shares, and holders of American depositary shares may surrender American depositary shares to the depositary bank and receive shares of our common stock. However, under current Korean laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us for the issuance of American depositary shares (including deposits in connection with the initial and all subsequent offerings of American depositary shares and stock dividends or other distributions related to these American depositary shares) and (2) the number of shares on deposit with the depositary bank at the time of such proposed deposit. We have consented to the deposit of outstanding shares of common stock as long as the number of American depositary shares outstanding at any time does not exceed 40,432,628. As a result, if you surrender American depositary shares and withdraw shares of common stock, you may not be able to deposit the shares again to obtain American depositary shares.

Ownership of our shares is restricted under Korean law.

Under the Financial Holding Companies Act, any single shareholder (together with certain persons in a special relationship with such shareholder) may acquire beneficial ownership of up to 10% of the total issued and outstanding shares with voting rights of a bank holding company controlling national banks such as us. In addition, any person, except for a "non-financial business group company" (as defined below), may acquire in excess of 10% of the total voting shares issued and outstanding of a financial holding company which controls a national bank, provided that a prior approval from the Financial Services Commission is obtained each time such person's aggregate holdings exceed 10% (or 15% in the case of a financial holding company controlling regional banks only), 25% or 33% of the total voting shares issued and outstanding of such financial holding company. The Government and the Korea Deposit Insurance Corporation are exempt from this limit. Furthermore, certain non-financial business group companies (i.e., (i) any same shareholder group with aggregate net assets of all non-financial business companies belonging to such group of not less than 25% of the aggregate net assets of all members of such group; (ii) any same shareholder group with aggregate assets of all non-financial business companies belonging to such group of not less than ₩2 trillion; (iii) any mutual fund in which the same shareholder group identified in (i) or (ii) above owns more than 4% of the total shares issued and outstanding of such mutual fund; (iv) any private equity fund (a) where a person falling under any of items (i) through (ii) above is a limited partner holding not less than 10% of the total amount of contributions to the private equity fund, or (b) where a person falling under any of items (i) through (iii) above is a general partner, or (c) where the total equity of the private equity fund acquired by each affiliate belonging to several enterprise groups subject to the limitation on mutual investment is 30% or more of the total amount of contributions to the private equity fund; or (v) the investment purpose company concerned, where a private equity fund falling under item (iv) above acquires or holds stocks in excess of 4% of the shares or equity of such company or exercises de facto control over significant managerial matters of such company through appointment or dismissal of executives or in any other manner)) may not acquire beneficial ownership in us in excess of 4% of our outstanding voting shares, provided that such non-financial business group companies may acquire beneficial ownership of up to 10% of our outstanding voting shares with the approval of the Financial Services Commission under the condition that such non-financial business group companies will not exercise voting rights in respect of such shares in excess of the 4% limit. See "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Restrictions on Financial Holding Company Ownership." To the extent that the total number of shares of our common stock that you and your affiliates own together exceeds these limits, you will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order you to dispose of the excess shares within a period of up to six months. Failure to comply with such an order would result in a fine of up to ₩100 million, plus an additional charge of up to 0.03% of the book value of such shares per day until the date of disposal.

Holders of our ADSs will not have preemptive rights in certain circumstances.

The Korean Commercial Code and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the depositary bank, after consultation with us, may make the rights available to you or use reasonable efforts to dispose of the rights on your behalf and make the net proceeds available to you. The depositary bank, however, is not required to make available to you any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

- a registration statement filed by us under the U.S. Securities Act of 1933, as amended, is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from or is not subject to the registration requirements of the U.S. Securities Act.

We are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission. If a registration statement is required for you to exercise preemptive rights but is not filed by us, you will not be able to exercise your preemptive rights for additional shares and you will suffer dilution of your equity interest in us.

Holders of our ADSs will not be able to exercise dissent and appraisal rights unless they have withdrawn the underlying shares of our common stock and become our direct stockholders.

Under Korean law, in some limited circumstances, including the transfer of the whole or any significant part of our business and the merger or consolidation of us with another company, dissenting stockholders have the right to require us to purchase their shares under Korean law. However, under our deposit agreement, holders of our American depositary shares do not have, and may not instruct the depositary as to the exercise of, any dissenter's rights provided to the holders of our common shares under Korean law. Therefore, if holders of our American depositary shares wish to exercise dissenting rights, they must withdraw the underlying common stock from the American depositary shares facility (and incur charges relating to that withdrawal) and become our direct stockholders prior to the record date of the shareholders' meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

The market value of your investment in our ADSs may fluctuate due to the volatility of the Korean securities market.

Our common stock is listed on the KRX KOSPI Division of the Korea Exchange, which has a smaller market capitalization and is more volatile than the securities markets in the United States and many European countries. The market value of ADSs may fluctuate in response to the fluctuation of the trading price of shares of our common stock on the Stock Market Division of the Korea Exchange. The Stock Market Division of the Korea Exchange has experienced substantial fluctuations in the prices and volumes of sales of listed securities and the Stock Market Division of the Korea Exchange has prescribed a fixed range in which share prices are permitted to move on a daily basis. Like other securities markets, including those in developed markets, the Korean securities market has experienced problems including market manipulation, insider trading and settlement failures. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of Korean companies, including our common stock and ADSs, in both the domestic and the international markets.

The Government has the potential ability to exert substantial influence over many aspects of the private sector business community, and in the past has exerted that influence from time to time. For example, the Government has promoted mergers to reduce what it considers excess capacity in a particular industry and has also encouraged private companies to publicly offer their securities. Similar actions in the future could have the effect of depressing or boosting the Korean securities market, whether or not intended to do so. Accordingly, actions by the government, or the perception that such actions are taking place, may take place or has ceased, may cause sudden movements in the market prices of the securities of Korean companies in the future, which may affect the market price and liquidity of our common stock and ADSs.

Your dividend payments and the amount you may realize upon a sale of your ADSs will be affected by fluctuations in the exchange rate between the U.S. Dollar and the Won.

Investors who purchase the American depositary shares will be required to pay for them in U.S. Dollars. Our outstanding shares are listed on the Korea Exchange and are quoted and traded in Won. Cash dividends, if any, in respect of the shares represented by the American depositary shares will be paid to the depositary bank in Won and then converted by the depositary bank into U.S. Dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Won and the U.S. Dollar will affect, among other things, the amounts a registered holder or beneficial owner of the American depositary shares will receive from the depositary bank in respect of dividends, the U.S. Dollar value of the proceeds which a holder or owner would receive upon sale in Korea of the shares obtained upon surrender of American depositary shares and the secondary market price of the American depositary shares.

If the Government deems that certain emergency circumstances are likely to occur, it may restrict the depositary bank from converting and remitting dividends in Dollars.

If the Government deems that certain emergency circumstances are likely to occur, it may impose restrictions such as requiring foreign investors to obtain prior Government approval for the acquisition of Korean securities or for the repatriation of interest or dividends arising from Korean securities or sales proceeds from disposition of such securities. These emergency circumstances include any or all of the following:

- sudden fluctuations in interest rates or exchange rates;
- extreme difficulty in stabilizing the balance of payments; and
- a substantial disturbance in the Korean financial and capital markets.

The depositary bank may not be able to secure such prior approval from the government for the payment of dividends to foreign investors when the Government deems that there are emergency circumstances in the Korean financial markets.

Other Risks

We are generally subject to Korean corporate governance and disclosure standards, which differ in significant respects from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies which differ in many respects from standards applicable in other countries, including the United States. As a reporting company registered with the Securities and Exchange Commission and listed on the New York Stock Exchange, we are, and in the future will be, subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002. However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the New York Stock Exchange. For significant differences, see "Item 16G. Corporate Governance." There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information could result in less than satisfactory corporate governance practices or disclosure to investors in certain countries.

You may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. All or substantially all of our directors and officers and other persons named in this annual report reside in Korea, and all or a substantial portion of the assets of our directors and officers and other persons named in this annual report and substantially all of our assets are located in Korea. As a result, it may not be possible for holders of the American depository shares to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

We may become a passive foreign investment company ("PFIC"), which could result in adverse U.S. tax consequences to U.S. investors.

Based upon the past and projected composition of our income and assets and valuation of our assets, we do not believe that we were a PFIC for 2023, and we do not expect to be a PFIC in 2024 or to become one in the foreseeable future, although there can be no assurance in this regard. If, however, we become a PFIC, such characterization could result in adverse U.S. tax consequences to you if you are a U.S. investor. For example, if we become a PFIC, our U.S. investors may become subject to increased tax liabilities under U.S. tax laws and regulations and will become subject to burdensome reporting requirements. Our PFIC status is determined on an annual basis and depends on the composition of our income and assets. Specifically, we will be classified as a PFIC for U.S. tax purposes if either: (i) 75% or more of our gross income in a taxable year is passive income, or (ii) the average percentage of our assets by value in a taxable year which produce or are held for the production of passive income (which generally includes cash) is at least 50%. Special rules treat certain income earned by a non-U.S. corporation engaged in the active conduct of a banking business as non-passive income. See "Item 10.E. Taxation — Certain United States Federal Income Tax Consequences — Passive Foreign Investment Company Rules." We cannot assure you that we will not be a PFIC for 2024 or any future taxable year.

ITEM 4. *INFORMATION ON THE COMPANY*

ITEM 4.A. History and Development of the Company

Introduction

We are one of the leading financial institutions in Korea in terms of total assets, revenues, profitability and capital adequacy, among others. Incorporated on September 1, 2001, we are the first privately-held financial holding company to be established in Korea. Since inception, we have developed and introduced a wide range of financial products and services in Korea and aimed to deliver comprehensive financial solutions to clients through a convenient one-portal network.

We have experienced substantial growth through several mergers and acquisitions. On February 1, 2019, we acquired a 59.15% interest in Orange Life Insurance, the former Korean unit of ING Life Insurance, as part of our efforts to diversify and enhance our non-banking businesses. On January 28, 2020, we acquired the remaining interests in Orange Life Insurance by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life Insurance's common stock transferred all of their shares to us and in return receive shares of our common stock, and hence Orange Life Insurance became our wholly owned subsidiary as of such date. Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021. On June 30, 2022 we acquired 94.54% interest in BNP Paribas Cardif General Insurance, which then changed its name to Shinhan EZ General Insurance, Ltd. Subsequently in November 2022, Shinhan EZ General Insurance, Ltd. conducted a paid-in capital increase and our shares decreased to 85.1%.

As of December 31, 2023, we have 16 direct and 35 indirect subsidiaries offering a wide range of financial products and services, including commercial banking, corporate banking, private banking, credit card, asset management, brokerage and insurance services. We believe that such breadth of services will help us to meet the diversified needs of our present and potential clients. We currently serve approximately 20 million active customers, which we believe is the largest customer base in Korea, through approximately 23,584 employees at approximately 1,378 network branches group-wide. While over 80% of our revenues have been historically derived from Korea, we aim to serve the needs of our customers through a global network of 251 offices in the United States, Canada, the United Kingdom, Japan, the People's Republic of China, Germany, India, Australia, Hong Kong, Vietnam, Cambodia, Kazakhstan, Singapore, Mexico, Uzbekistan, Myanmar, Poland, Indonesia, the Philippines and the United Arab Emirates.

Our registered office and corporate headquarters are located at 20, Sejong-daero 9-gil, Jung-gu, Seoul, Korea 04513 and our telephone number is +822 6360 3000.

Our Strategy

'Excellent Shinhan' for 2020 and beyond

The Group has implemented the '2020 SMART Project' since 2017, and we have seen this strategy result in a balanced growth across the Group, such as expanding and strengthening the Group's offerings, establishing new subsidiaries, acquisitions of domestic and foreign financial companies, upgrading digital platforms and promoting sustainable management.

The Group has also established future vision of "2023 Shinhan 1! 3! 5!" to solidify its position as a one of the top financial groups in Korea by achieving 30% of global profit ratio and a 50% of non-bank profit ratio by 2030 while also fulfilling its social roles and responsibilities. In order to achieve this, we have set up a mid-term strategy "Value-up 2025! RE:Boot Shinhan!" as an interim milestone, reflecting the Group's culture and goal to enhance the value of all stakeholders – shareholders, customers, employees, and society. We seek to achieve this through sound financial performance and implementing innovative strategies. Under our growth strategy based on 'excellence' and 'sustainability', we have established seven key strategic directions below for 2024.

1. *Implementing preemptive internal control and thorough risk management*

In 2024, we expect bigger challenges ahead in terms of compliance management, slowdown in global economy and volatility in financial markets. As such, we have set preemptive internal control and thorough risk management as top strategic priority. In addition to establishing new governance, such as a system for implementing internal control and management obligations, the Group plans to strengthen the preemptive prevention system for financial incidents, enhance anti-money laundering capabilities, and pursue thorough risk management to support sustainable growth and respond to potential risks.

2. *'Beyond Legacy': Securing a differentiated customer base*

Due to changing demographics in Korea, active seniors population and young market entrants have been emerging as new core customers. Accordingly, the Group plans to strengthen its mid- to long-term growth base by focusing on such future core customers. First of all, in terms of enhancing the Group's main financial business value, it plans to promote product and service strategies designed in accordance with an analysis of the customers' life cycle and the ability to provide integrated group-wide solutions. In addition, we plan to proactively respond to aging demographics by expanding strategic alliances with external platforms and businesses in the elderly service industry.

3. *Enhancing our position in the capital markets through efficient growth and sustainable globalization*

The Group's capital market sector plans to overcome the downturn in the retail sector through strengthening its competitiveness in equity capital markets and debt capital markets. It will also strengthen the development of corporate business in the global capital market to create mid-to long-term revenue sources and continue to push for shared growth with the companies that the Group invests in by revitalizing the Group's venture ecosystem. The global sector aims to strengthen its growth momentum of the global sector by overcoming the instability of global environment and solidifying internal stability through enhanced internal control and preemptive risk management of local corporations. It also aims to enhance competitiveness through the discovery of capital-light businesses and the continued exploration of opportunities for mergers and acquisitions.

4. *Scaling up performance through 'Digital to Value' strategy*

The Group will continue to enhance its digital capabilities to effectively respond to digitalization and secure a competitive edge in future finance, ensuring that its outcomes directly contribute to enhancing corporate value. To achieve this, it plans to convert customers on the digital platform into actual trading customers and enable digital to contribute to tangible financial performance by enhancing cost efficiency through business process innovation. Additionally, the Group aims to establish and advance 'Invisible Finance' through partnerships with external affiliates to create a digital ecosystem where the Group is always present in customers' lives, anytime and anywhere.

5. *Driving a fundamental shift in Shinhan culture centered on 'rightness'*

The Group plans to consistently promote the internalization of a 'rightness'-oriented management, which is promoting integrity in our leaders, employees, and organization to foster a culture of 'right Shinhan'. To achieve this, the Group will maintain a code of conduct for our decision-making process, promote group-wide understanding for 'rightfulness' and shape an organizational culture that embodies those values.

6. *Fulfilling social roles and responsibilities through ESG initiatives*

The Group aims to transform into a leading financial group in Asia from ESG perspective in the mid- to long-term. To achieve this, the Group plans to expand social contribution projects, both quantitatively and qualitatively, that reflect social demands, and to persistently pursue genuine eco-friendly management. Additionally, the Group plans to cultivate a culture that respects diversity by supporting the social integration of multicultural families, fostering social enterprises for people with disabilities, and taking a leadership position in promoting the value of diversity.

7. *Achieving growth and profits meeting market expectations*

The Group will continue to enhance competitiveness, efficiency and profitability in each of its core business segment. Furthermore, the Group intends to continue its exploration of new business opportunities to secure future growth drivers, taking into account changes in global market trends and environments. Strengthening strategic resource allocation within the Group and enhancing collaboration among Group members for improved synergy are also core parts of the plan.

Our History and Development

On September 1, 2001, we were formed as a financial holding company under the Financial Holding Companies Act, as a result of acquiring all of the issued shares of the following four entities from their former shareholders in exchange for shares of our common stock: (i) Shinhan Bank, a nationwide commercial bank listed on the Korea Exchange, (ii) Shinhan Securities Co., Ltd., a securities brokerage company listed on the Korea Exchange, (iii) Shinhan Capital Co., Ltd., a leasing company listed on the Korea Exchange Korean Securities Dealers Automated Quotations ("KRX KOSDAQ"), and (iv) Shinhan Investment Trust Management Co., Ltd., a privately held investment trust management company. On September 10, 2001, the common stock of our holding company was listed on what is currently the KRX KOSPI Market.

Since our inception, we have expanded our operations, in large part, through strategic acquisitions, establishing subsidiaries or formation of joint ventures. Our key acquisitions, capital contributions and joint venture formations are described as below:

Date of Acquisition	Entity	Principal Activities	Method of Establishment
April 2002	Jeju Bank	Regional banking	Acquisition from Korea Deposit Insurance Corporation
July 2002	Shinhan Securities Co., Ltd.(1)	Securities and investment	Acquisition from the SsangYong Group
August 2002	Shinhan BNP Paribas Investment Trust Management Co., Ltd.(2)	Investment advisory	50:50 joint venture with BNP Paribas
August 2003	Chohung Bank	Commercial banking	Acquisition from creditors
December 2005	Shinhan Life Insurance	Life insurance services	Acquisition from shareholders
March 2007	LG Card	Credit card services	Acquisition from creditors
January 2012	Tomato Mutual Savings Bank(3)	Savings bank	Purchase and assumption of assets and liabilities from creditors
January 2013	Yehanbyoul Savings Bank(4)	Savings bank	Acquisition from Korea Deposit Insurance Corporation
October 2017	Shinhan REITs Management	Real estate asset management	Newly established
February 2019, January 2020	Orange Life Insurance(5)	Life insurance services	Acquisition from majority shareholders and subsequent comprehensive stock exchange
May 2019	Asia Trust Co. Ltd.(6)	Real estate trust business	Acquisition from majority shareholders
August 2019	Shinhan AI. Co., Ltd.	Investment advisory	Incorporated and joined as a wholly-owned subsidiary
September 2020, December 2020	Shinhan Venture Investment)(7)	Venture capital	Acquisition from majority shareholders and subsequent comprehensive stock exchange

Date of Acquisition	Entity	Principal Activities	Method of Establishment
January 2021	Shinhan Asset Management(8)	Asset management services	Acquisition of remaining interests from BNP Paribas Asset Management Holding
June 2022	Shinhan EZ General Insurance(9)	General insurance services	Acquisition of BNP Paribas Cardif General Insurance

Notes:

(1) Renamed as Shinhan Investment Corp. from Goodmorning Shinhan Securities Co., Ltd. effective August 2009 and renamed again as Shinhan Securities Co., Ltd. from Shinhan Investment Corp. effective October 2022.

(2) In January 2009, SH Asset Management Co., Ltd. and Shinhan BNP Paribas Investment Trust Management merged to form Shinhan BNP Paribas Asset Management.

(3) Shinhan Hope Co., Ltd. was established on December 12, 2011, to purchase and assume certain assets and liabilities of Tomato Mutual Savings Bank. On December 28, 2011, Shinhan Hope Co., Ltd. obtained a savings bank license, changed its name to Shinhan Savings Bank and became our direct subsidiary.

(4) In January 2013, we entered into a share purchase agreement with Korea Deposit Insurance Corporation for the acquisition of Yehanbyoul Savings Bank, a savings bank located in Korea, for ₩45.3 billion, and received regulatory approval to merge Yehanbyoul Savings Bank into our existing subsidiary Shinhan Saving Bank. On April 1, 2013, Shinhan Savings Bank and Yehanbyoul Savings Bank merged into a single entity, with Yehanbyoul Savings Bank being the surviving entity and the newly merged bank being named Shinhan Savings Bank.

(5) On February 1, 2019, we acquired a 59.15% interest in Orange Life Insurance, the former Korean unit of ING Life Insurance, as part of our efforts to diversify and enhance our non-banking businesses. On January 28, 2020, we acquired the remaining interests in Orange Life Insurance by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life Insurance's common stock transferred all of their shares to us and in return receive shares of our common stock, and hence Orange Life Insurance became our wholly owned subsidiary as of such date. Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021.

(6) In October 2018, we announced the acquisition of a 60.0% interest in Asia Trust Co. Ltd. According to the transaction agreement, we seek to complete the acquisition by acquiring the remaining 40.0% shares in Asia Trust Co. Ltd. by 2022. The acquisition was approved by the Financial Services Commission on February 17, 2019 and closed on May 2, 2019. Upon closing, Asia Trust Co. Ltd. became our direct subsidiary. In May 2022, Asia Trust Co. Ltd. changed its name to Shinhan Asset Trust Co., Ltd.

(7) On September 29, 2020, we acquired a 96.8% interest in Neoplux, a venture capital company formerly under the Doosan Group. On December 30, 2020, we acquired the remaining interest in Neoplux by effecting a small-scale stock exchange under Article 360-10 of the Korean Commercial Code, and hence Neoplux has become our wholly owned subsidiary as of such date. On January 11, 2021, Neoplux changed its legal name to Shinhan Venture Investment.

(8) On January 15, 2021, we acquired the remaining 35% interest in Shinhan BNP Paribas Asset Management from BNP Paribas Asset Management Holding and changed its legal name to Shinhan Asset Management, and hence Shinhan Asset Management has become our wholly-owned subsidiary as of such date.

(9) On June 30, 2022 we acquired 94.54% interest in BNP Paribas Cardif General Insurance, which then changed its name to Shinhan EZ General Insurance, Ltd. Subsequently in November 2022, Shinhan EZ General Insurance, Ltd. conducted a paid-in capital increase and our shares decreased to 85.1%.

ITEM 4.B. Business Overview

Unless otherwise specifically mentioned, the following business overview is presented on a consolidated basis under IFRS.

Our Principal Activities

We provide comprehensive financial services, principally consisting of the following:

- commercial banking services, mainly consisting of:
  - retail banking, which primarily focuses on making loans to or receiving deposits from individual customers (including high net-worth individuals and families) and, to a lesser extent, not-for-profit institutions such as hospitals, airports and schools;
  - corporate banking, which primarily focuses on making loans to or receiving deposits from for-profit corporations, including small- and medium-sized enterprises, and providing investment banking services to corporate clients;
  - international banking, which primarily focuses on management of overseas subsidiaries and branch operations and other international businesses; and
  - other banking, which consists of treasury business (including internal asset and liability management and other non-deposit funding activities), securities investing and trading and derivatives trading, as well as administration of the overall banking operations.
- credit card services;
- securities services;
- insurance services;
- credit services;
- asset management services, including securities investment trust management, investment advisory, call transaction, domestic and foreign private equity fund business as an executive officer, alternative investments through formation of private equity funds on a private placement basis and other management services; and
- other services - savings banking services, collective investment administrative services, financial system development services, real estate trust services, real estate investment services, investment advisory services, and venture capital services.

Until the end of 2022, Shinhan Financial Group disclosed related information on life insurance services as a reporting segment. However, with the change in the internal reporting method for chief executive officers in accordance with insurance industry standards, starting from 2023, life insurance services and non-life insurance services have been integrated and redefined as insurance services segment for disclosure. Accordingly, the information for the reporting segments of 2022 has been rewritten.

In addition to the above-mentioned business activities, we, at the holding company level, have the following business departments and planning offices, the primary functions of which are to support cross-divisional management with respect to these specific functional areas: group & global investment banking business department, global market & securities planning office, global business planning office, wealth management planning office and retirement pension planning office.

Our principal business activities are not subject to any material seasonal trends. Although we have a number of overseas branches and subsidiaries, substantially all of our assets are located, and substantially all of our revenues are generated, in Korea.

Deposit-Taking Activities

Principally through Shinhan Bank, we offer many deposit products that target different customer segments with features tailored to each segment's financial and other profiles. Our deposit products consist principally of the following:

- *Demand deposits.* Demand deposits do not accrue interest or accrue interest at a lower rate than time or savings deposits and allow the customer to deposit and withdraw funds at any time. If interest-bearing, demand deposits have interest accruing at a fixed or variable rate depending on the period and the amount of deposit. Demand deposits constituted 19.8%, 18.5% and 17.0% of our total deposits as of December 31, 2021, 2022 and 2023, respectively. Demand deposits paid average interest of 0.32%, 0.47% and 0.99% in 2021, 2022 and 2023, respectively.

- *Time and savings deposits.* Time deposits generally require the customer to maintain a deposit for a fixed term during which the deposit accrues interest at a fixed rate or a variable rate based on certain financial indexes, including the "cost of funds index," or COFIX, published by the Korean Federation of Banks. If the deposit is withdrawn prior to the end of the fixed term, the customer is paid a lower interest rate than that originally offered. The term typically ranges from one month to five years. Time deposits constituted 43.8%, 51.4% and 53.8% of our total deposits as of December 31, 2021, 2022 and 2023, respectively, and paid average interest of 1.05%, 2.04% and 3.82% in 2021, 2022 and 2023, respectively. Savings deposits allow the customer to deposit and withdraw funds at any time and accrue interest at an adjustable interest rate, which is typically lower than the rate applicable to time or installment deposits. Savings deposits constituted 31.9%, 26.2% and 26.0% of our total deposits as of December 31, 2021, 2022 and 2023, respectively, and paid average interest of 0.23%, 0.40% and 0.86% in 2021, 2022 and 2023, respectively.

- *Other deposits.* Other deposits consist mainly of certificates of deposit. Certificates of deposit typically have maturities from 30 days to two years. Interest rates on certificates of deposit are determined based on the length of the deposit and prevailing market interest rates. Certificates of deposit are sold at a discount to their face value, reflecting the interest payable on the certificates of deposit. Certificates of deposit constituted 4.5%, 3.9% and 3.2% of our total deposits as of December 31, 2021, 2022 and 2023, respectively and paid average interest of 0.91%, 1.97% and 3.82% in 2021, 2022 and 2023, respectively.

We also offer deposits which provide the customer with preferential rights to housing subscriptions under the Housing Law and Rules on Housing Supply (the "Housing Law"), and eligibility for mortgage and home equity loans. As a result of an amendment to the Housing Law in June 2015, new subscriptions to housing subscription savings accounts, housing subscription time deposits accounts and housing subscription installment savings accounts became no longer available after September 1, 2015. Instead, general housing subscription savings accounts (which combine all of the functions of the aforementioned three accounts) presently remain available to all. The contribution period is from the subscription date to the date on which the account holder is selected as the purchaser of a house, and the required monthly contribution amount is from a minimum of ₩20,000 to a maximum of ₩500,000. The interests accrued on general housing subscription savings accounts are paid in lump sum upon termination of the account, and such interests shall be calculated at the interest rate determined and announced by the Ministry of Land, Infrastructure and Transport. Those who have a general housing subscription savings account and meet certain other criteria are granted a preferential subscription right for the purchase of a house. In the case of privately funded houses, the aggregate amount of contributions made to the account must be at least the applicable deposit threshold amount for the location and area of the relevant house (from ₩2 million up to ₩15 million). It is impossible to change the account holder name of a general housing subscription savings account except in the case of inheritance by the death of the original account holder. For information on our deposits in Korean Won based on the principal types of deposit products we offer, see "— Description of Assets and Liabilities — Funding — Deposits."

The rate of interest payable on our deposit products may vary significantly, depending on average funding costs, the rate of return on our interest-earning assets, prevailing market interest rates among financial institutions and other major financial indicators.

We also offer court deposit services for litigants in Korean courts, which involve providing effectively an escrow service for litigants involved in certain types of legal or other proceedings. Chohung Bank historically was a dominant provider of such services since 1958, and following the acquisition of Chohung Bank, we continue to hold a dominant market share in these services. Such deposits typically carry interest rates lower than the market rates (by approximately 0.35% per annum) and amounted to ₩7,610 billion and ₩7,308 billion and ₩6,421 billion as of December 31, 2021, 2022 and 2023, respectively.

The Monetary Policy Committee of the Bank of Korea imposes a reserve requirement on Won currency deposits at commercial banks at rates ranging from 0% to 7%, based generally on maturity and the type of deposit instrument. See "— Supervision and Regulation — Principal Regulations Applicable to Banks — Liquidity."

The Depositor Protection Act provides for a deposit insurance system under which the Korea Deposit Insurance Corporation guarantees repayment of eligible bank deposits to depositors up to ₩50 million per depositor and ₩50 million per insured under the defined contribution retirement pension per bank. See "— Supervision and Regulation — Principal Regulations Applicable to Banks — Deposit Insurance System."

Retail Banking Services

Overview

We provide retail banking services primarily through Shinhan Bank, and, to a significantly lesser extent, through Jeju Bank, a regional commercial bank. Our retail loans, before allowance for credit losses on loans and deferred loan origination costs and fees and excluding credit card receivables, amounted to ₩155,104 billion as of December 31, 2023.

Retail banking services include mortgage and home equity lending and retail lending as well as demand, savings and fixed deposit-taking, checking account services, electronic banking and automatic teller machines ("ATM") services, bill paying services, payroll and check-cashing services, currency exchange and wire fund transfer. We believe that providing modern and efficient retail banking services is important to maintaining our public profile and as a source of fee-based income. Accordingly, we believe that our retail banking services and products will become increasingly important in the coming years as the domestic banking sector further develops and becomes more complex.

Retail banking has been and will continue to remain one of our core businesses. Our strategy in retail banking is to provide prompt and comprehensive services to retail customers through increased automation and improved customer service, as well as a streamlined branch network focused on sales. The retail segment places an emphasis on targeting high net-worth individuals.

Retail Lending Activities

We offer various retail loan products, consisting principally of loans to individuals and households. Our retail loan products target different segments of the population with features tailored to each segment's financial profile and other characteristics, including customer's occupation, age, loan purpose, collateral requirements and the duration of the customer's relationship with Shinhan Bank. Our retail loans consist principally of the following:

- *Mortgage and home equity loans,* which are mostly comprised of mortgage loans that are used to finance home purchases and are generally secured by the housing unit being purchased; and

- *Other retail loans,* which are loans made to customers for any purpose other than mortgage and home equity loans and the terms of which vary based primarily upon the characteristics of the borrower and which are either unsecured or secured, or guaranteed by deposits or by a third party. Other retail loans also include advance loans extended on an unsecured basis to retail borrowers the use of proceeds for which is restricted to financing of home purchases prior to the completion of the construction.

As of December 31, 2023, our mortgage and home equity loans and other retail loans accounted for 56.3% and 43.7% of our total retail loans, respectively.

For secured loans, our policy is to lend up to 40% to 100% of the appraisal value of the collateral, after taking into account the value of any lien or other security interest that has priority over our security interest (other than petty claims). For mortgage and home equity loans, our general policy is to lend up to 40% to 85% of the appraisal value of the collateral, but subject to the maximum loan-to-value ratio, debt-to-income ratio and debt service ratio requirements for mortgage loans implemented by the Government. The loan-to-value ratio of secured loans, including mortgage and home equity loans, is updated on a monthly basis using the most recent appraisal value of the collateral, and maximum loan-to-value ratios are further adjusted based on factors such as the location of the secured property, nature and purpose of the loans and level of competition in the market. Since January 11, 2019, maximum loan-to-value ratios are determined and may be adjusted in increments of 1% (as opposed to increments of 5%, which was the case prior to January 11, 2019), allowing us to set more precise and tailored maximum loan-to-value ratios for secured loans. As of December 31, 2023, the loan-to-value ratio of mortgage and home equity loans of Shinhan Bank was 46.2%. As of December 31, 2023, substantially all of its mortgage and home equity loans were secured by residential property.

Under the Regulation on the Supervision of the Banking Business and the Detailed Regulation on the Supervision of the Banking Business, our banking subsidiaries were subject to, when extending mortgage and home equity loans, the maximum loan-to-value ratio of 70% (subject to certain exceptions, including the regulated areas described below) and the maximum debt-to-income ratio of 60% (only in respect of housing units located in the greater Seoul metropolitan area, subject to certain exceptions).

On January 31, 2018, the existing debt-to-income requirement was replaced by the modified debt-to-income ratio requirement, which reflects (i) both principal and interest payments on the applicable mortgage and home equity loan and existing mortgage and home equity loans and (ii) interest payments on other loans. The previous debt-to-income requirement had only reflected (i) both principal and interest payments on the applicable mortgage and home equity loan and (ii) interest payments on existing mortgage and home equity loans.

The regulations on mortgage and home equity loans are susceptible to the changes of housing market cycles and have been revised from time to time. From 2017 to 2022, the Government led by President Moon Jae-in announced and implemented a series of robust polices aimed at taming speculation and deterring the rise of housing prices. However, since the second half of 2022, the Government led by President Yoon Suk Yeol has announced and implemented a series of policies to ease the demand-side regulations in the real estate market in order to prevent housing prices from crashing due to the recent hike in interest rates. For example, the Government has released most areas from “speculative areas”, “overheated speculative areas” and “adjustment targeted areas” (collectively, the “**regulated areas**”) where tighter loan-to-value ratios and debt-to-income ratios are applicable to mortgage or home equity loans, with only Gangnam-Gu, Seocho-Gu, Songpa-Gu and Yongsan-Gu in the greater Seoul metropolitan area currently remaining as the regulated areas, removed the application of stricter loan-to-value ratio to new loans secured by high-price houses located in the regulated areas and allowed the extension of new loans secured by houses located in the regulated areas to households that already own one or more houses.

The Government also increased the loan-to-value ratio applicable to the regulated areas (i) up to 50% of the appraised value of the houses, except that such maximum loan-to-value ratio is 70% for low-income households that (1) have a combined (in case of married couple) annual income of no more than ₩90 million, (2) do not currently own any housing and (3) are using the loan to purchase low-price housing valued at ₩900 million or less (₩800 million or less in case of houses located in "adjustment targeted areas") and (ii) up to 80% of the appraised value of the houses, for new loans to a first-time home buyer with a maximum residential mortgage loan amount of ₩600 million or less. The regulations on the debt-to-income ratio remained largely unchanged, with the debt-to-income ratio applicable to houses being (i) 60% for those that are located in the greater Seoul metropolitan area but excluding the regulated areas, (ii) 50% for those that are located in "adjustment targeted areas" and (iii) 40% for those that are located in "speculative areas" or "overheated speculative areas". However, such debt-to-income ratios for houses located in regulated areas are adjusted to 60% for (i) low-income households that (1) have a combined (in case of married couple) annual income of no more than ₩90 million, (2) do not currently own any housing and (3) are using the loan to purchase low-price housing valued at ₩900 million or less (₩800 million or less in case of houses located in "adjustment targeted areas") and (ii) first-time homebuyers.

The Financial Services Commission also introduced a debt service ratio and a modified debt-to-income ratio in order to modernize credit review methods and stabilize the management of household debt. The modified debt-to-income ratio, which has been implemented beginning January 31, 2018 reflects (i) both principal and interest payments on the applicable mortgage and home equity loan and existing mortgage and home equity loans and (ii) interest payments on other loans. Previously, debt-to-income ratio had only reflected (i) both principal and interest payments on the applicable mortgage and home equity loan and (ii) interest payments on existing mortgage and home equity loans. Debt service ratios reflect principal and interest payments on both the applicable loan and other loans and have been fully implemented since October 2018. The modified debt-to-income ratios are used as the primary reference index in the evaluation and approval process for mortgage and home equity loans, and debt service ratios are generally used as a supplementary reference index providing additional limits on mortgage and home equity loans. For example, debt service ratios applicable to a loan applicant with a total aggregate loan amount exceeding ₩100 million (including the applied but not yet extended loan amount) should not exceed 40% unless otherwise specified by the applicable regulations.

Meanwhile, the Financial Services Commission introduced the "Stress DSR" system for floating rate, blended rate, and cyclical loans in the financial sector in order to prevent excessive household debt. The "Stress DSR" system imposes a certain level of interest rate spread (a stress rate) when calculating the DSR, taking into consideration the possibility that a borrower of a floating interest rate loan may be burdened with repayment of principal and interest due to an increase in the interest rate during the loan period. The Financial Services Commission began applying the system on February 26, 2024 initially to mortgage loans in the banking sector, and plans on gradually expanding the application to all types of loans in all industries.

In addition, the supervising authorities in Korea from time to time issue administrative instructions to Korean banks, which have the effect of regulating the access of borrowers to housing loans and, as such, demand for real estate properties. For example, the Financial Supervisory Service issued administrative instructions to financial institutions to (except in limited circumstances) verify the borrower's ability to repay based on proof of income prior to making a mortgage and home equity loan regardless of the type or value of the collateral or the location of the property, which has had the effect of practically barring the grant of any new mortgage and home equity loans to borrowers without verifiable income.

Our banking subsidiaries extend mortgage and home equity loans in compliance with the applicable regulations and administrative instructions by the relevant supervising authorities.

The following table sets forth a breakdown of our retail loans.

	As of December 31,		
	2021	2022	2023
	(In billions of Won, except percentages)		
Retail loans[(1)]			
Mortgage and home equity loans	₩79,860	₩81,724	₩87,305
Other retail loans	79,146	73,641	67,799
Percentage of retail loans to total gross loans	40.4%	37.6%	37.2%

Note:

(1) Before allowance for credit losses on loans and deferred loan origination costs and fees and excludes credit card receivables.

The total mortgage and home equity loans amounted to ₩87,305 billion as of December 31, 2023, and as of such date, consisted of amortizing loans (whose principal is repaid by part of the installment payments) in the amount of ₩55,606 billion and non-amortizing loans in the amount of ₩31,699 billion. In addition, as of December 31, 2023, we also provided lines of credit in the aggregate outstanding amount of ₩325 billion for non-amortizing loans.

Pricing

The interest rates payable on Shinhan Bank's retail loans are either periodically adjusted floating rates (based on a base rate determined for three-month, six-month or twelve-month periods derived using an internal transfer price system, which reflects the market cost of funding, as adjusted to account for expenses related to lending and the profit margin of the relevant loan products) or fixed rates that reflect the market cost of funding, as adjusted to account for expenses related to lending and the profit margin. Fixed rate loans are offered only on a limited basis and at a premium to floating rate loans. For unsecured loans, which Shinhan Bank provides on a floating or fixed rate basis, interest rates thereon reflect a margin based on, among other things, the borrower's credit score as determined during its loan approval process. For secured loans, the credit limit is based on the type of collateral, priority with respect to the collateral and the loan-to-value ratio. Shinhan Bank may adjust the pricing of these loans to reflect the borrower's current and/or expected future contribution to Shinhan Bank's profitability. The interest rate on Shinhan Bank's loan products may become adjusted at the time the loan is extended. If a loan is repaid within three years following the date of the loan, the borrower is required to pay an early repayment fee, which is typically 0.7% to 1.4%, depending on types of loans and applicable interest rates, of the outstanding principal amount of and accrued and unpaid interest on the loan, multiplied by a fraction the numerator of which is the number of the remaining days on the loan until maturity and the denominator of which is the number of days comprising the term of the loan or three years, whichever is greater.

As of December 31, 2023, Shinhan Bank's three-month, six-month and twelve-month base rates were 3.83%, 3.87% and 3.74%, respectively. As of December 31, 2023, Shinhan Bank's fixed rates for mortgage and home equity loans with a maturity of five years was 3.81%. Shinhan Bank's fixed rates for other retail loans with a maturity of one year ranged from 4.21% to 14.00%, depending on the credit scores of its customers. As of December 31, 2023, 91.3% of Shinhan Bank's total retail loans were floating rate loans and 8.7% were fixed rate loans. As of the same date, 91.3% of Shinhan Bank's retail loans with maturity of more than one year were floating rate loans and 8.7% were fixed rate loans.

The interest rate charged to customers by our banking subsidiaries is based, in part, on the "cost of funds index", or COFIX, which is published by the Korean Federation of Banks. COFIX is computed based on the weighted average interest of select funding products (including time deposits, housing and other installment savings deposits, repos, discounted bills and senior non-convertible financial debentures) of eight major Korean banks (comprised of Shinhan Bank, Kookmin Bank, Woori Bank, KEB Hana Bank, Nonghyup Bank, Industrial Bank of Korea, Citibank Korea Inc. and Standard Chartered Bank Korea Limited). Each bank then independently determines the interest rate applicable to its respective customers by adding a spread to the COFIX based on the difference between the COFIX and such bank's general funding costs, administration fees, the customer's credit score, the maturity of the loan and other customer-specific premiums and discounts based on the customer relationship with such bank. These interest rates are typically adjusted on a monthly basis. In January 2019, the Financial Services Commission announced plans to reflect rates for short term deposits such as demand deposits when computing the "cost of funds index," or COFIX, which is expected to result in lower interest rates for household loans compared to the previous COFIX rate.

Private Banking

Historically, we have focused on customers with high net-worth. Our retail banking services include providing private banking services to high net-worth customers who seek personal advice in complex financial matters. Our aim in private banking is to help enhance wealth accumulation by, and increase the financial sophistication of, our high net-worth clients by offering them customized wealth management solutions and comprehensive financial services including asset portfolio and fund management, tax consulting, real estate management and family office services, among others. Since the end of 2011, in order to preemptively respond to evolving customer needs and promote asset growth by inducing greater synergy between commercial banking and investment advisory services offered by Shinhan Securities, Shinhan Bank launched private wealth management centers which combine certain branches of Shinhan Bank with those of Shinhan Securities located in the same area. Shinhan Bank's strength in private banking has been widely recognized by a number of significant industry awards in recent years, including the grand prize at the Premium Brand Index by Korean Standards Association, Chosun Ilbo and Ministry of Trade, Industry and Energy (awarded 16 consecutive years), the Korea Prestige Brand Award by the Korea Economic Daily (awarded 8 consecutive years), the Star Brand Award by Maekyung Media Group (awarded 7 consecutive years) and National Brand Award by Chosun Ilbo (awarded 6 consecutive years) in 2023.

As of December 31, 2023, Shinhan Bank operated 25 private wealth management service centers nationwide, including 17 in Seoul, 3 in Gyeonggi province and 5 in cities located in other regions in Korea. As of December 31, 2023, Shinhan Bank had approximately 19,462 private banking customers, who typically are required to have ₩1,000 million or more in deposits with Shinhan Bank to qualify for its private banking services.

Corporate Banking Services

Overview

We provide corporate banking services, primarily through Shinhan Bank, to small- and medium-sized enterprises, including enterprises known as SOHO (standing for "small office, home office"), which are small enterprises operated by individuals or households, and, to a lesser extent, to large corporations, including corporations that are affiliated with *chaebols*. We also lend to government-controlled enterprises.

The following table sets forth the balances and percentage of our total loans (before allowance for credit losses on loans and deferred loan origination costs and fees) attributable to each category of our corporate lending business as of the dates indicated.

	As of December 31,					
	2021		2022		2023	
	(In billions of Won, except percentages)					
Small- and medium-sized enterprises loans[1]	₩121,961	31.0%	₩131,304	31.8%	₩134,271	32.2%
Large corporate loans	40,368	10.3	49,503	12.0	54,765	13.1
Others[2]	46,139	11.7	48,804	11.8	45,115	10.8
Total corporate loans	₩208,468	53.0%	₩229,611	55.6%	₩234,151	56.1%

Notes:

(1) Represents the principal amount of loans extended to corporations meeting the definition of small- and medium-sized enterprises under the Basic Act on Small- and Medium-sized Enterprises and its Presidential Decree.

(2) Includes loans to governmental agencies, loans to banks and other corporate loans, including loans originated by subsidiaries other than Shinhan Bank which are classified as corporate loans for purposes of financial reporting.

Small- and Medium-sized Enterprises Banking

Under the Basic Act on Small-and Medium-sized Enterprises (the "SME Basic Act") as amended and effective from November 15, 2022, and the related Presidential Decree, in order to qualify as a small-and medium-sized enterprise, (i) the enterprise's total assets at the end of the immediately preceding fiscal year must be less than ₩500 billion, (ii) the enterprise must meet the standards prescribed by the Presidential Decree in relation to the average and total annual sales revenues applicable to the type of its main business, and (iii) the enterprise must meet the standards of management independence from ownership as prescribed by the Presidential Decree, including non-membership in a conglomerate as defined in the Monopoly Regulation and Fair Trade Act. An enterprise shall not qualify as a small-or medium-sized enterprise if it is incorporated into, or is deemed to be incorporated into a business group subject to disclosure under the Monopoly Regulation and Fair Trade Act. Non-profit enterprises that satisfy certain requirements prescribed in the SME Basic Act and its Presidential Decree may qualify as a small-and medium-sized enterprise. Furthermore, cooperatives and federations of cooperatives as prescribed by the Presidential Decree are deemed as small-and medium-sized enterprises, effective from April 15, 2014. As of December 31, 2023, we had loans to 478,471 small-and medium-sized enterprises for an aggregate amount of ₩134,271 billion (before allowance for credit losses on loans and deferred loan origination costs and fees).

We believe that Shinhan Bank, whose traditional focus has been on small- and medium-sized enterprises lending, is well-positioned to succeed in the small- and medium-sized enterprises market in light of its marketing capabilities (which we believe have provided Shinhan Bank with significant customer loyalty) and its prudent risk management practices, including conservative credit rating systems for credit approval. To maintain or increase its market share of small- and medium-sized enterprises lending, Shinhan Bank:

- *has accumulated a market-leading expertise and familiarity as to customers and products*. We believe Shinhan Bank has an in-depth understanding of the credit risks embedded in this market segment, allowing Shinhan Bank to develop loan and other products specifically tailored to the needs of this market segment;
- *operates a relationship management system to provide customer services that are tailored to small- and medium-sized enterprises*. Shinhan Bank currently has relationship management teams in 193 banking branches, of which 63 are corporate banking branches and 130 are hybrid banking branches designed to serve both retail customers and, to a limited extent, corporate customers. These relationship management teams market products, and review and approve smaller loans with less credit risks; and
- *continues to focus on cross-selling loan products with other products*. For example, when Shinhan Bank lends to small- and medium-sized enterprises, it also explores opportunities to cross-sell retail loans or deposit products to the employees of these enterprises or to provide financial advisory services.

Large Corporate Banking

Large corporate customers consist primarily of member companies of *chaebols* and financial institutions. Our large corporate loans amounted to ₩54,765 billion (before allowance for credit losses on loans and deferred loan origination costs and fees) as of December 31, 2023. Large corporate customers tend to have better credit profiles than small-and medium-sized enterprises, and accordingly, Shinhan Bank has expanded its focus on these customers as part of its risk management policy.

Shinhan Bank aims to be a one-stop financial solution provider that also partners with its corporate clients in their corporate expansion and growth endeavors. To that end, Shinhan Bank provides a wide range of corporate banking services, including investment banking, real estate financing, overseas real estate project financing, large development project financing, infrastructure financing, structured financing, equity investments/venture investments, mergers and acquisitions consulting, securitization and derivatives services, including securities and derivative products and foreign exchange trading. Shinhan Bank, through its Hong Kong branch, also arranges financing for, and offers consulting services to, Korean companies expanding their business overseas, particularly in Asia.

Digital Corporate Banking

Shinhan Bank offers corporate customers a web-based total cash management service known as "Shinhan Bizbank." Shinhan Bizbank supports substantially all types of banking transactions ranging from basic transaction history inquiries and fund transfers to opening letters of credit, trade finance, payment management, collection management, sales settlement service, acquisition settlement service, business-to-business settlement service, sweeping, pooling, ERP interface service, host-to-host banking solutions, SWIFT SCORE service and global cash and liquidity management service. In addition, Shinhan Bank provides customers with integrated and advanced access to its financial services through its "Inside Bank" program, which combines Internet banking, capital management services and enterprise resource planning to better serve corporate customers. The Inside Bank program also seeks to provide customized financial services to meet the comprehensive needs of target corporate customers ranging from conglomerates to small enterprises in various industries, with the goal of enhancing convenience to our corporate customers in accessing our financial services as well as assisting them to strategically manage their funds. In line with Shinhan Bank's efforts to facilitate non-face-to-face online transactions for corporate transactions, in 2018, Shinhan Bank upgraded its virtual account-based corporate fund management service, known as "Shinhan Damoa Service", making it available on mobile channels. In addition, Shinhan Bank has made the fund transfers via phone number service (allowing customers to make fund transfers without the recipients' account number), which was previously only available for personal banking customers, available for corporate banking customers as well. As part of Shinhan Bank's effort to lower settlement fees for small business owners, in May 2019, Shinhan Bank launched "ZeroPay Biz Shinhan", an account-based mobile payment service enabling vendors to easily receive payments from customers' accounts by scanning the vendor's QR code with a smartphone. In October 2020, Shinhan Bank upgraded the "Shinhan S Corporate Bank" platform to launch "Shinhan SOL Biz", a non-face-to-face application for corporate clients, with the goal of improving the platform so that Shinhan Bank can offer non-face-to-face channels to corporate clients that are as convenient and user-friendly as Shinhan Bank's online retail banking platforms. In August 2021, Shinhan Bank launched a non-face-to-face name verification for corporate banking customers via smartphone using Shinhan SOL Biz, enabling corporate customers to open new bank accounts without visiting a branch.

Corporate Lending Activities

Our principal loan products for corporate customers are working capital loans and facilities loans. Working capital loans, which include discounted notes and trade financing, are generally loans used for general working capital purposes. Facilities loans are provided to finance the purchase of equipment and construction of manufacturing plants. As of December 31, 2023, Shinhan Bank's working capital loans and facilities loans amounted to ₩75,000 billion and ₩90,738 billion, respectively, representing 44.3% and 53.6% of Shinhan Bank's total Won-denominated corporate loans. Working capital loans generally have a maturity of one year, but may be extended on an annual basis for an aggregate term of three years in the case of unsecured loans and five or ten years in the case of secured loans. Facilities loans have a maximum maturity of 15 years, are typically repaid in semiannual installments per annum and may be entitled to a grace period not exceeding one-third of the loan term with respect to the first repayment; facilities loans with a term of three years or less may be paid in full at maturity.

Loans to corporations may be unsecured or secured by real estate, deposits or guaranty certificates. As of December 31, 2023, Shinhan Bank's secured loans and guaranteed loans (including loans secured by guaranty certificates issued by credit guarantee insurance funds) accounted for 70.7% and 12.8%, respectively, of Shinhan Bank's Won-denominated loans to small-and medium-sized enterprises. As of December 31, 2023, 49.0% of the corporate loans of Shinhan Bank were secured by real estate.

When evaluating whether to extend loans to corporate customers, Shinhan Bank reviews their creditworthiness, credit score, value of any collateral and/or third party guarantee. The value of collateral is computed using a formula that takes into account the appraised value of the collateral, any prior liens or other claims against the collateral and an adjustment factor based on a number of considerations including, with respect to property, the average value of any nearby property sold in a court-supervised auction during the previous year. Shinhan Bank revalues collateral when a secured loan is renewed or if a trigger event occurs with respect to the loan in question.

Pricing

Shinhan Bank determines the price for its corporate loan products based principally on their respective cost of funding and the expected loss rate based on the borrower's credit risk. As of December 31, 2023, 75.4% of Shinhan Bank's corporate loans with outstanding maturities of one year or more had variable interest rates as determined by the applicable market rates.

More specifically, interest rates on Shinhan Bank's corporate loans are generally determined as follows:

Interest rate = (Shinhan Bank's periodic market floating rate *or* reference rate) *plus* transaction cost *plus* credit spread *plus* risk premium *plus or minus* discretionary adjustment.

Depending on the market condition and the agreement with the borrower, Shinhan Bank may use either its periodic market floating rate or the reference rate as the base rate in determining the interest rate for the borrower. As of December 31, 2023, Shinhan Bank's periodic market floating rates (which are based on a base rate determined for a three-month, six-month, one-year, two-year, three-year or five-year period, as applicable, as derived using Shinhan Bank's market rate system) were 3.83% for three months, 3.87% for six months, 3.74% for one year, 3.65% for two years, 3.67% for three years and 3.75% for five years. As of the same date, Shinhan Bank's reference rate was 4.00%. The reference rate refers to the base lending rate used by Shinhan Bank and is determined annually by Shinhan Bank's Asset & Liability Management Committee based on, among others, Shinhan Bank's funding costs, cost efficiency ratio and discretionary margin.

Transaction cost reflects the standardized transaction cost assigned to each loan product and other miscellaneous costs, including contributions to the Credit Guarantee Fund, and education taxes. The Credit Guarantee Fund is a statutorily created entity that provides credit guarantees to loans made by commercial banks and is funded by mandatory contributions from commercial banks in the amount of approximately 0.39% of all loans (excluding certain loans such as facility loans) made by them.

The credit spread is added to the periodic floating rate to reflect the expected loss based on the borrower's credit rating and the value of any collateral or payment guarantee. In addition, Shinhan Bank adds a risk premium which takes into account the potential of unexpected loss that may exceed the expected loss from the credit rating assigned to a particular borrower.

A discretionary adjustment rate is added or subtracted to reflect the borrower's current and/or future contribution to Shinhan Bank's profitability. If additional credit is provided by way of a guarantee, the adjustment rate is subtracted to reflect such change in the credit spread. In addition, depending on the price and other terms set by competing banks for similar borrowers, Shinhan Bank may reduce the interest rate to compete more effectively with other banks.

International Business

Shinhan Bank also engages in treasury and investment activities in international capital markets, principally including foreign currency-denominated securities trading, foreign exchange trading and services, trade-related financial services, international factoring services and foreign banking operations through its overseas branches and subsidiaries. Shinhan Bank aims to become a leading bank in Asia and expand its international business by focusing on further bolstering its overseas network, localizing its overseas operations and diversifying its product offerings, particularly in terms of asset management, in order to meet the various financing needs of its current and potential customers overseas.

Other Banking Services

Other banking businesses carried on by Shinhan Bank include treasury business (including internal asset and liability management and other non-deposit funding activities), trading of, and investment in, debt securities and, to a lesser extent, equity securities for its own accounts, derivative trading activities, as well as managing back-office functions.

Treasury

Shinhan Bank's treasury division provides funds to all of Shinhan Bank's business operations and ensures the liquidity of its operation. To secure stable long-term funds, Shinhan Bank uses fixed and floating rate notes, debentures, structured financing and other advanced funding methods. As for overseas funding, Shinhan Bank closely monitors the feasibility of raising funds in currencies other than the U.S. Dollar, such as the Japanese Yen and the Euro. In addition, Shinhan Bank makes call loans and borrows call money in the short-term money market. Call loans are short-term lending among banks and financial institutions in either Korean Won or foreign currencies with a minimum transaction amount of ₩100 million and maturities of typically one day.

Securities Investment and Trading

Shinhan Bank invests in and trades securities for its own accounts in order to maintain adequate sources of liquidity and to generate interest income, dividend income and capital gains. Shinhan Bank's trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Government agencies, local governments or certain government-invested enterprises, debt securities issued by financial institutions and equity securities listed on the KRX KOSPI Market and KRX KOSDAQ Market of the Korea Exchange. For a detailed description of our securities investment portfolio, see "— Description of Assets and Liabilities — Investment Portfolio."

Derivatives Trading

Shinhan Bank provides to its customers, and to a limited extent, trades for its proprietary accounts, a broad range of derivatives products, which include:

- interest rate swaps, options, and futures relating to interest rate risks;
- cross-currency swaps, largely for Korean Won against U.S. Dollars, Japanese Yen and Euros;
- equity and equity-linked options;
- foreign currency forwards, options and swaps;
- commodity forwards, swaps and options;
- credit derivatives; and
- KOSPI 200 indexed equity options.

Shinhan Bank's outstanding derivatives commitments in terms of notional amount were ₩241,415 billion, ₩239,620 billion and ₩251,507 billion in 2021, 2022 and 2023, respectively. Such derivative operations generally focus on addressing the needs of Shinhan Bank's corporate clients to enter into derivatives contracts to hedge their risk exposure and entering into back-to-back derivatives to hedge Shinhan Bank's risk exposure that results from such client contracts.

Shinhan Bank also enters into derivative contracts to hedge the interest rate and foreign currency risk exposures that arise from its own assets and liabilities. In addition, to a limited extent, Shinhan Bank engages in the proprietary trading of derivatives within its regulated open position limits. See "— Description of Assets and Liabilities — Derivatives."

Trust Account Management Services

Overview

Shinhan Bank's trust account management services involve management of trust accounts, primarily in the form of money trusts. Trust account customers are typically individuals seeking higher rates of return than those offered by bank account deposits. Because deposit reserve requirements do not apply to deposits held in trust accounts as opposed to deposits held in bank accounts, and regulations governing trust accounts tend to be less strict, Shinhan Bank is generally able to offer higher rates of return on trust account products than on bank deposit products.

Trust account products generally require higher minimum deposit amounts than those required by comparable bank account deposit products. Unlike bank deposit products, deposits in trust accounts are invested primarily in securities (consisting principally of debt securities and beneficiary certificate for real estate financing) and, to a lesser extent, in loans, as the relative shortage of funding sources require that trust accounts be invested in a higher percentage of liquid assets.

Under the Banking Act, the Financial Investment Services and Capital Markets Act and the Trust Act, assets in trust accounts are required to be segregated from other assets of the trustee bank and are unavailable to satisfy the claims of the depositors or other creditors of such bank. Accordingly, trust accounts that are not guaranteed as to principal (or as to both principal and interest) are accounted for and reported separately from the bank accounts. See "— Supervision and Regulation." Trust accounts are regulated by the Trust Act and the Financial Investment Services and Capital Markets Act, and most national commercial banks offer similar trust account products. Shinhan Bank earns income from trust account management services, which is recorded as net trust management fees.

As of December 31, 2021, 2022 and 2023, Shinhan Bank had total trust assets of ₩92,077 billion, ₩95,855 billion and ₩125,906 billion, respectively, comprised principally of securities investments of ₩22,438 billion, ₩22,316 billion and ₩21,913 billion, respectively; real property investments of ₩10,926 billion, ₩9,767 billion and ₩9,022 billion, respectively; and loans with an aggregate principal amount of ₩396 billion, ₩461 billion and ₩409 billion, respectively. Securities investments consisted of corporate bonds, government-related bonds and other securities, primarily commercial paper. As of December 31, 2021, 2022 and 2023, debt securities accounted for 23.8%, 22.8% and 17.0%, respectively, and equity securities constituted 0.6%, 0.5% and 0.4%, respectively, of Shinhan Bank's total trust assets. Loans made by trust accounts are similar in type to those made by bank accounts, except that they are made only in Korean Won. As of December 31, 2021, 2022 and 2023, 76.0%, 83.4% and 83.6%, respectively, of the amount of loans from the trust accounts were collateralized or guaranteed. In making investment from funds received for each trust account, each trust product maintains investment guidelines applicable to each such product which set forth, among other things, company-, industry- and security-specific limitations.

Trust Products

In Korea, trust products typically take the form of money trusts, which are discretionary trusts over which (except in the case of a specified money trust) the trustees have investment discretion subject to applicable law and is commingled and managed jointly for each type of trust account. The specified money trusts are established on behalf of customers who give specific directions as to how their trust assets should be invested.

Money trusts managed by Shinhan Bank's trust account business amounted to ₩53,763 billion, ₩61,110 billion and ₩69,292 billion as of December 31, 2021, 2022 and 2023, respectively.

Shinhan Bank offers variable rate trust products through its retail branch network. As of December 31, 2021, 2022 and 2023, Shinhan Bank's variable rate trust accounts amounted to ₩49,831 billion, ₩57,590 billion and ₩66,083 billion, respectively, of which principal guaranteed variable rate trust accounts amounted to ₩3,931 billion, ₩3,519 billion and ₩3,208 billion, respectively. Variable rate trust accounts offer their holders variable rates of return on the principal amount of the deposits in the trust accounts and do not offer a guaranteed return on the principal of deposits, except in the limited cases of principal guaranteed variable rate trust accounts, for which payment of the principal amount is guaranteed. Shinhan Bank charges a lump sum or a fixed percentage of the assets held in such trusts as a management fee, and, depending on the trust products, is also entitled to additional fees in the event of early termination of the trusts by the customer. Korean banks, including Shinhan Bank, are currently allowed to guarantee the principal of the following types of variable rate trust account products: (i) existing individual pension trusts, (ii) new individual pension trusts, (iii) existing retirement pension trusts, (iv) new retirement pension trusts, (v) pension trusts and (vi) employee retirement benefit trusts. Shinhan Bank also offers an insignificant amount of guaranteed fixed rate trust products (amounting to ₩1.0 billion, ₩1.0 billion and ₩1.0 billion as of December 31, 2021, 2022 and 2023, respectively), which provide to its holders a guaranteed return of the principal as well as a guaranteed fixed rate of return. These products are carry-overs from past offerings, and Shinhan Bank no longer offers guaranteed fixed rate trust products.

Credit Card Services

Products and Services

We currently provide our credit card services principally through our credit card subsidiary, Shinhan Card, and to a limited extent, Jeju Bank.

Shinhan Card offers a wide range of credit card and other services, principally consisting of the following:

- *credit card services*, which involve providing cardholders with credit up to a preset limit to purchase products and services. Repayment for credit card purchases may be made either (i) on a lump-sum basis, namely, in full at the end of a monthly billing cycle or (ii) on a revolving basis subject to a minimum monthly payment. The minimum monthly payment for holders of credit cards issued before December 30, 2014 is the greater of (x) 5% to 20% of the amount outstanding (depending on the cardholder's credit) or (y) W30,000. The minimum monthly payment for holders of credit cards issued on or after December 30, 2014 is the greater of (x) 10% to 30% of the amount outstanding (depending on the cardholder's credit) or (y) W50,000. Currently, the outstanding credit card balance subject to the revolving basis payments generally accrues interest at the effective annual rates of approximately 5.4% to 19.9%.
- *cash advances*, which enable the cardholders to withdraw cash subject to a preset limit from an ATM or a bank branch. Repayments for cash advances may be made either on a lump-sum basis or, in the case of credit cards issued before December 30, 2014, on a revolving basis. Currently, the lump-sum cash advances generally accrue interest at the effective annual rates of approximately 5.5% to 19.9% and the revolving cash advances generally accrue interest at a minimum rate of 6.4% to 19.9% of the outstanding balance (depending on the cardholder's credit).

- *installment purchases*, which provide customers with an option to purchase products and services from select merchants on an installment basis for which repayments must be made in equal amounts over a fixed term generally ranging from two to 36 months, and for certain limited types of cards, up to 36 months. Currently, the outstanding installment purchase balances generally accrue interest at the effective annual rates of approximately 9.5% to 19.9%.
- *card loans*, which enable cardholders to receive, up to a preset limit, a loan which is generally unsecured. Repayment of card loans is made generally by (i) repaying principal and interest in equal amounts on an installment basis over a fixed term of two to 48 months, (ii) repaying the principal and interest amounts in full at maturity, or (iii) making interest-only payments during the initial grace period of either three months or six months and repaying the principal and interest amounts on a monthly installment basis over the remaining period of typically two to 36 months. Currently, the outstanding card loan balances generally accrue interest at the effective annual rates of approximately 4.3% to 19.9%. Delinquent credit card receivables can also be restructured into loans, which we classify as card loans, and these loans generally accrue interest at the effective annual rates of approximately 11.9% to 19.5% over a fixed term whose maximum is 72 months.

Shinhan Card derives revenues from annual membership fees paid by credit cardholders, interest charged on credit card balances, fees and interest charged on cash advances and card loans, interest charged on late and deferred payments and merchant fees paid by retail and service establishments. Merchant fees and interest on cash advances constitute the largest source of revenue.

The annual membership fees for credit cards vary depending on the type of credit card and the benefits offered thereunder. For standard credit cards and most of the affinity and co-branded cards, Shinhan Card charges an annual membership fee ranging from ₩1,000 to ₩2,000,000 per credit card, depending on the type of the card and the cardholder profile. Certain government affinity cards have no annual membership fee. If Shinhan Card's customers make cash advances using ATMs of a financial institution other than Shinhan Card, Shinhan Card also charges a usage fee for such cash advances in an amount equivalent to the fees charged by such financial institution for the use of its ATM plus costs to cover Shinhan Card's related administration expenses.

Any accounts that are unpaid when due are deemed to be delinquent accounts, for which Shinhan Card levies a late charge in lieu of the interest rates applicable prior to default. The late charge rate currently ranges from 7.3% to 20.0% per annum. Since the first half of 2021, instead of levying a late charge in lieu of interest rates prior to default, Shinhan Card maintained the interest rates prior to default but added a late charge rate of 3% in addition to the interest rates prior to default.

Merchant discount fees, which are processing fees Shinhan Card charges to merchants, can be up to the regulatory limit of 2.3% of the purchased amount depending on the merchant used, with the average charge for credit cards being 1.41% in 2023. For small- and medium-sized merchants, the applicable regulations impose reduced fee rates of 0.8% (in the case of merchants with annual sales of ₩300 million or less) and 1.3% (in the case of merchants with annual sales of more than ₩300 million and up to ₩500 million), respectively, of the purchased amount.

Although making payments on a revolving basis is more common in many other countries, this payment method is still in its early stages of development in Korea. Cardholders in Korea are generally required to repay their purchases within approximately 14 to 44 days of purchase depending on their payment cycle, except in the case of installment purchases where the repayment term is typically three to six months. Accounts that remain unpaid after this period are deemed to be delinquent, and Shinhan Card levies late charges on and closely monitors such accounts. For purchases made on an installment basis, Shinhan Card charges interest on unpaid amounts at rates that vary according to the terms of repayment.

Cardholders are required to settle their outstanding balances in accordance with the terms of the credit cards they hold. Cardholders are required to select the monthly settlement date when they open the credit card account and may subsequently change the settlement date but no more than once every 60 days. Settlement dates at or around the end of each month are the most popular since salaries are typically paid at the end of the month.

In addition to credit card services, Shinhan Card also offers check cards, which are similar to debit cards in the United States and many other countries, to retail and corporate customers. A check card can be used at any of the merchants that accept credit cards issued by Shinhan Card and the amount charged to a check card is directly debited from the cardholder's designated bank account. Check cards have a low risk of default and involve minimal funding costs. Although Shinhan Card does not charge annual membership fees on the majority of check cards, merchants are charged fees on the amount purchased using check cards at a rate between 0.50% and 2.50%, depending on the type of business, which is lower than the corresponding fee charged for credit card use.

Recently, the Financial Services Commission has allowed certain financial institutions, including Shinhan Card, to test innovative financial services. Shinhan Card obtained approval from the Financial Services Commission to test nine business: (i) peer-to-peer credit card remittance services whereby individuals can send money to others directly using credit cards, (ii) a credit scoring system that evaluates individual business owners' credit standing based on their revenue records and history of credit card use, (iii) small-scale investment using credit cards, (iv) face recognition payments, (v) house rent payments using credit cards, (vi) rental brokerage platforms, (vii) overseas remittance using credit cards, (viii) quick payment to small merchants using credit card reward points and (ix) family cards for underage children. As of December 31, 2023, six businesses have been successfully commercialized, and we expect to launch the remaining three services in the foreseeable future.

Recently, competition in the payment service market has intensified due to the entry of internet banks and non-financial institutions, as well as the easing of government regulations governing financial platform services. A number of technology companies and financial institutions have focused their attempts toward attracting customers to join their digital platforms, which offer all-encompassing financial services via a single channel. Shinhan Card offers various services to customers through its financial and non-financial platforms, such as Shinhan SOL Pay, Shinhan My Car, and Shinhan Card All That, as well as through Shinhan Super SOL, the Group's integrated financial platform which launched in December 2023.

Credit Card Products

Shinhan Card offers a wide range of credit card products tailored for credit cardholders' lives and to satisfy their preferences and needs. Credit card products offered by Shinhan Card include:

- cards that provide additional benefits such as frequent flyer miles and reward program points that can be redeemed by the customer for complementary services, prices or cash;
- platinum cards and other preferred membership cards, which have higher credit limits and provide additional services in return for higher annual membership fees;
- cards with additional features to preferred customers, such as revolving credit cards, travel services and insurance;
- cards with fraud detection and security systems to prevent the misuse of credit cards and to encourage the use of credit cards over the Internet;
- corporate and affinity cards that are issued to employees or members of particular companies or organizations; and
- mobile phone cards allowing customers to conduct wireless credit card transactions through their mobile phones.

Customers and Merchants

In addition to internal growth through cross-selling, we seek to enhance our market position by selectively targeting new customers with high net-worth and solid credit quality through the use of a sophisticated and market-oriented risk management system. Shinhan Card screens its credit card applicants and sets individualized credit limits for such applicants according to internal guidelines based on a comprehensive credit scoring system. We also seek to provide a wide variety of differentiated products and services tailored to our customers' individualized needs through precision analysis and customer segmentation based on the "big data" we have compiled on our approximately 22 million customers. We have also formed a team dedicated to the "fintech" business by actively pursuing technology developments and strategic alliances with key partners as well as additional teams focused on innovation and creating new sources of value for our clients through the development of big data and digital platforms and provision of big data-based consulting services. In 2019, utilizing an innovative platform based on big data analysis, Shinhan Card launched a "Super Personalization Service", aimed at providing our individual customers with tailored and personalized services that meet their individual needs. As Shinhan Card has obtained a license from the Financial Services Commission as a MyData service provider, Shinhan Card has been able to utilize additional external data to enhance its ability to further refine and tailor personalized services for its customers. In 2022, Shinhan Card further leveraged its existing big data capabilities by diversifying and accelerating revenue-generating businesses such as MyData-based loan brokerage, big data sales, credit bureau for small businesses, and commercial real estate analysis. In 2024, Shinhan Card plans to focus on increasing profitability in all areas of the data business and securing future growth opportunities based on its big data capabilities. Shinhan Card seeks to improve revenue generation in the data sales business by seeking affiliation with other businesses and discovering new markets. Additionally, Shinhan Card plans to continue its efforts to discover new growth opportunities by expanding the MyData-based loan brokerage, commercializing advertising technology businesses, and developing alternative credit bureau businesses. Furthermore, Shinhan Card aims to continue to accelerate business innovations based on AI solutions while promoting internal and external data exchange and integration, such as Shinhan One Data and Grandata, to strengthen the group-wide integrated digital ecosystem.

The following table sets forth the number of customers of Shinhan Card and the number of merchants at which Shinhan Card can be used for purchases as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	(In thousands, except percentages)		
Shinhan Card:			
Number of credit card holders[(1)]	13,283	13,316	13,312
Personal accounts	13,091	13,140	13,047
Corporate accounts	192	176	164
Active ratio[(2)]	96.62%	96.61%	97.46%
Number of merchants	2,894	3,032	3,121

Notes:

(1) Represents the number of cardholders whose card use is not subject to suspension or termination as of the relevant date.

(2) Represents the ratio of accounts used at least once within the last six months to the total accounts as of year-end.

Installment Finance

Shinhan Card provides installment finance services to customers to facilitate purchases of durable consumer goods such as new and used cars, appliances, computers and other home electronics products. Revenues from installment finance operations accounted for 3.65% of Shinhan Card's total operating revenue in 2023. Shinhan Card pays the merchants when Shinhan Card's customers purchase such goods, and the customers remit monthly installment payments to Shinhan Card over a number of months, generally up to 36 months (and, in the case of installment financings for automobile purchases, up to 72 months), as agreed with the customers. For installment finance products for new cars, Shinhan Card historically charged, in addition to interest, an initial financing fee of up to 9.9% of the purchase price, depending on the customer's credit score, the installment period and installment amount. Initial financing fees charged in connection with installment finance products for new cars, however, were abolished effective March 2, 2013 pursuant to the Financial Consumer Report (Automobile Financings) issued by the Financial Supervisory Service on January 29, 2013. Shinhan Card has installment financing arrangements with over 13,000 merchants in Korea, including major car dealers, manufacturers and large retailers with nationwide networks, such as electronics goods stores.

Shinhan Card promptly processes installment financing applications and, based on the extensive credit information it possesses or can access, it is able to offer flexible installment payment terms tailored to individual needs of the customers. Shinhan Card also devotes significant efforts to developing and maintaining its relationships with merchants, which are the most important source of referrals for installment finance customers. Shinhan Card makes prompt payments to merchants for goods purchased by the installment finance customers.

Auto Lease

Shinhan Card provides auto leasing financing to retail customers and corporations. Revenues from auto lease operations accounted for 9.19%, 10.83% and 12.77% of Shinhan Card's total operating revenue in 2021, 2022 and 2023, respectively.

Securities Services

Overview

Through Shinhan Securities, we provide a wide range of financial investment services to our diversified customer base including corporations, institutional investors, governments and individuals. Financial investment services offered by Shinhan Securities range from securities services, investment advice and financial planning services, and investment banking services such as underwriting and mergers and acquisitions advisory services. Subject to market conditions, Shinhan Securities also engages in equity- and stock index-linked derivatives sales and brokerage, proprietary trading and brokerage services for futures involving interest rates, currency and commodities as well as foreign exchange margin trading.

As of December 31, 2023, according to internal data, Shinhan Securities' annual market share of Korean equity brokerage market was 8.33% (consisting of 2.67% in the retail segment, 0.53% in the institutional segment and 5.14% in the international segment) in terms of total brokerage volume, ranking seventh among securities firms in Korea. As of the same date, according to internal data, Shinhan Securities' annual market share of Korean options and futures brokerage market were 15.73% and 18.94%, respectively, in terms of total brokerage volume with respect to these products.

Products and Services

Shinhan Securities provides principally the following services:

- *retail client services.* These services include equity and bond brokerage, investment advisory and financial planning services to retail customers, with a focus on high net-worth individuals. The fees generated include brokerage commissions for the purchase and sale of securities, asset management fees, interest income from credit extensions (including in the form of stock subscription loans), margin transaction loans and loans secured by deposited securities.
- *institutional client services*:
  - *brokerage services.* These services include brokerage of stocks, corporate bonds, futures and options provided to Shinhan Securities' institutional and international customers and sale of institutional financial products. These services are currently supported by a team of approximately 50 research analysts that specialize in equity, bonds and derivatives research.

- *investment banking services.* These services include a wide array of investment banking services to Shinhan Securities' corporate customers, such as domestic and international initial public offerings, mergers and acquisitions advisory services, bond issuances, underwriting, capital increase, asset-backed securitizations, issuance of convertible bonds and bonds with warrants, structured financing, issuance of asset-backed commercial papers and project financings involving infrastructure, real estate and shipbuilding.

Shinhan Securities also engages, to a limited extent, in proprietary trading in equity and debt securities, derivative products and over-the-counter market products.

With respect to brokerage services, in the face of intense competition in the domestic brokerage industry, Shinhan Securities primarily focuses on strengthening profitability through service differentiation and efficient management of its distribution network rather than enlarging its market share indiscriminately through lowering fees and commissions. Shinhan Securities' service differentiation efforts include offering its customers opportunities to purchase stocks in a wide range of countries (currently more than 29 countries), leveraging synergy opportunities afforded by affiliation with other Shinhan entities such as offering brokerage accounts maintained at Shinhan Bank and Shinhan Capital.

With respect to investment banking services, Shinhan Securities concentrates on equity capital markets, debt capital markets, project finance and mergers and acquisitions. To a limited extent, Shinhan Securities also engages in private equity investments through formation of private equity funds by soliciting investors on a private placement basis. To better serve its international customers, Shinhan Securities has established four overseas service centers in Hong Kong, New York, Vietnam and Indonesia. In July 2015, we acquired a 100% stake in Nam An Securities (subsequently launched as Shinhan Securities Vietnam Co., Ltd.), a Vietnamese securities services firm that provides investment banking and asset management services. In addition, in order to capitalize on the rapid growth opportunity and as part of its expansion efforts in Indonesia, Shinhan Securities acquired a 99% stake in PT Makinta Securities, an Indonesian investment banking firm in July 2016 and subsequently launched it as an overseas subsidiary offering investment banking and brokerage services under the name PT Shinhan Sekuritas Indonesia in December 2016. To further expand and stabilize our global businesses, we made further capital investments totaling US$62 million in December 2017 in our subsidiaries located in Hong Kong, New York, Vietnam and Indonesia. In 2018, we acquired PT Archipelago Asset Management, the first acquisition of an Indonesian asset management firm by a Korean financial group, which we believe will strengthen our business portfolio in Indonesia and enhance our competitiveness in the Asian financial markets.

Life Insurance Services

Overview

We provide life insurance products and services primarily through Shinhan Life Insurance. Shinhan Life Insurance provides services through diversified distribution channels consisting of financial planners, telemarketers, agency marketers and bancassurance specialists. Shinhan Life Insurance had total assets of ₩70,536 billion, ₩56,501 billion and ₩58,641 billion as of December 31, 2021, 2022 and 2023, respectively, and net profits of ₩392 billion, ₩449 billion and ₩472 billion for the years ended December 31, 2021, 2022 and 2023, respectively. Total assets and net profits of Shinhan Life Insurance in 2021 included Orange Life Insurance's total assets and net profits after Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021.

Since the merger, Shinhan Life Insurance has focused on post-merger integration initiatives to bring together the core capabilities of Shinhan Life Insurance and Orange Life, based on a new motto of "NewLife, adding new values to life." In 2022, Shinhan Life Insurance successfully developed an integrated IT system by combining the resources of the two companies.

Products and Services

Shinhan Life Insurance provides principally the following services:

- *Life insurance*. Shinhan Life Insurance develops products that are marketed to customer bases in various age groups through tailored marketing strategies and in-depth analysis of customer databases, backed by support for and training of competent insurance consultants. For example, Shinhan Life Insurance has launched innovative products that offer customized underwriting and premium options.
- *General agent ("GA")*. Shinhan Life Insurance acquired reputable GA organizations to lay the foundation for stable growth within the GA market.
- *Healthcare service*. As part of the efforts to grow its non-insurance services, Shinhan Life Insurance's healthcare services help bring in new customers by giving them access to a wide range of content based on their platform.

To better serve its international customers, Shinhan Life Insurance established Shinhan Life Insurance Vietnam Co., Ltd. in Vietnam which began its business operations in January 2021.

In response to the implementation of IFRS 17, Shinhan Life Insurance has updated its management strategies, settlement process and internal control systems. In addition, Shinhan Life Insurance upgraded its insurance risk measurement system in anticipation of a new regulatory solvency regime for insurance companies, the Korean-Insurance Capital Standard (the "K-ICS"). See "Item 3.D. Risk Factors — Risks Related to Our Other Businesses — Prolonged periods of declining or low interest rates or changes in related accounting standards may reduce or turn negative our investment margin on savings insurance products and result in an increase in the valuation of our liabilities associated with these products."

Non-Life Insurance Services

We provide a wide range of general insurance products through Shinhan EZ General Insurance. Shinhan EZ Insurance was established in 2003 as Daum Direct Car Insurance. On June 30, 2022, we acquired BNP Paribas Cardif General Insurance and changed its name to Shinhan EZ General Insurance. General insurance products offered by Shinhan EZ General Insurance include collateral protection insurance, motor insurance, SMART repair and extend warranty. Shinhan EZ General Insurance also intends to switch to a digital insurance business model. Shinhan EZ General Insurance aims to offer innovative insurance products suitable for collaboration with startups based on advanced digital channels, in addition to traditional insurance products, such as health, injury, travel and leisure insurance. Shinhan EZ General Insurance is seeking to pursue sustainable growth by creating new business opportunities and collaborating with various startups and our affiliates and is also planning to expand coverage within the automotive insurance market.

Credit Services

We provide leasing and equipment financing services to our corporate customers mainly through Shinhan Capital. Shinhan Capital provides customers with leasing, installment financing and new technology financing, equipment leasing, and corporate credit financing. Shinhan Capital's strength has traditionally been in leasing of ships, printing machines, automobiles and other specialty items, but it also offers other leasing and financing services, such as corporate restructuring services for financially troubled companies, project financing for real estate and infrastructure development, corporate leasing and equipment financing.

Other Services

Through our other subsidiaries, we also provide asset management, savings banking, loan collection and credit reporting, collective investment administration and financial system development services. Through Shinhan Asset Management, which merged with Shinhan Alternative Investment Management in January 2022 (in addition to Shinhan Securities), we are also engaged in alternative investments through formation of private equity funds by soliciting investors on a private placement basis.

Asset Management Services

In addition to personalized wealth management services provided as part of our private banking and securities services, we also provide asset management services through Shinhan BNP Paribas Asset Management, formerly a joint venture with BNP Paribas Asset Management Holding, of which we and BNP Paribas Asset Management Holding held 65:35 interests, respectively. On January 15, 2021, we acquired the remaining 35% interest in Shinhan BNP Paribas Asset Management and changed its legal name to Shinhan Asset Management, and hence Shinhan Asset Management has become our wholly-owned subsidiary as of such date. Shinhan Asset Management ranked fourth among asset managers in Korea in terms of assets under management. As of December 31, 2023, and provides a wide range of investment products, including traditional equity/fixed income funds as well as alternative investment products, to retail and institutional clients. As a former joint venture with BNP Paribas Asset Management Holding, we believe Shinhan Asset Management derives significant benefits from BNP Paribas's global network of investment professionals and expertise in the asset management industry. As of December 31, 2023, Shinhan Asset Management had assets under management amounting to ₩108,128 billion. To a limited extent, Shinhan Securities also provides asset management services for discretionary accounts, see "— Securities Services."

Savings Banking

Through Shinhan Savings Bank, we provide savings banking services in accordance with the Mutual Savings Bank Act to customers that generally would not, due to their credit profile, qualify for our commercial banking services or who seek higher returns on their deposits than those offered by our commercial banking subsidiaries. Established in December 2011, Shinhan Savings Bank offers savings and other deposit products with relatively higher interest rates and loans (usually in relatively small amounts and on customer-tailored terms and including loans for which we receive credit support from the Government) primarily to small- to medium-sized enterprises and low income households who would not generally qualify for our commercial banking services. Shinhan Savings Bank has assumed the assets and liabilities of Tomato Savings Bank, which we acquired in January 2012, and has merged into Yehanbyoul Savings Bank, which we acquired in March 2013, with Yehanbyoul Savings Bank as the surviving entity with its name changed to Shinhan Savings Bank. Both Tomato Savings Bank and Yehanbyoul Savings Bank were facing liquidity troubles due to difficulties in the real estate project financing business as a result of the prolonged slump in the Korean real estate market at the time we acquired them. We closely monitor the business activities and product offerings of Shinhan Savings Bank to ensure its financial soundness.

Loan Collection and Credit Reporting

We centralize credit collection and credit reporting operations for our subsidiaries through Shinhan Credit Information Co. Ltd. ("Shinhan Credit Information"), which also provides similar services to third party customers. Shinhan Credit Information's services include debt collection, credit inquiries, credit reporting, civil application/petition services and process agent services, among others. Shinhan Credit Information also manages participants in credit recovery programs and provides support to the Kookmin Happy Fund, which is a Government-established fund that supports retail borrowers with low credit scores by purchasing defaulted loans from creditors or providing credit guarantees to enable such borrowers to refinance at lower rates.

Collective Investment Administration Services

We provide integrated collective investment administration services through Shinhan Fund Partners Co., Ltd. Shinhan Fund Partners Co., Ltd. provides general management service, asset management systems, accounting systems and trading systems to asset management companies and institutional investors. The target customers for these collective investment administration services are asset managers, investment advisors and institutional investors, and Shinhan Fund Partners Co., Ltd. seeks to provide a comprehensive service package including the computation of the reference value for funds, evaluation of fund performance, provision of trading systems and fund-related legal administrative services.

Alternative Investments

To a limited extent, through Shinhan Asset Management, which merged with Shinhan Alternative Investment Management in January 2022, we are also engaged in private equity investments through formation of private equity funds. The private equity funds receive funding from investors on a private placement basis, which funds are then invested in alternative assets and equity securities in companies for a variety of reasons, including management control, business turnaround or corporate governance improvements.

Financial System Development Services

We provide financial system development services through Shinhan DS, which offers system integration, system management, IT outsourcing, business process outsourcing and IT consulting services.

Real Estate Investment Trust (REIT) Asset Management

Through our wholly owned subsidiary, Shinhan REITs Management Co., Ltd., we provide real estate investment and management services to real estate investment trusts.

Real Estate Trust Services

Shinhan Asset Trust Co., Ltd. is a comprehensive real estate trust service provider, providing services including land development trust, management trust, proxy and agency businesses and consulting, etc.

Artificial Intelligence Based Investment Consulting

Shinhan AI. Co., Ltd. is an artificial intelligence-based investment consulting company established to enhance our competitiveness in the digital age and provide differentiated investment consulting services, with plans to expand business into the asset management sector.

Venture Capital Investment

Shinhan Venture Investment Co, Ltd. is an alternative investment management firm specializing in identifying and investing in start-up companies as well as small to mid-sized companies and also promoting the formation and operation of early stage investment funds and private equity investment funds.

Our Distribution Network

We offer a wide range of financial services to retail and corporate customers through a variety of distribution networks and channels established by our subsidiaries. The following table presents the geographical distribution of our distribution network based on the branch offices and other distribution channels of our principal subsidiaries, as of December 31, 2023.

Distribution Channels in Korea(1)	Shinhan Bank	Jeju Bank	Shinhan Card	Shinhan Securities	Shinhan Life Insurance	Total
Seoul metropolitan	301	1	7	38	110	457
Gyeonggi province	154	—	1	11	24	190
Six major cities:	137	1	6	16	42	202
Incheon	52	—	1	3	4	60
Busan	29	1	1	3	15	49
Gwangju	12	—	1	2	6	21
Daegu	19	—	1	4	8	32
Ulsan	11	—	1	1	3	16
Daejeon	14	—	1	3	6	24
Sub-total	592	2	14	65	176	849
Others	129	30	13	11	22	205
Total	721	32	27	76	198	1,054

Note:

(1) Includes our main office and those of our subsidiaries.

Banking Service Channels

Our banking services are primarily provided through an extensive branch network, specializing in retail and corporate banking services, as complemented by self-service terminals and electronic banking, as well as an overseas services network.

As of December 31, 2023, Shinhan Bank's branch network in Korea comprised of 721 service centers, consisting of 513 retail banking service centers (including 25 private wealth management service centers and 112 retail offices), 15 large corporate banking service centers, 63 corporate banking services centers and 130 hybrid banking branches. Shinhan Bank's banking branches are designed to provide one-stop banking services tailored to their respective target customers. Recently, Shinhan Bank has been actively adopting digital technology to improve operational efficiency of its banking service channels. For example, Shinhan Bank introduced digital kiosks to banking branches, established 'Paperless Banking' by replacing paper applications with electronic documents, implemented a "robotic process automation system" for the automation of certain tasks and processes and increased the volume of client communications through non-face-to-face platforms.

Retail Banking Channels

In Korea, many retail transactions are conducted in cash or with credit cards, and conventional checking accounts are generally not offered or used as widely as in other countries such as the United States. An extensive retail branch network has traditionally played an important role as the main platform for a wide range of banking transactions. However, a growing number of customers are turning to other service channels to meet their banking needs, such as Internet banking, mobile banking and other forms of non-face-to-face platforms. In response to such changes, Shinhan Bank has recently focused on reorganizing its retail branch network, including shifting, merger or closure of certain branches that are considered redundant.

Recently, one of the key initiatives at Shinhan Bank has been to target high net-worth individuals through private banking. Our private banking services are provided principally through private banking relationship managers who, within target customer groups, assist clients in developing individual investment strategies. We believe that such relationship managers help us foster enduring relationships with our clients. Private banking customers also have access to Shinhan Bank's retail branch network and other general banking products Shinhan Bank offers through its retail banking operations.

Corporate Banking Channels

Shinhan Bank currently provides corporate banking services through corporate banking service centers primarily designed to serve large corporate customers and hybrid banking branches designed to serve retail as well as small-business corporate customers. Small- and medium-sized enterprises have traditionally been Shinhan Bank's core corporate customers and we plan to continue to maintain Shinhan Bank's strength vis-à-vis these customers.

Self-Service Terminals

In order to complement its banking branch network, Shinhan Bank maintains an extensive network of automated banking machines, which are located in branches and in unmanned outlets. These automated banking machines consist of ATMs, cash dispensers and passbook printers. In December 2015, Shinhan Bank introduced digital kiosks, a new generation of automated self-service machines featuring biometric authentication technology and the ability to perform a wide range of services that were not available through traditional ATMs, such as opening new accounts, issuance of debit and check cards, foreign currency exchange and overseas remittance of foreign currency. As of December 31, 2023, Shinhan Bank had 4,564 ATMs, 3 cash dispensers and 309 digital kiosks. Shinhan Bank has actively promoted the use of these distribution outlets in order to provide convenient service to customers, as well as to maximize the marketing and sales functions at the branch level, reduce employee costs and improve profitability. In 2023, automated banking machine transactions accounted for a substantial portion of total deposit and withdrawal transactions of Shinhan Bank in terms of the number of transactions and fee revenue generated, respectively.

Digital Banking

Shinhan Bank's digital banking services are more comprehensive than those available at the counter, including services such as 24-hour account balance posting, real-time account transfer, overseas remittance, and loan requests. As of December 31, 2023, Shinhan Bank had 23,698,015 subscribers to its Internet banking services and 16,483,060 users of its smart banking apps, representing an increase of 3.1% and 3.06%, respectively, compared to December 31, 2022. Shinhan Bank continues to experience a rise in the number of online and mobile banking users. Shinhan Bank began offering online and mobile banking initially to save costs rather than to increase revenues, but it is exploring ways to increase revenues through online and mobile banking. These services offer customers more straightforward and convenient access to banking services without limitations of time and space and offer tailored and customized service to each customer. In February 2018, Shinhan Bank launched "SOL," a mobile banking application integrating Shinhan Bank's six previously existing mobile applications. Shinhan Bank began offering an open banking service in October 2019, allowing customers to access accounts, products, and services across multiple banks using only SOL. In November 2019, Shinhan Bank also launched "SOL Global," a mobile banking application for foreigners, allowing foreign customers to use open banking and other financial services. In 2020, Shinhan Bank expanded the network of financial institutions accessible through SOL's open banking service. It implemented upgrades that allowed users to customize the user interface to reflect personal asset management preferences. In addition, Shinhan Bank launched the "MoneyVerse" service in December 2021, which utilizes the financial MyData service and enables customers to transfer assets held in other institutions, such as banks, securities, insurance, pension, real estate, and automobiles, to Shinhan SOL. The service made it possible to conduct an integrated inquiry and management of assets. Shinhan Bank is promoting various efforts to transform SOL into a digital platform that goes beyond a financial service platform and becomes closely connected to customers' lives. In 2020 and 2021, Shinhan Bank launched the COVID-19 Government relief application service through SOL, allowing users to apply for Government emergency funds through the mobile application. In addition, in February 2020, Shinhan Bank launched a medical insurance claim service on SOL, allowing users to easily submit medical insurance claims by sending photos of supporting documents through the SOL mobile application. In line with the recent trends of "live commerce," in October 2020, Shinhan Bank launched "SOL Live," a live broadcast marketing stream channel for financial products. Shinhan Bank also promoted digital innovation at its existing offline branches in 2021. For example, customers are greeted by an AI concierge and they can choose to use smart kiosk that enables self-service banking and digital service including remote video consulting. By taking part in the Consumer Electronics Show 2021, Shinhan Bank was able to introduce its innovative branch services and digital service devices such as digital desks that offer AI-powered customer service assistance and live video chat with service representatives to the world. Additionally, in 2022, Shinhan Bank launched "New SOL", an upgraded version of SOL that offers enhanced user experience and improved usability. New SOL has been transformed into a banking platform that is specifically designed based on customer feedback gathered during the application's planning phase. Due to improvements in software framework, the speed of the mobile application has improved substantially, along with the user experience. Chatbots have also been upgraded, and they now have improved multi-tasking capabilities in addressing user requests and inquiries. Shinhan Bank intends to continue introducing a range of innovative technologies that will enhance customer experience and open up new business opportunities, such as face recognition technology for user identity verification and voice banking services powered by artificial intelligence. Shinhan Bank will also continue to focus on security measures for privacy protection and financial crime detection. Also in 2022, Shinhan Bank launched a customer communication channel where customers are invited to submit their ideas on financial and banking services in general and also to post their feedback on our products and services. Shinhan Bank's mobile banking application was rebranded to SOL Bank as a result of the launch of Super SOL in December 2023, an integrated Group-wide mobile application.

Overseas Distribution Network

The table below sets forth Shinhan Bank's overseas banking subsidiaries and branches as of December 31, 2023.

Business Unit	Location	Year Established or Acquired
Subsidiaries[1]		
Shinhan Bank Europe GmbH[2]	Frankfurt, Germany	1994
Shinhan Bank America	New York, U.S.A.	1990
Shinhan Bank (China) Limited	Beijing, China	2008
Shinhan Bank (Cambodia) PLC	Phnom Penh, Cambodia	2007
Shinhan Bank Kazakhstan Limited	Almaty, Kazakhstan	2008
Shinhan Bank Canada	Toronto, Canada	2009
Shinhan Bank Japan[3]	Tokyo, Japan	2009
Shinhan Bank Vietnam Ltd.[4]	Ho Chi Minh City, Vietnam	2011
Banco Shinhan de Mexico[5]	Mexico City, Mexico	2015
PT Bank Shinhan Indonesia[6]	Jakarta, Indonesia	2016

Business Unit	Location	Year Established or Acquired
Branches		
New York	U.S.A.	1989
Singapore	Singapore	1990
London	United Kingdom	1991
Mumbai	India	1996
Hong Kong	China	2006
New Delhi	India	2006
Poonamallee	India	2010
Pune	India	2014
Manila	Philippines	2015
Dubai	United Arab Emirates	2015
Sydney	Australia	2016
Yangon	Myanmar	2016
Ahmedabad	India	2016
Ranga Reddy	India	2016
Representative Offices(7)		
Mexico	Mexico City, Mexico	2008
Uzbekistan	Tashkent, Uzbekistan	2009
Poland(2)	Wroclaw, Poland	2014
Hungary(8)	Budapest, Hungary	2021

Notes:

(1) Shinhan Bank's subsidiary in Hong Kong SAR, China, Shinhan Asia Ltd., was liquidated as of July 14, 2020.
(2) Shinhan Bank Europe GmbH established a representative office in Poland in 2014.
(3) While Shinhan Bank established the subsidiary in Japan in 2009, Shinhan Bank has provided banking services in Japan through a branch structure since 1986.
(4) Prior to the establishment of this subsidiary in 2011, Shinhan Bank provided banking services in Vietnam through a branch since 1995.
(5) Banco Shinhan de Mexico commenced operations in March 2018.
(6) Shinhan Bank acquired a 98.01% stake in Bank Metro Express and a 100% stake in Centratama Nasional Bank, two banks in Indonesia, in November 2015 and December 2016, respectively. On March 3, 2016, Bank Metro Express obtained a license to conduct business activities in the name of PT Shinhan Bank Indonesia. Centratama Nasional Bank was merged with PT Bank Shinhan Indonesia on December 6, 2016.
(7) Shinhan Bank's representative office in Myanmar was closed as of June 8, 2018.
(8) Shinhan Bank's representative office in Hungary commenced operations on October 19, 2021.

Currently, our overseas subsidiaries and branches are primarily engaged in trade financing and local currency funding for Korean companies and Korean nationals in the overseas markets, as well as providing foreign exchange services in conjunction with Shinhan Bank's headquarters. On a limited basis, these overseas branches and subsidiaries also engage in investment and trading of securities of foreign issuers. In the future, as part of our globalization efforts, we plan to expand our coverage of local customers in the overseas markets by providing a wider range of services in retail and corporate banking, and to that end, we have increasingly established subsidiaries in lieu of branches in select markets and in 2011 merged two of our Vietnam banking subsidiaries in order to enhance our presence and enable greater flexibility in its service offerings in these markets. We plan to maintain our focus on organic growth, while we may selectively pursue acquisitions in markets where it is difficult to obtain local banking licenses through greenfield entry. In furtherance of this objective, Shinhan Bank acquired a 98.01% stake in Bank Metro Express and a 100% stake in Centratama

Nasional Bank, two banks in Indonesia, in November 2015 and December 2016, respectively. Shinhan Bank completed the merger of the two banks in December 2016. Shinhan Bank also opened additional branches in Australia, Myanmar and India in the second half of 2016. In April 2017, Shinhan Bank Vietnam Co., Ltd. acquired ANZ Bank (Vietnam) Limited's retail division. In 2017, Shinhan Bank became the first Korean Bank to obtain a license to set up a local subsidiary in Mexico and started local business in Mexico in March 2018. In October 2021, Shinhan Bank opened an office in Hungary, expanding Shinhan Bank's operations in Eastern Europe. We plan to continue our efforts to expand our overseas banking service network and global operations.

Credit Card Distribution Channels

Shinhan Card primarily uses four distribution channels to attract new credit card customers: (i) the banking and credit card branch network, (ii) sales agents, (iii) business partnerships and affiliations with vendors and (iv) digital platforms such as Shinhan pLay.

As of December 31, 2023, the branch network for our credit card operations consisted of 721 branches of Shinhan Bank and 27 card sales branches of Shinhan Card. The use of the established distribution network of Shinhan Bank is part of the group-wide cross-selling efforts of selling credit card products to existing banking customers. In 2023, the number of new cardholders acquired through our banking distribution network accounted for approximately 19.6% of the total number of new cardholders. We believe that the banking distribution network will continue to provide a stable and low-cost venue for acquiring high-quality credit cardholders.

The sales agents represented the most significant source of Shinhan Card's new cardholders in 2023, and the number of new cardholders acquired through sales agents accounted for approximately 28.5% of the total number of Shinhan Card's new cardholders in 2023. As of December 31, 2023, Shinhan Card had 1,021 sales agents, who were independent contractors. These sales agents assist prospective customers with the application process and customer service. Compensation of these sales agents is generally tied to the transaction volume of the customers introduced by them, and we believe this system helps to enhance profitability.

As a way of acquiring new cardholders, Shinhan Card also has business partnership and affiliation arrangements with a number of vendors, including gas stations, major retailers, airlines and telecommunication and Internet service providers. Shinhan Card plans to continue to leverage its alliances with such vendors to attract new cardholders.

As part of a group-wide initiative to streamline our operations and create a digital-friendly business platform, Shinhan Card has strategically expanded its digital platforms. In October 2021, Shinhan Card launched "Shinhan pLay", a mobile platform providing consolidated financial and non-financial services. In addition to providing traditional financial services such as payment, open banking and asset management as well as services provided through traditional customer service means such as call centers and website applications, Shinhan pLay also offers a variety of non-financial content including entertainment, shopping, personal certificates and memberships in order to better provide customized financial services aimed at meeting the comprehensive needs of customers. In addition to providing traditional payment services, Shinhan pLay utilizes digital technology such as artificial intelligence and big data to provide real-time customized services tailored to individual users and integrated access across services provided by various merchants and affiliates.

In November 2014, as an initial step to exploring potential opportunities overseas, Shinhan Card established its first overseas subsidiary in Kazakhstan, LLP MFO Shinhan Finance. Kazakhstan had relatively low entry barriers to foreign financial institutions, high growth potential for retail operations and possibility of leveraging Shinhan Bank's network. LLP MFO Shinhan Finance obtained its business license in the first half of 2015 and commenced operations in July 2015, including installment financing and credit loans. In 2018, LLP MFO Shinhan Finance expanded its sales channels and introduced new credit loan products, while in 2019, the company further expanded its sales coverage while enhancing its risk management capabilities. In 2021, LLP MFO Shinhan Finance established a foundation for its automobile finance business through a captive partnership with a local dealership in Kazakhstan. In 2023, LLP MFO Shinhan Finance entered into a partnership with a major local automobile dealer.

In December 2015, Shinhan Card acquired a majority stake in PT Swadharma Indotama Finance, a multi finance company in Indonesia, and changed its legal name to PT Shinhan Indo Finance. PT Shinhan Indo Finance engages in corporate and retail operations, including installment financing and financial leases, and began offering credit card services in January 2017 after obtaining its credit card business license in December 2016. In 2018, PT Shinhan Indo Finance began to expand its retail business across Indonesia. In 2019, PT Shinhan Indo Finance launched its joint finance product with Shinhan Bank, maintaining a conservative approach to its retail business while steadily increasing its corporate leasing assets, particularly corporate fleet vehicle finance products. Since 2020, PT Shinhan Indo Finance has been focusing on stable growth by expanding its fleet business and improving its financial performance.

In March 2016, to accelerate our global business expansion, we established Shinhan Microfinance, a local subsidiary in Myanmar. Shinhan Microfinance obtained its microfinance business license in July 2016 and launched operations in September 2016. In 2017, it expanded its business operations from Yangon to nearby Bago. In 2018, Shinhan Microfinance increased its assets and profit volume by diversifying the range of microfinance products it offers. In 2019, Shinhan Microfinance actively expanded its sales network and sought long term growth opportunities. In 2020, Shinhan Microfinance has grown significantly despite the spread of COVID-19 by expanding its branch network and launching new products. Since 2023, Shinhan Microfinance has been focusing on risk management to achieve stable growth amidst continued challenges such as prolonged effects of COVID-19 pandemic and instability in the global economy.

In January 2018, Shinhan Card acquired Prudential Vietnam Finance Company Limited in order to gain a stronger presence in Vietnam and increase synergy with Shinhan Bank and Shinhan Securities' Vietnam operations. In July 2019, Shinhan Card changed its legal name into Shinhan Vietnam Finance Company Ltd. ("Shinhan Vietnam Finance Company"). Utilizing its relatively lower funding cost resulting from cooperation with other affiliates in Vietnam such as Shinhan Bank and Shinhan Securities, Shinhan Vietnam Finance was able to expand its asset base, reaching total assets of US$631.5 million as of December 31, 2023. As part of its diversification efforts, new products such as automobile loans, niche loans, and easy loans were launched in 2021, resulting in increased sales. The State Bank of Vietnam recently introduced Circular 18, which amends the regulation on consumer lending activities in Circular 43 and is aimed at improving soundness of Vietnam's consumer finance industry and facilitating a transition towards a cashless society by regulating the proportion of direct disbursements (for example, cash loans) to the total outstanding loans. According to the amendment, the rate of total consumer loans with direct disbursements to total consumer credit balance should gradually be decreased to 30% by 2024. In 2020, in concurrence with the State Bank of Vietnam's policies promoting consumer finance and movement towards a cashless society, Shinhan Vietnam Finance Company further diversified its offerings to include installment financing for automobiles and durable goods. Shinhan Vietnam Finance Company also launched iShinhan 3.0, a non-face-to-face loan platform. Shinhan Vietnam Finance Company plans to grow into a leading consumer finance company in Vietnam by accelerating digital transformation to increase business efficiency and create customer value. In response to the new regulatory changes, Shinhan Vietnam Finance plans to further diversify its business offerings and continue to leverage Shinhan Card's digitalization capabilities to increase efficiency and provide customers with innovative services.

Securities Brokerage Distribution Channels

Our securities services are conducted principally through Shinhan Securities. As of December 31, 2023, Shinhan Securities had 77 service centers nationwide, and four overseas subsidiaries based in Hong Kong, New York, Vietnam and Indonesia to service our corporate customers.

Approximately 68% of our brokerage branches are located in the Seoul metropolitan area with a focus on attracting high net-worth individual customers as well as enhancing synergy with our retail and corporate banking branch network. We plan to continue to explore new business opportunities, particularly in the corporate customer segment, through further cooperation between Shinhan Securities and Shinhan Bank.

Insurance Sales and Distribution Channels

We sell and provide our insurance services primarily through Shinhan Life Insurance. In addition to distributing bancassurance products through our bank branches, also distribute a wide range of life insurance products through their own branch network, agency network of financial planners and telemarketers, as well as through the Internet. As of December 31, 2023, Shinhan Life Insurance had 198 branches and 9 customer support centers. These branches are staffed by financial planners, telemarketers, agent marketers and bancassurance to meet the various needs of our insurance and lending customers. Our group-wide customer support centers arrange for policy loans (namely loans secured by the cash surrender value of the underlying insurance policy) for our insurance customers and, to a limited extent, other loans to other customers, and also handle insurance payments.

Information Technology

We dedicate substantial resources to maintaining a sophisticated information technology system to support our operations management and provide high quality customer service. Our information and technology system is operated at a group-wide level based on comprehensive group-wide information collection and processing. We also operate a single group-wide enterprise information technology system known as “enterprise data warehouse” for customer relations management capabilities, risk management systems and data processing. We continually upgrade our group-wide information technology system in order to apply the best-in-class technology to our risk management systems to reflect the changes in our business environment as well as enhance differentiation from our competitors.

In 2013, we completed the construction of Shinhan Data Center, which is responsible for comprehensive management of information technology systems for our subsidiaries on a group-wide basis. Shinhan Data Center ensures a stable use of a central information processing facilities for at least 15 years and is designed to maximize operational and cost efficiency as well as enhance information security by combining the various data centers previously used by our subsidiaries. All of our subsidiaries relocated their information management capabilities to Shinhan Data Center in 2014. Since 2023, Shinhan Data Center has been increasing its utilization of artificial intelligence technology to monitor cyber threats, in an effort to automate blocking and responding to cyber attacks.

The information technology system for each of our subsidiaries is currently backed up on a real-time basis. In 2014, we converted the pre-existing data center to a back-up and disaster recovery center for all our subsidiaries’ operations in order to provide customer services in a continued seamless manner even in the case of an interruption at Shinhan Data Center. We believe that our centralized back-up systems, including our data back-up centers and disaster recovery centers, enable more efficient back-up at a higher level of security.

In order to enhance security and trustworthiness of our financial services, we are continuously working to improve our information security systems and our customers’ financial safety. Due to such improvements, we believe our fraud detection system has been preventing a substantial volume of voice phishing and fraud attempts. For example, we launched a group-wide customer information consent management system in June 2022 and expanded its scope to include six subsidiaries, enabling our customers to easily monitor how their information is used and make a better informed decision in giving consent. See also, “Item 16K. Cybersecurity.”

At the subsidiary level, we also continue to increase investment in information and communication technologies (“ICT”) to improve the quality of customer service in line with changing market trends. As of December 31, 2023, over the last five years the number of our employees in ICT sector has increased by 48% and the ICT budget has grown by 115%. As a result of this continued investment, our digital platforms were able to offer more services focused on the needs of the customer. In October 2022, Shinhan Bank launched New SOL, a new mobile application that operates at a substantially faster speed and offers unique features including customized home screen and transaction records editable by users. Shinhan Card's pLay app improved in-app customer support and increased the range of payment options available to its users by launching the open pay service, which enables users to register and make payments with credit cards issued by other credit card companies. Shinhan Securities' mobile application called "Alpha" plans to implement more customer-friendly user experience and Shinhan Life also launched "Square", an all-in-one insurance service platform.

In December 2023, in order to further improve customer convenience and experience, we launched Super SOL, an integrated Group-wide mobile application which provides a wide range of integrated services currently offered by members of Shinhan Financial Group. Additionally, as part of our ICT modernization strategy, we plan on continuing to strengthen our ICT capabilities based on utilization of public cloud and microservice architecture.

Competition

Competition in the Korean financial services industry is, and is likely to remain, intense, including as a result of the sustained low interest rate environment (which narrows opportunities to make profit based on the spread between lending rates and funding rates), the continuing sluggishness in the general economy, the growing maturation and saturation of the industry as a whole, the entry of new market participants and deregulation, among others.

In the banking sector, Shinhan Bank competes principally with other national commercial banks in Korea, but also faces competition from a number of additional banking institutions, including branches and subsidiaries of foreign banks operating in Korea, regional banks, Internet-only banks, government-owned development banks and Korea's specialized banks, such as Korea Development Bank, the Industrial Bank of Korea and the National Federation of Fisheries Cooperatives, as well as various other types of financial service providers, including savings institutions (such as mutual savings and finance companies, credit unions and credit cooperatives), investment companies (such as securities brokerage firms, merchant banking corporations and asset management companies) and life insurance companies. As of December 31, 2023, Korea had six major nationwide domestic commercial banks (including Citibank Korea Inc. and Standard Chartered Bank Korea Limited, both of which are domestic commercial banks acquired by global financial institutions), six regional commercial banks, three Internet-only banks and thirty-five branches and subsidiaries of foreign banks. Foreign financial institutions, many of which have greater experiences and resources than we do, may continue to enter the Korean market and compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions.

In the small-and medium-sized enterprise and retail banking segments, which have been Shinhan Bank's traditional core businesses, competition is expected to increase further. In recent years, Korean banks, including Shinhan Bank, have increasingly focused on stable asset growth based on quality credit, such as corporate borrowers with high credit ratings, loans to SOHO with high levels of collateralization, and mortgage and home equity loans within the limits of the prescribed loan-to-value ratios and debt-to-income ratios. This common shift in focus toward stable growth based on less risky assets has intensified competition as banks compete for the same limited pool of quality credit by engaging in price competition or by other means although Shinhan Bank has traditionally focused, and will continue to focus, on enhancing profitability rather than increasing asset size or market share, and has avoided, to the extent practicable, engaging in price competition by way of lowering lending rates. In addition, such competition may result in lower net interest margin and reduced overall profitability, especially if a low interest rate environment were to continue for a significant period of time. Shinhan Bank's net interest margin (on a separate basis) increased to 1.86% in 2023 from 1.85% in 2022 primarily due to increases in base interest rate by the Bank of Korea from 1.00% to 1.25% in January 2022, from 1.25% to 1.50% in April 2022, from 1.50% to 1.75% in May 2022, from 1.75% to 2.25% in July 2022, from 2.25% to 2.50% in August 2022, from 2.50% to 3.00% in October 2022 and from 3.00% to 3.25% in November

2022. The Bank of Korea further raised the base interest rate from 3.25% to 3.50% in January 2023, and has maintained the same rate to date. Even if interest rates were to increase, the effect on Shinhan Bank's results of operations may not be as beneficial as expected, or at all, due to factors such as increased volatility of market interest rates and tighter regulations regarding SOHO loans, including the implementation of additional credit review guidelines for individual businesses. Further, if competing financial institutions seek to expand market share by lowering their lending rates, Shinhan Bank may suffer customer loss, especially among customers who select their lenders principally on the basis of lending rates. In response thereto or for other strategic reasons, Shinhan Bank may subsequently lower its lending rates to stay competitive, which could lead to a further decrease in its net interest margins and outweigh any potential positive impact on the net interest margin from a general rise in market interest rates. Any future decline in Shinhan Bank's customer base or its net interest margins could have an adverse effect on our results of operations and financial condition.

In the credit card sector, Shinhan Card competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks, consumer finance companies, other financial institutions and, recently, credit card service providers allied with mobile telecommunications service providers in Korea. Competition has been historically intense in this sector and the market has shown signs of saturation as existing and new credit card service providers make significant investments and engage in aggressive marketing campaigns and promotions to acquire new customers and target customers with high credit quality. While competition has subsided somewhat recently due to stricter government regulations, such as curbs on excessive marketing expenses, competition remains intense and credit card issuers may continue to compete with Shinhan Card for customers by offering lower interest rates and fees, higher credit limits, more attractive promotions and incentives and alternative products such as credit card reward points, gift cards and low-interest consumer loan products. As a result, Shinhan Card may lose customers or service opportunities to competing credit card issuers and/or incur higher marketing expenses. Also, over the years, the Government has implemented regulations lowering certain merchant fees chargeable by credit card companies. In 2012, the Government adopted regulations mandating lower merchant fees chargeable to small-and medium-sized enterprises, and beginning January 31, 2016, a further reduction in the merchant fees chargeable to small-and medium-sized enterprises went into effect. The Enforcement Decree of the Specialized Credit Finance Business Act was amended in July 2017 and January 2019 to further expand the range of small-and medium-sized enterprises subject to lower merchant fees. Pursuant to the Specialized Credit Financial Business Act, the rates of fees chargeable to merchants are subject to review and revision every three years, and beginning January 2022, the fees chargeable to small-and medium-sized enterprises with respect to credit cards were further reduced as a result of this periodic review and revision. Additional amendments to regulations requiring further downward adjustments to merchant fees may come into force in the future. For further details on the Government's regulations on merchant fees chargeable by credit card companies, See "Item 3.D. Risk Factors — Risks Relating to Our Credit Card Business — Future changes in market conditions as well as other factors, such as stricter regulation, may lead to reduced revenues and deterioration in the asset quality of credit card receivables." In March 2023, the Financial Services Commission set up a task force consisting of members of the Financial Services Commission, the Financial Supervisory Service, credit card companies, and consumer groups, to discuss how to improve the merchant commission rate adjustment system in order to address disagreements among the stakeholders involved in the periodic review of the rates of fees charged to merchants.

In addition, since the implementation of the Improper Solicitation and Graft Act in September 2016, revenue growth for corporate cards and service related industries such as dining, floral and entertainment have shown signs of decline, and additional regulations on loans reducing maximum interest rates chargeable from 24% to 20% came into effect in July 2021. These developments have put further downward pressure on the results of operations for credit card companies, including Shinhan Card. Furthermore, the Government's recent guidelines to bolster consumer protection and protect customers' personal data in the aftermath of data leaks at certain credit companies (not including Shinhan Card) may result in additional compliance costs for Shinhan Card. Customer attrition, together with any further lowering of fees or reduction in base and market interest rates and/or additional expenses from more extensive marketing and promotional campaigns that Shinhan Card might implement to acquire and retain customers, could reduce its revenues and earnings. Furthermore, the average credit quality of Shinhan Card's customers may deteriorate if customers with higher credit quality borrow from our competitors rather than Shinhan Card and it may become more difficult for Shinhan Card to attract and maintain quality customers. In general, the growth, market share and profitability of Shinhan Card's operations may decline or become negative as a result of market saturation in this sector, interest rate competition, pressure to lower fee rates and incur higher marketing expenses, as well as Government regulation and social and economic developments in Korea that are beyond our control, such as changes in consumer confidence levels, spending patterns or public perception of credit card usage and consumer debt. If Shinhan Card fails to maintain or attract new cardholders or increase the card usage by existing customers or experiences deterioration in its asset quality and a rise in delinquency, our business, financial condition and results of operations may be adversely affected. In other financial services sectors, our other subsidiaries also compete in a highly fragmented market. Some of our competitors, particularly major global financial institutions, have greater experience and resources than we do.

Consolidation among our rival institutions and the Government's privatization efforts may also add competition in the markets in which we and our subsidiaries conduct business. A number of significant mergers and acquisitions in the industry have taken place in Korea recently. In January 2019, Woori Financial Group was established pursuant to a comprehensive stock transfer under the Korean Commercial Code whereby holders of the common stock of Woori Bank and certain of its subsidiaries transferred all of their shares to Woori Financial Group (the new financial holding company) and in return received shares of Woori Financial Group. As a result, Woori Bank and certain of its former wholly-owned subsidiaries became direct and wholly-owned subsidiaries of Woori Financial Group. The Korea Deposit Insurance Corp., which as of April 9, 2021 owned 17.25% of the outstanding common stock of Woori Financial Group, has sold 13.63% of the outstanding common stock of Woori Financial Group in multiple transactions in accordance with its plan that was approved by the Financial Services Commission in June 2019. The Korea Deposit Insurance Corp. sold additional 2.33% of the outstanding common stock of Woori Financial Group in May 2022 and currently owns only 1.29% of the outstanding common stock of Woori Financial Group. In the asset management business sector, Woori Financial Group acquired two asset management companies, Tongyang Asset Management and ABL Global Asset Management (former Allianz Global Investors). In August 2021, KB Financial Group completed the acquisition of Prudential Life Insurance, the former Korean unit of Prudential Financial Inc. Any of these developments may place us at a competitive disadvantage and outweigh any potential benefit to us in the form of opportunities to acquire new customers who are displeased with the level of services at the newly reorganized entities or to provide credit facilities to corporate customers who wish to maintain relationships with a wide range of banks in order to diversify their sources of funding.

On February 1, 2019, we acquired a 59.15% interest in Orange Life Insurance, the former Korean unit of ING Life Insurance, as part of our efforts to diversify and enhance our non-banking businesses. On January 28, 2020, we acquired the remaining interests in Orange Life Insurance by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life Insurance's common stock transferred all of their shares to us and in return receive shares of our common stock, and hence Orange Life Insurance became our wholly owned subsidiary as of such date. In May 2021, the Financial Services Commission approved the merger of Shinhan Life Insurance and Orange Life Insurance, with Shinhan Life Insurance being the surviving entity upon completion of the merger. Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021. On September 29, 2020, we acquired a 96.8% interest in Neoplux, a venture capital company formerly under the Doosan Group. On December 30, 2020, we acquired the remaining interest in Neoplux by effecting a small-scale stock exchange under Article 360-10 of the Korean Commercial Code, and hence Neoplux has become our wholly owned subsidiary as of such date. On January 11, 2021, Neoplux changed its legal name to Shinhan Venture Investment. In addition, on January 15, 2021, we acquired the remaining 35% interest in Shinhan BNP Paribas Asset Management and changed its legal name to Shinhan Asset Management, and hence Shinhan Asset Management has become our wholly-owned subsidiary as of such date. On June 30, 2022 we acquired 94.54% interest in BNP Paribas Cardif General Insurance, which then changed its name to Shinhan EZ General Insurance, Ltd. Subsequently in November 2022, Shinhan EZ General Insurance, Ltd. conducted a paid-in capital increase and our shares decreased to 85.1%. We expect that such consolidation and other structural changes in the financial industry will continue. Other financial institutions may seek to acquire or merge with other entities, and the financial institutions resulting from such consolidation may, by virtue of their increased size and business scope, provide greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability.

Regulatory reforms and the general modernization of business practices in Korea have also led to increased competition among financial institutions in Korea. In December 2017, the Financial Services Commission introduced the "my account at a glance" system, which enables consumers to view their key financial account information online, including information on banks, insurances, mutual finance, loan and card issuances on one page. The "my account at a glance" system became available on mobile channels in February 2016 and expanded its scope of services to include savings banks and securities companies. Since their introduction, the integrated automatic payment transfer management service, integrated account management service and "my account at a glance" system have gained widespread acceptance. As the reform of the financial sector continues, competition may become more intense among existing banks, insurance companies, securities companies and other financial organizations, and may lead to significant changes in the current Korean financial market. Moreover, since January 1, 2020, in calculating loan to deposit ratio, retail loans and corporate loans are weighed differently, with retail loans subject to a multiple of 115% and corporate loans (excluding loans to SOHOs) subject to a multiple of 85%, thereby increasing the impact of retail loans and reducing the impact of corporate loans in calculating such ratio. This may further intensify competition for corporate loans and deposits among commercial banks and, as a result, Shinhan Bank may face difficulties in increasing or retaining its corporate loans and deposits, which in turn may result in an increase in its cost of funding.

Furthermore, as the Korean economy further develops and new business opportunities arise, more competitors may enter the financial services industry. For example, as online service providers and technology companies with large-scale user networks, such as Kakao Corp., NAVER and Samsung Electronics, recently make significant inroads in providing virtual payment services through a system based on a growing convergence of financial services and technology commonly referred to as "fintech," competition for online customers is growing not just among commercial banks, but also from online and mobile payment service providers. In 2015, the Government announced its plans to allow Internet-only banks to operate in Korea. KT consortium's K-Bank, Kakao consortium's Kakao Bank and Viva Republica consortium's Toss Bank commenced operations in April 2017, July 2017 and October 2021, respectively. Internet-only banks may have advantages over traditional banks as the former can pass savings in labor and overhead costs to their customers by offering higher interest rates on deposit accounts, lower loan costs and reduced service fees. Accordingly, commercial banks will likely face increasing pressure to upgrade their service platforms to attract and maintain online users, which represents a growing customer base compared to traditional customers who have primarily conducted banking in-person at physical banking branches.

As part of the Government's financial policies to promote innovative digital finance, 10 commercial banks, including Shinhan Bank, began offering a preliminary open banking service in October 2019. More local banks and fintech companies joined in December 2019, when the open banking service was fully and officially launched. Open banking service allows each fintech company and bank to provide banking services, such as checking balances and making withdrawals and transfers, with regards to customers' accounts at other banks. Using open banking service, customers can easily access accounts, products and services across multiple banks, instead of being limited to the accounts, products and services available at the particular bank that they deal with. In addition, on January 9, 2020, the Korean National Assembly passed amendments to three major data privacy laws (the Personal Information Protection Act, the Act on the Promotion of Information and Communications Network Utilization and Information Protection and the Act on the Use and Protection of Credit Information). These amendments introduced the MyData service, allowing and requiring (upon the customer's request and subject to compliance requirements) financial institutions that have been approved by the Financial Service Commission as a MyData service provider access and sharing of customers' personal information, credit information and transaction data. On January 27, 2021, Shinhan Bank and Shinhan Card each obtained a license from the Financial Services Commission as a MyData service provider. On January 5, 2023, Shinhan Bank launched the MyData business and Shinhan Card is planning to provide advanced wealth management and various financial services. Until October 13, 2021, the Financial Services Commission granted MyData licenses to 58 companies (46 companies receiving main licenses and 12 companies receiving preliminary licenses), 22 of which were fintech firms (19 companies receiving main licenses and three companies receiving preliminary licenses), and competition between traditional financial institutions like us and fintech firms is expected to intensify, particularly with respect to asset management services. On January 5, 2022, the API-based MyData service was fully implemented and 33 companies (including ten fintech firms) are providing services. As of December 31, 2023, the Financial Services Commission had granted licenses to 64 companies to operate as MyData service providers, 24 of which were fintech or IT firms. If more fintech companies receive authorization as MyData service providers, we expect competition for customers among banks and fintech firms to intensify. In addition, the Financial Services Commission also led discussions in July 2022 about the creation of a government-led platform where consumers can compare loan products from various financial institutions and apply for debt consolidation on a single platform. The platform launched in May 2023.

Recently, following the global financial crisis, the Government has subjected Korean financial institutions to stricter regulatory requirements and guidelines in areas of asset quality, capital adequacy, liquidity and residential and other lending practices (including a requirement to maintain a certain ratio of core capital to total risk exposure, which was introduced in January 2018 in order to control excessive leverage), which has had a dampening effect on competition. The Financial Services Commission implemented the capital requirements of Basel III, whose minimum requirements were phased in sequentially from December 1, 2013 through full implementation by January 1, 2015, based on the guidelines set forth in the amended Regulation on the Supervision of the Banking Business and the Detailed Regulation on the Supervision of the Banking Business. In addition, the Financial Services Commission has implemented the Basel III requirements relating to liquidity coverage ratio and capital conservation buffer, each of which have been fully phased in as of January 1, 2019. As of January 1, 2016, the Financial Services Commission implemented Basel III requirements relating to accumulation of additional capital for systemically important banks and bank holding companies and countercyclical capital buffer requirements. Each year, the Financial Services Commission may designate banks with significant influence (based on size and connectivity with other financial institutions) on the domestic financial system as a domestic systemically important bank and require the accumulation of additional capital in accordance with the highest of: (i) ratio of common equity capital to risk-weighted assets, ranging from 0.0% to 2.0%, depending on the systematic importance evaluation score, (ii) if the bank's holding company is a domestic systemically important bank holding company, the capital ratio corresponding to the additional capital required for the bank holding company under the Financial Holding Company Supervision Regulations, or (iii) if the bank is also a global systemically important bank, as defined by the Basel Committee, the capital ratio as required by the Basel Committee. According to the instructions of the Financial Services Commission, domestic systemically important banks, including Shinhan Bank, have been required to maintain an additional capital buffer of 0.25% since January 1, 2016, with such buffer increased by 0.25% annually to reach 1.00% as of January 1, 2019. The additional capital buffer was set to 1.00% on January 1, 2019 and has remained unchanged as of the date hereof. The Financial Services Commission may also, upon quarterly review, determine and require banks to accumulate a required level of countercyclical capital buffer within the range of 0% to 2.5% of risk-weighted assets, taking into account factors such as the degree of increase in credit relative to the gross domestic product. Also, the Financial Services Commission has formally implemented a regulation on the limit for large exposures based on the Basel standards for banks and bank holding companies, through the Banking Supervision Regulations and the Financial Holding Company Supervision Regulations, effective as of February 1, 2024. On May 24, 2023, the Financial Services Commission decided to increase the level of cyclical capital buffer of banks and their holding companies to 1.00%. The decision will be put into effect starting from May 1, 2024. In July 2021, Shinhan Financial Group, Hana Financial Group, KB Financial Group, NongHyup Financial Group and Woori Financial Group were designated by the Financial Services Commission as domestic systemically important bank holding companies, and Shinhan Bank, Hana Bank, Kookmin Bank, NongHyup Bank and Woori Bank were designated by the Financial Services Commission as domestic systemically important banks. In addition, in July 2021, the Financial Services Commission identified domestic systemically important bank holding companies and domestic systemically important banks as domestic systemically important financial institutions under the Act on the Structural Improvement of the Financial Industry. Domestic systemically important financial institutions are required to prepare and submit their own recovery plans to the Financial Supervisory Service within three months from the date of notification of designation pursuant to the Act on the Structural Improvement of the Financial Industry. However, there is no assurance that these measures will have the effect of curbing competition or that the Government will not reverse or reduce such measures or introduce other deregulatory measures, which may further intensify competition in the Korean financial services industry. For further details on the capital requirements applicable to us, see "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Capital Adequacy."

If, despite our efforts to adapt to the changing macroeconomic environment and comply with new regulations, we are unable to compete effectively in the changing business and regulatory environment, our profit margin and market share may erode and our future growth opportunities may become limited, which could adversely affect our business, financial condition and results of operations. See "Item 3.D. Risk Factors — Risks Relating to Our Overall Business — Competition in the Korean financial services industry is intense, and may further intensify" and "— Supervision and Regulation."

Description of Assets and Liabilities

Beginning January 1, 2023, IFRS 17 'Insurance Contracts' has replaced in its entirety existing guidance in IFRS 4. Therefore, we have applied IFRS 17 to insurance contracts in preparing our financial statements as of December 31, 2023 and for the year ended December 31, 2023, and in preparing such financial statements we have retrospectively applied IFRS 17 to insurance contracts to restate the comparative financial information as of December 31, 2022 and for the year ended December 31, 2022 included in this annual report, in each case, in accordance with IFRS 17. Unless stated otherwise, our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report are shown based on IFRS 17 whereas our financial information as of December 31, 2021 and for the year ended December 31, 2021 included in this annual report are shown based on IFRS 4 and have not been restated based on IFRS 17. Accordingly, certain of our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report may not be directly comparable against our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report. Under IFRS 17, insurance contract liabilities will be calculated in terms of market value (as the present value of future insurance cash flows with a provision for risk) instead of book value. See "— Risks Related to Our Overall Business —The implementation of IFRS 17 beginning on January 1, 2023 renders certain of our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, not directly comparable with our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report." in this annual report and Note 3 and Note 52 of the notes to the audited consolidated annual financial statements included in this annual report.

Loans

As of December 31, 2023, our total gross loan portfolio was ₩417,346 billion, which represented an increase of 0.9% from ₩413,436 billion on December 31, 2022. The increase in our portfolio primarily reflects a 2.0% increase in corporate loans, a 0.2% decrease in retail loans and a 1.3% decrease in credit card loans.

Asset Quality Ratios

	As of December 31,		
	2021	2022	2023
	(IFRS 4)	(IFRS 17)	(IFRS 17)
	(In billions of Won, except percentages)		
Total gross loans	₩393,474	₩413,436	₩417,346
Total allowance for credit losses on loans	₩ 3,167	₩ 3,651	₩ 4,330
Allowance for credit losses on loans as a percentage of total loans	0.80%	0.88%	1.04%
Impaired loans[(1)]	₩ 1,864	₩ 2,079	₩ 3,013
Impaired loans as a percentage of total loans	0.47%	0.50%	0.72%
Allowance as a percentage of impaired loans	169.90%	175.64%	143.73%
Total non-performing loans[(2)]	₩ 1,826	₩ 1,756	₩ 2,216
Non-performing loans as a percentage of total loans	0.46%	0.42%	0.53%
Allowance as a percentage of total assets	0.49%	0.55%	0.63%

Notes:

(1) Impaired loans include (i) loans for which the borrower has defaulted under Basel standards applicable during the relevant period and (ii) loans that qualify as "troubled debt restructurings" applicable during the relevant period.

(2) Non-performing loans are defined as loans, whether corporate or retail, that are past due more than 90 days.

Loan Types

The following table presents our loans by type as of the dates indicated. Except where specified otherwise, all loan amounts stated below are before deduction of allowance for credit losses on loans. Total loans reflect our loan portfolio, including past due amounts.

	As of December 31,		
	2021[6] (IFRS 4)	2022[6] (IFRS 17)	2023[6] (IFRS 17)
		(In billions of Won)	
Domestic:			
Corporate			
Corporate loans[1]	₩178,315	₩195,410	₩202,153
Public and other[2]	3,469	3,897	4,635
Loans to banks[3]	862	1,205	961
Lease financing	1,497	682	196
Total — Corporate	184,143	201,194	207,945
Retail			
Mortgages and home equity	79,018	80,937	86,532
Other retail[4]	69,459	62,519	55,607
Total — Retail	148,477	143,456	142,139
Credit cards	25,817	20,388	27,798
Total domestic	358,437	365,038	377,882
Foreign:			
Corporate			
Corporate loans[1]	21,244	22,080	24,033
Public and other[2]	—	—	—
Loans to banks[3]	2,988	6,224	2,088
Lease financing	93	113	85
Total — Corporate	24,325	28,417	26,206
Retail			
Mortgages and home equity	842	787	774
Other retail[4]	9,687	11,122	12,191
Total — Retail	10,529	11,909	12,965
Credit cards	183	8,072	293
Total foreign	35,037	48,398	39,464
Total loans[5]	₩393,474	₩413,436	₩417,346

Notes:

(1) Consists primarily of working capital loans, general purpose loans, bills purchased and trade-related notes and excludes loans to public institutions and commercial banks.

(2) Consists of working capital loans and loan facilities to public institutions and non-profit organizations.

(3) Consists of interbank loans and call loans.

(4) Consists of general unsecured loans and loans secured by collateral other than housing to retail customers.

(5) As of December 31, 2021, 2022 and 2023, 87.0%, 86.0% and 87.2% of our total gross loans, respectively, were Won-denominated.

(6) Loan amounts include loans at amortized cost and loans at fair value classified in accordance with IFRS 9. Corporate loans include loans at fair value in the amount of ₩1,683 billion, ₩2,389 billion and ₩1,759 billion as of December 31, 2021, 2022 and 2023, respectively.

Loan Portfolio

The total exposure of us or our banking subsidiaries to any single borrower and exposure to any single group of companies belonging to the same conglomerate is limited by law to 25% of the Net Total Equity Capital (as defined in "— Supervision and Regulation").

Twenty Largest Exposures by Individual Borrower

As of December 31, 2023, our 20 largest exposures, consisting of loans, securities and guarantees and acceptances, totaled ₩25,226.6 billion. The following table sets forth our total exposures to these top 20 borrowers as of December 31, 2023.

	As of December 31, 2023					
	Loans in Won Currency	Loans in Foreign Currency	Securities	Guarantees and Acceptances	Others	Total Exposure
	(In billions of Won)					
Nong Hyup Bank	₩ 501.2	₩ 10.9	₩ 1,566.7	₩ 54.7	₩ —	₩ 2,133.5
Woori Bank	1,310.1	51.6	454.5	—	—	1,816.2
Samsung Electronics	—	1,720.0	2.0	—	—	1,722.0
LG Display	429.0	799.8	175.8	239.6	—	1,644.2
NH Securities	1,369.2	—	185.4	—	—	1,554.6
KB Bank	778.7	121.0	607.5	16.3	—	1,523.4
SK Hynix	628.3	193.4	530.5	—	—	1,352.2
S-Oil	500.8	568.0	122.6	93.1	—	1,284.5
Korea Electric Power Corporation	0.3	—	1,181.7	101.1	—	1,283.1
National Agriculture Cooperative Federation	73.7	—	1,158.1	—	—	1,231.8
KEB Hana Bank	727.2	12.6	434.1	33.3	—	1,207.1
Lotte Hotel	100.8	378.4	283.3	362.2	—	1,124.7
HD Hyundai Heavy Industries Co., Ltd	70.5	35.1	32.9	946.0	—	1,084.5
Samsung Heavy Industries Co., Ltd	—	19.4	—	1,021.9	—	1,041.2
Korea Gas Corporation	—	165.4	814.6	—	—	980.0
Hyundai Steel	314.4	145.9	443.4	39.2	0.0	942.9
KT	1.1	—	799.7	41.6	—	842.4
Daeshin Securities	800.9	—	20.4	—	—	821.3
KB card	—	36.8	782.0	—	—	818.7
IBK Asset Management	—	—	818.3	—	—	818.3
Total	₩7,606.2	₩4,258.1	₩10,413.4	₩2,949.0	₩0.0	₩25,226.6

Exposure to Main Debtor Groups

As of December 31, 2023, our total exposure to the main debtor groups as identified by the Governor of the Financial Supervisory Service amounted to ₩35,633.2 billion. The main debtor groups are largely comprised of *chaebols*. The following table shows, as of December 31, 2023, our total exposures to the 10 main debtor groups to which we have the largest exposure.

	As of December 31, 2023					
Main Debtor Groups	Loans in Won Currency	Loans in Foreign Currency	Securities	Guarantees and Acceptances	Others	Total Exposure
	(In billions of Won)					
Samsung	₩ 261.2	₩2,728.3	₩ 1,598.4	₩1,845.3	₩ 0	₩ 6,433.2
SK	1,528.0	840.1	2,441.6	724.9	0	5,534.7
Hyundai Motor Company	1,383.4	1,335.6	2,173.5	521.8	0	5,414.2
Lotte	1,032.9	933.0	1,696.7	746.7	0	4,409.3
LG	866.1	942.1	978.4	443.7	—	3,230.3
Hyundai Heavy Industries	462.3	127.8	189.2	2,291.6	—	3,070.9
Hanwha	507.3	389.9	1,020.1	787.3	0	2,704.5
LS	225.8	946.1	194.1	832.1	0	2,198.4
KT	149.3	124.4	880.4	195.9	—	1,350.1
S-oil	503.8	568.0	122.6	93.1	—	1,287.5
Total	₩6,920.1	₩8,935.4	₩11,294.9	₩8,482.4	₩0.4	₩35,633.2

Loan Concentration by Industry

The following table shows the aggregate balance of our corporate loans by industry concentration as of December 31, 2023.

	As of December 31, 2023	
Industry	Aggregate Loan Balance	Percentage of Total Corporate Loan Balance
	(In billions of Won)	(Percentages)
Manufacturing	₩ 61,361	26.2%
Real estate, leasing and service	52,442	22.4
Retail and wholesale	29,043	12.4
Finance and insurance	23,303	10.0
Hotel and leisure	9,767	4.2
Transportation, storage and communication	5,865	2.5
Construction	5,666	2.4
Other service(1)	27,612	11.8
Other(2)	19,092	8.1
Total	₩234,151	100.0%

Notes:

(1) Includes other service industries such as publication, media and education.

(2) Includes other industries such as agriculture, forestry, mining, electricity and gas.

Maturity Analysis

The following table sets out the scheduled maturities (presented in terms of time remaining until maturity) of our loan portfolio as of December 31, 2023. The amounts below are before allowance for credit losses on loans and deferred loan origination costs and fees. In the case of installment payment loans, maturities have been adjusted to take into account the timing of installment payments.

	As of December 31, 2023				
	1 Year or Less(1)	Over 1 Year but Not More Than 5 Years	Over 5 Year but Not More Than 15 Years	Over 15 Years	Total
	(In billions of Won)				
Corporate:					
Corporate loans	₩151,803	₩ 66,017	₩ 7,431	₩ 935	₩226,186
Public and other	2,475	1,766	298	96	4,635
Loans to banks	2,457	519	73	—	3,049
Lease financing	175	105	1	—	281
Total corporate	₩156,910	₩ 68,407	₩ 7,803	₩ 1,031	₩234,151
Retail:					
Mortgage and home equity	₩ 16,687	₩ 22,865	₩18,131	₩29,623	₩ 87,306
Other retail	39,271	17,618	5,616	5,293	67,798
Total retail	₩ 55,958	₩ 40,483	₩23,747	₩34,916	₩155,104
Credit cards	₩ 23,671	₩ 4,155	₩ 265	₩ —	₩ 28,091
Total loans	₩236,539	₩113,045	₩31,815	₩35,947	₩417,346

Note:

(1) Includes overdue loans.

We may roll over our corporate loans (primarily consisting of working capital loans and facility loans) and retail loans (to the extent not payable in installments) after we conduct our standard loan reviews in accordance with our loan review procedures. Working capital loans may generally be extended on an annual basis for an aggregate term of up to five years. Facilities loans, which are generally secured, may generally be extended on an annual basis for a maximum of 15 years from the initial loan date. Retail loans may be extended for additional terms of up to 12 months for an aggregate term of 10 years from the initial loan date for both unsecured loans and secured loans other than mortgages and home equity loans which can be extended up to 30 years in aggregate.

Interest Rate Sensitivity

The following table presents a breakdown of our loans in terms of interest rate sensitivity as of December 31, 2023.

	As of December 31, 2023		
	Due Within 1 Year[(1)]	Due After 1 Year	Total
	(In billions of Won)		
Fixed rate loans[(2)]			
Corporate:			
Corporate loans	₩ 62,352	₩ 23,693	₩ 86,045
Public and other	1,131	242	1,373
Loans to banks	2,326	592	2,918
Lease financing	38	20	58
Total corporate	65,847	24,547	90,394
Retail:			
Mortgage and home equity	181	5,377	5,558
Other retail	6,837	5,034	11,871
Total retail	7,018	10,411	17,429
Credit cards	256	1	257
Total fixed rate loans	73,121	34,959	108,080
Variable rate loans[(3)]			
Corporate:			
Corporate loans	89,451	50,690	140,141
Public and other	1,344	1,918	3,262
Loans to banks	131	—	131
Lease financing	137	86	223
Total corporate	91,063	52,694	143,757
Retail:			
Mortgage and home equity	16,506	65,242	81,748
Other retail	32,434	23,493	55,927
Total retail	48,940	88,735	137,675
Credit cards	23,415	4,419	27,834
Total variable rate loans	163,418	145,848	309,266
Total loans	₩236,539	₩180,807	₩417,346

Notes:

(1) Includes overdue loans.
(2) Fixed rate loans are loans for which the interest rate is fixed for the entire term of the loan.
(3) Variable or adjustable rate loans are for which the interest rate is not fixed for the entire term of the loan.

For additional information regarding our management of interest rate risk, see "— Risk Management."

Nonaccrual Loans and Past Due Accruing Loans

Except in the case of repurchased loans, we generally recognize interest income on nonaccrual loans using the rate of interest used to discount the future cash flows of such loans for the purpose of measuring impairment loss. Generally, we discontinue accruing of interest on loans (other than repurchased loans) when payment of interest and/or principal becomes past due by 90 days. Loans (other than repurchased loans) are not reclassified as accruing until interest and principal payments are brought current.

We generally do not request borrowers to make immediate repayment of the whole outstanding principal balances and related accrued interest on loans whose interest payments are past due up to 14 days, 60 days, and 30 days in the case of commercial loans, mortgages and home equity loans and other retail loan, respectively.

Interest foregone is interest due on nonaccrual loans that has not been accrued in our books of account. In 2021, 2022 and 2023, we would have recorded gross interest income of ₩66 billion, ₩90 billion and ₩153 billion, respectively, on loans accounted for on a nonaccrual basis throughout the respective years, or since origination for loans held for part of the year, had the loans been current with respect to their original contractual terms. The amount of interest income on those loans that was included in our net income in 2021, 2022 and 2023 were ₩30 billion, ₩45 billion and ₩87 billion, respectively.

The following table shows, at the dates indicated, the amount of loans that are placed on a nonaccrual basis and accruing loans which are past due one day or more. The term "accruing but past due one day" includes loans which are still accruing interest but on which principal or interest payments are contractually past due one day or more. We continue to accrue interest on loans where the total amount of loan outstanding, including accrued interest, is fully secured by cash on deposits.

	As of December 31,		
	2021	2022	2023
	(In billions of Won)		
Loans accounted for on a nonaccrual basis[(1)]			
Domestic:			
Corporate	₩ 780	₩ 848	₩1,288
Retail	384	515	724
Credit cards	68	74	78
Foreign:			
Corporate	340	432	424
Retail	43	36	60
Credit cards	44	35	44
Sub-total	1,659	1,940	2,618
Accruing loans which are contractually past due one day or more as to principal or interest			
Domestic:			
Corporate	114	252	431
Retail	550	458	617
Credit cards	344	610	611
Foreign:			
Corporate	51	34	99
Retail	44	55	91
Credit cards	39	45	51
Sub-total	1,142	1,454	1,900
Total	₩2,801	₩3,394	₩4,518

Note:

(1) "Troubled debt restructuring" and loans for which payment of interest and/or principal became past due by 90 days or more (adjusting for any overlap due to loans that satisfy both prongs so as to avoid double counting) may be included in loans accounted for on a nonaccrual basis.

Troubled Debt Restructurings

The following table presents, at the dates indicated, our loans which are "troubled debt restructurings." These loans mainly consist of corporate loans that have been restructured through the process of workout and recovery proceedings. See "— Credit Exposures to Companies in Workout and Recovery Proceedings." These loans accrue interest at rates lower than the original contractual terms, or involve the extension of the original contractual maturity as a result of a variation of terms upon restructuring.

	As of December 31,		
	2021 (IFRS 4)	2022 (IFRS 17)	2023 (IFRS 17)
	(In billions of Won)		
Loans classified as "troubled debt restructurings" (excluding nonaccrual and past due loans)	₩ 91	₩ 30	₩ 5
Loans classified as "troubled debt restructurings" (including nonaccrual and past due loans)	₩ 237	₩ 143	₩ 93

The following table presents, for the periods indicated and with respect to the restructured loans, the amounts that would have been recorded as our interest income under the original contract terms of the restructured loans, and the amounts that were actually recorded as our interest income for such loans under the restructured contractual terms of such loans.

	For the Year ended December 31,		
	2021 (IFRS 4)	2022 (IFRS 17)	2023 (IFRS 17)
	(In billions of Won)		
Interest income under the original contractual terms of the restructured loans(1)	₩ 10	₩ 7	₩ 4
Interest income under the restructured contractual terms of the restructured loans	₩ 2	₩ 2	₩ 2

Note:

(1) Includes nonaccrual and past due loans.

The following table presents a breakdown of the outstanding balance and specific allowance for credit losses on loans as of December 31, 2021, 2022 and 2023 of corporate loans classified as "troubled debt restructurings" (including nonaccrual and past due loans) by the type of restructuring to which such loans are subject.

	As of December 31,					
	2021 (IFRS 4)		2022 (IFRS 17)		2023 (IFRS 17)	
	Outstanding Balance	Allowance	Outstanding Balance	Allowance	Outstanding Balance	Allowance
	(In billions of Won)					
Corporate loans classified as "troubled debt restructurings"(1):						
Workout	₩160	₩54	₩ 65	₩32	₩59	₩48
Recovery Proceedings	74	24	74	18	34	9
Others(2)	3	—	4	3	—	—
Total	₩237	₩78	₩143	₩53	₩93	₩57

Note:

(1) Includes nonaccrual and past due loans.

(2) Principally consists of loans subject to corporate turnaround or corporate reorganization pursuant to the credit rehabilitation program excluding Workout and Recovery Proceedings.

The following table presents the outstanding balance and specific allowance for credit losses on loans as of December 31, 2021, 2022 and 2023 of retail loans (including nonaccrual and past due loans) subject to credit rehabilitation programs for retail borrowers. All such loans became modified under credit rehabilitation programs and became beneficiaries of maturity extension and interest rate reductions, while a substantially limited portion of such loans also became beneficiaries of debt forgiveness and deferral. For more information on the credit rehabilitation program, see "— Credit Exposures to Companies in Workout and Recovery Proceedings — Credit Rehabilitation Programs for Delinquent Consumer and Small- and Medium-sized Enterprise Borrowers."

	As of December 31,					
	2021		2022		2023	
	(IFRS 4)		(IFRS 17)		(IFRS 17)	
	Outstanding Balance	Allowance	Outstanding Balance	Allowance	Outstanding Balance	Allowance
	(In billions of Won)					
Retail loans subject to credit rehabilitation programs[1]	₩125	₩49	₩249	₩129	₩372	₩173

Note:

(1) Includes nonaccrual and past due loans.

The following table presents, as of the dates indicated and with respect to corporate loans, the amounts of restructured loans that were considered impaired and classified as nonaccrual pursuant to our general interest accrual policy as described in "— Accrual Policy for Restructured Loans." The table also presents, for the periods indicated and with respect to corporate loans, the amounts of total charge-off on restructured loans and the amounts of charge-off as part of debt-to-equity conversions.

	As of and for the year ended December 31,		
	2021 (IFRS 4)	2022 (IFRS 17)	2023 (IFRS 17)
	(In billions of Won)		
Impaired and nonaccrual restructured loans	₩146	₩113	₩88
Total charge-off of restructured loans	₩ 58	₩ 16	₩23
Charge-off as part of debt-to-equity conversion	₩ 32	₩ —	₩ 1

Credit Exposures to Companies in Workout and Recovery Proceedings

Our credit exposures to restructuring are monitored and managed by our Corporate Credit Support Department. As of December 31, 2023, 0.02% of our total loans, or ₩93 billion (of which ₩88 billion was classified as nonaccrual and ₩5 billion was classified as accruing), was under restructuring. Restructuring of our credit exposures generally takes the form of workout and recovery proceedings.

Workout

The Corporate Restructuring Promotion Act ("CRPA") was enacted on August 3, 2007 (expired on December 31, 2010), May 19, 2011 (expired on December 31, 2013), January 1, 2014 (expired on December 31, 2015), March 18, 2016 (expired on June 30, 2018) and October 16, 2018 (expired on October 15, 2023), This law expired on October 15, 2023, and the new CRPA enacted and implemented on December 26, 2023 (to be expired on December 25, 2026).

If the 'main Creditor Financial Institution' of a Failing Company (defined below) provided notice of convening a Creditor Committee (defined below) on or before December 25, 2026, any proceedings commenced by such Creditor Committee will remain subject to the CRPA even after December 25, 2026 unless and until such proceedings are completed or discontinued.

The following is a summary of the key provisions of the CRPA. The CRPA applies to a financial creditor (the "Financial Creditor") who has financial claims against a debtor company by 'providing credit' to such debtor company or other third parties. “Provision of Credit” is defined in the CRPA as any transaction determined by the Financial Supervisory Commission to fall under any of the following:

- loans;
- purchase of promissory notes and debentures or bonds;
- equipment leasing;
- payment guarantees;
- providing advance payments on acceptances and guarantees under a payment guarantee;
- any direct or indirect financial transaction which may cause a loss to a counterparty as a consequence of a payment failure by a debtor company; or
- any transaction other than the transactions set out above which may have in substance the same effect as the transactions set out above.

The “debtor company” is defined under the CRPA as a company established under the Korean Commercial Code or other person performing profit-making activities. The “Failing Company” means a debtor company deemed, through a credit evaluation carried out in the manner set out in the CRPA, by its ‘main Creditor Financial Institution’ as having difficulty to repay debts to its financial creditor without external financial support or an additional loan (excluding loans obtained in the course of conducting normal financial transactions).

Once the debtor company is notified by the main Creditor Financial Institution to fall under the definition of Failing Company, such company may submit its business restructuring plan and the list of its Financial Creditors, and apply to such main Creditor Financial Institution for commencement of the management procedure to be assumed by a committee of Financial Creditors (the “Creditor Committee”) or such main Creditor Financial Institution.

Under the CRPA, the main Creditor Financial Institution of a Failing Company is required to take or arrange one of the following actions if it determines that there is a possibility that the financial condition of the Failing Company may be rehabilitated or brought back to normal in accordance with its business restructuring plan:

- convocation of the first meeting of the Creditor Committee to decide whether to commence the management of the Failing Company by the Creditor Committee; or
- assumption of management of the Failing Company by the main Creditor Financial Institution.

Under the CRPA, in order to call for the first meeting of the Creditor Committee, the main Creditor Financial Institution is required to notify the Financial Creditors, the Failing Company and the Financial Supervisory Service. However, the main Creditor Financial Institution may omit the notification to some extent of the Financial Creditors who are set out in the CRPA such as a Financial Creditor who does not perform the financial business or a Financial Creditor who has only small claims against the Failing Company. The Financial Creditors who do not receive the notification from the main Creditor Financial Institution will be excluded from the Creditor Committee; provided that if they nevertheless want to attend the meeting, the main Creditor Financial Institution may not exclude such Financial Creditors. When the main Creditor Financial Institution calls for the first meeting of the Creditor Committee, it may require the Financial Creditors to grant a moratorium on the enforcement of claims (including the enforcement of security interests) until the end of the first meeting of the Creditor Committee. In addition, at the first meeting of the Creditor Committee, the Financial Creditors may resolve to declare a moratorium for up to one month (or three months if an investigation of the Failing Company’s financial status is necessary) from the commencement date of the management procedure (which may be extended by one additional month by resolutions of the Creditor Committee).

The Financial Creditors who attend the first meeting of the Creditor Committee may resolve, among other things: (i) commencement of the management procedure, (ii) composition of the Financial Creditors who will participate in such management procedure and (iii) declaration of moratorium mentioned above.

Once the management procedure commences, the main Creditor Financial Institution is required to prepare the corporate restructuring plan of the Failing Company considering the investigation results of the Failing Company's financial status and submit such plan to the Creditor Committee for approval thereof. The corporate restructuring plan may include, among other things, the matters regarding rescheduling of debt owed by the Failing Company, provision of new credit and the business restructuring plan of the Failing Company. If the corporate restructuring plan is not approved by the date the moratorium period ends, the Creditor Committee's management of the Failing Company shall be deemed to have terminated.

The resolution at the Creditor Committee is generally passed by an approval of the Financial Creditors representing at least 75% of the outstanding credit to the Failing Company of the Financial Creditors who constitute the Creditor Committee; provided that if a single Financial Creditor holds at least 75% of the outstanding credit, the resolution shall be passed by an approval of not less than 40% of the total number of the Financial Creditors who constitute the Creditor Committee, including such single Financial Creditor. An additional approval of the Financial Creditors holding interests in 75% or more of the total amount of the secured claims owned by the Financial Creditors constituting the Creditor Committee against the Failing Company is required with respect to the debt rescheduling of the Failing Company.

A Financial Creditor which has opposed the resolutions of the Creditor Committee in respect of the commencement of management of the Failing Company by the Creditor Committee, establishment of or amendment to the corporate restructuring plan, extension of management procedure, the rescheduling of claims or provision of new credit (the "Opposing Financial Creditor") may, within seven days of such resolutions, request the main Creditor Financial Institutions to purchase its outstanding claims against the Failing Company, stating the type and number of claims. The Financial Creditors that have approved such resolutions (the "Approving Financial Creditors") shall jointly purchase such claims within six months of such request.

The purchase price and terms of such purchase shall be determined by mutual agreement of the Approving Financial Creditors and the Opposing Financial Creditor. Pending the agreement of such matters, the payments shall be made at a provisional price, and adjusting payments made once an agreement has been reached. If no such agreement is reached, then such matters shall be determined by the coordination committee established under the CRPA.

Recovery Proceedings

Under the Debtor Rehabilitation and Bankruptcy Act, which took effect on April 1, 2006, court receiverships have been replaced with recovery proceedings. In a recovery proceeding, unlike court receivership proceedings where the management of the debtor company was vested in a court appointed receiver, the existing chief executive officer of the debtor company may continue to manage the debtor company, provided, that (i) neither fraudulent conveyance nor concealment of assets existed, (ii) the financial failure of the debtor company was not due to gross negligence of such chief executive officer, and (iii) no creditors' meeting was convened to request, based on reasonable cause, a court-appointed receiver to replace such chief executive officer. Recovery proceeding may be commenced by any insolvent debtor. Furthermore, in an effort to meet global standards, international bankruptcy procedures have been introduced in Korea under which a receiver of a foreign bankruptcy proceeding may, upon receiving Korean court approval of the ongoing foreign bankruptcy proceeding, apply for or participate in a Korean bankruptcy proceeding. Similarly, a receiver in a domestic recovery proceeding or a bankruptcy trustee is allowed to perform its duties in a foreign country where an asset of the debtor is located to the extent the applicable foreign law permits.

As of December 31, 2023, the total loan amount subject to recovery proceedings was ₩34 billion.

Loans in the process of workout and recovery proceedings are reported as nonaccrual loans on our statements of financial position as described in "— Nonaccrual Loans and Past Due Accruing Loans" above since generally, they are past due by more than 90 days and interest does not accrue on such loans. Restructured loans that meet the definition of a troubled debt restructuring are reported as troubled debt restructurings as described above in "— Troubled Debt Restructurings." Such restructured loans are reported as either loans or securities on our statements of financial position depending on the type of instrument we receive as a result of the restructuring.

Credit Rehabilitation Programs for Delinquent Consumer and Small- and Medium-sized Enterprise Borrowers

In light of the gradual increase in delinquencies in credit card and other consumer credit, the Government has implemented a number of measures intended to support the rehabilitation of the credit of delinquent consumer borrowers. These measures may affect the amount and timing of our collections and recoveries on our delinquent consumer credits.

The Credit Counseling and Recovery Service offers two programs for individual debtors, the pre-workout program and the individual workout program, both of which are available to individuals with total debt amounts of ₩1.5 billion or less (secured debt amount of ₩1 billion or less and unsecured debt amount of ₩500 million or less). The pre-workout program is offered to individuals whose delinquency period is between 31 days and 89 days, and the individual workout program is offered to individuals whose delinquency period is three months or more. Furthermore, in April 2023, a temporary special debt adjustment scheme was implemented for individuals with an annual income of ₩45 million and total debt not exceeding ₩1.5 billion. This scheme, which was available until April 2, 2024, was designed for those who are at risk of default or have been delinquent for 30 days or less. When an individual debtor applies for the temporary special debt adjustment scheme, pre-workout or individual workout program, the Credit Counseling and Recovery Service will deliberate and resolve on a debt restructuring plan, and once the creditor financial institution that is in a credit recovery support agreement with the Credit Counseling and Recovery Service and holding the majority of each of the unsecured claims and secured claims to the relevant individual debtor agrees to such debt restructuring plan, the plan will be finalized and debt restructuring measures, such as extension of maturity, adjustment of interest rates or reduction of debt, will be taken according to the pre-workout program or individual workout program applied for.

Under the Debtor Rehabilitation and Bankruptcy Act, a qualified individual debtor with outstanding debts in an aggregate amount not exceeding threshold amounts of ₩1 billion of unsecured debt and/or ₩1.5 billion of secured debt may restructure his or her debts through a court-supervised debt restructuring that is binding on creditors.

Once a borrower is deemed to be eligible to participate in the pre-workout program, we promptly sell the collateral underlying such borrower's secured loans to mitigate our losses, and we may restructure such borrower's unsecured loans (regardless of their type) as follows:

- *Extension of maturity*: Based on considerations of the type of loan, the total loan amount, the repayment amount and the probability of repayment, the maturity of unsecured loans may be extended by up to 10 years and maturity of secured loans may be extended by up to 20 years with a grace period not exceeding three years.
- *Interest rate adjustment:* The interest rate of unsecured loans may be adjusted to 50% of the original interest rate within the range of the highest interest rate of 10% per annum and the lowest interest rate of 5% per annum; provided that if the original interest rate is less than 5% per annum, no adjustment applies. The adjusted interest rate applies to the principal amount following any adjustment thereto as part of the pre-workout program, and no interest accrues on the interest already accrued or fees payable.
- *Debt forgiveness*: Debt forgiveness under the pre-workout program is limited to the default interest.
- *Deferral*: If the foregoing three measures are deemed to be insufficient in terms of providing meaningful assistance to a qualifying borrower due to layoff, unemployment, business closure, disaster or earnings loss, loan repayment may be deferred for a maximum of three year, provided that the

pre-workout committee may extend such deferral period every six months, for a period not to exceed six months, upon the borrower's application. The deferral period is not counted toward the repayment period, and interest accrues at 2% per annum during the deferral period.

In 2023, the aggregate amount of our retail credit (including credit card receivables) which became subject to the pre-workout program was ₩372 billion. We believe that our participation in such pre-workout program has not had a material impact on the overall asset quality of our retail loans and credit card portfolio or on our results of operations and financial condition to date.

Loan Modification Programs for Loans under Troubled Debt Restructuring

We generally offer the following types of concessions in relation to restructured loans: reduction of interest rate, forgiveness of overdue interest, extension of the term for repayment of principal, conversion of debt into equity or a combination of the foregoing. The nature and degree of such concessions vary depending on, among other things, the creditworthiness of the borrower, the size of loans being restructured, the existing terms of the loans and other factors deemed relevant by the relevant creditors' committee. We generally do not restructure an existing loan into multiple new loans. Recently, various Government-led financial support programs have been introduced in response to the COVID-19 pandemic, rising inflation and economic slowdown, such as loan rescheduling and principal and interest payment deferral programs, have helped financial institutions, including Shinhan Bank, manage their asset quality at a stable level. Such financial support programs have been introduced since April 1, 2020 and are available to small-and medium-sized enterprises and SOHOs that meet certain criteria, such as that they have not been delinquent on their prior loans and are not subject to liquidation or bankruptcy proceedings. Such financial support programs expired on September 30, 2022. However, the Government has decided, based on discussions with financial institutions, to provide further financial support to the debtors using the financial support programs as of the expiration date of such financial support programs in the forms of (i) the extension of loan maturity dates up to 3 years, (ii) the postponement of repaying loans up to 1 year until September 2023, or (iii) the rescheduling of loans under the New Start Fund set up by the Government on October 4, 2022 or loan rescheduling programs led by the financial institutions. Our participation in such Government initiatives may lead us to extend credit to small-and medium-sized enterprises and SOHOs that we would not otherwise extend, or offer terms on such credit that we would not otherwise offer, in the absence of such initiatives. There is no guarantee that the financial condition and liquidity of the small-and medium-sized enterprises benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis or at all. Accordingly, an increase in our exposure to small-and medium-sized enterprise borrowers resulting from such Government initiatives may have a material adverse effect on our financial condition and results of operations. We have classified the loans subject to loan rescheduling and principal and interest payment deferral under such financial support programs into stage 2 loans.

The following table presents a breakdown of the gross amount of loans under restructuring as of December 31, 2021, 2022 and 2023 by our loan modification programs, as further categorized according to the loan category and performing versus non-performing status at each fiscal year end.

	As of December 31, 2021 (IFRS 4)		
Modification Programs	**Non-Performing**	**Performing**	**Total**
	(In billions of Won)		
Extension of due date for principal and interest	₩ 5	₩ —	₩ 5
Reduction of interest rate	16	156	172
Forgiveness of principal	—	—	—
Equity conversion	—	—	—
Additional lending(1)	—	—	—
Others(2)	28	33	60
Total	₩49	₩189	₩237

Modification Programs	As of December 31, 2022 (IFRS 17) Non-Performing	Performing	Total
	(In billions of Won)		
Extension of due date for principal and interest	₩13	₩10	₩ 23
Reduction of interest rate	6	61	67
Forgiveness of principal	—	—	—
Equity conversion	—	—	—
Additional lending[1]	—	—	—
Others[2]	40	13	53
Total	₩59	₩84	₩143

Modification Programs	As of December 31, 2023 (IFRS 17) Non-Performing	Performing	Total
	(In billions of Won)		
Extension of due date for principal and interest	₩ 3	₩ 2	₩ 5
Reduction of interest rate	39	2	41
Forgiveness of principal	—	—	—
Equity conversion	—	—	—
Additional lending[1]	—	—	—
Others[2]	38	9	47
Total	₩80	₩13	₩93

Notes:

(1) Represents additional loans provided to the borrower at favorable terms as part of the restructuring package, which may include extension of the due date or reduction of interest rate, among others.

(2) Principally consists of restructured loans whose restructuring terms were not determined as of the date indicated. A loan is deemed to be subject to restructuring upon the commencement of the recovery proceedings or when the relevant creditors' committee or our credit officer determines that the borrower will be subject to workout, and in many cases the restructuring terms for such loans are not determined at the time such loans are deemed to be subject to restructuring.

Debt-to-equity Conversion

We distinguish between loans that we consider to be collectible under modified terms and loans that we consider to be uncollectible regardless of any modification of terms. With respect to loans that are in the latter category, we convert a portion of such loans into equity securities following negotiation with the borrowers and charge off the remainder of such loans as further described below. The equity securities so converted are recorded at fair value, based on the market value of such securities if available or the appraisal value of such securities by an outside appraiser if a market value is unavailable. In 2023, our loans restructured into equity securities amounted to ₩1 billion.

Debt-to-equity conversion generally has two primary benefits. One, the debt-to-equity conversion reduces the amount of loans and related interest expenses of the borrower, resulting in lesser debt burden and greater liquidity for the borrower, a greater likelihood of its exit from restructuring and the repayment of its obligations to us. Two, in the case of a successful turnaround of the borrower, we are entitled to the upside gains from the increase in the value of the equity securities so converted. Notwithstanding these benefits, however, the resulting impact from the debt-to-equity conversion on our interest income is generally not material as the loans being converted as part of restructuring are generally deemed to be uncollectible regardless any modification of terms. As for the impact on our asset classification, we generally apply the same asset classification standards to both non-restructured and restructured loans. As for restructured loans, we also consider additional factors such as the borrower's adherence to its business plans and execution of the self-help measures, among others, to the extent applicable. In consideration of such criteria, we generally classify loans subject to workout as "precautionary." For a general discussion of our loan classifications, see "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Capital Adequacy."

Evaluation of Loan Modification Programs

We currently do not conduct a systematic or quantitative evaluation of the success of any particular concession by type, whether historically, relative to each other or relative to other financial institutions in Korea, although we do monitor on an individual basis the compliance by the borrower with the modified terms of the restructured loans. This is principally due to the following reasons.

One, in the case of large corporations subject to or about to be subject to restructuring, which represents the most significant restructuring cases in Korea, the restructuring process is generally not driven by us, but by a creditors' committee involving several large creditor financial institutions, and in the case of very large corporations or corporations that are members of large business conglomerates, the process frequently involves the guidance of the Government in light of the potential ripple effects of the restructuring on the general economy. Hence, it is difficult for us to collect data that would help us to evaluate the success of a particular concession based on the credit profile of the borrower and the type of concessions offered.

Two, the unavailability of systematic analysis notwithstanding, our general sense is that the restructuring cases in Korea have, to a large part, been successful as measured in terms of the ability of the borrowers to exit restructuring programs relatively quickly and further that the failed cases have not been particularly material. As a result, to date, we have not found it particularly necessary or helpful to expend the time and resources required to conduct a systematic analysis for purposes of evaluating the success of concessions by the type of a particular concession offered.

We do, however, measure the success of concessions in limited ways, that is, principally in terms of how well the borrower complies with the terms and conditions of the restructuring plan as agreed between the borrower and its creditor institutions. A restructuring plan typically includes a business plan and self-help measures to be undertaken by the borrower. We monitor the borrower's compliance with the restructuring plan on a periodic basis (namely, annual, semiannual or quarterly in accordance with the terms of the restructuring plan) and evaluate the success thereof principally in terms of three attributes: (i) the progress in the execution of the business plan, (ii) the progress in the execution of the self-help measures and (iii) other qualitative factors such as major developments in the general economy, the regulatory environment, the competitive landscape, the quality of senior management and personnel, and transparency in management. We also closely monitor the cash inflows and outflows of the borrower, and the creditors' committee typically has the right to participate in decision-making related to major spending and borrowings by the borrower.

Accrual Policy for Restructured Loans

For purposes of our accrual policy, we classify restructured loans principally into (i) loans subject to workout pursuant to the Corporate Restructuring Promotion Act and (ii) loans subject to recovery proceedings pursuant to the Debtor Rehabilitation and Bankruptcy Act, which is the comprehensive bankruptcy-related law in Korea. See "— Credit Exposures to Companies in Workout and Recovery Proceedings." As for loans subject to workout, our general policy is to discontinue accruing interest on a loan when payment of principal and/or interest thereon becomes past due by 90 days or more, as described above in "— Nonaccrual Loans and Past Due Accruing Loans". Interest is recognized on these loans on a cash basis (i.e., when collected) from the date such loan is reclassified as non-accruing, and such loans are not reclassified as accruing until the overdue principal and/or interest amounts are paid in full. This general policy also applies to loans subject to workout even if such loans are restructured loans. In the case of loans subject to recovery proceedings, we discontinue accruing interest immediately upon the borrowers becoming subject to recovery proceedings (even if such loans are not yet delinquent) in light of the heightened uncertainty regarding the borrower's ability to repay. Interest on such loans is recognized on a cash basis and such loans are not reclassified as accruing until the borrower exits recovery proceedings. Accordingly, under our accrual policy, the number of payments made on a nonaccrual restructured loan is not a relevant factor in determining whether to reinstate such loan to the accrual status.

Determination of Performance of Restructured Loans

In determining whether a borrower has satisfactorily performed its obligations under the existing loan terms, we principally review the payment history of the borrower, namely whether the borrower has been delinquent by one day or more pursuant to our general interest accrual policy. In determining whether a borrower has shown the capacity to continue to perform under the restructured terms, we primarily rely upon the assessment of our credit officers (or the creditors' committee in the case of large corporate borrowers with significant outstanding loans) of the likelihood of the borrower's ability to repay under the restructured terms, which assessment takes into account the size of the loans in question, the credit profile of the borrower, the original terms of the loans and other factors deemed relevant by the relevant credit officers. Depending on various factors such as the size of the loans in question and the credit profile of the borrower, we or the relevant creditors' committee, as the case may be, sometimes engage an outside advisory firm to perform further due diligence in order to supplement the aforementioned assessment. In certain cases, the borrowers also submit self-help proposals to facilitate obtaining the approval for restructuring, which measures are then also taken into consideration by our credit officers or the relevant creditors' committees, as the case may be, in determining their future capacity to continue to perform under the restructured terms.

Charge-off of Restructured Loans

As for loans that we consider to be collectible under modified terms (for example, by extending the due date for the payment of principal and/or interest or reducing the interest rate below the applicable interest rate to a rate below the prevailing market rate, or a combination of the foregoing), we generally restructure such loans under the modified terms and do not charge off any portion of such loans.

As for loans that we consider to be uncollectible regardless of any modification of terms, we negotiate with the borrower to have a portion of such loans converted into equity securities (usually common stock) of the borrower in consideration, among others, of (i) the degree to which such conversion will alleviate the debt burdens and liquidity concerns of the borrower, (ii) our potential upside from the gain in the value of the equity securities compared to the likelihood of collection if the loans were not converted into equity securities, and (iii) the borrower's concerns regarding its shareholding structure subsequent to such conversion. We then charge off the remainder of the loans not converted into equity securities. The value of the equity securities so converted is recorded at fair value, based on the market value of such securities if available or the appraisal value of such securities by an outside appraiser if a market value is unavailable.

Since we generally do not accrue interest on loans subject to recovery proceedings while we generally accrue interest on loans subject to workout unless past due by 90 days or more, charge-off is not a relevant factor we consider when determining the accrual status of a particular restructured loan.

We continue to accrue interest on restructured loans if we conclude that repayment of interest and principal contractually due on the entire debt is reasonably assured. Such conclusion is reached only after we have carefully reviewed the borrower's ability to repay based on an assessment, among others, of various factors such as the size of the loans in question and the credit quality of the borrower by our credit officer or the relevant creditors' committee as supplemented by the due diligence by outside advisory firms, as the case may be.

Potential Problem Loans

We operate an "early warning system" in order to enable a more systematic and real-time monitoring of loans with significant potential of default. This system assists our management in making decisions by identifying loans which have serious doubt as to the ability of the borrowers to comply with their respective loan repayment terms as well as loans with significant potential of non-repayment.

We classify potential problem loans as loans that are designated as "early warning loans" and reported to the Financial Supervisory Service. The "early warning loans" designation applies to borrowers that have been (i) identified by our early warning system as exhibiting signs of credit risk based on the relevant borrower's financial data, credit information and/or transactions with banks and, following such identification and (ii) designated by our loan officers as potential problem loans on their evaluation of known information about such borrowers' possible credit problems. Such loans are required to be reported on a quarterly basis to the Financial Supervisory Service. If a borrower's loans are designated as "early warning loans" pursuant to the process described above and included in our quarterly report to the Financial Supervisory Service, we consider this to be an indication of serious doubt as to such borrower's ability to comply with repayment terms in the near future. As of December 31, 2023, we had ₩5,875 billion of potential problem loans.

Provisioning Policy

Loans

We conduct periodic and systematic detailed reviews of our loan portfolios to identify credit risks and to establish the overall allowance for credit losses on loans. Our management believes the allowance for credit losses on loans reflects the best estimate of the expected credit losses as of the date of each statement of financial position.

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we use 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. Upon assessment, each asset is classified as in one of the following three stages, which is used as the basis of calculating the loss allowances at the 12-month expected credit losses ("ECL") or the lifetime ECL, depending on the stage.

Category		Provision for credit loss allowance
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	

To make that assessment, we compare the risk of default of the financial instrument as at the reporting date with such risk of default as at the date of initial recognition, taking into account reasonable supporting information that is available without undue cost or effort and is indicative of significant increases in credit risk since initial recognition. Supporting information also includes historical default data held by us and analysis conducted by internal credit risk rating specialists.

We assign 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.

We accumulate information after analyzing the information regarding exposure to credit risk and default information by the type of product and borrower as well as results of internal credit risk assessment. For some portfolios, we use information obtained from external credit rating agencies when performing these analyses.

We apply statistical techniques to estimate (i) the probability of default for the remaining life of the exposure from the accumulated data and (ii) the changes in the estimated probability of default over time.

We use the indicators defined as per portfolio to determine the significant increase in credit risk. 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.

We consider 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, or
- if we determine that it is not possible to recover principal and interest without enforcing the collateral on a financial asset.

We use the following indicators when determining whether a borrower is in default:

- qualitative factors (e.g., breach of contract terms),
- quantitative factors (e.g., if the same borrower does not perform more than one payment obligations to us, the number of days past due per payment obligation. However, in the case of a specific portfolio, we use the number of days past due for each financial instrument), and
- internal and external data.

The definition of default applied by us generally conforms to the definition of default defined for regulatory capital management purposes. However, depending on the situation, the information used to determine whether default has incurred and the extent thereof may vary.

We measure expected credit losses on a forward-looking basis, and expected credit losses reflects information presented by internal experts based on a variety of sources. For purposes of estimating such forward-looking information, we utilize economic outlook and projections published by domestic and overseas research institutes or government and public agencies.

We reflect future macroeconomic conditions anticipated from a bias-free, neutral standpoint 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 we use in our business plan and management strategy.

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 statistical techniques developed internally by Shinhan Bank and have been adjusted to reflect forward-looking information. When measuring expected credit losses on financial assets, Shinhan Bank reflects a period of expected credit loss measurement based on a contractual maturity. Shinhan Bank takes into consideration the extension rights held by a borrower when deciding the contractual maturity.

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

- Type of products,
- Internal credit risk rating,
- Type of collateral,
- Loan-to-value ratio,
- Industry that the borrower belongs to,
- Location of the borrower or collateral, and
- Days of delinquency.

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

Credit Cards

Prior to 2017, we established an allowance for the credit card portfolio using a roll-rate model. A roll-rate model is a statistical tool used to monitor the progression of loans based on aging of the balance and established loss rates. The actual loss rates derived from this model are used to project the percentage of losses within each aging category based on performance over a five-year look-back period. Basel II requires a minimum of nine years of data collection (consisting of a minimum five-year observation period for defaults and a minimum four-year observation period for post-default recoveries) as a necessary condition to using the internal model approach. After its merger with LG Card in 2007, Shinhan Card has worked to establish a risk management system and met the Basel II nine-year data collection requirement in October 2016. Through the operation of a credit review system and risk management system based on Basel II requirements, we have gained the necessary data to create internal models that can calculate PD/LGD and credit conversion factors for different groups of borrowers of financial assets.

At the end of December 2016, the Financial Supervisory Service granted Shinhan Card final approval to use the internal model approach. During the first quarter of 2017, Shinhan Card completed the establishment of the IFRS loan loss calculation system, for example, by replacing Basel II risk components with risk components for financial reporting in accordance with IAS 39, and Shinhan Card revised the calculation methodology of loan losses from a roll-rate model to an internal model approach.

The internal model approach calculates separate default rates and loss given default for different groups of customers, differentiated based on the characteristics of both the customers and the products that they use. The internal model approach disaggregates customers into more than twice the number of groups than does the roll-rate model. Whereas the roll-rate model does not distinguish between customers with high and low risks of default when calculating roll rates, the internal model approach allows for a more sophisticated calculation of loan loss that reflects the customers’ credit ratings.

Our general policy is to be proactive in our collection procedures, and we therefore emphasize collections at an early stage of delinquency, although we increase the level of collection efforts as the delinquency period increases with respect to the relevant account. Efforts to collect from cardholders whose account balances are up to 30 days past due are generally made by our credit support centers at Shinhan Card.

For credit card accounts with balances that are more than 30 days past due, we generally assign collection to collection companies such as Shinhan Credit Information, a subsidiary of ours, and Mirae Credit Information. For credit card accounts that are charged off, we outsource collection to collection companies such as Shinhan

Credit Information, Mirae Credit Information Services Corp. and Koryo Credit Information. The collection companies contact cardholders for payment via email, phone and in person, and if necessary, offer payment support programs such as refinancing and loan reduction, while conducting legal procedures to locate the accountholder's source of income and real estate assets in order to prepare the compulsory execution process.

Loan Aging Schedule

The following table shows our loan aging schedule (excluding accrued interest) for all loans as of the dates indicated.

	Current		Past Due Up to 3 Months		Past Due 3-6 Months		Past Due More Than 6 Months		Total
As of December 31,	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**
	(In billions of Won, except percentages)								
2021 (IFRS 4)	390,297	99.19	1,351	0.34	773	0.20	1,053	0.27	393,474
2022 (IFRS 17)	409,954	99.16	1,726	0.42	879	0.21	877	0.21	413,436
2023 (IFRS 17)	412,710	98.89	2,420	0.58	1,093	0.26	1,123	0.27	417,346

Non-Performing Loans

Non-performing loans are defined as loans past due by more than 90 days. The following table shows, as of the dates indicated, the amount of the total non-performing loan portfolio and as a percentage of our total loans.

	As of December 31,		
	2021	**2022**	**2023**
	(IFRS 4)	**(IFRS 17)**	**(IFRS 17)**
	(In billions of Won, except percentages)		
Total non-performing loans	₩1,826	₩1,756	₩2,216
As a percentage of total loans	0.46%	0.42%	0.53%

Analysis of Non-Performing Loans

The following table sets forth, for the periods indicated, the total non-performing loans by the borrower type.

	As of December 31,								
	2021 (IFRS 4)			2022 (IFRS 17)			2023 (IFRS 17)		
	Total Loans	Non-Performing Loans (1)	Ratio of Non-Performing Loans	Total Loans	Non-Performing Loans (1)	Ratio of Non-Performing Loans	Total Loans	Non-Performing Loans (1)	Ratio of Non-Performing Loans
	(In billions of Won, except percentages)								
Domestic:									
Corporate									
Corporate loans	₩178,315	₩ 468	0.26%	₩195,410	₩ 511	0.26%	₩202,153	₩ 564	0.28%
Public and other (2)	3,469	13	0.37	3,897	10	0.26	4,635	9	0.19
Loans to banks	862	—	—	1,205	—	—	961	—	—
Lease financing	1,497	7	0.47	682	6	0.88	196	10	5.10
Total corporate	184,143	488	0.27	201,194	527	0.26	207,945	583	0.28
Retail									
Mortgage and home equity	79,018	56	0.07	80,937	69	0.09	86,532	140	0.16
Other retail	69,459	455	0.66	62,519	287	0.46	55,607	388	0.70
Total retail	148,477	511	0.34	143,456	356	0.25	142,139	528	0.37
Credit cards	25,817	427	1.65	20,388	494	2.42	27,798	612	2.20
Total domestic	358,437	1,426	0.40	365,038	1,377	0.38	377,882	1,723	0.46
Foreign:	35,037	400	1.14	48,398	379	0.78	39,464	493	1.25
Total	₩393,474	₩1,826	0.46%	₩413,436	₩1,756	0.42%	₩417,346	₩2,216	0.53%

Notes:

(1) Includes loans past due by more than 90 days.
(2) Includes debtors such as local and regional authorities, state-owned enterprises and non-profit organizations.

Non-Performing Loans by Industry

The following table sets forth a breakdown of our non-performing corporate loans by industry as of December 31, 2023.

Industry	Aggregate Non-Performing Corporate Loan Balance	Percentage of Total Non-Performing Corporate Loan Balance
	(In billions of Won)	(Percentages)
Construction	₩ 55	5.74%
Manufacturing	92	9.59
Real estate, leasing and service	145	15.12
Retail and wholesale	62	6.47
Finance and insurance	12	1.25
Hotel and leisure	39	4.07
Transportation, storage and communication	6	0.63
Other service(1)	66	6.88
Other(2)	482	50.25
Total	₩959	100.00%

Notes:

(1) Includes other service industries such as publication, media and education.
(2) Includes other industries such as agriculture, forestry, mining, electricity and gas.

Top 20 Non-Performing Loans

As of December 31, 2023, our 20 largest non-performing loans accounted for 27.8% of our total non-performing loan portfolio. The following table shows, at the date indicated, certain information regarding our 20 largest non-performing loans.

		As of December 31, 2023		
		Industry	Gross Principal Outstanding	Allowance for credit losses on loans
			(In billions of Won)	
1	Borrower A	Other service	₩125	₩125
2	Borrower B	Other service	98	—
3	Borrower C	Other service	92	—
4	Borrower D	Other service	57	57
5	Borrower E	Other service	40	—
6	Borrower F	Other service	39	—
7	Borrower G	Real estate, leasing and service	35	14
8	Borrower H	Real estate, leasing and service	24	21
9	Borrower I	Manufacturing	16	8
10	Borrower J	Other service	13	—
11	Borrower K	Real estate, leasing and service	10	10
12	Borrower L	Real estate, leasing and service	10	4
13	Borrower M	Construction	9	2
14	Borrower N	Real estate, leasing and service	9	—
15	Borrower O	Finance and insurance	8	—
16	Borrower P	Real estate, leasing and service	8	3
17	Borrower Q	Real estate, leasing and service	8	1

		As of December 31, 2023		
		Industry	Gross Principal Outstanding	Allowance for credit losses on loans
		(In billions of Won)		
18	Borrower R	Construction	5	—
19	Borrower S	Real estate, leasing and service	5	5
20	Borrower T	Construction	5	1
			₩616	₩251

Non-Performing Loan Strategy

One of our primary objectives is to prevent our loans from becoming non-performing. Through our corporate credit rating system, which is designed to prevent our loan officers from extending new loans to borrowers with high credit risks based on the borrower's credit rating, we seek to reduce credit risk related to future non-performing loans. Our early warning system is designed to bring any sudden increase in a borrower's credit risk to the attention of our loan officers, who then closely monitor such loans.

If a loan becomes non-performing notwithstanding such preventive mechanism, an officer at the branch level responsible for monitoring non-performing loans will commence due diligence on the borrower's assets, send a notice demanding payment or a notice that we will take or prepare for legal action.

At the same time, we also initiate our non-performing loan management process, which includes:

- identifying loans subject to a proposed sale by assessing the estimated losses from such sale based on the estimated recovery value of collateral, if any, for such non-performing loans;
- identifying loans subject to charge-off based on the estimated recovery value of collateral, if any, for such non-performing loans and the estimated rate of recovery of unsecured loans; and
- to a limited extent, identifying commercial loans subject to normalization efforts based on the cash-flow situation of the borrower.

Once the details of a non-performing loan are identified, we pursue early solutions for recovery. Actual recovery efforts for non-performing loans are handled by the relevant department, depending on the nature of such loans and the borrower, among others. The officers or agents of the responsible departments and units use a variety of methods to resolve non-performing loans, including:

- making phone calls and paying visits to the borrower to request payment;
- continuing to assess and evaluate assets of our borrowers; and
- if necessary, initiating legal action such as foreclosures, attachment and litigation.

In order to promote speedy recovery on loans subject to foreclosures and litigation, the branch responsible for handling these loans may transfer them to the relevant unit at headquarters.

Our policy is to commence legal action within one month after default on promissory notes and four months after delinquency of payment on other types of loans. For loans to insolvent or bankrupt borrowers or when we conclude that it is not possible to recover through normal procedures, we take prompt legal actions regardless of the grace period.

In addition to making efforts to collect on these non-performing loans, we take other measures to reduce the level of our non-performing loans, including:

- selling non-performing loans to third parties including the Korea Asset Management Corporation;

- entering into asset-backed securitization transactions with respect to non-performing loans;
- managing retail loans that are three months or more past due through Shinhan Credit Information under an agency agreement; and
- using third-party collection agencies including credit information companies.

In 2023, we sold non-performing loans in the amount of ₩148 billion to third parties, including ₩52 billion transferred to UAMCO, Ltd., an investment management company. Loans transferred to third parties meet the criteria of true sale and are derecognized accordingly.

The following table presents a roll-forward of our non-performing loans in 2023.

	(In billions of Won)
Non-performing loans as of December 31, 2022	₩1,756
Additional non-performing loans due to delinquency	1,004
Loans sold	(148)
Loans charged off	(295)
Loans modified and returned to performing	(13)
Other adjustments(1)	(88)
Non-performing loans as of December 31, 2023	₩2,216

Note:

(1) Represents loans paid down or paid off and loans returned to performing other than as a result of modification. We do not separately collect and analyze data relating to non-performing loans other than those that were sold, charged off, modified and returned to performing, or transferred to held-for-sale investment portfolio.

Loan Charge-offs

Our gross charge-offs, including amortization of discount and disposal, increased by 54.30% from ₩1,152 billion in 2022 to ₩1,777 billion in 2023, primarily due to an overall increase in the amount of charge-offs for domestic loans in 2023 compared to 2022. The increase in the amount of charge-offs in 2023 was primarily due to write-offs for non-performing domestic loans to improve financial soundness by Shinhan Bank and Shinhan Card. Our gross charge-offs, including amortization of discount and disposal, decreased by 2.8% from ₩1,185 billion in 2021 to ₩1,152 billion in 2022, primarily due to a decrease in the amount of charge-offs for corporate loans in 2022 compared to 2021.

In 2023, the charge-off on restructured loans amounted to ₩23 billion. With respect to a loan that we consider to be uncollectible regardless of any modification of terms, we convert a portion of such loan into equity securities following negotiation with the borrower and charge off the remainder of such loan as previously discussed in "— Troubled Debt Restructurings — Charge-off of Loans Subject to Restructuring." The equity securities so converted are recorded at fair value, based on the market value of such securities if available or the appraisal value of such securities by an outside appraiser if a market value is unavailable. In 2023, our loans restructured into equity securities amounted to ₩1 billion.

We attempt to minimize loans to be charged off by practicing a sound credit approval process based on credit risk analysis prior to extending loans and a systematic management of outstanding loans. For charge-off of restructured loans, see "— Loan Modification Programs for Loans under Restructuring — Charge-off of Restructured Loans" above.

Loans to be Charged-off

Loans are charged off if they are deemed to be uncollectible by falling under any of the following categories:

- loans for which collection is not foreseeable due to insolvency or bankruptcy, dissolution or the termination of the debtor's business;
- loans for which collection is not foreseeable due to the death or disappearance of debtors;
- loans for which collection expenses exceed the collectible amount;
- loans for which collection is not possible through legal or any other means;
- payments in arrears in respect of credit cards that are overdue for more than six months;
- payments outstanding on unsecured retail loans that are overdue for more than 12 months;
- payments in arrears in respect of leases that are overdue for more than 12 months;
- the portion of loans classified as "estimated loss," net of any recovery from collateral, which is deemed to be uncollectible; or
- domestic loans that are required by the Financial Supervisory Service to be charged-off, or loans held by our foreign subsidiaries or branches for which a charge-off or special provisioning is required by the relevant regulatory authority.

Timeline for Charge-off

Shinhan Bank's loans to be charged-off must be charged-off within one year of the month they are deemed to be uncollectible. If such loans are not charged-off within one year, the reason for the delay must be reported to Shinhan Bank's Audit Department.

Procedure for Charge-off Approval

An application for Shinhan Bank's loans to be charged-off is submitted by the relevant branch or department to the Credit Collection Department. The Credit Collection Department refers the application to the Audit Department for their review to ensure compliance with Shinhan Bank's internal procedures for charge-offs. The Credit Collection Department, after reviewing the application to confirm that it meets relevant requirements, seeks approval from the Financial Supervisory Service for the charge-offs, which is typically granted. Once the Financial Supervisory Service approves (except for household loans with estimated losses of ₩10 million or less, whose charge-off is considered automatically approved by the Financial Supervisory Service), loans are charged-off upon approval by the President of Shinhan Bank. As for Shinhan Card, it generally charges off receivables that are 180 days past due following internal review.

Treatment of Loans Charged-off

Once loans are charged off, they are derecognized from our statements of financial position and are classified as charged-off loans. We continue collection efforts in respect of these loans through third-party collection agencies, including the Korea Asset Management Corporation, and Shinhan Credit Information, which is our subsidiary. The General Manager of the Credit Collection Department must report to the Financial Supervisory Service the amounts of loans permanently written off or recovered during each reporting period.

Treatment of Collateral

When we determine that a loan collateralized by real estate cannot be recovered through normal collection channels, we generally petition a court to foreclose and sell the collateral through a court-supervised auction within one month after default and insolvency and within four months after delinquency. However, this procedure does not apply to companies under restructuring, recovery proceedings, workout or other court proceedings where there are restrictions on such auction procedures. Filing of such petition with the court generally encourages the debtor to repay the overdue loan. If a debtor ultimately fails to repay and the court grants its approval for foreclosure, we sell the collateral and recover the principal amount and interest accrued up to the sales price, net of expenses incurred from the auction. Foreclosure proceedings under the laws and regulations of Korea typically take seven months to one year from initiation to collection depending on the nature of the collateral.

Financial Statement Presentation

Our financial statements generally report as charge-offs all unsecured retail loans that are overdue for more than 12 months. Leases are charged off when past due for more than 12 months. For collateral dependent loans, we charge off the excess of the book value of the subject loan over the amount received or to be received from the sale of the underlying collateral when the collateral is sold as part of a foreclosure proceeding and its sale price becomes known through court publication as part of such proceeding.

Net Charge-offs

The following table sets forth, for the periods indicated, the net charge-offs.

	For the year ended December 31,								
	2021 (IFRS 4)			2022 (IFRS 17)			2023 (IFRS 17)		
	Average Loan	Net Charge-Offs	Ratio	Average Loan	Net Charge-Offs	Ratio	Average Loan	Net Charge-Offs	Ratio
	(In billions of Won, except percentages)								
Domestic:									
Corporate									
Corporate loans	₩169,539	₩215	0.13%	₩188,104	₩197	0.10%	₩195,927	₩ 327	0.17%
Public and other	3,608	—	—	3,569	1	0.03	4,123	2	0.05
Loans to banks	1,470	—	—	1,117	—	—	1,568	—	—
Lease financing	1,565	21	1.34	578	8	1.38	423	21	4.96
Total corporate	176,182	236	0.13	193,368	206	0.11	202,041	350	0.17
Retail									
Mortgage and home equity	65,778	15	0.02	79,072	2	N/M	82,468	2	N/M
Other retail	75,992	140	0.18	67,001	109	0.16	59,125	408	0.69
Total retail	141,770	155	0.11	146,073	111	0.08	141,593	410	0.29
Credit cards	21,792	351	1.61	23,221	363	1.56	23,832	607	2.55
Total domestic	339,744	742	0.22	362,662	680	0.19	367,466	1,367	0.37
Foreign:	37,447	55	0.15	42,118	90	0.21	45,110	52	0.12
Total	₩377,191	₩797	0.21%	₩404,780	₩770	0.19%	₩412,576	₩1,419	0.34%

N/M = not meaningful

Investment Portfolio

Investment Policy

We invest in and trade Won-denominated and, to a lesser extent, foreign currency-denominated securities for our own account in order to:

- maintain the stability and diversification of our assets;
- maintain adequate sources of back-up liquidity to match our funding requirements; and
- supplement income from our core lending activities.

When making an investment decision with respect to particular securities, we consider macroeconomic trends, industry analysis and credit evaluation, among others.

Our securities investment activities are subject to a number of regulatory guidelines, including limitations prescribed under the Financial Holding Companies Act and the Banking Act. Generally, a financial holding company is prohibited from acquiring more than 5% of the total issued and outstanding shares of another finance-related company (other than its direct and indirect subsidiaries). Furthermore, under these regulations, Shinhan Bank must limit its investments in shares and securities with a maturity in excess of three years (other than monetary stabilization bonds issued by the Bank of Korea and national government bonds) to 100.0% of the sum of Tier I and Tier II capital (less any deductions) of Shinhan Bank. Generally, Shinhan Bank is also prohibited from acquiring more than 15.0% of the shares with voting rights issued by any other corporation (other than for the purpose of establishing or acquiring a subsidiary). Further information on the regulatory environment governing our investment activities is set out in "— Supervision and Regulation — Principal Regulations Applicable to Banks — Restrictions on Investments in Property," "— Principal Regulations Applicable to Banks — Restrictions on Shareholdings in Other Companies," "— Principal Regulations Applicable to Financial Holding Companies — Liquidity" and "— Principal Regulations Applicable to Financial Holding Companies — Restrictions on Shareholdings in Other Companies."

Book Value and Fair Value

The following tables set out the book value and fair value of investments in our investment portfolio as of the dates indicated.

	As of December 31,					
	2021 (IFRS 4)		2022 (IFRS 17)		2023 (IFRS 17)	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	(In billions of Won)					
Securities at fair value through other comprehensive income						
Equity securities	₩ 1,031	₩ 1,031	₩ 1,673	₩ 1,673	₩ 1,675	₩ 1,675
Debt securities:						
Korean treasury and governmental agencies	23,742	23,742	37,024	37,024	39,875	39,875
Debt securities issued by financial institutions	19,702	19,702	20,539	20,539	21,303	21,303
Corporate debt securities	15,827	15,827	18,005	18,005	18,761	18,761
Debt securities issued by foreign government	1,945	1,945	3,971	3,971	4,544	4,544
Mortgage-backed and asset-backed securities	2,591	2,591	4,257	4,257	4,154	4,154
Total — Securities at fair value through other comprehensive income	₩64,838	₩64,838	₩85,469	₩85,469	₩ 90,312	₩90,312

	As of December 31,					
	2021 (IFRS 4)		2022 (IFRS 17)		2023 (IFRS 17)	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	(In billions of Won)					
Securities at amortized cost						
Debt securities:						
Korean treasury and governmental agencies	₩33,425	₩33,579	₩20,578	₩19,268	₩ 21,496	₩20,889
Debt securities issued by financial institutions	3,718	3,772	5,658	5,621	6,054	6,096
Corporate debt securities	5,010	7,546	1,993	1,861	2,096	2,052
Debt securities issued by foreign government	1,254	798	945	947	1,291	1,293
Mortgage-backed and asset-backed securities	6,523	3,910	4,197	3,876	4,749	4,639
Total — Securities at amortized cost	₩49,930	₩49,605	₩33,371	₩31,573	₩ 35,686	₩34,969
Financial assets at fair value through profit or loss						
Equity securities	₩ 2,375	₩ 2,375	₩ 3,857	₩ 3,857	₩ 3,851	₩ 3,851
Debt securities:						
Korean treasury and governmental agencies	3,557	3,557	5,489	5,489	6,036	6,036
Debt securities issued by financial institutions	13,627	13,627	11,808	11,808	12,861	12,861
Corporate debt securities	21,245	21,245	17,424	17,424	23,222	23,222
Debt securities issued by foreign governments	404	404	473	473	356	356
Mortgage-backed and asset-backed securities	265	265	368	368	737	737
Other debt securities(1)	19,130	19,130	19,598	19,598	22,260	22,260
Sub-total — Securities at fair value	60,603	60,603	59,017	59,017	69,323	69,323
Others:						
Loans at fair value	1,683	1,683	2,389	2,389	1,759	1,759
Due from banks at fair value	34	34	26	26	31	31
Gold/Silver deposits	84	84	76	76	104	104
Total — Financial assets at fair value through profit or loss	₩62,404	₩62,404	₩61,508	₩61,508	₩ 71,217	₩71,217

Note:

(1) Other debt securities included puttable equity investment, beneficiary certificates and restricted reserve for claims of customers' deposits (trusts) classified as debt instruments in accordance with IFRS 9.

Maturity Analysis

The following table categorizes our securities at amortized cost by maturity and weighted average yield as of December 31, 2023.

	As of December 31, 2023									
	1 Year or Less		Over 1 but within 5 Years		Over 5 but within 10 Years		Over 10 Years		Total	
	Carrying Amount	Weighted Average Yield(1)	Carrying Amount	Weighted Average Yield(1)	Carrying Amount	Weighted Average Yield(1)	Carrying Amount	Weighted Average Yield(1)	Carrying Amount	Weighted Average Yield(1)
	(In billions of Won, except percentages)									
Korean treasury securities and government agencies	₩3,570	1.59%	₩12,744	3.34%	₩3,277	2.46%	₩1,905	1.90%	₩21,496	2.79%
Debt securities issued by financial institutions	2,858	4.48	3,155	4.21	41	6.30	—	—	6,054	4.35
Corporate debt securities	423	2.60	1,193	4.01	162	2.31	318	3.44	2,096	3.51
Debt securities issued by foreign governments	288	3.41	699	2.01	173	6.90	131	3.81	1,291	3.16
Mortgage-backed securities and asset-backed securities	308	2.28	2,810	2.52	1,507	3.62	124	2.51	4,749	2.85
Total	₩7,447	2.86%	₩20,601	3.35%	₩5,160	2.98%	₩2,478	2.23%	₩35,686	3.12%

Note:

(1) The weighted-average yield for the portfolio represents the yield to maturity for each individual security, weighted using its amortized cost.

Concentrations of Risk

The following table presents securities held by us whose aggregate book value exceeded 10% of our stockholders' equity as of December 31, 2023. As of December 31, 2023, 10% of our stockholders' equity was ₩5,632 billion.

	As of December 31, 2023	
	Book Value	Fair Value
	(In billions of Won)	
Name of issuer:		
Ministry of Strategy and Finance	₩65,670	₩65,274
The Korea Development Bank	7,614	7,632
The Bank of Korea	8,475	8,484
The Korea Housing Finance Corp	9,068	8,959
Industrial Bank of Korea	5,715	5,729

All of the above entities are either an agency of the Government or an entity controlled by the Government.

Credit-Related Commitments and Guarantees

In the normal course of our operations, we make various commitments and guarantees to meet the financing and other business needs of our customers. Commitments and guarantees are usually in the form of, among others, commitments to extend credit, commercial letters of credit, standby letters of credit and performance guarantees. The contractual amount of these financial instruments represents the maximum possible loss amount if the account party draws down the commitment or we should fulfill our obligation under the guarantee and the account party fails to perform under the contract.

The following table sets forth our credit-related commitments and guarantees as of the dates indicated.

	As of December 31,		
	2021	2022	2023
	(In billions of Won)		
Commitments to extend credit	₩101,055	₩108,504	₩115,884
Commercial letters of credit	3,505	3,138	2,934
Others[(1)]	113,723	119,120	122,155
Total	₩218,283	₩230,762	₩240,973

Note:

(1) Consists of financial guarantees, performance guarantees, liquidity facilities to special purpose entities, acceptances, endorsed bills and unused credit limits on credit cards, etc.

We have credit-related commitments that are not reflected in our statements of financial position, which primarily consist of commitments to extend credit and commercial letters of credit. Commitments to extend credit, including credit lines, represent unfunded portions of authorizations to extend credit in the form of loans. These commitments expire on fixed dates and a customer is required to comply with predetermined conditions to draw funds under the commitments. Commercial letters of credit are undertakings on behalf of customers authorizing third parties to make drawdowns up to a stipulated amount under specific terms and conditions. They are generally short-term and collateralized by the underlying shipments of goods to which they relate.

We also have guarantees that are recorded on our statements of financial position at their fair value at inception which are amortized over the life of the guarantees. Such guarantees generally include standby letters of credit, other financial and performance guarantees and liquidity facilities to special purpose entities. Standby letters of credit are irrevocable obligations to pay third-party beneficiaries when our customers fail to repay loans or debt instruments, which are generally in foreign currencies. A substantial portion of these standby letters of credit is secured by collateral, including trade-related documents. Other financial and performance guarantees are irrevocable assurances that we will pay beneficiaries if our customers fail to perform their obligations under certain contracts. Liquidity facilities to special purpose entities are irrevocable commitments to provide contingent liquidity credit lines to special purpose entities established by our customers in the event that a triggering event such as shortage of cash occurs.

The commitments and guarantees do not necessarily represent our exposure since they often expire unused.

Derivatives

As discussed under "— Our Principal Activities — Other Banking Services — Derivatives Trading" above, we engage in derivatives trading activities primarily on behalf of our customers so that they may hedge their risks and also enter into back-to-back derivatives with other financial institutions to cover exposures arising from such transactions. In addition, we enter into derivatives transactions to hedge against risk exposures arising from our own assets and liabilities, some of which are non-trading derivatives that do not qualify for hedge accounting treatment.

The following table shows, as of December 31, 2023, the gross notional or contractual amounts of derivatives held or issued for (i) trading and (ii) non-trading that qualify for hedge accounting.

	As of December 31, 2023		
	Underlying Notional Amount(1)	Estimated Fair Value Assets	Estimated Fair Value Liabilities
	(In billions of Won)		
Trading:			
Foreign exchange derivatives:			
Future and forward contracts	₩144,970	₩1,559	₩1,403
Swaps	45,159	1,431	1,206
Options	1,265	13	13
Sub-total	191,394	3,003	2,622
Interest rate derivatives:			
Future and forward contracts	3,944	2	12
Swaps	136,137	684	903
Options	516	4	17
Sub-total	140,597	690	932
Credit derivatives:			
Swaps	4,178	474	10
Sub-total	4,178	474	10
Equity derivatives:			
Swaps and forward contracts	4,101	166	351
Options	3,793	54	183
Future contracts	2,764	67	16
Sub-total	10,658	287	550
Commodity derivatives:			
Forward contracts	1,034	3	85
Options	8	—	—
Future contracts	93	2	1
Sub-total	1,135	5	86
Total	₩347,962	₩4,459	₩4,200
Non-trading:			
Hedge accounting:			
Foreign exchange derivatives:			
Swaps	₩ 4,448	₩ 111	₩ 99
Forward contracts	2,142	22	34
Sub-total	6,590	133	133
Interest rate derivatives:			
Forward and swaps	12,470	119	705
Total	₩ 19,060	₩ 252	₩ 838

Note:

(1) Notional amounts in foreign currencies were converted into Won at prevailing exchange rates as of December 31, 2023.

Funding

We obtain funding from a variety of sources, both domestic and foreign. Our principal source of funding is customer deposits obtained from our banking operations, and we from time to time issue equity and debt securities, including preferred shares. In addition, our subsidiaries acquire funding through call money, borrowings from the Bank of Korea, other short-term borrowings, corporate debentures and other long-term debt, including debt and equity securities issuances, asset-backed securitizations and repurchase transactions, to complement, or if necessary, replace funding through customer deposits. For further details relating to funding by us and our subsidiaries, see "Item 5.B. Liquidity and Capital Resources."

Deposits

Although the majority of our bank deposits are short-term, the majority of our depositors have historically rolled over their deposits at maturity, providing our banking operation with a stable source of funding.

The following table shows the average balances of our deposits and the average rates paid on our deposits for the periods indicated, and the outstanding balances of uninsured deposits as of the ends of periods indicated.

	2021 (IFRS 4)		2022 (IFRS 17)		2023 (IFRS 17)	
	Average Balance(1)	Average Rate Paid	Average Balance(1)	Average Rate Paid	Average Balance(1)	Average Rate Paid
	(In billions of Won, except percentages)					
Non-interest-bearing deposits:	₩ 4,818	—	₩ 5,390	—	₩ 4,475	—
Interest-bearing deposits:						
Demand deposits	₩ 65,907	0.32%	₩ 68,636	0.47%	₩ 62,946	0.99%
Savings deposits	106,172	0.23	108,419	0.40	95,895	0.86
Time deposits	153,718	1.05	174,029	2.04	205,277	3.82
Other deposits	11,180	0.91	17,169	1.97	13,164	3.82
Total interest-bearing deposits	₩336,977	0.65%	₩368,253	1.26%	₩377,282	2.60%

	2021	2022	2023
		(In billions of Won)	
Uninsured deposits	₩275,519	₩288,754	₩287,330

Note:

(1) Average balances are based on (a) daily balances of Shinhan Bank and (b) quarterly balances for other subsidiaries.

For a breakdown of deposit products, see "— Our Principal Activities — Deposit-taking Activities," except that cover bills sold are recorded on short-term borrowings and securities sold under repurchase agreements are recorded as secured borrowings.

Uninsured Time Deposits

The following table shows the amount of time deposits that exceed the insurance limit as of December 31, 2023, and the amount of time deposits that are otherwise uninsured, segregated by remaining maturity as of December 31, 2023.

	As of December 31, 2023
	(In billions of Won)
Portion of Time deposits in excess of insurance limit:	₩100,700
Time deposits otherwise uninsured with a maturity of:	
Maturing within three months	₩ 27,745
After three but within six months	10,789
After six but within 12 months	12,897
After 12 months	7,187
Total	₩ 58,618

Short-term Borrowings

The following table presents information regarding our short-term borrowings (borrowings with a maturity of one year or less) for the periods indicated.

	2021					2022					2023				
	Balance Outstanding	Average Balance Outstanding [1]	Highest Balances at Any Month-end	Weighted Average Interest Rate[2]	Year-end Interest Rate	Balance Outstanding	Average Balance Outstanding [1]	Highest Balances at Any Month-end	Weighted Average Interest Rate[2]	Year-end Interest Rate	Balance Outstanding	Average Balance Outstanding [1]	Highest Balances at Any Month-end	Weighted Average Interest Rate[2]	Year-end Interest Rate
	(In billions of Won, except for percentages)														
Borrowings from															
The Bank of Korea[3]	₩ 5,278	₩ 5,310	₩ 5,545	0.25%	0.25%	₩ 5,100	₩ 5,082	₩ 5,157	0.62%	0.25 – 1.75%	₩ 2,562	₩ 4,011	₩ 5,055	1.47%	2.00%
Call money	1,535	1,575	2,015	1.31	(0.30) – 1.52	1,276	2,301	3,750	2.65	0.05 – 6.30	2,196	3,130	4,202	5.04	0.02 – 5.88
Other short-term borrowings[4]	28,559	25,602	28,559	0.75	(0.49) – 12.29	34,002	33,757	38,263	1.73	0.00 – 21.20	39,218	34,068	39,843	2.82	0.00 – 14.85
	₩35,372	₩32,487	₩36,119	0.70%		₩40,378	₩41,140	₩47,170	1.65%		₩43,976	₩41,209	₩49,100	2.86%	

Notes:

(1) Average balances are based on (a) daily balances of Shinhan Bank and (b) quarterly balances for other subsidiaries.

(2) Weighted-average interest rates are calculated by dividing the total interest expenses by the average amount borrowed.

(3) Borrowings from the Bank of Korea generally mature within one month for borrowings in Korean Won and six months for borrowings in foreign currencies.

(4) Other short-term borrowings included bonds sold under repurchase agreements and borrowings in domestic and foreign currencies.

Our short-term borrowings have maturities of less than one year and are generally unsecured with the exception of borrowings from the Bank of Korea, which are generally secured with securities at fair value through other comprehensive income or at amortized cost held by us.

Risk Management

Overview

As a financial services provider, we are exposed to various risks relating to our lending, credit card, insurance, securities investment, trading and leasing businesses, our deposit taking and borrowing activities and our operating environment. The principal risks to which we are exposed are credit risk, market risk, interest rate risk, liquidity risk and operational risk. These risks are recognized, measured and reported in accordance with risk management guidelines established at our holding company level and implemented at the subsidiary level through a carefully stratified checks-and-balances system.

We believe that our risk management system has been instrumental to building our reputation as a well-managed and prudent financial service provider and withstanding various external shocks. In particular, during the global financial crisis of 2008 and 2009, we believe our risk management provided effective early warning signals which helped us to proactively reconfigure our asset portfolio and substantially reduce our exposure to troubled debtors and thereby avoid what could have been a substantially greater credit loss during such crisis, and we are carefully upgrading and refining our risk management system in the face of current and potential economic difficulties at global, regional and domestic levels.

Our group-wide risk management philosophy is to instill a culture of effective risk management and awareness at all levels of our organization and pursue a proper balance between risk and return in our business activities in order to achieve a sustainable growth. In particular, our group-wide risk management is guided by the following core principles:

- carrying out all business activities within prescribed risk tolerance levels and prudently balancing profitability and risk management;
- standardizing the risk management process and monitoring compliance at a group-wide level;
- operating a prudent risk management decision making system backed by active participation by management;
- creating and operating a risk management organization independent of business activities;
- operating a performance management system that enhances clear and prompt identification of risks when making business decisions;
- aiming to achieve preemptive and practical risk management; and
- prudent preparation for known and unknown contingencies.

We take the following steps to implement the foregoing risk management principles:

- *risk capital management* — Risk capital refers to capital necessary to compensate for losses in case of a potential risk being realized, and risk capital management refers to the process of asset management based on considerations of risk exposure and risk appetite for our total assets so that we can maintain an appropriate level of risk capital. As part of our risk capital management, we and our subsidiaries have adopted and maintain various risk planning processes and reflect such risk planning in our business and financial planning. We also maintain a risk limit management system to ensure that risks in our business do not exceed prescribed limits.
- *risk monitoring* — We proactively, preemptively and periodically review risks that may impact our overall operations, including through a multidimensional risk monitoring system. Currently, each of our subsidiaries is required to report to the holding company any factors that could have a material impact on group-wide risk management, and the holding company reports to our chief risk officer and other members of our senior management the results of risk monitoring weekly, monthly and on an *ad hoc* basis as needed. In addition, we perform preemptive risk management through a "risk dashboard

system" under which we closely monitor any increase in asset size, risk levels and sensitivity to external factors with respect to the major asset portfolios of each of our subsidiaries, and to the extent such monitoring yields any warning signals, we promptly analyze the causes and, if necessary, formulate and implement actions in response thereto.

- *risk review* — Prior to entering any new business, offering any new products or changing any major policies, we review any relevant risk factors based on a prescribed risk management checklist and, in the case of changes for which assessment of risk factors is difficult, perform reasonable decision-making in order to avoid taking any unduly risky action. The risk management departments of all our subsidiaries are required to review all new businesses, products and services prior to their launch and closely monitor the development of any related risks following their launch, and in the case of any action that involves more than one subsidiary, the relevant risk management departments are required to consult with the risk management team at the holding company level prior to making any independent risk reviews.
- *crisis management* — We maintain a group-wide risk management system to detect the early warning signals of any crisis and, in the event of a crisis actually happening, to respond on a timely, efficient and flexible basis so as to ensure our survival as a going concern. Each of our subsidiaries maintains crisis planning for four levels of contingencies, namely, "warning," "alert," "imminent crisis" and "crisis," determination of which is made based on quantitative and qualitative monitoring and consequence analysis, and upon the occurrence of any such contingency, is required to respond according to a prescribed contingency plan. At the holding company level, we maintain and install a crisis detection and response system which is applied consistently group-wide, and upon the occurrence of an "imminent crisis" or "crisis" event at a subsidiary level, we directly take charge of the situation at the holding company level so that we manage it on a concerted group-wide basis.

Organization

Our risk management system is organized along the following hierarchy (from top to bottom): at the holding company level, the Group Risk Management Committee, the Group Risk Management Council, the Group Chief Risk Officer and the Group Risk Management Team, and at the subsidiary level, the Risk Management Committee, the Chief Risk Officer and the Risk Management Team of the relevant subsidiary. The Group Risk Management Committee, which is under the supervision of our holding company's board of directors, sets the basic group-wide risk management policies and strategies. Our Group Chief Risk Officer reports to the Group Risk Management Committee, and the Group Risk Management Council coordinates the risk management policies and strategies at the group level as well as at the subsidiary level among each of our subsidiaries. Each of our subsidiaries also has a separate Risk Management Committee, Risk Management Working Committee and Risk Management Team, whose tasks are to implement the group-wide risk management policies and strategies at the subsidiary level as well as to set risk management policies and strategies specific to such subsidiary in line with the group-wide guidelines. We also have the Group Risk Management Team, which supports our Chief Risk Officer in his or her risk management and supervisory role.

In order to maintain the group-wide risk at an appropriate level, we use a hierarchical risk limit system under which the Group Risk Management Committee assigns reasonable risk limits for the entire group and each of our subsidiaries, and the Risk Management Committee and the Risk Management Working Committee of each of our subsidiaries manage the subsidiary-specific risks by establishing and managing risk limits in more detail by type of risk and type of product for each department and division within such subsidiary. Further details follow.

At the holding company level:

- *Group Risk Management Committee* — The Group Risk Management Committee consists of four outside directors of our holding company. The Group Risk Management Committee convenes at least quarterly and on an *ad hoc* basis as needed. Specifically, the Group Risk Management Committee does the following: (i) establish the overall risk management policies consistent with management strategies, (ii) set reasonable risk limits for the entire group and each of our subsidiaries, (iii) approve appropriate investment limits or permissible loss limits, (iv) enact and amend risk management regulations, and (v) decide other risk management-related issues the board of directors or the Group Risk Management Committee sees fit to discuss. The results of the Group Risk Management Committee meetings are reported to the board of directors of our holding company. The Group Risk Management Committee makes decisions through affirmative votes by a majority of the committee members.

- *Group Risk Management Council* — Comprised of the Group Chief Risk Officer and Chief Risk Officers of each of our subsidiaries, the Group Risk Management Council provides a forum for risk management executives from each subsidiary to discuss our group-wide risk management guidelines and strategy in order to maintain consistency in the group-wide risk policies and strategies.

- *Group Chief Risk Officer* — The Group Chief Risk Officer assists the Group Risk Management Committee by implementing the risk policies and strategies as well as ensuring consistency in the risk management systems of our subsidiaries. Furthermore, the Group Chief Risk Officer evaluates the Chief Risk Officer of each subsidiary in addition to monitoring the risk management practices of each subsidiary.

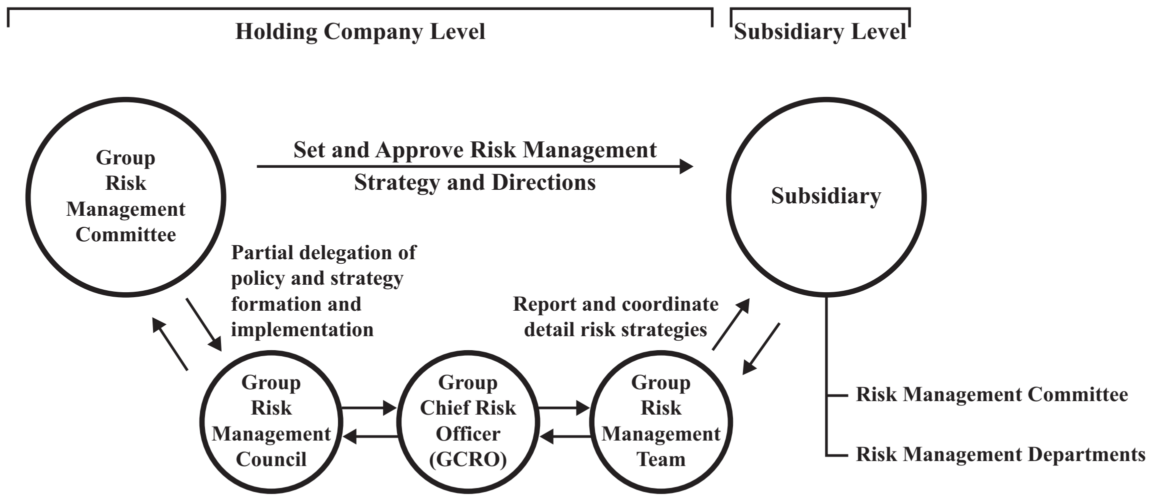
- *Group Risk Management Team* — This team provides support and assistance to the Group Chief Risk Officer in carrying out his or her responsibilities.

At the subsidiary level:

- *Risk Management Committee* — In order to maintain group-wide risk at an appropriate level, we have established a hierarchical risk limit system where the Group Risk Management Committee establishes risk limits for us and our subsidiaries, and each of our subsidiaries establishes and manages risk limits in more detail by type of risk and type of product for each department and division within such subsidiary. In accordance with the group risk management policies and strategies, the Risk Management Committee at the subsidiary level establishes its own risk management policies and strategies in more detail and the respective risk management department implements those policies and strategies.

- *Risk Management Team* — The Risk Management Team, operating independently from the business units of each of our subsidiaries, monitors, assesses, manages and controls the overall risk of its operations and reports all major risk-related issues to the Group Risk Management Team at the holding company level, which then reports to the Group Chief Risk Officer.

The following is a flowchart of our risk management system at the holding company level and the subsidiary level.



Credit Risk Management

Credit risk, which is the risk of loss from default by borrowers, other obligors or other counterparties to the transactions that we have entered into, is the greatest risk we face. Our credit risk management encompasses all areas of credit that may result in potential economic loss, including not just transactions that are recorded on our balance sheets, but also off-balance-sheet transactions such as guarantees, loan commitments and derivatives transactions. A substantial majority of our credit risk relates to the operations of Shinhan Bank and Shinhan Card.

Credit Risk Management of Shinhan Bank

Shinhan Bank's credit risk management is guided by the following principles:

- achieve a profit level corresponding to the level of risks involved;
- improve asset quality and achieve an optimal mix of asset portfolios;
- avoid excessive loan concentration in a particular borrower or sector;
- closely monitor the borrower's ability to repay the debt; and
- provide financial support to advance the growth of select customers.

Major policies for Shinhan Bank's credit risk management, including Shinhan Bank's overall credit risk management plan and credit policy guidelines, are determined by the Risk Policy Committee of Shinhan Bank, the executive decision-making body for management of credit risk. The Risk Policy Committee is headed by the Chief Risk Officer, and also comprises of the Chief Credit Officer and the heads of each business unit. In order to separate the loan approval functions from credit policy decision-making, Shinhan Bank has a Credit Review Committee that performs credit review evaluations with a focus on improving the asset quality of and profitability from the loans being made and operates separately from the Risk Policy Committee. Both the Risk Policy Committee and the Credit Review Committee make decisions by a vote of two-thirds or more of the attending members of the respective committees, which must constitute at least two-thirds of the respective committee members to satisfy the respective quorum.

Shinhan Bank complies with credit risk management procedures pursuant to internal guidelines and regulations and continually monitors and improves these guidelines and regulations. Its credit risk management procedures include:

- credit evaluation and approval;
- credit review and monitoring; and
- credit risk assessment and control.

Credit Evaluation and Approval

All loan applicants and guarantors are subject to credit evaluation before approval of any loans. Credit evaluation of loan applicants is carried out by senior officers of Shinhan Bank specifically charged with granting loan approvals. Loan evaluation is carried out by a group rather than by an individual reviewer through an objective and deliberative process. Credit ratings of loan applicants and guarantors influence loan interest rates, the level of internal approval required, credit exposure limits, calculation of potential losses and estimated cost of capital, and therefore are determined objectively and independently by the relevant business unit. Shinhan Bank uses a credit scoring system for retail loans and a credit-risk rating system for corporate loans.

Each of Shinhan Bank's borrowers is assigned a credit rating, which is based on a comprehensive internal credit evaluation system that considers a variety of criteria. For retail borrowers, the credit rating takes into account the borrower's biographic details, past dealings with Shinhan Bank and external credit rating information, among other things. For corporate borrowers, the credit rating takes into account financial indicators as well as non-financial indicators such as industry risk, operational risk and management risk, among other things. The credit rating, once assigned, serves as the fundamental instrument for Shinhan Bank's credit risk management, and is applied to a wide range of credit risk management processes, including credit approval, credit limit management, loan pricing and computation of allowance for credit losses on loans. Shinhan Bank has separate credit evaluation systems for retail customers, SOHO customers and corporate customers, which are further segmented and refined to meet Basel II requirements, which requirements have not changed under Basel III.

Retail Loans

Loan applications for retail loans are reviewed in accordance with Shinhan Bank's credit scoring system and the objective statistics models for secured and unsecured loans maintained and operated by Shinhan Bank's Retail Banking Division. Shinhan Bank's credit scoring system is an automated credit approval system used to evaluate loan applications and determine the appropriate pricing for the loan, and takes into account factors such as a borrower's personal information, transaction history with Shinhan Bank and other financial institutions and other relevant credit information. The applicant is assigned a score, which is used to determine (i) whether to approve the applicant's loan, (ii) the amount of loan to be granted, and (iii) the interest rates thereon. The applicant's score also determines whether the applicant is approved for credit, conditionally approved, subject to further assessment, or denied. If the applicant becomes subject to further assessment, the appropriate discretionary body, either at the branch level or at the headquarter level, makes a reassessment based on qualitative as well as quantitative factors, such as credit history, occupation and past relationship with Shinhan Bank.

For mortgage and home equity loans and loans secured by real estate, Shinhan Bank evaluates the value of the real estate offered as collateral using a proprietary database, which contains information about real estate values throughout Korea. In addition, Shinhan Bank uses up-to-date information provided by third parties regarding the real estate market and property values in Korea. While Shinhan Bank uses internal staff from the processing centers to appraise the value of the real estate collateral, Shinhan Bank also hires certified appraisers to review and co-sign the appraisal value of real estate collateral that have an appraisal value exceeding ₩3 billion, as initially determined by the processing centers. Shinhan Bank also reevaluates internally, on a summary basis, the appraisal value of collateral at least every year.

For loans secured by securities, deposits or other assets other than real estate, Shinhan Bank requires borrowers to observe specified collateral ratios in respect of secured obligations.

Corporate Loans

Shinhan Bank rates all of its corporate borrowers using internally developed credit evaluation systems. These systems consider a variety of criteria (quantitative, qualitative, financial and non-financial) in order to standardize credit decisions and focus on the quality of borrowers rather than the size of loans. The quantitative considerations include the borrower's financial and other data, while the qualitative considerations are based on the judgment of Shinhan Bank's credit officers as to the borrower's ability to repay. Financial considerations include financial variables and ratios based on customer's financial statements, such as return on assets and cash flow to total debt ratios, and non-financial considerations include, among other things, the industry to which the borrower's businesses belong, the borrower's competitive position in its industry, its operating and funding capabilities, the quality of its management and controlling stockholders (based in part on interviews with its officers and employees), technological capabilities and labor relations.

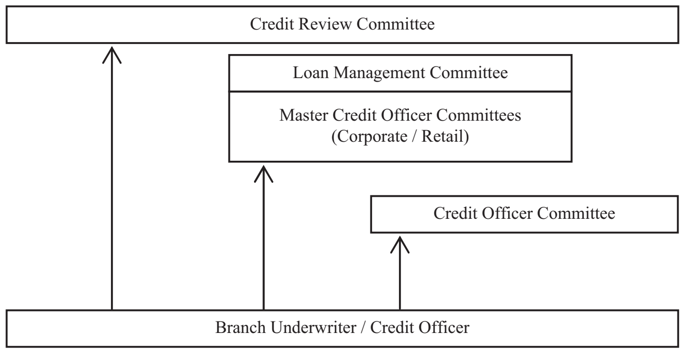
In addition, in order to enhance the accuracy of its internal credit reviews, Shinhan Bank also considers reports prepared by external credit rating services, such as Nice Information Service and Korea Rating & Data (KoDATA), and monitors and improves the effectiveness of the credit risk-rating systems using a database that it updates continually with actual default records.

Based on the scores calculated under the credit rating system, which takes into account the evaluation criteria described above and the probability of default, Shinhan Bank assigns the borrower one of 23 grades (from the highest of AAA to the lowest of D3). Grades AA through B are further broken down into "+", "0" or "-." Grades AAA through B- are classified as normal, grade CCC precautionary, and grades CC through D3 non-performing. The credit risk-rating model is further differentiated by the size of the corporate borrower and the type of credit facilities.

Loan Approval Process

Loans are generally approved after evaluations and approvals by the relationship manager at the branch level as well as the committee of the applicable business unit at Shinhan Bank. The approval limit for retail loans is made based on Shinhan Bank's automated credit scoring system. In the case of large corporate loans, approval limits are also reviewed and approved by a Credit Officer at the headquarter level. Depending on the size and the importance of the loan, the approval process is further reviewed by the Credit Officer Committee or the Master Credit Officer Committee, or, for the loans up to ₩50 billion for large corporations or up to ₩30 billion for other enterprises, the Loan Management Committee. If the loan is considered significant or the amount exceeds the discretion limit of the Master Credit Officer Committee and the Loan Management Committee, further evaluation is made by the Credit Review Committee, which is Shinhan Bank's highest decision-making body in relation to credit approval. The Credit Review Committee's evaluation and approval of loan limits vary depending on the borrower's credit ratings as determined by Shinhan Bank's internal credit rating system and the borrower's size of business. For example, for borrowers with a credit rating of B-, the Credit Review Committee evaluates and approves unsecured loans in excess of ₩10 billion and secured loans in excess of ₩15 billion, whereas for borrowers with a credit rating of AAA, the Credit Review Committee evaluates and approves unsecured loans in excess of ₩60 billion and secured loans in excess of ₩120 billion. The Credit Review Committee holds at least two meetings a week to approve applications for large-sized loans whose principal amounts exceed prescribed levels set by it.

The chart below summarizes the credit approval process of our banking operation. The Master Credit Officer and the Head of Business Division do not make individual decisions on loan approval, but are part of the decision-making process at the group level.



The reviewer at each level of the review process may in its discretion approve loans up to a maximum amount per loan assigned to such level. The discretionary loan approval limit for each level of the loan approval process takes into account the total amount of loans extended to the borrower, the credit level of the applicant based on credit review, the existence and value of collateral, the size of business and the level of credit risk established by the credit rating system. The discretionary loan amount approval limit ranges from ₩50 million for unsecured retail loans with a credit rating of B-, which are subject to approvals by the retail branch manager, to ₩120 billion for secured loans with a credit rating of AAA, which are subject to approvals by the Master Credit Officer Committee. Any loans exceeding the maximum discretionary loan amount approval limit must be approved by the Credit Review Committee or Loan Management Committee.

Credit Review and Monitoring

Shinhan Bank continually reviews and monitors credit risks primarily with respect to borrowers. In particular, Shinhan Bank's automated early warning system conducts daily examination for borrowers using financial and non-financial factors, and the branch manager and the credit officer must conduct periodic loan monitoring and report to an independent Credit Review Department which analyzes the results in detail and adjusts monitoring grades and credit ratings accordingly. Based on these reviews, Shinhan Bank adjusts a borrower's credit rating, credit limit and credit policies. In addition, the group credit ratings of the main debtor groups, if applicable, may be adjusted followed by a periodic review of the main debtor groups, as identified by the Governor of the Financial Supervisory Service based on their outstanding credit exposures. Shinhan Bank also continually reviews other factors, such as industry-specific conditions for the borrower's business and its domestic and overseas asset base and operations, in order to ensure that the assigned ratings are appropriate. The Credit Review Department provides credit review reports, independent of underwriting, to the Chief Risk Officer on a monthly basis.

The early warning system performs automatic daily checks for borrowers to whom Shinhan Bank has credit exposure (which represents the total outstanding amount due from a borrower, net of collateral for deposit, installment savings, guarantees and import guarantee money). When the early warning systems detect warning signals, such signals and other findings from the loan monitoring are reviewed by the Credit Review Department. In addition, Shinhan Bank carries out credit review in a timely manner on each borrower in accordance with changes in credit risk factors based on changes in the economic environment. The results of such credit review are continually reported to the Chief Risk Officer of Shinhan Bank.

Depending on the nature of the signals detected by the early warning system, a borrower may be classified as "worsening credit" and become subject to evaluation for a possible downgrade in credit rating, or may be initially classified as "showing early warning signs" or become reinstated to the "normal borrower" status. For borrowers classified as "showing early warning signs," the relevant branch manager gathers information and conducts a review of the borrower to determine whether the borrower should be classified as a worsening credit or whether to impose management improvement warnings or implement joint creditors' management. If the borrower becomes non-performing, Shinhan Bank's collection department directly manages such borrower's account in order to maximize recovery rate, and conducts auctions, court proceedings, sale of assets or corporate restructuring as needed.

Pursuant to the foregoing credit review and monitoring procedures and in order to promptly prevent deterioration of loan qualities, Shinhan Bank classifies potentially problematic borrowers into (i) borrowers that show early warning signals, (ii) borrowers that require precaution, (iii) borrowers that require observation and (iv) normal borrowers, and treats them differentially accordingly.

In order to curtail delinquency among its corporate customers, Shinhan Bank primarily takes the following measures: (i) systematic monitoring of borrowers with outstanding loans, (ii) heightened monitoring of borrowers with bad credit history and/or borrowers that belong to troubled industries and (iii) assignment of industry-specific lending caps, as adjusted for whether specific industries are particularly sensitive to general business cycles and/or are troubled at a given time.

Systematic monitoring of borrowers with outstanding loans. Shinhan Bank currently applies a heightened monitoring system to corporate borrowers with outstanding loans (other than guaranteed loans and loans secured by specified types of collaterals such as deposits with us or letters of credit). Under this monitoring system, each borrower is assigned to one of the following ratings:

- "Normal Company" — a borrower who is determined to have a low probability of insolvency with a credit rating above CCC (sub-borrower rating applicable);
- "Observation Company" — a borrower that carries some risk of affecting the corporate insolvency in the future and is subject to consistent observation to detect any change of such risk with a credit rating above CCC (sub-borrower rating applicable);
- "Precaution Company" — a borrower with a possibility of insolvency due to an increase in risk of default and therefore requires detailed inspection of the credit quality of such borrower and precaution in extending any further loans;
- "Early Warning Company" — a borrower with a high possibility of insolvency; and
- "Problematic Reorganized Company" — a borrower currently undergoing rehabilitation procedures, such as management improvement plans, workout or corporate recovery or showing no signs of recovery.

Shinhan Bank conducts systematic monitoring of the foregoing borrowers at intervals depending on the borrower's monitoring grade determined by the early warning system (for example, every 3 or 6 months for an "Observation Company", and 3 months for borrowers with a monitoring grade below "Precaution Company" or borrowers with a credit rating below CCC, and no regular monitoring for a "Normal Company"). In addition, the Review Credit Officer may request more frequent monitoring if the borrower is showing signs of deteriorated credit quality. For borrowers with outstanding loan amounts of ₩2 billion or more, Shinhan Bank also monitors the revenues and earnings of such borrower on a quarterly basis within five to seven weeks following the end of each quarter depending on the borrower's credit profile.

Heightened monitoring of borrowers with bad credit history and/or borrowers that belong to troubled industries. In addition to the systematic monitoring discussed above, Shinhan Bank also carries out additional monitoring for borrowers that, among others, (i) are rated as "requiring observation," "requiring precaution" or "with early warning signs" as noted above, (ii) have prior history of delinquency or restructuring or (iii) have borrowings that are classified as substandard or below. Based on the heightened monitoring of these borrowers, Shinhan Bank adjusts contingency planning as to how the overall asset quality of a specific industry should be managed for each phase of the business cycle, how Shinhan Bank should limit or reduce its credit exposure to such borrowers, and how our group-wide delinquency and non-performing ratio would be changed, among other things.

Credit Risk Assessment and Control

In order to assess credit risk in a systematic manner, Shinhan Bank has developed and upgraded systems designed to quantify credit risk based on selection and monitoring of various statistics, including delinquency rate, non-performing loan ratio, expected loan losses and weighted average risk rating.

Shinhan Bank controls loan concentration by monitoring and managing loans at two levels: portfolio level and individual loan account level. In order to maintain portfolio-level credit risk at an appropriate level, Shinhan Bank manages its loans using value-at-risk ("VaR") limits for the entire bank as well as for each of its business units. In order to prevent concentration of risk in a particular borrower or borrower class, Shinhan Bank also manages credit risk by borrower, industry, country and other detailed categories.

Shinhan Bank measures credit risk using internally accumulated data. Shinhan Bank measures expected and unexpected losses with respect to total assets monthly, which Shinhan Bank refers to when setting risk limits for, and allocating capital to, its business groups. Expected loss is calculated based on the probability of default, the loss given default, the exposure at default and the past bankruptcy rate and recovery rate, and Shinhan Bank provides allowance for credit losses accordingly. Shinhan Bank makes provisioning at a level which is the higher of the Financial Supervisory Service requirement or Shinhan Bank's internal calculation. Unexpected loss is predicted based on VaR, which is used to determine compliance with the aggregate credit risk limit for Shinhan Bank as well as the credit risk limit for the relevant department within Shinhan Bank. Shinhan Bank uses the AIRB method as proposed by the Basel Committee to compute VaR at the account-specific level as well as to measure risk adjusted performance.

Credit Risk Management of Shinhan Card

Major policies for Shinhan Card's credit risk management are determined by Shinhan Card's Risk Management Council, and Shinhan Card's Risk Management Committee is responsible for approving them. Shinhan Card's Risk Management Council is headed by the Chief Risk Officer, and also comprises of the heads of each business unit, supporting unit and relevant department at Shinhan Card. Shinhan Card's Risk Management Council convenes at least once every month and may also convene on an *ad hoc* basis as needed. Shinhan Card's Risk Management Committee is comprised of three Non-Standing Directors. Shinhan Card's Risk Management Committee convenes at least once every quarter and may also convene on an *ad hoc* basis as needed.

The risk of loss from default by the cardholders or credit card loan borrowers is Shinhan Card's greatest credit risk. Shinhan Card manages its credit risk based on the following principles:

- achieve profit at a level corresponding to the level of risks involved;
- improve asset quality and achieve an optimal mix of asset portfolios; and
- closely monitor borrower's ability to repay the debt.

Credit Card Approval Process

Shinhan Card uses an automated credit scoring system to approve credit card applications or credit card authorizations. The credit scoring system is divided into two sub-systems: the behavior scoring system and the application scoring system. The behavior scoring system is based largely on the credit history of the cardholder or borrower, and the application scoring system is based largely on personal information of the applicant. For credit card applicants with whom we have an existing relationship, Shinhan Card's credit scoring system considers internally gathered information such as the ability to repay, total assets, the length of the existing relationship and the applicant's contribution to Shinhan Card's profitability. The credit scoring system also automatically conducts credit checks on all credit card applicants. Shinhan Card gathers information about the applicant's transaction history with financial institutions, including banks and credit card companies, from a number of third party credit reporting agencies including, among others, National Information & Credit Evaluation Inc. and Korea Credit Bureau. These credit checks reveal a list of the delinquent customers of all credit card issuers in Korea.

If a credit score assigned to an applicant is above the minimum threshold, the application is approved unless overridden based on other considerations such as delinquencies with other credit card companies. For a credit card application by a long-standing customer with a good credit history, Shinhan Card may, on a discretionary basis, approve the application notwithstanding the assigned credit score unless overridden by other considerations. All of these factors also serve as the basis for setting a credit limit for approved applications.

The following describes the process of how Shinhan Card sets credit limits for credit cards, cash advances and card loans:

- *Credit purchase and cash advance limit*s — These limits are set based on the applicant's limit request and Shinhan Card's credit screening criteria. Unless a cardholder requests a reduction in the credit purchase and/or cash advance limit, Shinhan Card is required to provide prior notice to the cardholder for any reduction in such cardholder's limit. However, if the account holder defaults or the cardholder's credit limit is reduced according to the terms of the card agreement, Shinhan Card may lower the credit limit before notifying the account holder.
- *Card loan limit* — This limit is set monthly by Shinhan Card based on the cardholder's credit rating and transaction history. The card loan limit can be adjusted monthly based on the cardholder's credit standing without prior notification.

Monitoring

Shinhan Card continually monitors all cardholders and accounts using a behavior scoring system. The behavior scoring system predicts a cardholder's payment pattern by evaluating the cardholder's credit history, card usage and amounts, payment status and other relevant data. The behavior score is recalculated each month and is used to manage the accounts and approval of additional loans and other products to the cardholder. Shinhan Card also uses the scoring system to monitor its overall risk exposure and to modify its credit risk management strategy.

Loan Application Review and On-going Credit Review

When reviewing new applications and conducting an ongoing credit review for retail loans, installment purchase loans and personal leases, Shinhan Card uses criteria substantially similar to those used in the credit underwriting system and the credit review system for cardholders. For retail loans, installment purchase loans and personal leases to existing cardholders, Shinhan Card reviews their card usage history in addition to other factors such as their income, occupation and assets.

Fraud Loss Prevention

Shinhan Card seeks to minimize losses from the fraudulent use of credit cards issued by it. Shinhan Card focuses on preventing fraudulent uses and, following the occurrence of a fraudulent use, makes investigations in order to make the responsible party bear the losses. Misuses of lost credit cards account for a substantial majority of Shinhan Card's fraud-related losses. Through its fraud loss prevention system, Shinhan Card seeks to detect, on a real-time basis, transactions that are unusual or inconsistent with prior usage history and calls are made to the relevant cardholders to confirm their purchases. A team at Shinhan Card dedicated to investigating fraud losses also examines whether the cardholder was at fault by, for example, not reporting a lost card or failing to endorse the card, or whether the relevant merchant was negligent in checking the identity of the user. Fault may also lie with delivery companies that fail to deliver credit cards to the relevant applicant. In such instances, Shinhan Card attempts to recover fraud losses from the responsible party. To prevent misuse of a card as well as to manage credit risk, Shinhan Card's information technology system will automatically suspend the use of a card (i) when, as a result of ongoing monitoring, fraudulent use or loss of the card is suspected based on the account holder's credit score, or (ii) at the request of the account holder.

Approximately 94% of Shinhan Card's cardholders consent to Shinhan Card's accessing their travel records to detect any misuse of credit cards while they are traveling abroad. Shinhan Card also offers cardholders additional fraud protection through a fee-based texting service. At the cardholder's option, Shinhan Card notifies the cardholder of any credit card activity in his or her account by sending a text message to his or her mobile phone. This notification service allows customers to quickly and easily identify any fraudulent use of their credit cards.

Credit Risk Management of Shinhan Securities

In accordance with the guidelines of the Financial Supervisory Service, Shinhan Securities assesses its credit risks (including through VaR analyses) and allocates the maximum limit for the credit amount at risk by department. Shinhan Securities also assesses the counterparty risks in all credit-related transactions, such as loans, acquisition financings and derivative transactions and takes corresponding risk management measures. In assessing the credit risk of a corporate counterparty, Shinhan Securities considers such counterparty's corporate credit rating obtained from Shinhan Group Corporate Credit Rating System. Through its risk management system, Shinhan Securities also closely monitors credit risk exposures by counterparty, industry, conglomerates, credit ratings and country. Shinhan Securities conducts credit risk stress tests on a daily basis based on probability of default and also conducts more advanced stress tests from time to time, the results of which are then reported to its management as well as the Group Chief Risk Officer to support group-wide credit risk management.

Credit Risk Management of Shinhan Life Insurance

Shinhan Life Insurance also assesses credit risks for all of its credit-related transactions, including the provision of loans and acquisitions of financial instruments. Shinhan Life Insurance conducts additional risk reviews for new types of investments and financial instruments, such as those denominated in currencies it previously did not deal with. In assessing the credit risk of corporate customers, Shinhan Life Insurance considers factors such as the corporation's credit rating obtained from Shinhan Group Corporate Credit Rating System. Through its risk management system Shinhan Life Insurance conducts credit risk monitoring based on the credit history of debtors. To closely monitor credit risk, Shinhan Life Insurance's loan review department performs periodic loan review of its loan assets and plans on-site inspections where necessary. Furthermore, in the retail business, Shinhan Life Insurance operates its own credit-scoring system to assess credit risk and update customers' behavior scores.

Market Risk Management

Market risk is the risk of loss generated by fluctuations in market prices such as interest rates, foreign exchange rates and equity prices. The principal market risks to which we are exposed are interest rate risk and, to a lesser extent, foreign exchange and equity price risk. These risks stem from our trading and non-trading activities relating to financial instruments such as loans, deposits, securities and financial derivatives. We divide market risk into risks arising from trading activities and risks arising from non-trading activities.

Our market risks arise primarily from Shinhan Bank, and to a lesser extent, Shinhan Securities, our securities trading and brokerage subsidiary, which faces market risk relating to its trading activities.

Shinhan Bank's Risk Management Committee establishes overall market risk management principles for both the trading and non-trading activities of Shinhan Bank. Based on these principles, the Risk Policy Committee acts as the executive decision-making body in relation to Shinhan Bank's market risks in terms of setting its risk management policies and risk limits in relation to market risks and assets and controlling market risks arising from trading and non-trading activities of Shinhan Bank. The Risk Policy Committee consists of deputy presidents in charge of Shinhan Bank's eight business groups and Shinhan Bank's Chief Risk Officer and the Chief Financial Officer. At least on a monthly basis, the Risk Policy Committee reviews and approves reports relating to, among others, the position and market risk capital requirement with respect to Shinhan Bank's trading activities and the position and market value analysis and net interest income simulation with respect to its non-trading activities. In addition, Shinhan Bank's Risk Engineering Department comprehensively manages market risks on an independent basis from Shinhan Bank's operating departments, and functions as the middle office of Shinhan Bank. Shinhan Bank measures market risk with respect to all assets and liabilities in bank accounts and trust accounts in accordance with the regulations promulgated by the Financial Services Commission.

Shinhan Securities manages its market risk based on its overall risk limit established by its risk management committee as well as the risk limits and detailed risk management guidelines for each product and department established by its Risk Management Working Committee. Shinhan Securities' Risk Management Working Committee is the executive decision-making body for managing market risks related to Shinhan Securities, and determines, among other things, Shinhan Securities' overall market risk management policies and strategies, and assesses and approves trading activities and limits. In addition, Shinhan Securities' Risk Management Department manages various market risk limits and monitors operating conditions on an independent basis from Shinhan Securities' operating departments. Shinhan Securities assesses the adequacy of these limits at least annually. In addition, Shinhan Securities assesses the market risks of its trading assets. The assessment procedure is based on the standard procedures set by the Financial Supervisory Service as well as an internally developed model. Shinhan Securities assesses the risk amount and VaR, and manages the risk by setting a risk limit per sector as well as a VaR limit.

Shinhan Life Insurance manages its market risk based on its overall risk limit established by its risk management committee. Shinhan Life Insurance manages market risk in regard to assets that are subject to trading activities and foreign exchange positions. Shinhan Life Insurance assesses the market risk amount and the 10-day VaR, a procedure based on the delta-normal method, and manages market risk by setting a 10-day VaR limit. Shinhan Life Insurance assessed the adequacy of these limits at least annually.

Shinhan Card does not have any assets with significant exposure to market risks and therefore does not maintain a risk management policy with respect to market risks.

We use financial information prepared on a separate basis according to IFRS for the market risk management of our subsidiaries and, unless otherwise specified herein, financial information in this annual report presented for quantitative market risk disclosure relating to our subsidiaries have been prepared in accordance with IFRS on a separate basis.

Market Risk Exposure from Trading Activities

Shinhan Bank's trading activities principally consist of:

- trading activities to realize short-term profits from trading in the equity and debt securities markets and the foreign currency exchange markets based on Shinhan Bank's short-term forecast of changes in market situation and customer demand, for its own account as well as for the trust accounts of Shinhan Bank's customers; and

- trading activities primarily to realize profits from arbitrage transactions involving derivatives such as swaps, forwards, futures and options, and, to a lesser extent, to sell derivative products to Shinhan Bank's customers and to cover market risk associated with those trading activities.

Shinhan Securities' trading activities principally consist of trading for customers and for proprietary accounts equity and debt securities and derivatives based on stock prices, stock indexes, interest rates, foreign currency exchange rates and commodity prices.

As a result of these trading activities, Shinhan Bank is exposed principally to interest rate risk, foreign currency exchange rate risk and equity risk, and Shinhan Securities is exposed principally to equity risk and interest rate risk.

Interest Rate Risk

Shinhan Bank's exposure to interest rate risk arises primarily from Won-denominated debt securities, directly held or indirectly held through beneficiary certificates, and, to a lesser extent, from interest rate derivatives. Shinhan Bank's exposure to interest rate risk arising from foreign currency-denominated trading debt securities is minimal since its net position in those securities is not significant. As Shinhan Bank's trading accounts are marked-to-market daily, it manages the interest rate risk related to its trading accounts using the standardised approach capital requirement.

Shinhan Securities' interest rate risk arises primarily from management of its interest rate-sensitive asset portfolio, which mainly consists of debt securities, interest rate swaps and government bond futures, and the level of such risk exposure depends largely on the variance between the interest rate movement assumptions built into the asset portfolio and the actual interest rate movements and the spread between a derivative product and its underlying assets. Shinhan Securities quantifies and manages the interest rate-related exposure by daily conducting VaR and stress tests on a marked-to-market basis.

Foreign Currency Exchange Rate Risk

Shinhan Bank's exposure to foreign currency exchange rate risk mainly relates to its assets and liabilities, including derivatives such as foreign currency forwards and futures and currency swaps, which are denominated in currencies other than the Won. Shinhan Bank manages foreign currency exchange rate risk, including the corresponding risks faced by its overseas branches, on a consolidated basis by covering all of its foreign exchange spot and forward positions in both trading and non-trading accounts.

Shinhan Bank's net foreign currency open position represents the difference between its foreign currency assets and liabilities as offset against forward foreign currency positions, and is Shinhan Bank's principal exposure to foreign currency exchange rate risk. The Risk Policy Committee oversees Shinhan Bank's foreign currency exposure for both trading and non-trading activities by establishing limits for the net foreign currency open position, loss limits and VaR limits. Shinhan Bank centrally monitors and manages its foreign exchange positions through its Financial Engineering Center. Dealers in the Financial Engineering Center manage Shinhan Bank's consolidated position within preset limits through spot trading, forward contracts, currency options, futures and swaps and foreign currency swaps. Shinhan Bank sets a limit for net open positions by currency. The limits for currencies other than the U.S. Dollar, Japanese Yen, Euro and Chinese Yuan are set in a conservative manner in order to minimize trading in such currencies.

Shinhan Securities faces foreign currency exchange rate risk in relation to the following product offerings: currency forwards, currency swaps and currency futures. Shinhan Securities centrally monitors and manages transactions involving such products through its Fixed Income, Currency & Commodities Departments. Shinhan Securities' Risk Management Working Committee, which is delegated with the authority to approve foreign currency-related transactions and limits on the related open positions, manages the related foreign exchange risk by setting nominal limits on the amounts of foreign exchange-related products and monitoring compliance with such limits on a daily basis. As of December 31, 2023, Shinhan Securities' net open position related to foreign currency-related products was US$1,237 million, and its open positions related to the sale of Won-U.S. Dollar forwards and Won-U.S. Dollar futures were US$657 million and US$266 million, respectively.

Shinhan Capital manages its foreign exchange risk resulting from the difference in its foreign currency assets and liabilities through derivative transactions such as forwards or swaps and maintains its net exposure at US$6.8 million.

The net open foreign currency positions held by our other subsidiaries are insignificant.

The following table shows Shinhan Bank's net foreign currency open positions As of December 31, 2021, 2022 and 2023. Positive amounts represent long exposures and negative amounts represent short exposures.

Currency	As of December 31, 2021	2022	2023
	(In millions of US$)		
U.S. Dollars	$ (15.6)	$ 40.8	$ 663.7
Japanese Yen	447.3	467.7	494.7
Euro	23.6	5.3	7.8
Others	2,247.7	2,320.9	2,344.2
Total	$2,703.1	$2,834.6	$3,510.3

Equity Risk

Shinhan Bank's equity risk related to trading activities mainly involves trading equity portfolios of Korean companies and Korea Stock Price Index futures and options. The trading equity portfolio consists of stocks listed on the KRX KOSPI Market or the KRX KOSDAQ Market of the Korea Exchange and nearest-month or second nearest-month futures contracts under strict limits on diversification as well as limits on positions. Shinhan Bank maintains strict scrutiny of these activities in light of the volatility in the Korean stock market and closely monitors the loss limits and the observance thereof. Although Shinhan Bank holds a substantially smaller amount of equity securities than debt securities in its trading accounts, the VaR of trading account equity risk is generally higher than that of trading account interest rate risk due to high volatility in the value of equity securities. As of December 31, 2021, 2022 and 2023, Shinhan Bank held ₩171.7 billion, ₩74.0 billion and ₩30.8 billion, respectively, of equity securities in its trading accounts (including the trust accounts).

Shinhan Securities' equity risk related to trading activities also mainly involves the trading of equity portfolio of Korean companies and Korea Stock Price Index futures and options. As of December 31, 2021, 2022 and 2023, the total amount of equity securities at risk held by Shinhan Securities was ₩55.3 billion, ₩21.7 billion and ₩33.9 billion, respectively.

Equity positions held by our other subsidiaries are insignificant.

Management of Market Risk from Trading Activities

The following tables present an overview of market risk, measured by the standardised approach capital requirement, from trading activities of Shinhan Bank and Shinhan Securities, respectively, as of and for the year ended December 31, 2023. For market risk management purposes, Shinhan Bank includes in the computation of total regulatory capital requirement its trading portfolio in bank accounts and assets in trust accounts, in each case, for which it guarantees principal or fixed return in accordance with the Financial Services Commission regulations.

Shinhan Bank	Trading Portfolio Risk for the Year 2023[1] Average	Minimum	Maximum	As of December 31, 2023
	(in billions of Won)			
Sensitivities-based method risk				
GIRR	₩ 116.4	₩ 101.1	₩ 155.8	₩ 107.3
CSR: non-securitisations	154.6	142.5	165.1	153.0
CSR: securitisations (non-CTP)	28.2	21.6	34.4	26.2
CSR: securitisations (CTP)	—	—	—	—
Equity	43.9	30.8	47.6	30.8
FX	438.4	423.3	458.4	458.4
Commodity	0.1	0.0	0.3	0.1
Total	780.1	750.3	820.2	775.8
Default risk				
Non-securitisation	105.6	88.9	113.8	107.7
Securitisation(non-CTP)	59.7	55.1	64.8	59.5
Securitisation(CTP)	—	—	—	—
Total	165.3	146.0	175.9	167.2
The residual risk	2.1	1.7	2.2	1.7
Total[1]	₩ 947.5	₩ 898.3	₩ 992.5	₩ 944.8

Notes:

(1) Includes trading portfolios in the Bank's bank accounts and assets in trust accounts, in each case, for which it guarantees principal or fixed return.

	Trading Portfolio VaR for the Year 2023 Average	Minimum	Maximum	As of December 31, 2023
	(In billions of Won)			
Shinhan Securities: [1]				
Interest rate	₩ 52.52	₩ 22.52	₩ 77.44	₩ 32.19
Equities	47.76	13.48	71.68	20.38
Foreign exchange	67.41	39.26	127.19	52.15
Option volatility[3]	27.24	10.17	49.11	12.42
Less: portfolio diversification[4]	(115.48)	(217.58)	(53.57)	(81.71)
Total VaR	₩ 79.45	₩ 31.86	₩107.85	₩ 35.43

Notes:

(1) Shinhan Securities' 10-day VaR is based on a 99.9% confidence level.
(2) Includes both trading and non-trading accounts as Shinhan Securities manage foreign exchange risk on a total position basis.

(3) Volatility implied from the option price using the Black-Scholes or a similar model.
(4) Calculation of portfolio diversification effects is conducted on different days' scenarios for different risk components. Total VaRs are less than the simple sum of the risk component VaRs due to offsets resulting from portfolio diversification.

Shinhan Bank generally manages its market risk from the trading activities of its portfolios on an aggregated basis. To control its trading portfolio market risk, Shinhan Bank uses position limits, market risk capital requirement limits, stop loss limits, Greek limits and stressed loss limits. In addition, it establishes separate limits for investment securities. Shinhan Bank maintains risk control and management guidelines for derivative trading based on the regulations and guidelines promulgated by the Financial Services Commission, and measures market risk from trading activities to monitor and control the risk of its operating divisions and teams that perform trading activities. Shinhan Bank manages capital requirement measurements and limits on a daily basis based on automatic interfacing of its trading positions into its market risk measurement system. In addition, Shinhan Bank presets limits on loss, sensitivity, investment and stress for its trading departments and desks and monitors such limits and observance thereof on a daily basis.

Basel III The Standardised Approach Capital Requirement. Shinhan Bank uses the standardised approach for market risk in calculating the Basel III capital requirements. The standardised approach capital requirement is the simple sum of three components: the capital requirement under the sensitivities-based method, the default risk capital (DRC) requirement and the residual risk add-on (RRAO). The capital requirement under the sensitivities-based method must be calculated by aggregating three risk measures – delta, vega and curvature. Delta is a risk measure based on sensitivities of an instrument to regulatory delta risk factors. Vega is a risk measure based on sensitivities to regulatory vega risk factors. Curvature is a risk measure which captures the incremental risk not captured by the delta risk measure for price changes in an option. Curvature risk is based on two stress scenarios involving an upward shock and a downward shock for each regulatory risk factor. The DRC requirement captures the jump-to-default risk for instruments subject to credit risk. However, since not all market risks can be captured in the standardised approach, an RRAO, the sum of gross notional amounts of the instruments bearing residual risks, multiplied by a risk weight is calculated in addition to other capital requirements within the standardised approach to ensure sufficient coverage of market risks.

Shinhan Securities currently uses the same 10-day 99.9% confidence level-based historical VaR for purposes of calculating its "economic" capital used for internal management purposes, although such model is not subject to regulatory review or reporting requirements. In addition, Shinhan Securities applies this VaR as a risk limit for the entire company as well as individual departments and products, and the adequacy of such VaR is reviewed by way of daily back-testing. When computing VaR, Shinhan Securities does not assume any particular probability distribution and calculates it through a simulation of the "full valuation" method based on changes of market variables such as stock prices, interest rates and foreign exchange rates in the past one year. For Shinhan Securities, the amount of losses (either actual or virtual) exceeded the one-day 99% confidence level-based VaR amount zero times in 2021, 2022 and 2023. The VaR exceptions referred to above were all due to the amount of virtual losses exceeding the VaR amount.

Value-at-risk is a commonly used market risk management technique. However, VaR models have the following shortcomings:

- VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a reliable indicator of future events, particularly those that are extreme in nature;
- VaR may underestimate the probability of extreme market movements;
- The 99.9% confidence level does not take into account or provide indication of any losses that might occur beyond this confidence level; and
- VaR does not capture all complex effects of various risk factors on the value of positions and portfolios and could underestimate potential losses.

Currently, Shinhan Securities conduct back-testing of VaR results against actual outcomes on a daily basis.

Shinhan Bank operates an integrated market risk management system which manages Shinhan Bank's Won-denominated and foreign-denominated accounts. This system uses historical simulation to measure both linear risks arising from products such as equity and debt securities and nonlinear risks arising from other products including options. We believe that this system enables Shinhan Bank to generate elaborate and consistent VaR information and to perform sensitivity analysis and back testing in order to check the validity of the models on a daily basis. Shinhan Life Insurance also measures market risks based on a VaR analysis.

Stress test. In addition to the standardised approach capital requirement, Shinhan Bank performs stress tests to measure market risk. As the standardised approach capital requirement assumes normal market situations, Shinhan Bank assesses its market risk exposure to unlikely abnormal market fluctuations through the stress test. Stress test is a valuable supplement to regulatory capital requirement since to capital requirement does not cover potential loss if the market moves in a manner which is outside Shinhan Bank's normal expectations. Stress test projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio.

Shinhan Bank uses seven relatively simple but fundamental scenarios for stress test by taking into account four market risk components: foreign currency exchange rates, stock prices, and Won-denominated interest rates and foreign currency-denominated interest rates. For the worst case scenario, Shinhan Bank assumes instantaneous and simultaneous movements in four market risk components: appreciation of Won by 20%, a decrease in Korea Exchange Composite Index by 30% and increases in Won-denominated and U.S. Dollar-denominated interest rates by 200 basis points each, respectively. Under this worst-case scenario, the market value of Shinhan Bank's trading portfolio would have declined by ₩1,123 billion as of December 31, 2023. Shinhan Bank performs stress test on a daily basis and reports the results to its Risk Policy Committee on a monthly basis and its Risk Management Committee on a quarterly basis.

Shinhan Securities uses nine scenarios for stress tests by taking into account four market risk components: stock prices (both in terms of stock market indices and ß-based individual stock prices), interest rates for Won-denominated loans, foreign currency exchange rates and historical volatility. As of December 31, 2023, under the worst case scenario assuming a 1% point increase in the three-year government bond yield, the market value of Shinhan Securities' trading portfolio would have fluctuated by ₩88 billion for one day.

Shinhan Bank sets limits on stress testing for its overall operations. Shinhan Securities sets limits on stress testing for its overall operations as well as at its department level. Although Shinhan Life Insurance does not set any limits on stress testing, it monitors the impact of market turmoil or other abnormalities. In the case of Shinhan Bank, Shinhan Securities and Shinhan Life Insurance, if the potential impact is large, their respective head of Risk Management will notify such impact and may request a portfolio restructuring or other proper action.

Hedging and Derivative Market Risk

The principal objective of our group-wide hedging strategy is to manage market risk within established limits. We use derivative instruments to hedge our market risk as well as to make profits by trading derivative products within preset risk limits. Our derivative trading includes interest rate and cross-currency swaps, foreign currency forwards and futures, stock index and interest rate futures, and stock index and currency options.

While we use derivatives for hedging purposes, derivative transactions by nature involve market risk since we take trading positions for the purpose of making profits. These activities consist primarily of the following:

- arbitrage transactions to make profits from short-term discrepancies between the spot and derivative markets or within the derivative markets;

- sales of tailor-made derivative products that meet various needs of our corporate customers, principally of Shinhan Bank and Shinhan Securities, and related transactions to reduce their exposure resulting from those sales;
- taking positions in limited cases when we expect short-swing profits based on our market forecasts; and
- trading to hedge our interest rate and foreign currency risk exposure as described above.

In accordance with accounting requirements under IFRS 9, "Financial Instruments", which has replaced IAS 39, "*Financial Instruments: Recognition and Measurement*" since January 1, 2018, we have implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product.

Shinhan Bank assesses the adequacy of the fair market value of a new product derived from its internal model prior to the launch of such product. The assessment process involves the following:

- computation of an internal dealing system market value (based on assessment by the quantitative analysis team of the adequacy of the formula and the model used to compute the market value as derived from the dealing system);
- computation of the market value as obtained from an outside credit evaluation company; and
- following comparison of the market value derived from an internal dealing system to that obtained from outside credit evaluation companies, determination as to whether to use the internally developed market value based on inter-departmental consensus.

The dealing system market value, which is used officially by Shinhan Bank after undergoing the assessment process above, does not undergo a sampling process that confirms the value based on review of individual transactions, but is subject to an additional assessment procedure of comparing such value against the profits derived from the dealing systems based on the deal portfolio sensitivity.

Shinhan Securities follows an internal policy as set by its Fair Value Evaluation Committee for computing and assessing the adequacy of fair value of all of its over-the-counter derivative products. Shinhan Securities computes the fair value based on an internal model and internal risk management systems and assesses the adequacy of the fair value through cross-departmental checks as well as comparison against fair values obtained from outside credit evaluation companies.

Market risk from derivatives is not significant since derivative trading activities of Shinhan Bank and Shinhan Securities are primarily driven by arbitrage and customer deals with highly limited open trading positions. Market risk from derivatives is also not significant for Shinhan Life Insurance as its derivative trading activities are limited to those within preset risk limits and are subject to heavy regulations imposed on the insurance industry. Market risk from derivatives is not significant for our other subsidiaries since the amount of such positions by our other subsidiaries is insignificant.

Market Risk Management for Non-trading Activities

Interest Rate Risk

Interest rate risk represents Shinhan Bank's principal market risk from non-trading activities. Interest rate risk is the risk of loss resulting from interest rate fluctuations that adversely affect the financial condition and results of operations of Shinhan Bank. Shinhan Bank's interest rate risk primarily relates to the differences between the timing of rate changes for interest-earning assets and that for interest-bearing liabilities.

Interest rate risk affects Shinhan Bank's earnings and the economic value of Shinhan Bank's net assets as follows:

- *Earnings:* interest rate fluctuations have an effect on Shinhan Bank's net interest income by affecting its interest-sensitive operating income and expenses.
- *Economic value of net assets:* interest rate fluctuations influence Shinhan Bank's net worth by affecting the present value of cash flows from the assets, liabilities and other transactions of Shinhan Bank.

Accordingly, Shinhan Bank measures and manages interest rate risk for non-trading activities by taking into account the effects of interest rate changes on both its income and net asset value. Shinhan Bank measures and manages interest rate risk on a daily and monthly basis with respect to all interest-earning assets and interest-bearing liabilities in Shinhan Bank's bank accounts (including derivatives denominated in Won which are principally interest rate swaps entered into for the purpose of hedging) and in trust accounts, except that Shinhan Bank measures VaRs on a monthly basis. Most of Shinhan Bank's interest-earning assets and interest-bearing liabilities are denominated in Won.

Interest Rate Risk Management

The principal objectives of Shinhan Bank's interest rate risk management are to generate stable net interest income and to protect Shinhan Bank's net asset value against interest rate fluctuations. Through its asset and liability management system, Shinhan Bank monitors and manages its interest rate risk based on various analytical measures such as interest rate gap, duration gap and net present value and net interest income simulations, and monitors on a monthly basis its interest rate VaR limits, interest rate earnings at risk ("EaR") limits and interest rate gap ratio limits. Shinhan Bank measures its interest rate VaR and interest rate EaR based on interest rate risk in the banking book standardized approach presented by the Bank for International Settlements (the "IRRBB standardized approach"). IRRBB, which is part of the Basel capital framework's Pillar 2 and subject to the Committee's guidance set out in the 2004 revised principles for the management and supervision of interest rate risk, refers to current or prospective risk to a bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book position. Interest rate risk is managed by reflecting possible future interest rate environments and customer behavior based on the IRRBB standardized approach. Interest rate VaR is measured by the change in economic value of equity under six types of scenarios (parallel up, parallel down, stiffener, flattener, short-term interest rate-up and short-term interest rate-down). Interest rate EaR is measured by the largest loss amount based on two types of scenarios (parallel up and parallel down). The Risk Policy Committee sets the interest rate risk limits for Shinhan Bank's Won-denominated and foreign currency-denominated non-trading accounts and trust accounts, and the Risk Management Committee sets Shinhan Bank's overall interest rate risk limit, in both cases, at least annually. The Risk Management Department monitors Shinhan Bank's compliance with these limits and reports the monitoring results to the Risk Policy Committee on a monthly basis and the Risk Management Committee on a quarterly basis. Shinhan Bank uses interest rate swaps to control its interest rate exposure limits.

Interest rate VaR represents the maximum anticipated loss in a net present value calculation (computed as the present value of interest-earning assets minus the present value of interest-bearing liabilities), whereas interest rate EaR represents the maximum anticipated loss in a net earnings calculation (computed as interest income minus interest expenses) for the immediately following one-year period, in each case, as a result of negative movements in interest rates. Therefore, interest rate VaR is a more expansive concept than interest rate EaR in that the former covers all interest-earning assets and all interest-bearing liabilities, whereas the latter covers only those interest-earning assets and interest-bearing liabilities that are exposed to interest rate volatility for a one-year period.

Hence, for interest rate VaRs, the duration gap (namely, the weighted average duration of all interest-earning assets minus the weighted average duration of all interest-bearing liabilities) can be a more critical factor than the relative sizes of the relevant assets and liabilities in influencing interest rate VaRs. In comparison, for interest rate EaRs, the relative sizes of the relevant assets and liabilities in the form of the "one year or less interest rate" gap (namely, the volume of interest-earning assets with maturities of less than one year minus the volume of interest-bearing liabilities with maturities of less than one year) are the most critical factor in influencing the interest rate EaRs.

On a monthly basis, we monitor whether the non-trading positions for interest rate VaR and EaR exceed their respective limits as described above.

Interest rate VaR cannot be meaningfully compared to the 10-day 99% confidence level based VaR ("market risk VaR") for managing trading risk principally because (i) the underlying assets are different (namely, non-trading interest-bearing assets as well as liabilities in the case of the interest rate VaR, compared to trading assets only in the case of the market risk VaR), and (ii) interest rate VaR is sensitive to interest rate movements only while the market risk VaR is sensitive to interest rate movements as well as other factors such as foreign currency exchange rates, stock market prices and option volatility.

Even if comparison were to be made between the interest rate VaR and the interest rate portion only of the market risk VaR, we do not believe such comparison would be meaningful since the interest rate VaR examines the impact of interest rate movements on both assets and liabilities (which will likely have offsetting effects), whereas the interest rate portion of the market VaR examines the impact of interest rate movements on assets only.

Shinhan Bank uses various analytical methodologies to measure and manage its interest rate risk for non-trading activities on a daily and monthly basis, including the following analyses:

- Interest rate gap analysis;
- Duration gap analysis;
- Market value analysis; and
- Net interest income simulation analysis.

Interest Rate Gap Analysis

Shinhan Bank performs an interest gap analysis to measure the difference between the amount of interest-earning assets and that of interest-bearing liabilities at each maturity and re-pricing date for specific time intervals by preparing interest rate gap tables in which Shinhan Bank's interest-earning assets and interest-bearing liabilities are allocated to the applicable time intervals based on the expected cash flows and re-pricing dates.

On a daily basis, Shinhan Bank performs interest rate gap analysis for Won- and foreign currency-denominated assets and liabilities in its bank and trust accounts. Shinhan Bank's gap analysis includes Won-denominated derivatives (which are interest rate swaps for the purpose of hedging) and foreign currency-denominated derivatives (which are currency swaps for the purpose of hedging), which are managed centrally at the Financial Engineering Center. Through the interest rate gap analysis that measures interest rate sensitivity gaps, cumulative gaps and gap ratios, Shinhan Bank assesses its exposure to future interest risk fluctuations. For interest rate gap analysis, Shinhan Bank assumes and uses the following maturities for different types of assets and liabilities:

- With respect to the maturities and re-pricing dates of Shinhan Bank's assets, Shinhan Bank assumes that the maturity of Shinhan Bank's prime rate-linked loans is the same as that of its fixed-rate loans. Shinhan Bank excludes equity securities from interest-earning assets.
- With respect to the maturities and re-pricing of Shinhan Bank's liabilities, Shinhan Bank assumes that money market deposit accounts and "non-core" demand deposits under the Financial Services Commission guidelines have a maturity of one month or less for both Won-denominated accounts and foreign currency-denominated accounts.

- With respect to "core" demand deposits under the Financial Services Commission guidelines, Shinhan Bank assumes that they have maturities of eight different intervals ranging from one month to five years.

The following tables show Shinhan Bank's interest rate gaps as of December 31, 2023 for (i) Won-denominated non-trading bank accounts, including derivatives entered into for the purpose of hedging and (ii) foreign currency-denominated non-trading bank accounts, including derivatives entered into for the purpose of hedging.

	As of December 31, 2023						
	0-3 Months	3-6 Months	6-12 Months	1-2 Years	2-3 Years	Over 3 Years	Total
	(In billions of Won, except percentages)						
Interest-earning assets	165,339	77,047	39,022	36,631	21,311	34,413	373,763
Fixed rates	27,745	22,197	24,682	24,791	14,525	18,776	132,715
Floating rates	135,345	54,089	12,940	11,711	6,787	15,636	236,508
Interest rate swaps	2,250	760	1,400	130	0	0	4,540
Interest-bearing liabilities	164,732	50,767	76,141	29,788	19,644	29,495	370,568
Fixed liabilities	86,421	36,027	62,243	16,045	6,619	2,372	209,726
Floating liabilities	73,771	14,740	13,899	13,743	13,026	27,123	156,301
Interest rate swaps	4,540	0	0	0	0	0	4,540
Sensitivity gap	607	26,280	(37,120)	6,844	1,667	4,917	3,195
Cumulative gap	607	26,887	(10,233)	(3,389)	(1,722)	3,195	3,195
% of total assets	0.16%	7.19%	(2.74)%	(0.91)%	(0.46)%	0.86%	0.86%

Foreign currency-denominated non-trading bank accounts[(1)]

	As of December 31, 2022					
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(In millions of US$, except percentages)					
Interest-earning assets	28,324	9,377	4,469	5,450	6,317	53,937
Interest-bearing liabilities	32,879	7,290	7,591	6,733	7,482	61,976
Sensitivity gap	(4,556)	2,087	(3,122)	(1,283)	(1,165)	(8,039)
Cumulative gap	(4,556)	(2,468)	(5,591)	(6,873)	(8,039)	(8,039)
% of total assets	(8.45)%	(4.58)%	(10.37)%	(12.74)%	(14.90)%	(14.90)%

Note:

(1) Includes merchant banking accounts.

Duration Gap Analysis

Shinhan Bank performs a duration gap analysis to measure the differential effects of interest rate risk on the market value of its assets and liabilities by examining the difference between the durations of Shinhan Bank's interest-earning assets and those of its interest-bearing liabilities, which durations represent their respective weighted average maturities calculated based on their respective discounted cash flows using applicable yield curves. These measurements are done on a daily basis and for each operating department, account, product and currency, the respective durations of interest-earning assets and interest-bearing liabilities.

The following tables show duration gaps and market values of Shinhan Bank's Won-denominated interest-earning assets and interest-bearing liabilities in its non-trading accounts as of December 31, 2023 and changes in these market values when interest rate increases by one percentage point.

Duration as of December 31, 2023 (for non-trading Won-denominated bank accounts[1])

	Duration as of December 31, 2023
	(In months)
Interest-earning assets	9.99
Interest-bearing liabilities	10.22
Gap	(0.23)

Note:

(1) Includes merchant banking accounts and derivatives for the purpose of hedging.

Market Value Analysis

Shinhan Bank performs a market value analysis to measure changes in the market value of Shinhan Bank's interest-earning assets compared to that of its interest-bearing liabilities based on the assumption of parallel shifts in interest rates. These measurements are done on a monthly basis.

Market Value as of December 31, 2023 (for non-trading Won-denominated bank accounts[1])

	Market Value as of December 31, 2023		
	Actual	1% Point Increase	Changes
	(In billions of Won)		
Interest-earning assets	396,541	383,268	(13,273)
Interest-bearing liabilities	442,968	429,309	(13,659)
Gap	(46,427)	(46,040)	386

Note:

(1) Includes merchant banking accounts and derivatives for the purpose of hedging.

Net Interest Income Simulation

Shinhan Bank performs net interest income simulation to measure the effects of the change in interest rate on its results of operations. Such simulation uses the deterministic analysis methodology to measure the estimated changes in Shinhan Bank's annual net interest income (interest income less interest expenses) under the current maturity structure, using different scenarios for interest rates (assuming parallel shifts) and funding requirements. For simulations involving interest rate changes, based on the assumption that there is no change in funding requirements, Shinhan Bank applies three scenarios of parallel shifts in interest rate: (1) no change, (2) a 1% point increase in interest rates and (3) a 1% point decrease in interest rates.

The following table illustrates by way of an example the simulated changes in Shinhan Bank's annual net interest income for 2023 with respect to Won-denominated interest-earning assets and interest-bearing liabilities, using Shinhan Bank's net interest income simulation model, assuming (a) the maturity structure and funding requirement of Shinhan Bank as of December 31, 2023 and (b) the same interest rates as of December 31, 2023 and a 1% point increase or decrease in the interest rates.

	Simulated Net Interest Income for 2023 (For Non-Trading Won-Denominated Bank Accounts[1])						
	Assumed Interest Rates			Change in Net Interest Income		Change in Net Interest Income	
	No Change	1% Point Increase	1% Point Decrease	Amount (1% Point Increase)	% Change (1% Point Increase)	Amount (1% Point Decrease)	% Change (1% Point Decrease)
	(In billions of Won, except percentages)						
Simulated interest income	17,773	19,893	15,653	2,120	11.93%	(2,120)	(11.93)%
Simulated interest expense	10,316	11,843	8,790	1,526	14.79%	(1,526)	(14.79)%
Net interest income	7,456	8,050	6,863	594	7.97%	(594)	(7.97)%

Note:

(1) Includes merchant banking accounts and derivatives entered into for the purpose of hedging.

Shinhan Bank's Won-denominated interest-earning assets and interest-bearing liabilities in non-trading accounts have a maturity structure that benefits from an increase in interest rates, because the re-pricing periods for interest-earning assets in Shinhan Bank's non-trading accounts are, on average, shorter than those of the interest-bearing liabilities in these accounts. This is primarily due to a sustained low interest rate environment in the recent years in Korea, which resulted in a significant increase in demand for floating rate loans (which tend to have shorter maturities or re-pricing periods than fixed rate loans) as a portion of Shinhan Bank's overall loans, which in turn led to the shortening, on average, of the maturities or re-pricing periods of Shinhan Bank's loans on an aggregate basis. As a result, Shinhan Bank's net interest income tends to decrease during times of a decrease in the market interest rates while the opposite is generally true during times of an increase in the market interest rates.

Interest Rate VaRs for Non-trading Assets and Liabilities

Shinhan Bank measures VaRs for interest rate risk from non-trading activities on a monthly basis. The following table shows, as of and for the year ended December 31, 2023, the VaRs of interest rate mismatch risk for other assets and liabilities, which arises from mismatches between the re-pricing dates for Shinhan Bank's non-trading interest-earning assets (including available-for-sale investment securities) and those for its interest-bearing liabilities. Under the regulations of the Financial Services Commission, Shinhan Bank includes in calculation of these VaRs interest-earning assets and interest-bearing liabilities in its bank accounts and its merchant banking accounts.

	VaR for the Year 2023[1]			
	Average	Minimum	Maximum	As of December 31
	(In billions of Won)			
Interest rate mismatch — non-trading assets and liabilities	1,408	1,186	1,507	1,186

Note:

(1) One-year VaR results computed based on the interest rate risk in the banking book standardized approach presented by the Bank for International Settlements. See "— Interest Rate Risk Management."

Interest Rate Risk for Other Subsidiaries

Shinhan Card monitors and manages its interest rate risk for all its interest-bearing assets and liabilities (including off-balance sheet items) in terms of the impact on its earnings and net asset value from changes in interest rates. Shinhan Card primarily uses interest rate VaR and EaR analyses to measure its interest rate risk.

The interest rate VaR analysis used by Shinhan Card principally focuses on the maximum impact on its net asset value from adverse movements in interest rates and consists of (i) historical interest rate VaR analysis and (ii) interest rate gap analysis. The historical interest rate VaR analysis is made through simulation of net asset value based on the interest rate volatility over a fixed past period to produce expected future interest rate scenarios and computes the maximum value at risk at a 99.9% confidence level by analyzing the net present value distribution under each such scenario. As for interest rate gap analysis, Shinhan Card computes the value at risk based on the duration proxies and interest rate shocks for each time interval as recommended under the Basel Accord.

The interest rate EaR analysis used by Shinhan Card computes the maximum loss in net interest income for a one-year period following adverse movements in interest rates, based on an interest rate gap analysis using the time intervals and the "middle of time band" as recommended under the Basel Accord.

Shinhan Securities uses historical interest rate VaR analysis based on its internal model to monitor and manage its interest rate risk. The historical interest rate VaR analysis is made through simulation of net asset value based on the interest rate volatility over the past three years to compute the maximum value at risk at a 99.9% confidence level. Shinhan Securities also measures its level of IRRBB exposure.

Shinhan Life Insurance monitors and manages its interest rate risk for its investment assets and liabilities based on simulations of its asset-liability management system. These simulations typically involve subjecting Shinhan Life Insurance's current and future assets and liabilities to more than 1,000 market scenarios based on varying assumptions, such as new debt purchases and current investment portfolios, so as to derive its net asset value forecast for the next one year at a 99.5% confidence level.

Interest rate risk for our other subsidiaries is insignificant.

Equity Risk

Substantially all of Shinhan Bank's equity risk relates to its portfolio of common stock in Korean companies. As of December 31, 2023, Shinhan Bank held an aggregate amount of ₩420.4 billion of equity interest in unlisted foreign companies (including ₩0.03 billion invested in unlisted private equity funds).

The equity securities in Won held in Shinhan Bank's investment portfolio consist of stocks listed on the KRX KOSPI Market or the KRX KOSDAQ Market of the Korea Exchange and certain non-listed stocks. Shinhan Bank sets exposure limits for most of these equity securities to manage their related risk. As of December 31, 2023, Shinhan Bank held equity securities in an aggregate amount of ₩1,585.5 billion in its non-trading accounts, including equity securities in the amount of ₩345.5 billion that it held, among other reasons, for management control purposes and as a result of debt-to-equity conversion as a part of reorganization proceedings of the companies to which it had extended loans.

As of December 31, 2023, Shinhan Bank held Won-denominated convertible bonds in an aggregate amount of ₩21.2 billion and did not hold any Won-denominated exchangeable bonds or Won-denominated bonds with warrants, in each case, in its non-trading accounts. Shinhan Bank does not measure equity risk with respect to convertible bonds, exchangeable bonds or bonds with warrants, and the interest rate risk of these equity-linked securities are measured together with the other debt securities. As such, Shinhan Bank measures interest rate risk VaRs but not equity risk VaRs for these equity-linked securities.

Liquidity Risk Management

Liquidity risk is the risk of insolvency, default or loss due to disparity between inflow and outflow of funds, including the risk of having to obtain funds at a high price or to dispose of securities at an unfavorable price due to lack of available funds. Each of our subsidiaries seeks to minimize liquidity risk through early detection of risk factors related to the sourcing and managing of funds that may cause volatility in liquidity and by ensuring that it maintains an appropriate level of liquidity through systematic management. At the group-wide level, we manage our liquidity risk by conducting monthly stress tests that compare liquidity requirements under normal situations against those under three types of stress situations, namely, our group-specific internal crisis, crisis in the external market and a combination of internal and external crisis. In addition, in order to preemptively and comprehensively manage liquidity risk, we measure and monitor 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 funds in sufficient amounts, at the optimal time at reasonable costs;
- maintain liquidity 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 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 liquidity stress test in anticipation of any potential liquidity crisis and establish and implement contingency funding plans in case of an actual crisis; and
- consider liquidity-related costs, benefits of and risks in determining the pricing of our products and services, performance evaluations and approval of launching of new products and services.

Each of our subsidiaries manages liquidity risk in accordance with the risk limits and guidelines established internally and by the relevant regulatory authorities. Pursuant to principal regulations applicable to financial holding companies and banks as promulgated by the Financial Services Commission, we, at the holding company level, are required to maintain a liquidity coverage ratio and a foreign currency liquidity coverage ratio. These ratios require us to maintain the relevant ratios above certain minimum levels.

Shinhan Bank manages its liquidity risk within the limits set on Won and foreign currency accounts in accordance with the regulations of the Financial Services Commission. The Financial Services Commission implemented a minimum liquidity coverage ratio requirement for Korean banks, including Shinhan Bank, of at least 90.0% as of January 1, 2017, 95.0% as of January 1, 2018 and 100.0% as of January 1, 2019. Financial Services Commission defines liquidity coverage ratio as high quality liquid assets that can be immediately converted into cash with little or no loss in value, as divided by the net amount of cash outflow for the next 30 day period, under the stress level established according to the liquidity coverage ratio, pursuant to the Regulation on the Supervision of the Banking Business, which was amended as of June 28, 2016 to implement the liquidity coverage ratio requirements under Basel III. In addition to the liquidity coverage ratio, the Financial Supervisory Commission introduced the net stable funding ratio into the Regulation on the Supervision of the Banking Business that came into effect in January 2018. Whereas liquidity coverage ratio is aimed at measuring liquidity for the next 30-day period, net stable funding ratio, calculated as the ratio of available stable funding to required stable funding, is aimed at measuring liquidity for the next one-year period. A bank's available stable funding is the portion of its capital and liabilities that are safely expected to remain with the bank for more than one year. A bank's required stable funding is the amount of stable funding that it is required to hold given the liquidity characteristics and residual maturities of its assets and the contingent liquidity risk arising from its off-balance sheet exposures. Shinhan Bank is required by the Financial Services Commission to maintain a net stable funding ratio of at least 100%.

With respect to foreign currency liquidity coverage ratio, the Regulation on the Supervision of the Banking Business requires that financial institutions dealing with foreign exchange affairs (i.e., banks) whose foreign-currency denominated liabilities are equal to or greater than US$500 million or 5% of its total liabilities, as of the end of the immediately preceding half-year period, maintain a foreign currency liquidity coverage ratio of 60% or higher beginning January 1, 2017, 70% or higher beginning January 1, 2018 and 80% or higher beginning January 1, 2019. The term "foreign currency liquidity coverage ratio" means the ratio of high quality liquidity assets to the net cash outflow in respect of foreign-currency denominated assets and liabilities for the next 30 days.

In April 2020, in response to the COVID-19 pandemic, the Financial Services Commission temporarily lowered the liquidity coverage ratio requirement from 100% to 85%. The Financial Services Commission subsequently decided to gradually restore this ratio on a quarterly basis from the third quarter of 2022, to a ratio of 90% in the third quarter of 2022, 92.5% in the fourth quarter of 2022, 95% in the first quarter of 2023, 97.5% in the second quarter of 2023 and 100% from the third quarter of 2023. However, the Financial Services Commission decided to apply the 92.5% ratio until the end of June 2023. Afterwards, at a financial market inspection meeting in October 2023, the Financial Services Commission decided to maintain 95% ratio until June 2024, and in principle, the gradual normalization is expected to resume from July 2024, but the final decision on whether to start normalization will be made based on market conditions in the second quarter of 2024.

Shinhan Bank's Treasury Department is in charge of liquidity risk management with respect to Shinhan Bank's Won and foreign currency funds. The Treasury Department submits Shinhan Bank's monthly funding and asset management plans to Shinhan Bank's Asset and Liability Committee for approval, based on the analysis of various factors, including macroeconomic indices, interest rate and foreign exchange movements and maturity structures of Shinhan Bank's assets and liabilities. Shinhan Bank's Risk Engineering Department measures Shinhan Bank's liquidity coverage ratio on a daily basis and net stable funding ratio on a monthly basis and reports whether they are in compliance with the respective limits to Shinhan Bank's Risk Policy Committee, which sets and monitors Shinhan Bank's liquidity coverage ratio and net stable funding ratio on a monthly basis.

The following tables show Shinhan Bank's (i) average liquidity coverage ratio, (ii) average foreign currency liquidity coverage ratio, and (iii) net stable funding ratio, each for the month of December 2023 in accordance with the regulations of the Financial Services Commission.

Shinhan Bank's Average Liquidity Coverage Ratio for the Month of December 2023

	For the Month of December 2023
	(in billions of Won, except percentages)
High quality liquid assets (A)	₩ 87,372
Net cash outflows over the next 30 days (B)	87,311
Cash outflow	115,734
Cash inflow	28,423
Liquidity coverage ratio (A/B)	100.07%

Shinhan Bank's Average Foreign Currency Liquidity Coverage Ratio for the Month of December 2023

	For the Month of December 2023
	(in millions of US$, except percentages)
High quality liquid assets (A)	$ 7,116
Net cash outflows over the next 30 days (B)	4,214
Cash outflow	15,838
Cash inflow	11,624
Liquidity coverage ratio (A/B)	168.87%

Shinhan Bank's Net Stable Funding Ratio for the Month of December 2023

	For the Month of December 2023
	(in billions of Won, except percentages)
Available stable funding (A)	₩305,621
Required stable funding (B)	268,103
Net stable funding ratio (A/B)	113.99%

Shinhan Bank maintains diverse sources of liquidity to facilitate flexibility in meeting its funding requirements. Shinhan Bank funds its operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than one month), issuing debentures and borrowing from the Bank of Korea. Shinhan Bank uses the funds primarily to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

Shinhan Card manages its liquidity risk according to the following principles: (i) provide a sufficient volume of necessary funding in a timely manner at a reasonable cost, (ii) establish an overall liquidity risk management strategy, including in respect of liquidity management targets, policy and internal control systems, and (iii) manage its liquidity risk in conjunction with other risks based on a comprehensive understanding of the interaction among the various risks. As for any potential liquidity shortage at or near the end of each month, Shinhan Card maintains liquidity at a level sufficient to withstand credit shortage for three months.

In addition, Shinhan Card manages liquidity risk by setting and complying with specific guidelines for various measures of liquidity, including the breakdown of contractual payment obligations by maturity, overseas funding, the ratio of asset-backed securitized borrowings to the total borrowing, the ratio of requisite liquidity to reserve liquidity, and the ratio of fixed interest rate borrowings to floating interest rate borrowings. Furthermore, Shinhan Card closely monitors various indicators of a potential liquidity crisis, such as the actual liquidity gap ratio (in relation to the different maturities for assets as compared to liabilities), the liquidity buffer ratio. Shinhan Card also has contingency plans in place in case of any emergency or crisis. In managing its liquidity risk, Shinhan Card focuses on a prompt response system based on periodic monitoring of the relevant early signals, stress testing and contingency plan formulations. Shinhan Card identifies its funding needs on a daily, monthly, quarterly and annual basis based on the maturity schedule of its liabilities as well as short-term liquidity needs, based upon which it formulates its funding plans using diverse sources such as corporate debentures, commercial papers, asset-backed securitizations and credit line facilities. When entering into asset-backed securitizations, Shinhan Card provides sufficient credit enhancements to avoid triggering early amortization events. In addition, prior to entering into any funding transaction and related derivative transaction, Shinhan Card conducts pre-transaction risk analyses, including in respect of counterparty credit risk and its total exposure limit by country and by financial institution.

Shinhan Card also manages its liquidity risk within the limits set on Won accounts in accordance with the regulations of the Financial Services Commission. Under the Specialized Credit Financial Business Act and the regulations thereunder, credit card companies in Korea are required to maintain a Won liquidity ratio of at least 100.0%.

The following tables show Shinhan Card's liquidity status and limits for Won-denominated accounts as of December 31, 2023 in accordance with the regulations of the Financial Services Commission.

Shinhan Card's Won-denominated accounts

	As of December 31, 2023							
Won-Denominated Accounts	**7 Days or Less**	**1 Month or Less**	**3 Months or Less**	**6 Months or Less**	**1 Year or Less**	**Over 1 Year**	**Over 2 Years**	**Total**
	(In billions of Won, except percentages)							
Assets	₩2,622	₩15,232	₩21,733	₩25,934	₩30,621	₩36,530	₩ 7,364	₩43.894
Liabilities	70	4,695	5,970	8,531	12,962	21,304	13,095	34,399
Liquidity ratio			364.1%					

Shinhan Securities manages its liquidity risk for its Won-denominated accounts by setting a limit of ₩300 billion on each of its seven-day, one-month and three-month liquidity gap, a limit of 115% on its one-month and three-months liquidity ratios and a limit of ₩70 billion on its liquidity VaR. As for its foreign currency-denominated accounts, Shinhan Securities manages the liquidity risk on a monthly basis in compliance with the guidelines of the Financial Supervisory Service, which requires the seven-day and one-month maturity mismatch ratios to be 0% and -10% or higher, respectively, and the three months liquidity ratio to be 80% or higher.

Our other subsidiaries fund their operations primarily through call money, bank loans, commercial paper, corporate debentures and asset-backed securities. Our holding company acts as a funding vehicle for long-term financing of our subsidiaries whose credit ratings are lower than the holding company, including Shinhan Card and Shinhan Capital, to lower the overall funding costs within regulatory limitations. Under the Monopoly Regulation and Fair Trade Act, however, a financial holding company is prohibited from borrowing funds in excess of 200% of its total stockholders' equity.

In addition to liquidity risk management under the normal market situations, we have contingency plans to effectively cope with possible liquidity crisis. Liquidity crisis arises when we would not be able to effectively manage the situations with our normal liquidity management measures due to, among other reasons, inability to access our normal sources of funds or epidemic withdrawals of deposits as a result of various external or internal factors, including a collapse in the financial markets or abrupt deterioration of our credit. We have contingency plans corresponding to different stages of liquidity crisis: namely, "alert stage," "imminent-crisis stage" and "crisis stage," based on the following liquidity indices:

- indices that reflect the market movements such as interest rates and stock prices;
- indices that reflect financial market sentiments, an example being the size of money market funds; and
- indices that reflect our internal liquidity condition.

Operational Risk Management

Operational risk is difficult to quantify and subject to different definitions. The Basel Committee defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from other external events. Similarly, we define operational risk as the risks related to our overall management other than credit risk, market risk, interest rate risk and liquidity risk. These include risks arising from system failure, human error, non-adherence to policy and procedures, fraud, inadequate internal controls and procedures or environmental changes and resulting in financial and non-financial loss. We monitor and assess operational risks related to our business operations, including administrative risk, information technology risk (including cyber security risk), managerial risk and legal risk, with a view to minimizing such losses.

Our holding company's Audit Committee, which consists of three outside directors, one of whom is an accounting or financial expert as required by internal control regulations under the Act on Corporate Governance of Financial Companies, oversees and monitors our operational compliance with legal and regulatory requirements. The Audit Committee also oversees management's operations and may, at any time it deems appropriate, demand additional operations-related reporting from management and inspects our asset condition. At the holding company level, we define each subsidiary's operational process and establish an internal review system applicable to each subsidiary. Each subsidiary's operational risk is internally monitored and managed at the subsidiary level and the Group Internal Audit Department at our holding company, which reports to our Audit Committee, continuously monitors the integrity of our subsidiaries' operational risk management system. Our holding company's board of directors and the Group Risk Management Committee establish our basic policies for internal control at the group level. The Group Internal Audit Department at our holding company is directly responsible for overseeing our internal controls with a focus on legal, regulatory, operational and reputational risks. The Group Internal Audit Department audits both our and our subsidiaries' operations and asset condition in accordance with our annual audit plan, which is approved by the Audit Committee, and submits regular reports to the Audit Committee pursuant to our internal reporting system. If the Group Internal Audit Department discovers any non-compliance with operational risk procedures or areas of weaknesses, it promptly alerts the business department in respect of which such non-compliance was discovered and demands implementation of corrective measures. Implementation of such corrective measures is subsequently reviewed by the Group Internal Audit Department.

To monitor and manage operational risk, Shinhan Bank maintains a system of comprehensive policies and has in place a control framework designed to provide a stable and well-managed operational environment throughout the organization. Currently, the primary responsibility for ensuring compliance with our banking operational risk procedures remains with each of the business units and operational teams. In addition, the Audit Department, the Risk Management Department and the Compliance Department of Shinhan Bank also play important roles in reviewing and maintaining the integrity of Shinhan Bank's internal control environment.

The operational risk management system of Shinhan Bank is managed by the operational risk team under the Risk Management Department. The current system principally consists of risk control self-assessment, risk quantification using key risk indicators, loss data collection and operational risk capital measurement. Shinhan Bank operates several educational and awareness programs designed to have all of its employees to be familiar with this system. In addition, Shinhan Bank has a designated operational risk manager at each of its departments and branch offices, who serves as a coordinator between the operational risk team at the headquarters and the employees in the front office and seeking to provide centralized feedback to further improve the operational risk management system.

As of December 31, 2023, Shinhan Bank has conducted risk control self-assessments on its departments as well as domestic and overseas branch offices, from which it collects systematized data on all of its branch offices, and uses the findings from such self-assessments to improve the procedures and processes for the relevant departments or branch offices. In addition, Shinhan Bank has accumulated risk-related data since 2003, improved the procedures for monitoring operational losses and is developing risk simulation models. In addition, Shinhan Bank selects and monitors, at the department level, approximately 355 key risk indicators.

The Audit Committee of Shinhan Bank, which consists of one standing director and two outside directors, is an independent inspection authority that supervises Shinhan Bank's internal controls and compliance with established ethical and legal principles. The Audit Committee performs internal audits of, among other matters, Shinhan Bank's overall management and accounting, and supervises its Audit Department, which assists Shinhan Bank's Audit Committee. Shinhan Bank's Audit Committee also reviews and evaluates Shinhan Bank's accounting policies and their changes, financial and accounting matters and fairness of financial reporting.

Shinhan Bank's Audit Committee, Audit Department and Compliance Department supervise and perform the following duties:

- general audits, including full-scale audits performed annually for the overall operations, sectional audits of selected operations performed as needed, and periodic and irregular spot audits;
- special audits, performed when the Audit Committee deems it necessary or pursuant to requests by the chief executive officer or supervisory authorities such as the Financial Supervisory Service;

- day-to-day audits, performed by the standing member of Shinhan Bank's Audit Committee for material transactions or operations that are subject to approval by the heads of Shinhan Bank's operational departments or senior executives;
- real-time monitoring audits, performed by the computerized audit system to identify any irregular transactions and take any necessary actions; and
- self-audits as a self-check by each operational department to ensure its compliance with our business regulations and policies, which include daily audits, monthly audits and special audits.

In addition to these audits and compliance activities, Shinhan Bank's Risk Management Department designates operational risk management examiners to monitor the appropriateness of operational risk management frameworks and the functions and activities of the board of directors, relevant departments and business units, and conducts periodic checks on the operational risk and reports such findings. Shinhan Bank's Audit Department also reviews in advance proposed banking products or other business or service plans with a view to minimizing operational risk. General audits, special audits, day-to-day audits and real-time monitoring audits are performed by Shinhan Bank's examiners, and self-audits are performed by the self-auditors of the relevant operational departments.

As for Shinhan Securities, its audit department conducts an annual inspection as to whether the internal policy and procedures of Shinhan Securities relating to its overall operational risk management are being effectively complied. The inspection has a particular focus on the appropriateness of the scope of operational risks and the collection, maintenance and processing of relevant operating data. Shinhan Securities, through its operational risk management system, also conducts self-assessments of risks, collects loss data and manages key risk indicators. The operational risk management system is supervised by its audit department, compliance department and risk management department, as well as a risk management officer in each of Shinhan Securities' departments.

Shinhan Card's audit committee reviews whether the internal policy and procedures of Shinhan Card are effective and implements measures to improve such policies as needed. Shinhan Card's audit committee also contributes to work efficiency, financial risk minimization and management rationalization. Shinhan Card is developing an operational risk management system in accordance with the Financial Supervisory Service's oversight guidelines regarding operational risk measurement, which it plans to use to assess operational risk by department in order to identify operational risk factors and to assess and mitigate potential risks on a periodic basis.

Shinhan Life Insurance has established an operational risk management system that includes risk assessment, control activities, information and communication and monitoring including key risk indicators and incident management, in accordance with the Basel III regulations. To strengthen the operational risk management capabilities, Shinhan Life Insurance has formed a dedicated operational risk management team. Shinhan Life Insurance regularly conducts risk and control assessment to identify and manage risks across operations including products, IT projects, outsourcing and sales channels. Furthermore, Shinhan Life Insurance has implemented a business continuity management plan that includes annual trainings and exercises for business impact analysis and recovery strategies design.

In addition to internal audits and inspections, the Financial Supervisory Service conducts general annual audits of our and our subsidiaries' operations. The Financial Supervisory Service also performs special audits as the need arises on particular aspects of our and our subsidiaries' operations such as risk management, credit monitoring and liquidity. In the ordinary course of these audits, the Financial Supervisory Service routinely issues warning notices where it determines that a regulated financial institution or such institution's employees have failed to comply with the applicable laws or rules, regulations and guidelines of the Financial Supervisory Service. We and our subsidiaries have in the past received, and expect in the future to receive, such notices and we have taken and will continue to take appropriate actions in response to such notices. For further details, see "Item 8.A. Consolidated Statements and Other Financial Information — Legal Proceedings."

We consider legal risk as a part of operational risk. The uncertainty of the enforceability of obligations of our customers and counterparties, including foreclosure on collateral, creates legal risk. Changes in laws and regulations could also adversely affect us. Legal risk is higher in new areas of business where the law is often untested in the courts although legal risk can also increase in our traditional business to the extent that the legal and regulatory landscape in Korea changes and many new laws and regulations governing the banking industry remain untested. We seek to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting legal advisers. The Compliance Department operates Shinhan Financial Group's compliance system. This system is designed to ensure that all employees of Shinhan Financial Group and its subsidiaries comply with the relevant laws and regulations. The compliance system's main function is to monitor the degree of improvement in compliance with the relevant laws and regulations, maintain internal controls (including ensuring that each department has established proper internal policies and that it complies with those policies) and educate employees about observance of the relevant laws and regulations. The Compliance Department also supervises the management, execution and performance of self-audits.

Upgrades to Risk Management Systems

Our recent material upgrades in relation to risk management systems are as follows.

Shinhan Financial Group

In May 2015, we developed and implemented a credit review system to unify our corporate credit review and risk measurements, allowing us and our subsidiaries to utilize a uniform and consistent credit review system with respect to each borrower. In addition, in preparation of full implementation of Basel III requirements relating to liquidity coverage ratios for bank holding companies and to enhance our liquidity risk management capabilities, we have implemented a Basel III liquidity coverage ratio risk management system by which we calculate our liquidity coverage ratio each month.

Shinhan Bank

In order to strengthen risk management of its overseas subsidiaries and effectively comply with local and domestic regulations, Shinhan Bank is in the process of laying out a global risk management system network, which records the risk data of its overseas subsidiaries. Shinhan Bank seeks to leverage the development of this system for further overseas expansion and stable growth of existing overseas subsidiaries. To date, Shinhan Bank has completed the development of such system for its subsidiaries in China, Japan, Vietnam, the United States, Canada, India, Europe and Mexico. Shinhan Bank also plans to expand the application of this system to its other overseas subsidiaries.

Shinhan Bank has also completed development of a system to calculate market risk capital requirement on Basel III. The bank has received approval for such system from the Financial Supervisory Service and has been implemented since 2023.

In 2012, Shinhan Bank developed a system for improving collection and recovery of bad assets through enhanced LGD data processing. In addition, in 2012, Shinhan Bank received approvals from the Financial Supervisory Service for upgrades to its credit evaluation modeling for risk assessment of small-to medium-sized enterprises that are not required to be audited by outside accounting firms and for SOHOs, which upgrades related to factoring in the credit profile of the head of such enterprises and SOHOs. In 2014, Shinhan Bank further upgraded the credit evaluation modeling for risk assessment of small-and medium-size enterprises that are not required to be audited by outside accounting firms by entirely revamping the modeling for enterprises subject to outside audits, enterprises that are not subject to outside auditors and enterprise heads. Such upgraded modeling was approved by the Financial Supervisory Service, and Shinhan Bank began implementation of the upgraded system since 2014. In 2014, Shinhan Bank reclassified its credit evaluation models for risk assessment of enterprises into the following four categories: (i) IFRS (enterprises subject to external audits under IFRS as adopted by Korea), (ii) GAAP (enterprises subject to external audits under Generally Accepted Accounting Principles), (iii) small-and medium-size enterprises and (iv) SOHO. Such reclassification was approved by the Financial Supervisory Service, and Shinhan Bank began to implement the system in 2015.

In addition, in 2013, Shinhan Bank obtained approval from the Financial Supervisory Service to use an internal evaluation model with respect to Basel II credit risks related to Shinhan Bank's retail and SOHO exposures. In 2016, Shinhan Bank developed a new internal evaluation model and obtained approval from the Financial Supervisory Service to use the new model with respect to Basel II credit risks related to Shinhan Bank's retail exposures. In addition, Shinhan Bank received another approval in 2016 for LGD data processing using the AIRB approach in order to reflect changes in economic conditions such as prolonged recovery periods and low interest rates, and the newly approved LGD data processing will replace existing LGD data processing for both retail and SOHO exposures. In 2023, the Bank further upgraded the internal evaluation model for Bank's retail and SOHO exposures and obtained approval from the Financial Supervisory Service to replace the existing model.

Shinhan Bank also upgraded the asset and liability management system in 2012 in order to timely comply with Basel III, IFRS and other regulatory requirements as well as to upgrade the quality of risk-related data. In 2014, Shinhan Bank upgraded the liquidity coverage ratio and net stable funding ratio systems under Basel III in order to facilitate daily measurement and efficient management.

Following the introduction of the new standard approach for operational risk capital measurement and the PSMOR (Principles for the Sound Management of Operational Risk) in the Basel III framework, Shinhan Bank has re-established the operational risk management system in order to further enhance its operational risk management capabilities.

Shinhan Card

In 2012, Shinhan Card completed further upgrades to its credit risk measurement system in satisfaction of the Basel II standards, as well as other regulatory requirements and internal needs in order to address the ongoing volatility in the economic and regulatory environment. In December 2016, Shinhan Card obtained approval from the Financial Supervisory Service to use a new internal evaluation model with respect to Basel III credit risks related to its retail and SOHO exposures.

Shinhan Securities

In 2016, Shinhan Securities established a Risk Engineering Team and updated its market risk management system to increase its value assessment capabilities for over-the-counter derivatives, strengthen its VaR risk analysis capabilities and improve various simulation functions. Beginning in 2017, the Risk Engineering Team conducts value assessment and reviews over-the-counter derivatives directly using various enhanced simulation functions such as updated stress tests in order to stabilize financial accounting prices and enhance the risk management of over-the-counter derivatives. In January 2019, the Risk Engineering Team was elevated to a department, becoming the Risk Engineering Department, expanding the scope of products reviewed by the department and strengthening its simulation analysis capabilities.

Shinhan Life Insurance

In 2017, Shinhan Life Insurance updated its interest rate risk measurement system, called the ALM system, in anticipation of IFRS 17 and the K-ICS, a new insurance liability market valuation system designed to replace the existing risk based capital system. In 2018, the new asset liability management system implemented an interest rate risk management system based on the Europe Solvency II standard. The asset liability management system can measure both asset and liability based on marking to market valuation. Shinhan Life Insurance also updated its interest rate risk management system to control net income margin volatility resulting from market interest rate changes and has tailored its business scheme to this system in order to better manage risk and profits and match the duration of its assets and liabilities. In 2019, Shinhan Life Insurance further upgraded its insurance risk measurement system in anticipation of the K-ICS, which has been in effect since 2023. The upgraded system can more elaborately measure insurance risk associated with mortality, longevity, morbidity, disability, lapse and expenses. In addition, a project to improve the existing system was carried out in 2023 to improve the speed, accuracy, and convenience of K-ICS calculation work after system upgrade. Shinhan Life Insurance measures its insurance risk using shock scenarios and parameters calibration based on internal statistical estimates.

Supervision and Regulation

Principal Regulations Applicable to Financial Holding Companies

General

The Korean financial holding companies and their subsidiaries are regulated by the Financial Holding Companies Act (last amended on January 1, 2023, Law No. 19211). In addition, Korean financial holding companies and their subsidiaries are subject to the regulations and supervision of the Financial Services Commission and the Financial Supervisory Service.

Pursuant to the Financial Holding Companies Act, the Financial Services Commission regulates various activities of financial holding companies. For instance, it approves the application for setting up a new financial holding company and promulgates regulations on the capital adequacy of financial holding companies and their subsidiaries and other regulations relating to the supervision of financial holding companies.

The Financial Supervisory Service is subject to the instructions and directives of the Financial Services Commission and carries out supervision and examination of financial holding companies and their subsidiaries. In particular, the Financial Supervisory Service sets forth liquidity and capital adequacy requirements for financial holding companies and reporting requirements pursuant to the authority delegated to the Financial Supervisory Service under the Financial Services Commission regulations, pursuant to which financial holding companies are required to submit quarterly reports on business performance, financial status and other matters prescribed in the Presidential Decree of the Financial Holding Companies Act.

Under the Financial Holding Companies Act, the establishment of a financial holding company must be approved by the Financial Services Commission. A financial holding company is required to be mainly engaged in controlling its subsidiaries by holding the shares or equities of the subsidiaries in the amount of not less than 50% of aggregate amount of such financial holding company's assets based on the latest balance sheet. A financial holding company is prohibited from engaging in any profit-making businesses other than controlling the management of its subsidiaries and certain ancillary businesses as prescribed in the Presidential Decree of the Financial Holding Companies Act which includes the following businesses:

- financially supporting its subsidiaries and the subsidiaries of its subsidiaries (the "direct and indirect subsidiaries"), including lending properties with economic values such as monies and securities, guaranteeing obligation performance and other direct or indirect transactions involving transactional credit risk;
- raising capital necessary for the investment in subsidiaries or providing financial support to its direct and indirect subsidiaries;
- supporting the business of its direct and indirect subsidiaries for the joint development and marketing of new products;
- supporting the operations of its direct and indirect subsidiaries by providing access to data processing, legal and accounting resources; and
- pursuing any other activities exempted from authorization, permission or approval under the applicable laws and regulations.

The Financial Holding Companies Act requires every financial holding company (other than any financial holding company that is controlled by any other financial holding company) or its subsidiaries to obtain the prior approval from the Financial Services Commission before acquiring control of another company or to file with the Financial Services Commission a report within thirty days after acquiring such control. Permission to liquidate or to merge with any other company must be obtained in advance from the Financial Services Commission. A financial holding company must report to the Financial Services Commission regarding certain events including:

- when there is a change of its largest shareholder;

- when there is a change of principal shareholders of a bank holding company;
- when the shareholding of the largest shareholder or a principal shareholder as prescribed under the Financial Holding Companies Act or a person who is in a special relationship with such largest or principal shareholder (as defined under the Presidential Decree of the Financial Holding Companies Act) changes by 1% or more of the total issued and outstanding voting shares of the financial holding company;
- when there is a change of its name;
- when there is a cause for dissolution; and
- when it or its subsidiary ceases to control any of its respective direct and indirect subsidiaries by disposing of the shares of such direct and indirect subsidiaries.

Capital Adequacy

The Financial Holding Companies Act does not provide for a minimum paid-in capital of financial holding companies. All financial holding companies, however, are required to maintain a specified level of solvency. In addition, in its allocation of the net profit earned in a fiscal term, a financial holding company is required to set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

A financial holding company controlling banks or other financial institutions conducting banking business as prescribed in the Financial Holding Company Act (hereinafter, the "bank holding company") is required to maintain a minimum consolidated equity capital ratio of 8.0%. "Consolidated equity capital ratio" is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with the Financial Services Commission requirements that have been formulated based on the Bank of International Settlements standards. "Equity capital," as applicable to bank holding companies, is defined as the sum of Tier I capital, Tier II capital, and Tier III capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies. "Risk-weighted assets" is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

For regulatory reporting purposes, we maintain allowances for credit losses on the following loan classifications that classify corporate and retail loans as required by the Financial Services Commission. In making these classifications, we take into account a number of factors, including the financial position, profitability and transaction history of the borrower, the value of any collateral or guarantee taken as security for the extension of credit, probability of default and loss amount in the event of default. This classification method, and our related provisioning policy, is intended to reflect the borrower's capacity to repay. To the extent there is any conflict between the Financial Services Commission guidelines and our internal analysis in such classifications, we adopt whichever is more conservative.

The following table sets forth loan classifications according to the guidelines of the Financial Services Commission.

Loan Classification	Loan Characteristics
Normal	Loans extended to customers that, based on our consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the loans.
Precautionary	Loans extended to customers that (i) based on our consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the loans, although showing no immediate default risk or (ii) are in arrears for one month or more but less than three months.
Substandard	(i) Loans extended to customers that, based on our consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or (ii) the portion that we expect to collect of total loans (a) extended to customers that have been in arrears for three months or more, (b) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings or closure of their businesses, or (c) extended to customers who have outstanding loans that are classified as "doubtful" or "estimated loss."
Doubtful	Loans exceeding the amount that we expect to collect of total loans to customers that: (i) based on our consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or (ii) have been in arrears for three months or more but less than 12 months.
Estimated loss	Loans exceeding the amount that we expect to collect of total loans to customers that: (i) based on our consideration of their business, financial position and future cash flows, are judged to be accounted as a loss because the inability to repay became certain due to serious deterioration in their ability to repay; (ii) have been in arrears for 12 months or more; or (iii) have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

In accordance with the Regulations for the Supervision of Financial Institutions, we establish regulatory reserve for loan loss in the amount of the difference between allowance for credit losses as calculated pursuant to our provisioning policy in accordance with IFRS and allowance for credit losses based on the loan classifications set forth above as required by the Financial Services Commission. In determining consolidated equity capital ratio, we deduct regulatory reserve for loan loss from equity capital.

Liquidity

All financial holding companies are required to match the maturities of their assets to those of liabilities in accordance with the Financial Holding Companies Act in order to ensure liquidity. Financial holding companies are required to submit quarterly reports regarding their liquidity to the Financial Supervisory Service and must:

- maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100%;
- maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 80% except for financial holding companies with a foreign currency liability to total assets ratio of less than 1%;
- maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days divided by total foreign currency assets of not less than 0%, except for financial holding companies with a foreign currency liability to total assets ratio of less than 1%; and
- maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month divided by total foreign currency assets of not less than negative 10% except for financial holding companies with a foreign currency liability to total assets ratio of less than 1%.

Financial Exposure to Any Single Customer and Major Shareholders

Subject to certain exceptions, the total sum of credit (as defined in the Presidential Decree of the Financial Holding Companies Act, the Bank Act, the Presidential Decree of the Financial Investment Services and Capital Markets Act, the Insurance Act, the Mutual Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a financial holding company and its direct and indirect subsidiaries which are banks, merchant banks or securities companies ("Financial Holding Company Total Credit") extended to a single group of companies that belong to the same conglomerate as defined in the Monopoly Regulation and Fair Trade Act will not be permitted to exceed 25% of the Net Total Equity Capital.

"Net Total Equity Capital" for the purpose of the calculation of financial exposure to any single customer and Major Shareholder (as defined below) as applicable to us and our subsidiaries is defined under the Presidential Decree of the Financial Holding Companies Act as

(a) the sum of:

  (i) in the case of a financial holding company, the shareholders' equity as defined under Article 24-3, Section 7(2) of the Presidential Decree of the Financial Holding Companies Act, which represents the difference between the total assets less total liabilities on the balance sheet as of the end of the most recent quarter;

  (ii) in the case of a bank, the shareholders' equity as defined under Article 2, Section 1(5) of the Bank Act, which represents the sum of Tier I and Tier II capital amounts determined according to the standards set by the BIS;

  (iii) in the case of a merchant bank, the capital amount as defined in Article 342, Section (1) of the Financial Investment Services and Capital Markets Act;

  (iv) in the case of a financial investment company, the shareholders' equity as defined under Article 37, Section 3 of the Presidential Decree of the Financial Investment Services and Capital Markets Act, which represents the total shareholders' equity as adjusted as determined by the Financial Services Commission, such as the amount of increase or decrease in paid-in capital after the end of the most recent fiscal year;

  (v) in the case of an insurance company, the shareholders' equity as defined under Article 2, Section 15 of the Insurance Act, which represents the sum of items designated by the Presidential Decree, such as paid-in-capital, capital surplus, earned surplus and any equivalent items, less the value of good will and other equivalent items;

(vi) in the case of a mutual savings bank, the shareholders' equity as defined under Article 2, Section 4 of the Mutual Savings Bank Act, which represents the sum of Tier I and Tier II capital amounts determined in accordance with the standards set by the Bank for International Settlements; and

(vii) in the case of a credit card company or a specialty credit provider, the shareholders' equity as defined under Article 2, Section 19 of the Specialized Credit Financial Business Act, which represents the sum of the items designated by the Presidential Decree, such as paid-in-capital, capital surplus, earned surplus and any equivalent items;

(b) less the sum of:

(i) the amount of shares in direct and indirect subsidiaries held by the financial holding company;

(ii) the amount of shares in the direct and indirect subsidiaries that are cross-held by such subsidiaries; and

(iii) the amount of shares in the financial holding company held by its direct and indirect subsidiaries.

The Financial Holding Company Total Credit to a single individual or legal entity may not exceed 20% of the Net Total Equity Capital.

Furthermore, the total sum of credits (as defined under the Financial Holding Companies Act, the Banking Act and the Financial Investment Services and Capital Markets Act, respectively) of a bank holding company and its direct and indirect subsidiaries ("Bank Holding Company Total Credit") extended to a "Major Shareholder" (together with the persons who have special relationship with such Major Shareholder) (as defined below) generally may not exceed the smaller of (x) 25% of the Net Total Equity Capital and (y) the amount of the equity capital of the financial holding company multiplied by the shareholding ratio of such Major Shareholder, subject to certain exceptions.

"Major Shareholder" is defined under the Financial Holding Companies Act as follows:

(a) a shareholder holding (together with persons who have a special relationship with such shareholder as defined in the Presidential Decree of the Financial Holding Companies Act) in excess of 10% (or in the case of a financial holding company controlling regional banks only, 15%) in the aggregate of the financial holding company's total issued and outstanding voting shares; or

(b) a shareholder holding (together with persons who have a special relationship with such shareholder as defined in the Presidential Decree of the Financial Holding Companies Act) more than 4% in the aggregate of the total issued and outstanding voting shares of the financial holding company controlling national banks (other than a financial holding company controlling regional banks only), excluding shares related to the shareholding restrictions on non-financial business group companies as described below, where such shareholder is the largest shareholder or has actual control over the major business affairs of the financial holding company through, for example, appointment and dismissal of the officers pursuant to the Presidential Decree of the Financial Holding Companies Act.

In addition, the total sum of the Bank Holding Company Total Credit extended to all of a bank holding company's Major Shareholder may not exceed 25% of the Net Total Equity Capital. Furthermore, the bank holding company and its direct and indirect subsidiaries that intend to extend the Bank Holding Company Total Credit to the bank holding company's Major Shareholder not less than the lesser of (i) the amount equivalent to 0.1% of the Net Total Equity Capital or (ii) ₩5 billion, with respect to a single transaction, must obtain prior unanimous board resolutions and then, immediately after the completion of the transaction, must file a report with the Financial Services Commission and publicly disclose the filing of such report (for example, through a website).

Restrictions on Transactions among Direct and Indirect Subsidiaries and Financial Holding Company

Generally, a direct or indirect subsidiary of a financial holding company may not extend credit to the financial holding company which directly or indirectly controls such subsidiary. In addition, a direct or indirect subsidiary of a financial holding company may not extend credit to any other single direct or indirect subsidiary of the financial holding company in excess of 10% of its stockholders' equity and to any other direct and indirect subsidiaries of the financial holding company in excess of 20% of its stockholders' equity in the aggregate. The direct or indirect subsidiaries of a financial holding company must obtain an appropriate level of collateral for the credits extended to the other direct and indirect subsidiaries unless otherwise approved by the Financial Services Commission. The appropriate level of collateral for each type of such collateral is as follows:

(i) For deposits and installment savings, obligations of the Government or the Bank of Korea, obligations guaranteed by the Government or the Bank of Korea, obligations secured by securities issued or guaranteed by the Government or the Bank of Korea: 100% of the amount of the credit extended;

(ii) (a) For obligations of local governments under the Local Autonomy Act, local public enterprises under the Local Public Enterprises Act, and investment institutions and other quasi-investment institutions under the Basic Act on the Management of Government-Invested Institution (hereinafter, the "public institutions and others"); (b) obligations guaranteed by the public institutions and others; and (c) obligations secured by the securities issued or guaranteed by public institutions and others: 110% of the amount of the credit extended; and

(iii) For any property other than those set forth in the above (i) and (ii): 130% of the amount of the credit extended.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is prohibited from owning the shares of any other direct or indirect subsidiaries (other than those directly controlled by the direct and indirect subsidiaries in question) in common control by the financial holding company. However, a direct or indirect subsidiary of a financial holding company may invest as a limited partner in a private equity fund that is a direct or indirect subsidiary of the same financial holding company. The transfer of certain assets subject to or below the precautionary criteria between the financial holding company and its direct or indirect subsidiary or between the direct and indirect subsidiaries of a financial holding company is prohibited except for (i) the transfer to an asset-backed securitization company, typically a special purpose entity, or the entrustment with a trust company, under the Asset-Backed Securitization Act, (ii) the transfer to a mortgage-backed securitization company under the Mortgage-Backed Securitization Company Act, (iii) the transfer or in-kind contribution to a corporate restructuring vehicle under the Corporate Restructuring Investment Company Act or (iv) the acquisition by a corporate restructuring company under the Industrial Development Act.

Disclosure of Management Performance

For the purpose of protecting the depositors and investors in the direct or indirect subsidiaries of the financial holding companies, the Financial Services Commission requires financial holding companies to disclose certain material matters including (i) financial condition and profit and loss of the financial holding company and its direct and indirect subsidiaries, (ii) how capital was raised by the financial holding company and its direct and indirect subsidiaries and how such capital was used, (iii) any sanctions levied on the financial holding company and its direct and indirect subsidiaries under the Financial Holding Companies Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry or (iv) occurrence of any non-performing assets or financial incident which may have a material adverse effect.

Restrictions on Shareholdings in Other Companies

Subject to certain exceptions, a bank holding company may not own more than 5% of the total issued and outstanding shares of another company (other than its direct and indirect subsidiaries). If the financial holding company owns shares of another company (other than its direct and indirect subsidiaries) which is not a finance-related company, the financial holding company is required to exercise its voting rights in the same manner and same proportion as the other shareholders of the company exercise their voting rights in favor of or against any resolutions under consideration at the shareholders' meeting of the company.

Restrictions on Shareholdings by Direct and Indirect Subsidiaries

Generally, a direct subsidiary of a financial holding company is prohibited from controlling any other company; provided that a direct subsidiary of a financial holding company may control (as an indirect subsidiary of the financial holding company): (i) subsidiaries in foreign jurisdiction related to the business of the subsidiary that are engaged in a financial business, (ii) certain financial institutions related to the business of the subsidiary which are engaged in the business that the direct subsidiary may conduct without any licenses or permits, (iii) certain financial institutions whose business is related to the business of the direct subsidiary as prescribed under the Presidential Decree of the Financial Holding Companies Act (for example, the companies which a bank subsidiary may control are limited to credit information companies, credit card companies, trust business companies, securities investment management companies, investment advisory companies, futures business companies, and asset management companies), (iv) certain financial institutions whose business is related to financial business as prescribed by the Ordinance of the Prime Minister, and (v) certain companies which are not financial institutions but whose business is related to the financial business of the financial holding company as prescribed by the Presidential Decree of the Financial Holding Companies Act (e.g. finance-related research company, finance-related information technology company, etc.). Acquisition by the direct subsidiaries of such indirect subsidiaries requires a prior permission from the Financial Services Commission or a report to be submitted to the Financial Services Commission, depending on the types of the indirect subsidiaries and the amount of total assets of the indirect subsidiaries.

An indirect subsidiary of a financial holding company is prohibited from controlling any other company, provided, however, that in the case where a company held control over another company at the time such company initially became an indirect subsidiary of a financial holding company, such indirect subsidiary shall be required to dispose of its interest in such other company within two years after becoming an indirect subsidiary of a financial holding company.

A subsidiary of a financial holding company may invest in a special purpose company as its largest shareholder for purposes of making investments under the Act on Private Investment in Social Infrastructure without being deemed as controlling such special purpose company.

In addition, a private equity fund established in accordance with the Financial Investment Services and Capital Markets Act is not considered to be a subsidiary of a financial holding company even if the financial holding company is the largest investor in the private equity fund unless the financial holding company is the asset management company for the private equity fund.

Restrictions on Transactions Between a Financial Holding Company and its Major Shareholder

A bank holding company and its direct and indirect subsidiaries are prohibited from acquiring (including acquisition by a trust account of its subsidiary bank) shares issued by such bank holding company's Major Shareholder in excess of 1% of the Net Total Equity Capital. In addition, the financial holding company and its direct and indirect subsidiaries which intend to acquire shares issued by such Major Shareholder not less than the lesser of (i) the amount equivalent to 0.1% of the Net Total Equity Capital or (ii) ₩5 billion, with respect to a single transaction, must obtain prior unanimous board resolutions and then, immediately after the acquisition, must file a report with the Financial Services Commission and publicly disclose the filing of such report (for example, through a website).

Restrictions on Financial Holding Company Ownership

Under the Financial Holding Companies Act, foreign financial institutions are permitted to establish financial holding companies in Korea. Pursuant to the Presidential Decree of the Financial Holding Companies Act, a foreign financial institution can control a financial holding company if, subject to satisfying certain other conditions, it, together with its specially-related persons, holds 100% of the total shares in the financial holding company.

In addition, any single shareholder and persons who stand in a special relationship with such shareholder (as defined under the Presidential Decree to the Financial Holding Companies Act) may acquire beneficial ownership of up to 10% of the total issued and outstanding shares with voting rights of a financial holding company controlling national banks (or 15% in the case of a financial holding company controlling regional banks only). The Government and the Korea Deposit Insurance Corporation are not subject to such a ceiling.

However, "non-financial business group companies" (as defined below) may not acquire beneficial ownership of shares of a bank holding company in excess of 4% of such financial holding company's outstanding voting shares, provided that such non-financial business group companies may acquire beneficial ownership of up to 10% of such financial holding company's outstanding voting shares with the approval of the Financial Services Commission under the condition that such non-financial business group companies will not exercise voting rights in respect of such shares in excess of the 4% limit. In addition, any person (whether a Korean national or a foreigner), with the exception of non-financial business group companies described above, may also acquire in excess of 10% of total voting shares issued and outstanding of a financial holding company which controls national bank, provided that an approval from the Financial Services Commission is obtained in instances where the total holding exceeds 10% (or 15% in the case of a financial holding company controlling regional banks only), 25% or 33% of the total voting shares issued and outstanding of such bank holding company.

"Non-financial business group companies" are defined under the Financial Holding Companies Act as companies, which include:

(i) any same shareholder group with aggregate net assets of all non-financial business companies belonging to such group of not less than 25% of the aggregate net assets of all members of such group;

(ii) any same shareholder group with aggregate assets of all non-financial business companies belonging to such group of not less than ₩2 trillion;

(iii) any mutual fund in which the same shareholder group identified in item (i) or (ii) above holds more than 4% of the total shares issued and outstanding of such mutual fund;

(iv) any private equity fund (x) which has a partner with limited liability that falls under item (i), (ii) or (iii) above and holds equity equivalent to 10% or greater of the total amount invested by the private equity fund, (y) which has a partner with unlimited liability that falls under item (i), (ii) or (iii) above or (z) whose affiliates belonging to an enterprise group subject to limitation on mutual investment hold in aggregate equity equivalent to 30% or greater of the total amount invested by such private equity fund; or

(v) any investment purpose company in which a private equity fund that falls under item (iv) above acquires and holds no less than 4% of such company's shares or equity or exercises de-facto influence on such company's significant managerial matters.

Sharing of Customer Information among Financial Holding Companies and their Subsidiaries

Under the Act on Use and Protection of Credit Information, any individual customer's credit information may only be disclosed or otherwise used by financial institutions to determine, establish or maintain existing commercial transactions with them and only after obtaining written consent to use information. In addition, under the Act on Real Name Financial Transactions and Confidentiality, an individual working at a financial institution may not provide or reveal information or data concerning the contents of financial transactions to other persons unless such individual receives a request or consent in writing from the holder of a title deed, except under certain exceptions stipulated in the Act. Under the Financial Holding Company Act, a financial holding company and its direct and indirect subsidiaries, however, may share certain credit information of individual customers among themselves for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act (such as credit risk management, internal control and customer analysis) without the customers' written consent, provided they adhere to the methods and procedures for provision of such information set forth therein. A financial investment company subsidiary of a financial holding company with a dealing and/or brokerage license may provide the financial holding company and its other direct and indirect subsidiaries information relating to the aggregate amount of cash or securities that a customer of the financial investment company has deposited for internal management purposes outlined in the Enforcement Decree of the Financial Holding Company Act, provided they adhere to the methods and procedures for provision of such information set forth therein. Certain amendments to the Financial Holding Company Act, which became effective on November 29, 2014, limit the scope of credit information that may be shared without the customers' prior consent and require certain procedures for provision of customer information as prescribed by the Financial Services Commission. Beginning on November 29, 2014, notice must be given to customers at least once a year regarding (i) the provider of customer information, (ii) the recipient of customer information, (iii) the purpose of providing the information and (iv) the categories of the information provided.

The Act on Corporate Governance of Financial Companies

The Act on Corporate Governance of Financial Companies came into effect as of August 1, 2016. The Act was enacted to address calls for strengthened regulations on corporate governance of financial companies and to serve as a uniform regulation on corporate governance matters applicable to all financial companies in place of the separate regulations for each sector that existed. The Act contains several key measures, including, but not limited, to (i) condition of eligibility of officers of financial companies and standards for determining whether financial companies' officers may hold concurrent positions in other companies, (ii) standards for composition and operation of board of directors, (iii) standards for establishment, composition and operation of committees of the board of directors, (iv) internal control and risk management, (v) requirements and procedures for the approval of a change of major shareholders and (vi) special regulations for rights of minority shareholders of financial companies.

Financial Investment Services and Capital Markets Act

General

The Financial Investment Services and Capital Markets Act categorizes capital markets-related business into six different functions, as follows:

- dealing (trading and underwriting of "financial investment products" (as defined below));
- brokerage (brokerage of financial investment products);
- collective investment (establishment of collective investment schemes and the management thereof);
- investment advice;
- discretionary investment management; and
- trusts (together with the five businesses set forth above, the "Financial Investment Businesses").

Accordingly, all financial businesses relating to financial investment products are reclassified as one or more of the Financial Investment Businesses described above, and financial institutions are subject to the regulations applicable to their relevant Financial Investment Businesses, irrespective of the type of the financial institution it is. For example, under the Financial Investment Services and Capital Markets Act, derivative businesses conducted by securities companies and future companies will be subject to the same regulations under the Financial Investment Services and Capital Markets Act, at least in principle.

The banking business and insurance business are not subject to the Financial Investment Services and Capital Markets Act and will continue to be regulated under separate laws; provided, however, that they may become subject to the Financial Investment Services and Capital Markets Act if their activities involve any financial investment businesses requiring a license based on the Financial Investment Services and Capital Markets Act.

Comprehensive Definition of Financial Investment Products

In an effort to encompass the various types of securities and derivative products available in the capital markets, the Financial Investment Services and Capital Markets Act sets forth a comprehensive term "financial investment products," defined to mean all financial products with a risk of loss in the invested amount (in contrast to "deposits," which are not financial investment products for which the invested amount is protected or preserved). Financial investment products are classified into two major categories: (i) "securities" (relating to financial investment products where the risk of loss is limited to the invested amount) and (ii) "derivatives" (relating to financial investment products where the risk of loss may exceed the invested amount). As a result of the general and open-ended manner in which financial investment products are defined, any future financial product could potentially fall under the definition of financial investment products, which would enable Financial Investment Companies (as defined below) to handle a broader range of financial products. Under the Financial Investment Services and Capital Markets Act, securities companies, asset management companies, futures companies and other entities engaging in any Financial Investment Business are classified as "Financial Investment Companies."

License System

Financial Investment Companies are able to choose what Financial Investment Business to engage in (through the "check the box" method set forth in the relevant license application), by specifying the desired (i) Financial Investment Business, (ii) financial investment product and (iii) target customers to which financial investment products may be sold (namely, general investors or professional investors). Licenses will be issued under the specific business sub-categories described above. For example, it would be possible for a Financial Investment Company to obtain a license to engage in the Financial Investment Business of (i) dealing (ii) over-the-counter derivatives products (iii) only with professional investors.

Expanded Business Scope of Financial Investment Companies

Under the previous regulatory regime in Korea, it was difficult for a financial institution to explore a new line of business or expand upon its existing line of business. For example, a financial institution licensed as a securities company generally could not engage in the asset management business. In contrast, under the Financial Investment Services and Capital Markets Act, pursuant to the integration of its current business involving financial investment products into a single Financial Investment Business, a licensed Financial Investment Company is permitted to engage in all types of Financial Investment Businesses, subject to compliance with the relevant regulations, for example, maintaining an adequate "Ethical Screens," to the extent required. As to incidental businesses (i.e., a financial related business which is not a Financial Investment Business), the Financial Investment Services and Capital Markets Act generally allows a Financial Investment Company to freely engage in such incidental businesses by shifting away from the previous system of permitting only the listed activities towards a more comprehensive system. In addition, a Financial Investment Company is permitted (i) to outsource marketing activities by contracting with "introducing brokers" that are individuals but not employees of the Financial Investment Company, (ii) to engage in foreign exchange business related to their Financial Investment Business and (iii) to participate in the settlement network, pursuant to an agreement among the settlement network participants.

Improvement in Investor Protection Mechanism

While the Financial Investment Services and Capital Markets Act broadens the scope of financial businesses in which financial institutions are permitted to engage, a more rigorous investor-protection mechanism is imposed upon Financial Investment Companies dealing in financial investment products. The Financial Investment Services and Capital Markets Act makes a distinction between general investors and sophisticated investors and provides new or enhanced protections to general investors. For instance, the Financial Investment Services and Capital Markets Act expressly provides for strict know-your-customer rules for general investors and imposes an obligation on Financial Investment Companies that they should market financial investment products suitable to each general investor considering his or her personal attributes, including investment objective, net worth, and investment experience. Under the Financial Investment Services and Capital Markets Act, a Financial Investment Company can be held liable if a general investor proves (i) damages or losses relating to such general investor's investment in financial investment products solicited by such Financial Investment Company and (ii) absence of explanation, false explanation, or omission of material fact (without having to prove fault or causation). In case there are any conflicts of interest between the Financial Investment Companies and investors, the Financial Investment Services and Capital Markets Act expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction.

Other Regulatory Changes Related to Securities and Investments

The Financial Investment Services and Capital Markets Act brought changes to various rules in securities regulations including those relating to public disclosure, insider trading and proxy contests, which had previously been governed by the Securities and Exchange Act. For example, the 5% and 10% reporting obligations under the Securities and Exchange Act have become more stringent under the Financial Investment Services and Capital Markets Act. For instance, the number of events requiring an investor to update its 5% report have increased under the Financial Investment Services and Capital Markets Act. Previously, only a change in the shareholding of 1% or more or in the purpose of shareholding (such as an intention to influence management) could trigger the obligation to update the 5% report. The Government has issued detailed regulations stipulating additional events requiring updates to 5% reports, such as the change in the type of holding and change in any major aspect of the relevant contract. As for the 10% report filing obligation, the initial filing is expected to be required to be made within five business days of the date of the event triggering the 10% reporting obligation, compared to 10 calendar days under the previous law. The due date for reporting a subsequent change after the initial 10% report filing has been reduced from the 10th day of the first month immediately following the month in which such change took place to five business days of the date of such change. Under the previous law, there had been a limitation on the type of investment vehicles that could be used in a collective investment scheme (namely, to trusts and corporations), the type of funds that could be used for collective investments, and the types of assets and investment securities a fund could invest in. However, the Financial Investment Services and Capital Markets Act significantly liberalizes these restrictions, permitting all legal entities, including limited liability companies or partnerships, to be used for the purpose of collective investments, allowing the formation of fund complexes and permitting investment funds to invest in a wide variety of different assets and investment instruments.

Principal Regulations Applicable to Banks

General

The banking system in Korea is governed by the Banking Act and the Bank of Korea Act of 1950, as amended (the "Bank of Korea Act"). In addition, Korean banks are subject to the regulations and supervision of the Bank of Korea, the Bank of Korea's Monetary Policy Committee, the Financial Services Commission and its executive body, the Financial Supervisory Service.

The Bank of Korea, established in June 1950 under the Bank of Korea Act, performs the customary functions of a central bank. It seeks to contribute to the sound development of the national economy by price stabilization through establishing and implementing efficient monetary and credit policies. The Bank of Korea acts under instructions of the Monetary Policy Committee, the supreme policy-making body of the Bank of Korea.

Under the Bank of Korea Act, the Monetary Policy Committee's primary responsibilities are to formulate monetary and credit policies and to determine the operations, management and administration of the Bank of

Korea. The Financial Services Commission, established on April 1, 1998 as the Financial Supervisory Commission and later changed its name to the Financial Services Commission on March 3, 2008, regulates commercial banks pursuant to the Banking Act, including establishing guidelines on capital adequacy of commercial banks, and promulgates regulations relating to supervision of banks. Furthermore, pursuant to the Amendment to the Government Organization Act and the Banking Act on May 24, 1999, the Financial Services Commission, instead of the Ministry of Strategy and Finance, now regulates market entry into the banking business.

The Financial Supervisory Service is subject to the instructions and directives of the Financial Services Commission and carries out supervision and examination of commercial banks. In particular, the Financial Supervisory Service sets requirements both for the prudent control of liquidity and for capital adequacy and establishes reporting requirements pursuant to the authority delegated to it under the Financial Services Commission regulations, pursuant to which banks are required to submit annual reports on financial performance and shareholdings, regular reports on management strategy and non-performing loans, including write-offs, and management of problem companies and plans for the settlement of bad loans.

Under the Banking Act, approval to commence a commercial banking business or a long-term financing business must be obtained from the Financial Services Commission. Commercial banking business is defined as the lending of funds acquired predominantly from the acceptance of deposits for a period not exceeding one year or, subject to the limitation established by the Financial Services Commission, for a period between one year and three years. Long-term financing business is defined as the lending, for periods in excess of one year, of funds acquired predominantly from paid-in capital, reserves or other retained earnings, the acceptance of deposits with maturities of at least one year, or the issuance of bonds or other securities. A bank wishing to enter any business other than commercial banking and long-term financing businesses, such as the trust business, must obtain approval from the Financial Services Commission. Approval to merge with any other banking institution, to liquidate, to close a banking business or to transfer all or a part of a business must also be obtained from the Financial Services Commission.

If the Financial Services Commission deems a bank's financial condition to be unsound or if a bank fails to meet the applicable capital adequacy ratio set forth under Korean law, the Financial Services Commission may order, among others:

- capital increases or reductions;
- suspension of officers' performance of their duties and appointment of custodians;
- stock cancellations or consolidations;
- transfers of a part or all of business;
- sale of assets and bar on acquisition of high-risk assets;
- closures or downsizing of branch offices or workforce;
- mergers or becoming a subsidiary under the Financial Holding Companies Act of a financial holding company;
- acquisition of a bank by a third party;
- suspensions of a part or all of business operation (not more than six months in the case of suspension of all business operations); or
- assignments of contractual rights and obligations relating to financial transactions.

Capital Adequacy

The Banking Act requires nationwide banks to maintain a minimum paid-in capital of ₩100 billion and regional banks to maintain a minimum paid-in capital of ₩25 billion.

In addition to minimum capital requirements, all banks including foreign bank branches in Korea are required to maintain a prescribed solvency position. A bank must also set aside as its legal reserve an amount equal to at least 10% of its net profits after tax each time it pays dividends on net profits earned until such time when the reserve equals the amount of its total paid-in capital.

Under the Banking Act, the capital of a bank is divided into two categories: Tier I and Tier II capital. Tier I capital (typically referred to as "Core Capital") consists of (i) the capital that can absorb losses incurred by a bank such as capital, capital surplus and earned surplus generated from the issuance of common shares (collectively, "Common Stock Capital"), and (ii) the capital that can absorb the losses of a bank after depletion of the Common Stock Capital such as capital and capital surplus generated from the issuance of Tier I capital instruments satisfying the requirements designated by the Financial Supervisory Service (collectively, "Other Core Capital"). Tier II capital (typically referred to as "Supplementary Capital") represents the capital which is equivalent to, but not included in, the Core Capital and can absorb losses incurred upon the liquidation of a bank such as capital and capital surplus generated from the issuance of Tier II capital instruments satisfying the requirements designated by the Financial Supervisory Service and allowance for bad debts set aside for loans classified as "normal" or "precautionary."

Under the Detailed Regulations on the Supervision of the Banking Business, Tier I capital instruments must satisfy, among others, the following requirements in order to be recognized as Other Core Capital:

(i) the price for such instruments shall have been fully paid through the procedure for issuance, and the instruments shall be in a perpetual form with no cause triggering a step-up or redemption;

(ii) such instruments shall be bound by a special agreement on being subordinate to depositors, general creditors and subordinated debt of the bank (referring to a special agreement under which subordinated creditors' right to claim payment shall take effect only after unsubordinated creditors' claims are fully paid, when bankruptcy or any similar incident occurs; hereinafter the same shall apply) but shall not fall within liabilities exceeding assets at the time when bankruptcy is declared under the Debtor Rehabilitation and Bankruptcy Act;

(iii) the payment of dividends or interests shall be suspended from the date when the bank is designated as a "insolvent financial institution" under the Act on Structural Improvement of the Financial Industry of Korea or under the Depositor Protection act of Korea as applicable, or the Financial Supervisory Service takes measures under the Regulations on the Supervision of the Banking Business such as the managerial improvement recommendation, the managerial improvement request, the managerial improvement order and the emergency measures against the bank to the date when the above-mentioned event is removed;

(iv) the payment of dividends or interests shall not be determined in connection with the credit rating of the bank;

(v) the dividends may only be paid out of distributable income;

(vi) the bank shall be able to revoke in its sole discretion the payment of dividends or interests at any time;

(vii) the cancellation of paying dividends must not impose restrictions on the bank except in relation to dividends to common stockholders;

(viii) the revocation of the payment of dividends or interests shall not be deemed as the event of defaults, and the bank shall be able to use in its sole discretion the amount which was revoked to pay as dividends or interests to redeem any other debts of the bank then due and payable;

(ix) such instruments shall not be redeemed within five years from the issuance date and the bank shall be able to determine in its sole discretion whether it redeems such instruments even after five years from the issuance date, and the instruments shall not be subject to any condition that arouse investors' expectation to have the instruments redeemed or any condition that imposes a burden of redemption upon the issuing bank in fact;

(x) the requirements prescribed in Appendix 3-5 (Trigger Events for Contingent Capital Securities) of the Detailed Enforcement Rules of Regulation on Supervision of Banking Business shall be satisfied;

(xi) the bank or the person who has de facto control over the bank shall not purchase capital instruments or provide a purchaser of such securities with funds for the purchase by providing a collateral or guarantee for payment or by lending a loan, shall not raise the priority of its claims, legally or economically, for the price paid for the securities, and shall not provide a collateral or guarantee to the purchasers of the securities directly or via a related company; and

(xii) such capital instruments shall have no condition that hinders the issuing bank's procurement or expansion of capital in the future.

Under the Detailed Regulations on the Supervision of the Banking Business, Tier II capital instruments must satisfy, among others, the following requirements in order to be recognized as Supplementary Capital:

(i) the procedure for issuance shall have been completed, the price for such capital instruments shall have been fully paid, and the capital instruments shall be bound by a special agreement of subordination to deposits and ordinary debts;

(ii) the maturity shall not be less than five years from the issuance date, and Tier II capital instruments shall not be redeemed within five years from the issuance date;

(iii) there is no condition to promote the bank to redeem such capital instruments such as a step-up provision, and the bank shall be able to determine in its sole discretion whether to redeem such instruments prior to the maturity date, and the instruments shall not be subject to any condition that arouse investors' expectation to have the instruments redeemed or any condition that imposes a burden of redemption upon the issuing bank in fact;

(iv) other than the case where the bank is subject to the bankruptcy or liquidation, the holder of Tier II capital instruments shall not have the right to require bank to pay the principal or interests of such instruments earlier than the original due date thereof;

(v) the payment of dividends or interests shall not be determined in connection with the credit rating of the bank;

(vi) the requirements prescribed in Appendix 3-5 (Trigger Events for Contingent Capital Securities) of the Detailed Enforcement Rules of Regulation on Supervision of Banking Business shall be satisfied;

(vii) the bank or any person or entity over which the bank exercises substantial control shall not purchase the capital instruments issued by such bank nor provide, directly or indirectly, the funds to acquire the capital instruments by providing any collateral or guaranty or loan in favor of the person or entity which tries to acquire such instruments; and

(viii) the bank shall not enhance, legally or economically, the payment priority of the capital instruments, nor provide, directly or indirectly through its affiliated company, any collateral or guaranty in favor of the person or entity which acquires such instruments.

All banks must meet standards regarding minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with the Financial Services Commission requirements that have been formulated based on the BIS Standards. These standards were adopted and became effective in 1996. Under these regulations, all domestic banks and foreign bank branches are required to meet the minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8%.

Furthermore, as Basel III was adopted and is being implemented in stages in Korea since December 1, 2013, all banks in Korea are required to meet minimum ratios of common stock capital (less any capital deductions) and core capital (less any capital deductions) to risk-weighted assets as set out in the Regulation on the Supervision of the Banking Business. The required minimum ratio of common stock capital (less any capital deductions) to risk-weighted assets is 4.5%, and the required minimum ratio of core capital (less any capital deductions) to risk-weighted assets is 6.0%. In addition, additional capital conservation buffer requirements have been implemented in stages from January 1, 2016 to January 1, 2019. Under such requirements, all banks in Korea are required to maintain a capital conservation buffer of 0.625% from January 1, 2016, which was gradually increased to 1.25% on January 1, 2017, 1.875% on January 1, 2018 and 2.5% on January 1, 2019.

Under the Regulation on the Supervision of the Banking Business and the Detailed Regulations promulgated thereunder, Korean banks apply the following risk-weight ratios in respect of their home mortgage loans:

(i) for those banks adopting a standardized approach for calculating credit risk-weighted assets, the risk-weight ratio of between 20% and 150% for home equity loans, depending on the loan-to-value ratio and risk profile of the loan; and

(ii) for those banks adopting an internal ratings-based approach for calculating credit risk-weighted assets, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined in the Detailed Regulations on the Supervision of the Banking Business.

In Korea, Basel II, a convention entered into by the Basel committee in June 2004 for the purpose of improving risk management and increasing capital adequacy of banks, was implemented in January 2008. Pursuant to Basel II, operational risk, such as inadequate procedure, loss risk by employees, internal system, occurrence of unexpected event, as well as credit risk and market risk, is taken into account in calculating the risk-weighted assets, in addition to maintaining the capital adequacy ratio of 8% for banks. Under Basel II, the capital requirements for credit risk can be calculated by the internal rating based (IRB) approach or the standardized approach.

Under the Regulation on the Supervision of the Banking Business, banks shall set aside allowances for bad debts for each class of soundness in accordance with IFRS as adopted by Korea. If the amount for each class of soundness calculated in accordance with the following criteria exceeds the allowances for bad debts set aside, the excess amount shall, at the time of each settlement of accounts, be set aside as regulatory reserve for credit losses.

- 0.85% of normal credits (or 0.9% in the case of normal credits comprising loans to certain industries including construction, retail and wholesale sales, accommodations, restaurant, real estate and lease, 1.0% in the case of normal credits comprising loans to individuals and households, 2.5% in the case of normal credits comprising credit card loans and 1.1% in the case of normal credits comprising other credit card receivables);
- 7% of precautionary credits (or 10% in the case of precautionary credits comprising loans to individuals and households, 50% in the case of precautionary credits comprising credit card loans and 40% in the case of precautionary credits comprising other credit card receivables);
- 20% of substandard credits (or 10% in the case of substandard credits comprising assets for which the bank has the right to receive payment in priority pursuant to the Corporate Restructuring Promotion Act of Korea or Paragraph 180, Subparagraph 2 of the Debtor Rehabilitation and Bankruptcy Act of Korea (the "Priority Assets"), 20% in the case of normal credits comprising loans to individuals and households, 65% in the case of substandard credits comprising credit card loans and 60% in the case of substandard credits comprising other credit card receivables);
- 50% of doubtful credits (or 25% in the case of doubtful credits comprising Priority Assets, 55% in the case of doubtful credits comprising loans to individuals and households and 75% in the case of doubtful credits comprising credit card loans and other credit card receivables); and
- 100% of estimated loss credits (or 50% in the case of estimated loss credits comprising of Priority Assets).

Furthermore, under the Regulation on the Supervision of the Banking Business, banks must maintain allowances for bad debts and regulatory reserve for credit losses in respect of their confirmed guarantees (including confirmed acceptances) and outstanding non-used credit lines in an aggregate amount calculated at the same rates applicable to normal, precautionary, substandard, doubtful and estimated loss credits comprising their outstanding loans and other credits as set forth above.

As of January 1, 2016, the Financial Services Commission implemented Basel III requirements relating to accumulation of additional capital for systemically important banks and bank holding companies and countercyclical capital buffer requirements. Each year, the Financial Services Commission may designate banks with significant influence (based on size and connectivity with other financial institutions) on the domestic financial system as a domestic systemically important bank and require the accumulation of additional capital in accordance with the highest of: (i) ratio of common equity capital to risk-weighted assets, ranging from 0.0% to 2.0%, depending on the systematic importance evaluation score, (ii) if the bank's holding company is a domestic systemically important bank holding company, the capital ratio corresponding to the additional capital required for the bank holding company under the Financial Holding Company Supervision Regulations, or (iii) if the bank is also a global systemically important bank, as defined by the Basel Committee, the capital ratio as required by the Basel Committee. Shinhan Financial Group and Shinhan Bank were selected as a domestic systemically important bank holding company and domestic systemically important bank, respectively, from 2016 through 2024. According to the instructions of the Financial Services Commission, domestic systemically important banks with systemic significance evaluation scores of 600 or more but less than 1,400,, including Shinhan Bank, have been required to maintain an additional capital buffer of 0.25% since January 1, 2016, with such buffer increased by 0.25% annually to reach 1.00% as of January 1, 2019. The additional capital buffer was set to 1.00% on January 1, 2019 and has remained unchanged as of the date hereof. The Financial Services Commission may also, upon quarterly review, determine and require banks to accumulate a required level of countercyclical capital buffer within the range of 0% to 2.5% of risk-weighted assets, taking into account factors such as the degree of increase in credit relative to the gross domestic product. Also, the Financial Services Commission has formally implemented a regulation on the limit for large exposures based on the Basel standards for banks and bank holding companies, through the Banking Supervision Regulations and the Financial Holding Company Supervision Regulations, effective as of February 1, 2024. On May 24, 2023, the Financial Services Commission decided to increase the level of cyclical capital buffer of banks and their holding companies to 1.00%. The decision will be put into effect starting from May 1, 2024.

Liquidity

All banks are required to match the maturities of their assets and liabilities in accordance with the Banking Act in order to ensure adequate liquidity. Banks may not invest in excess of an amount exceeding 100% of their Tier I and Tier II capital (less any capital deductions) in stocks and other securities with a period remaining to maturity of over three years. However, this restriction does not apply to government bonds or to Monetary Stabilization Bonds issued by the Bank of Korea.

The Financial Services Commission requires Korean banks to maintain a liquidity coverage ratio of at least 90.0% as of January 1, 2017, 95.0% as of January 1, 2018 and 100.0% as of January 1, 2019. The Financial Services Commission defines liquidity coverage ratio as high quality liquid assets that can be immediately converted into cash with little or no loss in value, as divided by the net amount of cash outflow for the next 30 day period, under the stress level established according to the liquidity coverage ratio, pursuant to the Regulation on the Supervision of the Banking Business, which was amended as of June 28, 2016 to implement the liquidity coverage ratio requirements under Basel III.

With respect to foreign currency liquidity coverage ratio, the Regulation on the Supervision of the Banking Business requires that financial institutions dealing with foreign exchange affairs (i.e., banks) whose foreign-currency denominated liabilities are equal to or greater than US$500 million or 5% of its total liabilities, as of the end of the immediately preceding half-year period, maintain a foreign currency liquidity coverage ratio of 60%

or higher beginning January 1, 2017, 70% or higher beginning January 1, 2018 and 80% or higher beginning January 1, 2019. The term "foreign currency liquidity coverage ratio" means the ratio of high-liquidity assets to the net cash outflow in respect of foreign-currency denominated assets and liabilities for the next 30 days.

In April 2020, in response to the COVID-19 pandemic, the Financial Services Commission temporarily lowered the liquidity coverage ratio requirement from 100% to 85%. The Financial Services Commission subsequently decided to gradually restore this ratio on a quarterly basis from the third quarter of 2022, to a ratio of 90% in the third quarter of 2022, 92.5% in the fourth quarter of 2022, 95% in the first quarter of 2023, 97.5% in the second quarter of 2023 and 100% from the third quarter of 2023. However, the Financial Services Commission decided to apply the 92.5% ratio until the end of June 2023. Afterwards, at a financial market inspection meeting in October 2023, the Financial Services Commission decided to maintain 95% ratio until June 2024, and in principle, the gradual normalization is expected to resume from July 2024, but the final decision on whether to start normalization will be made based on market conditions in the second quarter of 2024.

The Monetary Policy Committee of the Bank of Korea is authorized to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratio is 7.0% of average balances for Won-denominated demand deposits outstanding, 0.0% of average balances for Won-denominated employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding (with respect to employee-related deposits and household long-term savings deposits, only if such deposits were made prior to February 28, 2013) and 2.0% of average balances for Won-denominated time and savings deposits, mutual installments, housing installments and certificates of deposit outstanding. For foreign currency deposit liabilities, a 2.0% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer, and savings deposits with a maturity of six months or longer and a 7.0% minimum reserve ratio is applied to other deposits, while a 1.0% minimum reserve ratio is applied for offshore accounts, immigrant accounts and resident accounts opened by financial institutions (excluding bank holding companies) and The Export-Import Bank of Korea as well as foreign currency certificates of deposit held by account holders of such offshore accounts, immigrant accounts and resident accounts opened by financial institutions (excluding bank holding companies) and The Export-Import Bank of Korea.

Loan-to-Deposit Ratio

In December 2009, the Financial Supervisory Service announced that it would introduce a new set of regulations on the loan-to-deposit ratio by amending the Regulation on the Supervision of the Banking Business upon its determination that the overall liquidity of banks in Korea had become unstable due to the ongoing increase in the loan-to-deposit ratio resulting from banks expanding their asset size too competitively by granting mortgages on houses and loans to small-and medium-sized enterprises over the last couple of years. The Regulation on the Supervision of the Banking Business, which was amended as of August 19, 2010 and December 26, 2014 and took effect on January 1, 2014 and January 1, 2015, respectively, requires banks with Won-denominated loans of not less than ₩2 trillion in value as of the last month of the immediately preceding quarter to maintain a ratio of Won-denominated loans (excluding certain types of loans using funds borrowed from Korea Development Bank or the Government or loans made under certain operational rules of Korea Federation of Banks) to Won-denominated deposits (excluding certificates of deposit) and the balance of the covered bonds under the Act on Issuance of Covered Bonds, the maturity of which is not less than five years (only in case when such financing from the issuance of covered bonds is used in Won currency and up to 1% of Won-denominated deposits) of no more than 100%. Since January 1, 2020, in calculating such loan to deposit ratio, retail loans and corporate loans are weighed differently, with retail loans subject to a multiple of 115% and corporate loans (excluding loans to SOHOs) subject to a multiple of 85%, thereby increasing the impact of retail loans and reducing the impact of corporate loans in calculating such ratio. In response to the COVID-19 pandemic, on April 20, 2020, the Financial Services Commission announced a series of measures to temporarily ease the regulations on loan-to-deposit ratio. In particular, the loan-to-deposit ratio maximum of 100% was temporarily increased to 105% and weighing of corporate loans to SOHOs extended since January 1, 2020 to December 2021 also became subject to a multiple of 85% provided such loans are not real estate related. On March 30, 2022, the Financial Services Commission announced plans to cease the temporary easement of regulations relating to the loan-to-deposit ratio as of June 30, 2022 and to gradually normalize the loan-to-deposit ratio back down to 100% beginning July 1, 2022. On October 27, 2022, the Financial Services Commission further announced measures to temporarily ease the loan-to-deposit ratio requirement from 100% to 105%, and on March 27, 2023, and on June 20, 2023, the Financial Services Commission announced to extend the deadline to end of June 2023 and end of 2023, respectively, in consideration of the increasing demand for corporate loans due to the contraction of the corporate bond market. This temporary increase ended as of the end of June 2023, and a loan-to-deposit ratio of 100% has been applied since July 2023. Shinhan Bank's loan-to-deposit ratio as of December 31, 2023 was 96.2%, based on monthly average balances.

Financial Exposure to Any Single Customer and Major Shareholders

Under the Banking Act, the sum of material credit exposures by a bank, namely, the total sum of its credits to single individuals, legal entities or persons sharing credit risk with such individuals or legal entities such as companies belonging to the same enterprise groups as defined under the Monopoly Regulation and Fair Trade Act that exceed 10% of the sum of Tier I and Tier II capital (less any capital deductions), must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions), subject to certain exceptions. Subject to certain exceptions, no bank is permitted to extend credit (including loans, guarantees, purchases of securities (only in the nature of a credit) and such other transactions which directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to an individual or a legal entity, and no bank may grant credit in excess of 25% of the sum of Tier I and Tier II capital (less any capital deductions) to individuals, legal entities and companies that belong to the same enterprise group as defined in the Monopoly Regulation and Fair Trade Act.

Under the Banking Act, certain restrictions apply to extending credits to a major shareholder. The definition of a "major shareholder" is as follows:

- a shareholder holding (together with persons who have a special relationship with such shareholder as defined in the Presidential Decree of the Banking Act) in excess of 10% (or in the case of regional banks, 15%) in the aggregate of the bank's total issued and outstanding voting shares; or
- a shareholder holding (together with persons who have a special relationship with such shareholder as defined in the Presidential Decree of the Banking Act) more than 4% in the aggregate of the total issued and outstanding voting shares of a bank (other than a regional bank), where such shareholder is the largest shareholder or is able to actually control the major business affairs of the bank, for example, through appointment and dismissal of the chief executive officer or of the majority of the executives.

Under the Banking Act, banks are prohibited from extending credits in the amount greater than the lesser of (1) 25% of the sum of such bank's Tier I and Tier II capital (less any capital deductions) and (2) the relevant major shareholder's shareholding ratio multiplied by the sum of the bank's Tier I and Tier II capital (less any capital deductions) to a major shareholder (together with persons who have special relationship with such major shareholder as defined in the Presidential Decree of the Banking Act). Also, no bank is allowed to grant credit to its major shareholders in the aggregate in excess of 25% of its Tier I and Tier II capital (less any capital deductions).

When managing the credit risk of banks, among the methods for providing credit support by banks, a loan agreement, a purchase agreement for asset-backed commercial papers, purchase of subordinate beneficiary certificates, and assumption of liability by providing warranty against default under asset-backed securitization are examples of creating financial exposure to banks.

Interest Rates

Korean banks remain dependent on the acceptance of deposits as their primary source of funds. Currently, there are no legal controls on interest rates on bank loans in Korea, except for the cap of 20.0% per annum on interest rates on loans to individuals or small corporations, as defined under the Framework Act on Small and Medium Enterprises under the Act on Registration of Credit Business, Etc. and Protection of Finance Users.

Lending to Small- and Medium-sized Enterprises

When commercial banks (including Shinhan Bank) make Won-denominated loans to certain startup, venture, innovative and other strategic small- and medium-sized enterprises specially designated by the Bank of Korea as "priority borrowers," the Bank of Korea generally provides the underlying funding to these banks at concessionary rates for up to 50% of all such loans made to the priority borrowers subject to a monthly-adjusted limit prescribed by the Bank of Korea provided that if such loans to priority borrowers made by all commercial banks exceed the prescribed limit for a given month, the concessionary funding for the following month will be allocated to each commercial bank in proportion to such bank's lending to priority borrowers two months prior to the time of such allocation, which has the effect that, if a particular bank lags other banks in making loans to priority borrowers, the amount of funding such bank can receive from the Bank of Korea at concessionary rates will be proportionately reduced.

Disclosure of Management Performance

For the purpose of enforcing mandatory disclosure of management performance so that the general public, especially depositors and stockholders, will be in a better position to monitor banks, the Financial Services Commission requires commercial banks to disclose certain matters as follows:

- loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to such borrower is calculated pursuant to the criteria under the Detailed Regulations promulgated under the Regulation on the Supervision of the Banking Business), except where the loan exposure to a single business group is not more than ₩4 billion; and
- any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank's Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, except where the loss is not more than ₩1 billion.

Restrictions on Lending

According to the Banking Act, commercial banks are prohibited from making any of the following categories of loans:

- loans made directly or indirectly on the pledge of a bank's own shares;
- loans made directly or indirectly to enable a natural or a legal person to buy the bank's own shares;
- loans made to any of the bank's officers or employees other than de minimis loans of up to (1) ₩20 million in the case of a general loan, (2) ₩50 million in the case of a general loan plus a housing loan, or (3) ₩60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;
- credit (including loans) secured by a pledge of shares of a subsidiary corporation of the bank or to enable a natural or juridical person to buy shares of a subsidiary corporation of the bank; and
- loans to any officers or employees of a subsidiary corporation of the bank, other than general loans of up to ₩20 million or general and housing loans of up to ₩50 million in the aggregate.

Recent Regulations Relating to Retail Household Loans

The Financial Services Commission has implemented a number of changes in recent years to the regulations relating to retail household lending by banks. Under the currently applicable regulations:

- as to any new loans secured by houses (including apartments) located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) shall not exceed 70%;
- as to any new loans secured by houses (including apartments) located in "speculative areas", "overheated speculative areas" or "adjustment targeted areas", in each case, as designated by the Government, the loan-to-value ratio should not exceed 50%, except that such maximum loan-to-value ratio is (x) 70% for low-income households that (i) have a combined (in case of married couple) annual income of no more than ₩90 million, (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at ₩900 million or less (₩800 million or less in the case of houses located in "adjustment targeted areas") and (y) 80% for first-time homebuyers with a maximum residential mortgage loan amount of ₩600 million or less;
- as to any new loans secured by houses (including apartments) located nationwide to be extended to a household that already owns one or more houses, the maximum loan-to-value ratio must be adjusted to 10% lower than the applicable loan-to-value ratio described above;
- as to any new loans secured by houses (including apartments) located in "speculative areas", "overheated speculative areas" or "adjustment targeted areas", in each case as designated by the Government, to be extended to a household that already owns one or more houses, the loan to value ratio should not exceed 30% subject to certain exceptions under the applicable regulations;
- as to any new loans secured by houses (including apartments) located in "speculative areas", "overheated speculative areas" or "adjustment targeted areas", in each case, as designated by the Government, the borrower's debt-to-income ratio (calculated as (1) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such housing and existing mortgage and home equity loans and (y) the interest on other debts of the borrower over (2) the borrower's annual income) should not exceed 40% (50% for those that are located in "adjustment targeted areas"), except that such maximum debt-to-income ratio is 60% for (a) low-income households that (i) have a combined (in case of married couple) annual income of less than ₩90 million, (ii) do not currently own any housing and (iii) are using the loan to purchase low-price housing valued at ₩900 million or less (₩800 million or less in case of houses located in "adjustment targeted areas") and (b) first-time homebuyers;
- as to any new loans secured by apartments to be extended to a household that already owns one or more houses but wishes to purchase additional houses located in an unregulated Seoul metropolitan area, the maximum debt-to-income ratio must be adjusted to 10% lower than the applicable debt-to-income ratio described above; and
- as to any new loans extended to a household that already has an aggregate loan amount exceeding ₩100 million (including the loan application amount and the revolving amount in case of a revolving loan), such household's debt-service-ratio (calculated as (1) the aggregate annual total payment amount of the principal of and interest on financial liabilities divided by (2) the household's annual income) should not exceed 40% unless otherwise specified by the applicable regulations.

Restrictions on Investments in Property

A bank may possess real estate property only to the extent necessary for conducting its business; provided that the aggregate value of such real estate property must not exceed 60% of the sum of its Tier I and Tier II capital (less any capital deductions). Any property acquired by a bank (1) through the exercise of its rights as a secured party or (2) the acquisition of which is prohibited by the Banking Act must be disposed of within three years, unless otherwise provided by the regulations thereunder.

Restrictions on Shareholdings in Other Companies

Under the Banking Act, a bank may not own more than 15% of shares outstanding with voting rights of another company, except where, among other reasons:

- the company issuing such shares is engaged in a business that falls under the category of financial businesses set forth by the Financial Services Commission (including companies which business purpose is to own equity interests in private equity funds); or
- the acquisition of shares by the bank is necessary for corporate restructuring of such company and is approved by the Financial Services Commission.

In the above cases, a bank must satisfy either of the following requirements:

- the total investment in companies in which the bank owns more than 15% of the outstanding shares with voting rights does not exceed 20% of the sum of Tier I and Tier II capital (less any capital deductions); or
- the total investment in companies in which the bank owns more than 15% of the outstanding shares with voting rights does not exceed 30% of the sum of Tier I and Tier II capital (less any capital deductions) where the acquisition satisfies the requirements determined by the Financial Services Commission.

The Banking Act provides that a bank using its bank accounts and its trust accounts is not permitted to acquire the shares issued by the Major Shareholder of such bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Banking Act, subject to certain exceptions, a single shareholder and persons who stand in a special relationship with such shareholder (as described in the Presidential Decree to the Banking Act) may acquire beneficial ownership of up to 10% of a national bank's total issued and outstanding shares with voting rights and up to 15% of a regional bank's total issued and outstanding shares with voting rights. The government, the Korea Deposit Insurance Corporation and financial holding companies qualifying under the Financial Holding Companies Act are not subject to such ceilings. However, non-financial business group companies — namely, (1) any same shareholder group with an aggregate net assets of all non-financial companies belonging to such group of not less than 25% of the aggregate net assets of all corporations that are members of such group; (2) any group with aggregate assets of all non-financial companies belonging to such group of not less than ₩2 trillion; (3) any mutual fund in which the same shareholder group, as described in items (1) and (2) above, owns more than 4% of the total shares issued and outstanding; (4) a private equity fund (under the Financial Investment Services and Capital Markets Act) where (i) the general partner of such private equity fund, (ii) the limited partner whose equity holding ratio in such private equity fund is 10% or more, or (iii) the limited partners, being member companies of a single group of companies that belong to the same conglomerate as defined in the Monopoly Regulation and Fair Trade Act, whose aggregate equity holding ratio in such private equity fund is 30% or more falls under either of item (1) to (3) above; or (5) a special purpose company of a private equity fund where a private equity fund, as described in item (4) above, owns 4% or more of the special purpose company's issued and outstanding shares or has actual control over the major business affairs of the special purpose company through, for example, appointment and dismissal of the officers – may not acquire beneficial ownership of shares of a national bank in excess of 4% of such bank's outstanding voting shares, provided that such non-financial business group companies may acquire beneficial ownership of:

- up to 10% of a national bank's outstanding voting shares with the approval of the Financial Services Commission under the condition that such non-financial group companies will not exercise voting rights in respect of such shares in excess of the 4% limit; and

- in the event that a foreigner, as defined in the Foreign Investment Promotion Act, owns not less than 10% of a national bank's outstanding voting shares, up to 10% of such bank's outstanding voting shares without the approval of the Financial Services Commission, and in excess of 10%, 25% or 33% of such bank's outstanding voting shares, with the approval of the Financial Services Commission, up to the number of shares owned by such foreigner.

In addition, any person (whether a Korean national or a foreigner), with the exception of non-financial business group companies described above, may also acquire in excess of 10% of a national bank's total voting shares issued and outstanding, provided that an approval from the Financial Services Commission is obtained in instances where the total holding exceeds 10% (or 15% in the case of regional banks), 25% or 33% of the bank's total voting shares issued and outstanding.

Deposit Insurance System

The Depositor Protection Act provides, through a deposit insurance system, insurance for certain deposits of banks in Korea. Under the Depositor Protection Act, all banks governed by the Banking Act, including Shinhan Bank and Jeju Bank, are required to pay to the Korea Deposit Insurance Corporation an insurance premium on a quarterly basis at such rate as determined by the Presidential Decree to the Depositor Protection Act, which shall not exceed 0.5% of the bank's insurable deposits in any given year. The current insurance premium is 0.02% of insurable deposits for each quarter. If the Korea Deposit Insurance Corporation pays the insured amount, it will acquire the claims of the depositors within the payment amount. Under current rules, the Korea Deposit Insurance Corporation insures only up to a total of ₩50 million per an individual for deposits and interest in a single financial institution, regardless of when the deposits were made and the size of the deposits.

The Financial Consumer Protection Act

The Financial Consumer Protection Act (the "FCPA") was enacted on March 24, 2020 and took effect beginning March 25, 2021. The FCPA unifies the systems for the protection of consumers of financial products, which had been dispersed in various laws, while tightening the existing consumer protection systems to strengthen the rights afforded to consumers of financial products. Banks under the Banking Act are financial instrument distributors subject to the FCPA, and deposit and loan products under the Banking Act are financial instruments subject to the FCPA.

Under the FCPA, a financial instrument distributor who intends to sell financial instruments shall comply with the following requirements: (i) confirmation of suitability and adequacy of financial instruments, (ii) compliance with the duty to explain, (iii) prohibition of unfair sales activities, (iv) prohibition of undue solicitation, and (v) prohibition of false or exaggerated advertising, etc. (collectively, the "Sales Principles"). If a financial instrument distributor breaches any of the Sales Principles, consumers may request the termination of such financial instrument within a period to be prescribed by a Presidential Decree and are entitled to unilaterally terminate the contract if the financial instrument distributor fails to present a justifiable reason for not accepting the consumer's request. Consumers who purchased a loan product, in particular, shall be entitled to withdraw from the contract within 14 days from the later of (i) the date of receipt of the proceeds pursuant to the contract and (ii) the execution date of the contract (or the date of receipt of the documents necessary for execution of the contract (if required under the FCPA), regardless of whether the financial instrument distributor breached any of the Sales Principles. When a consumer files a lawsuit for damages against a financial instrument distributor for breach of the duty to explain, the financial instrument distributor (and not the consumer) shall bear the burden of proof to prove that no willful conduct or negligence was involved in the breach of such duty to explain. In the event of a dispute with a financial instrument distributor, consumers may apply for mediation to the Dispute Mediation Committee of the Financial Services Commission. If a financial instrument distributor files a lawsuit with a court while such mediation is in progress, the court may suspend the litigation proceedings. For certain small-sum cases, a financial instrument distributor may not file a lawsuit with a court until the completion of such mediation. Financial instrument distributors must accept requests from its consumers to access information for purposes of litigation or mediation. In the event the Financial Services Commission determines that there is a clear risk that a financial product may cause significant damage to the properties of customers, the Financial Services Commission may prohibit or restrict the solicitation of, and execution of a contract for, such financial product.

Trust Business

A bank that intends to enter into the trust business must obtain the approval of the Financial Services Commission. Trust activities of banks are governed by the Financial Investment Services and Capital Markets Act. Banks engaged in the banking business and trust business are subject to certain legal and accounting procedures requirements, including the following:

- under the Banking Act, the Financial Investment Services and Capital Markets Act and the Trust Act, assets accepted in trust by a bank in Korea must be segregated from its other assets in the accounts of such bank; accordingly, banks engaged in the banking and trust businesses must maintain two separate accounts, the "banking accounts" and the "trust accounts," and two separate sets of records which provide details of their banking and trust businesses, respectively; and
- assets comprising the trust accounts are not available to depositors or other general creditors of such bank in the event the trustee is liquidated or is wound up.

In the event that a bank qualifies and operates as a collective investment business entity, a trustee, a custodian or a general office administrator under the Financial Investment Services and Capital Markets Act, it is required to establish relevant operation and management systems to prevent potential conflicts of interest among the banking business, the collective investment business, the trustee or custodian business and general office administration. These measures include:

- prohibitions against officers, directors and employees of one particular business operation from serving as an officer, director and employee in another business operation, except where an officer or a director (1) serving in two or more business operations with no significant conflict of interest in accordance with the Presidential Decree on the Financial Investment Services and Capital Markets Act or (2) serving in a trustee business or a custodian business and simultaneously serving in a general office administrator business in accordance with the Financial Investment Services and Capital Markets Act;
- prohibitions against the joint use or sharing of computer equipment or office equipment; and
- prohibitions against the sharing of information by and among officers, directors and employees engaged in the different business operations.

A bank which qualifies and operates as a collective investment business entity may engage in the sale of beneficiary certificates of investment trusts which are managed by such bank. However, such bank is prohibited from engaging in the following activities:

- acting as trustee of an investment trust managed by such bank;
- purchasing with such bank's own funds beneficiary certificates of an investment trust managed by such bank;
- using in its sales activities of other collective investment securities information relating to the trust property of an investment trust managed by such bank;
- selling through other banks established under the Banking Act beneficiary certificates of an investment trust managed by such bank;
- establishing a short-term financial collective investment vehicle; and
- establishing a mutual fund.

Laws and Regulations Governing Other Business Activities

To enter the foreign exchange business, a bank must register with the Minister of the Ministry of Strategy and Finance. The foreign exchange business is governed by the Foreign Exchange Transaction Law. To enter the securities business, a bank must obtain the approval of the Financial Services Commission. The securities business is governed by regulations under the Financial Investment Services and Capital Markets Act. Pursuant to the above-mentioned laws, banks are permitted to engage in the foreign exchange business and the underwriting business for government and other public bonds.

In 2018, regulatory authorities are encouraging financial institutions to lower the ATM usage fees in order to decrease the financial expense burden on consumers. Further, in light of the increasing household debt, regulatory authorities are encouraging financial institutions to gradually increase the proportion of the principal of retail loans that are subject to the fixed interest rates from 14% in 2012 to 45% by 2017.

Principal Regulations Applicable to Credit Card Companies

General

Any person, including a bank, wishing to engage in the credit card business must obtain a license from the Financial Services Commission. In addition, in order to enter the credit card business, a bank must obtain a license from the Financial Services Commission (hereinafter, a bank which obtains such license is defined as "licensed bank engaged in the credit card business"). The credit card business is regulated and governed by the Specialized Credit Financial Business Act. Under the Specialized Credit Financial Business Act and regulations thereunder, a company in the same conglomerate group (as defined in the Monopoly Regulation and Fair Trade Act) may engage in the credit card business even though another company in the same conglomerate group is already engaged in such business, which was previously not permitted.

The Specialized Credit Financial Business Act establishes guidelines on capital adequacy and provides for other regulations relating to the supervision of credit card companies. The Specialized Credit Financial Business Act delegates regulatory authority over credit card companies to the Financial Services Commission and its executive body, the Financial Supervisory Service.

A licensed bank engaging in the credit card business is regulated by the Financial Services Commission and the Financial Supervisory Service.

The Financial Services Commission regulates credit card companies and licensed banks engaged in the credit card business by establishing guidelines or regulations on management of such companies. Moreover if the Financial Services Commission deems the financial condition of a credit card company or a licensed bank engaged in the credit card business to be unsound or such companies fail to satisfy the guidelines or regulations, the Financial Services Commission may take certain measures to improve the financial condition of such companies.

Restrictions on Scope of Business

Under the Specialized Credit Financial Business Act, a credit card company may conduct only the following types of business: (i) credit card business as licensed or other specialized credit finance businesses as registered pursuant to the Specialized Credit Financial Business Act; (ii) the businesses ancillary to the credit card business, (for example, providing cash advance loans to existing credit card holders, issuing and settling of debit cards and issuing, selling and settling of pre-paid cards); (iii) provision of unsecured or secured loans; (iv) provision of discount on notes; (v) purchase, management and collection of account receivables originated by companies in the course of providing goods and services; (vi) provision of payment guarantee; (vii) asset management business under the Asset Backed Securitization Act; (viii) credit investigation; and (ix) other incidental businesses related to the foregoing. Under the Specialized Credit Financial Business Act, a credit card company's scope of business includes "businesses that utilize existing manpower, assets or facilities in a credit card company, as designated by the Financial Services Commission." Under the current regulation established by the Financial Services Commission, a credit card company may engage in various types of business including, but not limited to, e-commerce, operation of insurance agency, delegation of card issuance, supply of payment settlement system, loan brokerage and brokerage of collective investment securities.

A credit card company's average balance of claim amounts arising from the advance of loans to credit card holders (excluding such claims arising from the re-advance of loans to credit card holders following a change in the maturity or interest rate of such loans as part of a debt restructuring) as of the end of each quarter may not exceed the sum of the following amounts:

- Average balance of claims during a quarter arising from the purchase of goods or services by credit card holders with credit cards; and
- Amount of debit card usage during a quarter by debit card members.

Capital Adequacy

The Specialized Credit Financial Business Act provides for a minimum paid-in capital amount of: (i) ₩20 billion in the case of a specialized credit financial business company which wishes to engage in no more than two kinds of core businesses (i.e., credit card, installment finance, leasing and new technology business) and (ii) ₩40 billion in the case of an specialized credit financial business company, which wishes to engage in three or more kinds of core businesses.

Under the Specialized Credit Financial Business Act and regulations thereof, a credit card company must maintain a "capital adequacy ratio," defined as the ratio of adjusted equity capital to adjusted total asset, of 8% or more and a "delinquent claim ratio," defined as the ratio of delinquent claims to total claims as set forth under the regulations relating to the Specialized Credit Financial Business Act, of less than 10%.

Under the Specialized Credit Financial Business Act and regulations thereof, the minimum ratio of allowances for losses on loans, leased assets (except assets subject to an operating lease) and suspense receivables as of the date of accounting settlement (including semiannual preliminary accounts settlement) would be 0.5% of normal assets, 1% of precautionary assets and 20% of substandard assets, 75% of doubtful assets and 100% of estimated loss assets, and the minimum ratio of allowances for losses on card assets would be 1.1% (or 2.5%, in the case of card loan assets and revolving assets) of normal assets, 40% (or 50%, in the case of card loan assets and revolving assets) of precautionary assets, 60% (or 65%, in the case of card loan assets and revolving assets) of substandard assets, 75% of doubtful assets and 100% of estimated loss assets. In addition, a credit card company has to reserve a certain amount calculated according to relevant regulations as loss allowances for unused credit limits.

Liquidity

Under the Specialized Credit Financial Business Act and regulations thereunder, a credit card company must maintain a Won liquidity ratio (Won-denominated current assets/Won-denominated current liabilities) of 100% or more. In addition, once a credit card company is registered as a foreign exchange business institution with the Minister of the Ministry of Strategy and Finance, such credit card company is required to (1) maintain a foreign-currency liquidity ratio within three months (defined as foreign-currency liquid assets due within three months divided by foreign-currency liabilities due within three months) of not less than 80%, (2) maintain a ratio of foreign-currency liquid assets due within seven days (defined as foreign-currency liquid assets due within seven days less foreign-currency liabilities due within seven days, divided by total foreign-currency assets) of not less than 0% and (3) maintain a ratio of foreign-currency liquid assets due within a month (defined as foreign-currency liquid assets due within a month less foreign-currency liabilities due within a month, divided by total foreign-currency assets) of not less than negative 10%. The Financial Services Commission requires a credit card company to submit quarterly reports with respect to the maintenance of these ratios.

Restrictions on Funding

Under the Specialized Credit Financial Business Act, a credit card company may raise funds using only the following methods: (i) borrowing from financial institutions, (ii) issuing corporate debentures or notes, (iii) selling securities held by the credit card company, (iv) transferring claims held by the credit card company, (v) borrowing and issuing foreign currency securities after registering itself as a foreign exchange business institutions under the Foreign Exchange Transactions Law, (vi) transferring claims held by the credit card company in connection with its businesses, or (vii) issuing securities backed by the claims held by the credit card company relating to its businesses.

Furthermore, a credit card company may borrow funds from offshore or issue foreign currency denominated securities once it is registered as a foreign exchange business institution with the Minister of the Ministry of Strategy and Finance.

A credit card company must ensure that its total asset does not exceed eight times the amount of its equity capital. However, if the credit card company cannot comply with such limit due to the occurrence of unavoidable events such as drastic changes in the domestic and global financial markets, such limit of its total assets compared to the equity capital may be adjusted by a resolution of the Financial Services Commission. A non-credit card company must ensure that its total asset does not exceed nine times the amount of its equity capital, until December 31, 2024.

Restrictions on Loans to Affiliate Companies

Under the Specialized Credit Financial Business Act and regulations thereof, a credit card company may not provide loans exceeding 50% of its equity capital, in the aggregate, to its specially related persons (as defined under the relevant laws) including, but not limited to, its affiliates.

Restrictions on Assistance to Other Companies

Under the Specialized Credit Financial Business Act, a credit card company may not engage in any of the following acts in conjunction with other financial institutions or companies: (i) holding voting shares under cross shareholding or providing credit for the purpose of avoiding the restrictions on loans to affiliate companies; (ii) acquiring shares under cross shareholding for the purpose of avoiding the limitation on purchase of its treasury shares under the Korean Commercial Code or the Financial Investment Services and Capital Markets Act; or (iii) other acts which are likely to have a material adverse effect on the interests of transaction parties as stipulated by the Presidential Decree to the Specialized Credit Financial Business Act, which are not yet provided.

A credit card company also may not extend credit for enabling another person to purchase the shares of such credit card company or to arrange financing for the purpose of avoiding the restrictions on loans to affiliate companies.

Restrictions on Investment in Real Estate

Under the Specialized Credit Financial Business Act and the regulations thereof, a credit card company may possess real estate only to the extent that such business conduct is designated by such laws and regulations, with certain exceptions such as for the purposes of factoring or leasing or as a result of enforcing its security rights, provided that the Financial Services Commission may limit the maximum amount a credit card company may invest in real estate investments for business purposes up to a percentage equal to or in excess of 100% of its equity capital.

Restrictions on Shareholding in Other Companies

Under the Specialized Credit Financial Business Act and the Act on the Structural Improvement of the Financial Industry, a credit card company and its affiliate financial institutions (together a "group") are required to obtain prior approval of the Financial Services Commission if such credit card company, together with its affiliate financial institutions, (i) owns 20% or more of outstanding voting shares of a target company or (ii) owns 5% or more of outstanding voting shares of a target company, and shall be deemed to have control of the target company, including being the largest shareholder of such target company or otherwise.

Disclosure and Reports

Pursuant to the Specialized Credit Financial Business Act and the regulations thereof, the ordinary disclosure requirement for a credit card company is to disclose any material matters relating to management performance, profits and losses, corporate governance, competence of the employees or risk management within three months from the end of each fiscal year and within two months from the end of the first half of the fiscal year. In addition, a credit card company is required to disclose on an on-going basis certain matters such as the occurrence of non-performing loans, a financial incident or losses exceeding certain amounts. In addition, under the regulations issued by the Financial Services Commission, a credit card company or a licensed bank engaging in the credit card business must submit such report as required by the Governor of the Financial Supervisory Service, with certain important matters being reported as frequently as each month. In addition, all companies engaged in the specialized credit financial business under the Specialized Credit Financial Business Act, including, without limitation, credit card companies, must file a report to the Financial Supervisory Service regarding the result of settlement of accounts within one month after the end of its fiscal year. Also, these companies are required to conduct a provisional settlement of accounts for each quarter and file a report to the Financial Supervisory Service within one month after the end of such quarter.

Risk of Loss Due to Lost, Stolen, Forged or Altered Credit Cards

Under the Specialized Credit Financial Business Act, upon notice from the holder of a credit card or a debit card of its loss or theft, a credit card company or a licensed bank engaged in the credit card business, as the case may be, is liable for any loss arising from the unauthorized use of credit cards or debit cards thereafter as well as any loss from unauthorized transactions made within 60 days prior to such notice. However, a credit card company or a licensed bank engaged in the credit card business, as the case may be, may transfer to the cardholder all or part of the risks of loss associated with unauthorized transactions made within 60 days prior to such notice, in accordance with the standard terms and conditions agreed between the credit card company or the licensed bank engaged in the credit card business, as the case may be, and the cardholder, provided that the loss or theft must be due to the cardholder's willful misconduct or negligence. Disclosure of a cardholder's password under duress or threat to the cardholder's or his/her family's life or health will not be deemed as the cardholder's willful misconduct or negligence.

Moreover, a credit card company or a licensed bank engaged in the credit card business, as the case may be, is also responsible for any losses resulting from the use of forged or altered credit cards, debit cards and pre-paid cards. However, a credit card company or a licensed bank engaged in the credit card business, as the case may be, may transfer all or part of this risk of loss to holders of credit cards in the event of willful misconduct or gross negligence by holders of such cards if the terms and conditions of the written agreement entered between the credit card company or a licensed bank engaged in the credit card business, as the case may be, and holders of such cards specifically provide for such transfer. For these purposes, disclosure of a customer's password that is made intentionally or through gross negligence, or the transfer of or giving as collateral of the credit card or debit card, is considered willful misconduct or gross negligence.

In addition, the Specialized Credit Financial Business Act prohibits a credit card company from transferring to merchants the risk of loss arising from lost, stolen, forged or altered credit cards, debit cards or pre-paid cards; provided, however, that a credit card company may enter into an agreement with a merchant under which the merchant agrees to be responsible for such loss if caused by the merchant's gross negligence or willful misconduct.

Each credit card company or a licensed bank engaged in the credit card business must institute appropriate measures such as establishing reserves, purchasing insurance or joining a cooperative association in order to fulfill its obligations related to the risk of loss arising from unauthorized use due to lost, stolen, forged or altered credit cards, debit cards or pre-paid cards.

Under the Specialized Credit Financial Business Act, the Financial Services Commission may take necessary measures to maintain credit order and protect consumers by establishing standards to be complied with by credit card companies relating to:

- maximum limits for cash advances on credit cards;
- restrictions on debit cards with respect to per day or per transaction usage;
- aggregate issuance limits and maximum limits on the amount per card on pre-paid cards;
- calculation and determination of credit limits;
- determination of the amount limit of credit cards;
- provisions included in credit card agreements;
- management of credit card merchants;
- collection on claims; or
- classification of credit card holders for purposes of determining the fees applicable to such holders.

Lending Ratio in Ancillary Business

Pursuant to the Presidential Decree of the Specialized Credit Financial Business Act, as amended in January 2020, a credit card company must maintain a quarterly average balance of receivables arising from cash advances to credit card holders (excluding cash advances incurred by re-lending to a credit card holder after modifying the terms and conditions, such as maturity or interest rate, of the original cash advance for debt rescheduling purposes) no greater than its aggregate quarterly average balance of receivables arising from credit card holders' purchase of goods and services (excluding the amount of receivables arising from the purchase of goods and services using an exclusive use card for business purposes) plus its aggregate quarterly amount of payments made by members using their debit cards.

Issuance of New Cards and Solicitation of New Card Holders

The Presidential Decree of the Specialized Credit Financial Business Act establishes the conditions under which a credit card company or a licensed bank engaged in the credit card business may issue new cards and solicit new members. Specifically, new credit cards may be issued only to the following persons that meet all of the following criteria: (i) age of 19 years or more as defined in the Korean Civil Code, or age of 18 years or more with evidence of employment as of the date of the credit card application; (ii) satisfaction of a minimum credit score as publicly announced by the Financial Services Commission, provided that the minimum personal credit score requirement will not apply in the case where (a) the credit card company can confirm through objective evidence that an applicant is sufficiently capable of paying for his or her credit card use or such applicant can provide objective evidence therefor, or (b) a credit card function is added to an existing debit card for added convenience to the card holder and the credit card function is subject to limits determined by the Financial Services Commission; (iii) satisfaction of the application scoring system for the relevant credit; and (iv) verification of personal identity.

In addition, a credit card company or a licensed bank engaged in the credit card business, as the case may be, may not engage in the following methods of soliciting credit card holders: (i) providing economic benefits or conditioning such benefits in excess of 10% of the annual credit card fee (in the case of no-annual fee credit cards, the average annual fees will be ₩10,000) in connection with issuance of credit cards; (ii) solicitation on streets and private roads as prescribed under the Road Act and Private Road Act, public place and corridors used by the general public; (iii) solicitation through visits, except those visits made upon prior consent and visits to a business area; (iv) solicitation through pyramid sales methods; and (v) solicitation through the Internet, as further discussed below.

In addition, a credit card company or a licensed bank engaged in the credit card business is required to check whether the credit card applicant has any delinquent debt owed to any other credit card company or other financial institutions which the applicant is unable to repay, and also require, in principle, with respect to solicitations made through the Internet, the certified electronic signature of the applicant. Moreover, persons who intend to engage in solicitation of credit card applicants must register with the Financial Services Commission, unless the solicitation is made by officers or employees of a credit card company or a company in business alliance with such credit card company.

Compliance Rules on Collection of Receivable Claims

Pursuant to the Specialized Credit Financial Business Act and its regulations, a credit card company or a licensed bank engaged in the credit card business are prohibited from collecting its claims by way of:

- exerting violence or threat of violence;
- informing a Related Party (a guarantor of the debtor, blood relative or fiancée of the debtor, a person living in the same household as the debtor or a person working in the same workplace as the debtor) of the debtor's liability without just cause;
- providing false information relating to the debtor's obligation to the debtor or his or her Related Party;
- threatening to sue or suing the debtor for fraud despite lack of affirmative evidence to establish that the debtor has submitted forged or false documentation with respect to his/her capacity to make payment;
- visiting or telephoning the debtor during late hours between 9:00 p.m. and 8:00 a.m.; and
- utilizing other uncustomary methods to collect the receivables thereby invading the privacy or the peacefulness in the workplace of the debtor or his or her Related Party.

Principal Regulations Applicable to Financial Investment Companies

General

The securities business is regulated and governed by the Financial Investment Services and Capital Markets Act. Financial investment companies are under the regulation and supervision of the Financial Services Commission, the Financial Supervisory Service and the Securities and Futures Commission.

Under the Financial Investment Services and Capital Markets Act, a financial investment company may engage in dealing, brokerage, collective investment, investment advice, discretionary investment management or trust businesses if it has obtained relevant licenses from the Financial Services Commission.

A financial investment company may also engage in certain businesses ancillary to the primary business or certain other additional businesses by submitting a report to the Financial Services Commission within two weeks from the commencement of the business without obtaining any separate license. Approval to merge with any other entity or to transfer all or substantially all of a business must also be obtained from the Financial Services Commission.

Under the Act on the Structural Improvement of the Financial Industry, if the Government deems a financial investment company's financial condition to be unsound or if a financial investment company fails to meet the applicable Net Operating Equity Ratio (as defined below), the government may order certain sanctions, including among others, sanctions against a financial investment company or its officers or employees, capital increase or reduction and a suspension or assignment of a part or all of business operation.

Regulations on Financial Soundness — Capital Adequacy

The Financial Investment Services and Capital Markets Act sets forth various types of brokerage and/or dealing business licenses based on (i) the scope of products and services that may be provided by each type of the brokerage and/or dealing licensee and (ii) the type of customers to which such products and services may be provided. For example, a financial investment company engaged in the brokerage, dealing and underwriting businesses with retail investors as well as professional investors in connection with all types of securities is required to have a minimum paid-in capital of ₩53 billion in order to obtain a license for such brokerage, dealing and underwriting businesses.

Under the Financial Investment Service Regulations, as amended and effective as of January 31, 2019, the soundness requirement of financial investment companies changed from the previous net operating equity ratio requirement to a net equity ratio requirement. The net equity ratio is calculated according to the following formula:

Net Equity Ratio = (Net Operating Equity – Total Risk) / Equity Capital Maintenance Requirement for Each Service Unit

The terms "Net Operating Equity" and "Total Risk" for the purpose of the above-stated formula are defined and elaborated in the regulations of the Financial Services Commission. Generally, the Net Operating Equity, the Total Risk and the Equity Capital Maintenance Requirement for Each Service Unit are to be calculated according to the following formula:

Net Operating Equity = Net assets (total assets - total liabilities) - the total of items that may be deducted + the total of items that may be added;

Total Risk = market risk + counterparty risk + management risk; and

Equity Capital Maintenance Requirement for Each Service Unit = Mandatory Equity Capital to be Required for Each Licensed Service Unit × 70%

The regulations of the Financial Services Commission require, among other things, financial investment companies to maintain the net equity ratio at a level equal to or higher than 100% at the end of each quarter of the fiscal year.

In addition, all Korean companies, including financial investment companies, are required to set aside, as a legal reserve, 10% of the cash portion of the annual dividend or interim dividend in each fiscal year until the reserve reaches 50% of the stated capital.

Under the Financial Investment Services and Capital Markets Act and regulations thereunder, the minimum ratio of allowances for losses on loans and suspense receivables specified under such regulations is 0.5% of normal assets, 2% of precautionary assets, 20% of substandard assets, 75% of doubtful assets and 100% of estimated loss assets.

Other Provisions on Financial Soundness

The Financial Investment Services and Capital Markets Act, the Presidential Decree of the Financial Investment Services and Capital Markets Act and the regulations of the Financial Services Commission also include certain provisions which are designed to regulate certain types of activities relating to the management of the assets of a securities company, subject to certain exceptions. Such provisions include:

- restrictions on the holdings by a securities company of securities issued by another company which is the largest shareholder or the major shareholder (each as defined under the Financial Investment Services and Capital Markets Act) of such securities company; and
- restrictions on providing money or credit to the largest shareholder (including specially-related persons of such shareholder), major shareholders, officers and specially-related persons of the securities company.

Principal Regulations Applicable to Insurance Companies

General

Insurance companies are regulated and governed by the Insurance Business Act (the "Insurance Business Act"). In addition, insurance companies in Korea are under the regulation and supervision of the Financial Services Commission and its governing entity, the Financial Supervisory Service.

Under the Insurance Business Act, approval to commence an insurance business must be obtained from the Financial Services Commission based on the type of insurance businesses, which are classified as life insurance business, non-life insurance business and third type insurance business. Life insurance business means an insurance business which deals with life insurance policies or pension insurance policies (including retirement insurance policies). Non-life insurance business means an insurance business which deals with fire insurance policies, marine insurance policies, car insurance policies, guaranty insurance policies, reinsurance policies, liability insurance policies or other insurance policies prescribed under the Presidential Decree of the Insurance Business Act. Third type insurance business means an insurance business which deals with injury insurance policies, health insurance policies or nursing care insurance policies. Under the Insurance Business Act, insurance companies are not allowed to engage in both a life insurance business and a non-life insurance business, subject to certain exceptions.

If the Government deems an insurance company's financial condition to be unsound or if an insurance company fails to properly manage the business as set forth under relevant Korean law, the government may order certain sanctions including, among others, sanctions against an insurance company or its officers or employees, capital increase or reduction and a suspension or assignment of a part or all of business operation.

Capital Adequacy

The Insurance Business Act requires a minimum paid-in capital of ₩30 billion for an insurance company; provided, that, the insurance company which intends to engage in only certain types of insurance policies may have a lower paid-in capital pursuant to the Presidential Decree of the Insurance Business Act.

In addition to the minimum capital requirement, an insurance company is required to maintain a Solvency Margin Ratio of 100% or more. "Solvency Margin Ratio" is the ratio of the Solvency Margin to the Standard Amount of the Solvency Margin. Solvency Margin is the aggregate amount of net assets and amounts that are liabilities in the balance sheet but are usable to cover loss risk (e.g., the amount of subordinated liabilities), less the amount that the Governor of the Financial Supervisory Service deems unusable to compensate for losses incurred by unexpected risks of an insurance company, among assets or capital in the balance sheet, such as stock discounts and treasury stocks. The Standard Amount of Solvency Margin for life insurance companies is defined under the regulation of the Financial Services Commission.

On January 1, 2023, the Financial Supervisory Service introduced the K-ICS, a new regulatory solvency regime for insurance companies, based on the International Capital Standard developed by the International

Association of Insurance Supervisors, which is similar in substance to the Solvency II Directive of the European Union. Under the K-ICS, at the time of computation of the Solvency Margin, insurance contract liabilities are expected to be measured based on market value, rather than book value, and at the time of computation of the Standard Amount of the Solvency Margin, risks associated with termination, business expenses, longevity, catastrophes and asset concentration risks are added, which would require a number of insurance companies in Korea with a large portfolio of high guaranteed rate of return products to obtain additional capital to meet their capital adequacy requirements. However, the Financial Supervisory Service has allowed for deduction from available capital on a gradual basis and for gradual recognition of risks in relation to required capital for up to 10 years. Even if the Solvency Margin Ratio under the K-ICS is less than 100%, corrective measures will be withheld in case the Solvency Margin Ratio under the prior risk-based capital regime exceeds 100% for up to five years, to ease the burden on insurance companies.

Under the Insurance Business Act, the Presidential Decree and other regulations thereunder, for each accounting period, insurance companies are required to appropriate policy reserve that is earmarked for future payments of insurance money, refund and dividends to policyholders (hereinafter collectively referred to as "Insurance Money") for each insurance contract. However, if an insurance company has reinsured a portion of its insurance contracts with a creditworthy reinsurance company in order to lower its overall risk, in principle, the insurance company is not required to appropriate policy reserve for the reinsured contracts. Instead, the reinsurance company is required to appropriate such policy reserve for the reinsured contracts. The Insurance Business Act was amended on January 24, 2011 to classify the insurance products into two categories: (i) reportable insurance products and (ii) voluntary insurance products. Under this amendment, only the changes to the terms and conditions of the reportable insurance products require a prior report and approval from the Financial Supervisory Service and the voluntary insurance products can be sold without prior approval from the Financial Supervisory Service. The policy reserve needs to be appropriated in accordance with the policy reserve calculation method for each insurance product as stipulated in amended Insurance Business Act.

The policy reserve amount consists of the following: (i) insurance contract liabilities (the sum of (a) the amount reserved by applying current estimates of future cash flow in order to pay the insurance proceeds, etc. for which an event of payment under the insurance policy has occurred as of the end of each fiscal year and (b) the amount reserved by applying current estimates of future cash flow in order to pay the insurance proceeds, etc. in the future although an event of payment under the insurance policy has not occurred as of the end of each fiscal year), (ii) investment contract liabilities (amounts reserved by insurance companies for the payment of insurance proceeds, etc. in the future for insurance contracts classified as investment contracts among insurance contracts) and (iii) amounts reserved by applying current estimates on future cash flows in the manner prescribed by the Financial Services Commission.

Pursuant to the regulations established by the Financial Services Commission, insurance companies are required to maintain allowances for outstanding loans, accounts receivables and other credits (including accrued income, payment on account, and bills receivables or dishonored) in an aggregate amount covering not less than 0.5% of normal credits, 2% of precautionary credits, 20% of substandard credits, 50% of doubtful credits and 100% of estimated loss credits, provided that the minimum ratio of allowances for certain type of outstanding loans by insurance companies to individuals and households (including, retail loans, housing loans, and other forms of retail loans extended to individuals not registered for business), is increased to 1% of normal credits, 10% of precautionary credits and 55% of doubtful credits. Furthermore, the regulations on insurance companies became more stringent in September 2010 by adding a requirement that insurance companies maintain allowance for bad debts in connection with real estate project financing loans in excess of 0.9% of normal credits and 7% of precautionary credits.

Variable Insurance and Bancassurance Agents

Variable insurance is regulated pursuant to the Insurance Business Act and the Financial Investment Services and Capital Markets Act. In order for an insurance company to sell variable insurance to a policyholder and operate such variable insurance, the insurance company must obtain a license with respect to collective investment business from the Financial Services Commission and register as a selling company with the Financial Services Commission. In this case, according to the Financial Investment Services and Capital Markets Act, an insurance company will be regulated as an investment trust and assets acquired in connection with variable insurance must be held by a trust company that is registered with the Financial Services Commission pursuant to the Financial Investment Services and Capital Markets Act.

According to the Financial Investment Services and Capital Markets Act, insurance companies may operate variable insurance through (i) mandating all of the management and the management instruction business to another asset management company, (ii) operating by way of discretionary investment all of the assets constituting the investment advisory assets out of the investment trust assets, or (iii) operating all of the investment trust assets into other collective investment securities, thereby allowing all of the particular variable insurance assets to be outsourced.

The Insurance Business Act permits banks, securities companies, credit card companies and other financial institutions to register as insurance agents or insurance brokers and engage in the insurance business (the "Bancassurance Agents"), who are currently permitted to sell all types of life and non-life insurance products, except for protection type insurance products, such as whole life insurance, critical illness insurance and automobile insurance.

Restrictions on Investment of Assets

According to the Insurance Business Act, insurance companies are prohibited from making any of the following investment of assets:

- owning any real estate (excluding any real estate owned as a result of enforcing their own security interest) other than real estate for conducting its business as designated by the Presidential Decree. In any case, the total amount of real estate owned by an insurance company must not exceed 25% of its Total Assets, provided that investment in real estate for a separate account is limited to 15% of the assets of such separate account;
- loans made for the purpose of speculation in commodities or securities;
- loans made directly or indirectly to enable a natural or legal person to buy their own shares;
- loans made directly or indirectly to finance political campaigns and other similar activities; and
- loans made to any of the insurance company's officers or employees other than loans based on insurance policy or de minimis loans of up to (1) ₩20 million in the case of a general loan, (2) ₩50 million in the case of a general loan plus a housing loan, or (3) ₩60 million in the aggregate for general loans and housing loans.

In addition, insurance companies are not allowed to exceed 50% of its Total Assets with respect to holding foreign currency under the Foreign Exchange Transaction Act or owning offshore real estate.

Regulations on Class Actions Regarding Securities

The Law on Class Actions Regarding Securities was enacted as of January 20, 2004 and last amended on May 28, 2013. The Law on Class Actions Regarding Securities governs class actions suits instituted by one or more representative plaintiff(s) on behalf of 50 or more persons who claim to have been damaged in a capital markets transaction involving securities issued by a listed company in Korea.

Applicable causes of action with respect to such suits include:

- claims for damages caused by misleading information contained in a securities statement;

- claims for damages caused by the filing of a misleading business report, semi-annual report, or quarterly report;
- claims for damages caused by insider trading or market manipulation; and
- claims instituted against auditors for damages caused by accounting irregularities.

Any such class action may be instituted upon approval from the presiding court and the outcome of such class action will have a binding effect on all potential plaintiffs who have not joined the action, with the exception of those who have filed an opt out notice with such court.

U.S. Regulations

As a substantial majority of our and our subsidiaries' operations are in Korea, we are primarily subject to the regulations and supervision of the Financial Services Commission and the Financial Supervisory Service. Our subsidiaries, however, have limited operations in the United States, and we own a bank in the United States. Therefore, we and our U.S. operations are subject to U.S. supervision, regulation and enforcement by relevant authorities in the United States with regard to our U.S. operations.

U.S. Banking Regulations

Our operations in the United States are subject to a variety of regulatory regimes. Shinhan Bank maintains an uninsured branch in New York, which is licensed by the New York State Department of Financial Services (the "Department") and registered with the banking authority of Korea. Shinhan Bank's New York branch is subject to regulation and examination by the Department under its licensing authority. In addition, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") exercises examination and regulatory authority over Shinhan Bank's U.S. branch. We also own a non-member state chartered bank, Shinhan Bank America, which is regulated by the Department, as its chartering authority, and by the Federal Deposit Insurance Corporation ("FDIC"), as its primary federal banking regulator and as the insurer of its deposits. Our U.S. branch and U.S. bank subsidiary are subject to restrictions on their respective activities, as well as prudential restrictions, such as limits on extensions of credit to a single borrower, and restrictions on transactions with affiliates, among other things. We are also a financial holding company and a bank holding company under U.S. banking laws and our U.S. operations are subject to regulation, supervision and enforcement by the Federal Reserve Board.

Shinhan Bank's U.S. Branch

The Department, as the licensing authority of Shinhan Bank's U.S. branch, has the authority, in certain circumstances, to take possession of the business and property of Shinhan Bank located in New York. Such circumstances generally include violations of law, unsafe business practices and insolvency. If the Department exercised this authority over the New York branch of Shinhan Bank, all assets of Shinhan Bank located in New York would generally be applied first to satisfy creditors of the New York branch. Any remaining assets would be applied to satisfy creditors of other U.S. offices of Shinhan Bank, after which any residual assets of the New York branch would be returned to the principal office of Shinhan Bank, and made available for application pursuant to any Korean insolvency proceeding.

Financial Holding Company

In addition to the direct regulation of Shinhan Bank's U.S. branch by the Department and the Federal Reserve Board, because we operate a U.S. branch and have a subsidiary bank in the U.S., our nonbanking activities in the United States are subject to regulation by the Federal Reserve Board pursuant to the International Banking Act of 1978, the Bank Holding Company Act of 1956 (the "BHC Act"), and other laws. We have elected to be a "financial holding company" under the BHC Act. Financial holding companies may engage in a broader spectrum of activities than bank holding companies or foreign banking organizations that are not financial holding companies, including underwriting and dealing in securities. To maintain our financial holding company status and engage in activities permissible for a financial holding company, (i) we and our U.S. subsidiary bank located in New York are required to be "well capitalized" and "well managed," (ii) our U.S. branch is required to meet certain examination ratings, and (iii) our subsidiary bank in New York is required to maintain a rating of at least "satisfactory" under the Community Reinvestment Act of 1977 (the "CRA").

A major focus of U.S. governmental policy relating to financial institutions in recent years has been aimed at fighting money laundering and terrorist financing. Regulations applicable to us and our subsidiaries impose obligations to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identities of clients. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious consequences for the firm, both in legal terms and in terms of our reputation.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was enacted on July 21, 2010 in response to the financial crisis, impacts the financial services industry by addressing, among other issues, systemic risk oversight, bank capital standards, the liquidation of failing systemically important institutions, over-the-counter and cleared derivatives, the ability of banking entities, including non-U.S. banks with branches in the U.S., like us, to engage in proprietary trading activities and invest in hedge funds and private equity funds (the so-called Volcker rule), consumer and investor protection, hedge fund registration, securitization, investment advisors, shareholder "say on pay," the role of credit-rating agencies, and more. The Dodd-Frank Act requires various federal banking and financial regulatory authorities to adopt a broad range of implementing rules and regulations. Such authorities have significant discretion in drafting the implementing rules and regulations.

The Dodd-Frank Act provides regulators with tools to impose greater capital, leverage and liquidity requirements and other prudential standards, particularly for financial institutions that pose significant systemic risk. Pursuant to the Dodd-Frank Act, the Federal Reserve Board has implemented rules that establish enhanced prudential standards for the U.S. operations of foreign banking organizations ("FBOs") such as us. In imposing such heightened prudential standards on non-U.S. banks such as us, the Federal Reserve Board is directed to take into account the principle of national treatment and equality of competitive opportunity, and the extent to which the foreign bank holding company is subject to comparable home country standards.

On May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the "Reform Act") was signed into law. Among other regulatory changes, the Reform Act amends various sections of the Dodd-Frank Act, including by raising the asset threshold for automatic application of enhanced prudential standards to FBOs under the Dodd-Frank Act from $50 billion in total global consolidated assets to $250 billion. The bill exempted FBOs with total global consolidated assets of less than $100 billion from these enhanced prudential standards effective immediately upon enactment of the bill. In October 2019, the Federal Reserve Board issued a final rule to implement the Reform Act's changes to the application of enhanced prudential standards with respect to U.S. bank holding companies and FBOs (the "EPS Tailoring Rule"). The EPS Tailoring Rule delineates three categories of enhanced prudential standards ("EPS categories") applicable to FBOs based on an FBO's asset size and other factors such as the degree of the cross-jurisdictional activity, reliance on short-term wholesale funding, nonbank assets, and off-balance sheet exposures of an FBO's U.S. operations. The EPS Tailoring Rule generally determines the stringency of enhanced prudential standards applicable to FBOs based on the risk profile of the FBO's U.S. operations, rather than its global footprint, with most enhanced prudential standards applying only to FBOs with combined U.S. assets of at least $100 billion. FBOs with global assets of $100 billion or more and a relatively limited U.S. presence, such as us, are subject to certain minimum standards under the EPS Tailoring Rule, with the Federal Reserve Board relying primarily on compliance with comparable home-country prudential standards with respect to such FBOs.

If our size or risk profile were to increase, our combined U.S. operations may be subject to certain further enhanced prudential standards. In particular, enhanced prudential standards applicable to FBOs require an FBO with both significant total global consolidated assets and significant U.S. assets (excluding the total assets of each U.S. branch and agency) to establish a U.S. top-tier intermediate holding company ("IHC") over all U.S. bank and nonbank subsidiaries, and generally subject such an FBO's IHC to the same capital adequacy standards, including minimum risk based capital and leverage requirements, liquidity, liquidity risk management, stress testing and single counterparty credit limits as those applicable to U.S. bank holding companies in the same EPS category under the EPS Tailoring Rule. In addition, certain enhanced prudential standards will apply to the combined U.S. operations of an FBO whether or not the FBO is required to establish a U.S. IHC. We continue to assess the full impact of these enhanced prudential requirements and the EPS Tailoring Rule on our business.

In addition, as an FBO with more than $250 billion in total global consolidated assets that does not otherwise meet certain category thresholds identified in the EPS Tailoring Rule, we are currently required to submit periodically to the Federal Reserve Board and FDIC a resolution plan for the orderly resolution of our U.S. operations under the U.S. Bankruptcy Code or other applicable insolvency laws in a rapid and orderly fashion in the event of future material financial distress or failure. If the Federal Reserve Board and the FDIC jointly determine that the resolution plan is not credible and the deficiencies are not cured in a timely manner, they may jointly impose more stringent capital, leverage or liquidity requirements or restrictions on our growth, activities or operations. If we were to fail to address the deficiencies in the resolution plan when required, we could eventually be required to divest certain assets or operations.

In October 2019, the Federal Reserve Board and FDIC issued a final rule addressing the applicability of resolution planning requirements for FBOs (the "FBO Resolution Plan Rule"). The FBO Resolution Plan Rule applies reduced resolution plan filing requirements to FBOs that have $250 billion or more in total global consolidated assets and that do not otherwise meet certain category thresholds identified in the EPS Tailoring Rule, such as us, requiring such FBOs to submit a reduced content resolution plan every three years.

In July 2019, U.S. federal regulatory agencies adopted amendments to the Volcker Rule regulations to implement the Volcker Rule amendments included in the Reform Act, and also in 2019 such U.S. federal regulatory agencies adopted certain targeted amendments to the Volcker Rule regulations to simplify and tailor certain compliance requirements relating to the Volcker Rule. In June 2020, U.S. federal regulatory agencies adopted additional revisions to the Volcker Rule's restrictions on banking entities sponsoring and investing in certain covered hedge funds and private equity funds, including by adopting new exemptions allowing banking entities to sponsor and invest without limit in credit funds, venture capital funds, customer facilitation funds and family wealth management vehicles (the "Covered Fund Amendments"). The Covered Fund Amendments also loosen certain other restrictions on extraterritorial fund activities and direct parallel or co-investments made alongside covered funds. The Covered Fund Amendments therefore should expand the ability of banking entities to invest in and sponsor private funds. The ultimate consequences of the Reform Act on the Fund and its activities remain uncertain, and it remains unclear whether any particular other legislative or regulatory proposals will be enacted or adopted.

Shinhan Bank America

Shinhan Bank America, a state chartered bank that is located in New York and is not a member of the Federal Reserve Board, is subject to extensive regulation and examination by the Department, as its chartering authority, and by the FDIC, as the insurer of its deposits and as its primary federal banking regulator. The federal and state laws and regulations which are applicable to banks regulate, among other things, the activities in which they may engage and the locations at which they may engage in them, their investments, their reserves against deposits, the timing of the availability of deposited funds and transactions with affiliates. Shinhan Bank America must file reports with the Department and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions, such as establishing branches and mergers with, or acquisitions of, other depository institutions. The Department and the FDIC periodically examine the bank to test Shinhan Bank America's safety and soundness and its compliance with various regulatory requirements. This comprehensive regulatory and supervisory framework restricts the activities in which a bank can engage and is intended primarily for the protection of the FDIC insurance fund and the bank's depositors. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities and examination policies, which include setting policies with respect to the classification of assets and the establishment of adequate loan loss reserves. Any change in such regulations, whether by the Department, the FDIC or as a result of the enactment of legislation, could have a material adverse impact on Shinhan Bank America and its operations.

Capital Requirements. The FDIC imposes capital adequacy standards on state-chartered banks like Shinhan Bank America. The "prompt corrective action" framework under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), provides, among other things, for expanded regulation of insured depository institutions, including banks, and their parent holding companies. As required by FDICIA, the federal banking agencies have established five capital tiers ranging from "well capitalized" to "critically undercapitalized" for insured depository institutions. In order for our U.S. bank subsidiary to be classified as "well capitalized," which is necessary in order for us to maintain our financial holding company status, it must maintain a minimum 5% Tier I leverage ratio, a 6.5% common equity Tier I capital ratio, a 8% Tier I risk-based capital ratio and a 10% total risk-based capital ratio.

In order for Shinhan Bank America to be classified as "adequately capitalized" under FDICIA's prompt corrective action standards, which is necessary in order for Shinhan Bank America to avoid certain restrictions under FDICIA, it must maintain a minimum 4% Tier I leverage ratio, a 4.5% common equity Tier I capital ratio, a 6% Tier I risk-based capital ratio and a 8% total risk-based capital ratio.

As of December 31, 2023, Shinhan Bank America exceeded all of the capital ratio standards for a well-capitalized bank with a Tier I leverage ratio of 10.64%, a common equity Tier I risk-based capital ratio of 14.93%, a Tier I risk-based capital ratio of 14.93% and a total risk-based capital ratio of 15.90%.

Activities and Investments of New York-Chartered Banks. Shinhan Bank America derives its lending, investment and other authority primarily from the applicable provisions of New York State Banking Law and the regulations of the Department, as well as FDIC regulations and other federal laws and regulations. See "— Activities and Investments of FDIC-Insured State-Chartered Banks" below. These New York laws and regulations authorize Shinhan Bank America to invest in real estate mortgages, consumer and commercial loans, certain types of debt securities, including certain corporate debt securities and obligations of federal, State and local governments and agencies, and certain other assets. A bank's aggregate lending powers are not subject to percentage of asset limitations, but, as discussed below, there are limits on the amount of credit exposure that a bank may have to a single borrower or group of related borrowers. A New York-chartered bank may also exercise trust powers upon approval of the Department. Shinhan Bank America does not currently have trust powers.

With certain limited exceptions, Shinhan Bank America may not make loans or extend credit for commercial, corporate or business purposes (including lease financing) to a single borrower, the aggregate amount of which would be in excess of 15% of Shinhan Bank America's net worth, on an unsecured basis, and 25% of the net worth if the excess is collateralized by readily marketable collateral or collateral otherwise having a value equal to the amount by which the loan exceeds 15% of Shinhan Bank America's net worth. In calculating the amount of outstanding loans or credit to a particular borrower for this purpose, Shinhan Bank America must include its credit exposure arising from derivative transactions with the borrower.

Activities and Investments of FDIC-Insured State-Chartered Banks. The activities and equity investments of FDIC-insured, state-chartered banks are generally limited to those that are permissible for national banks. Under regulations dealing with equity investments, an insured state bank generally may not directly or indirectly acquire or retain any equity investment of a type, or in an amount, that is not permissible for a national bank. An insured state bank may, among other things, (i) acquire or retain a majority interest in a subsidiary that is engaged in activities that are permissible for the bank itself to engage in, (ii) invest as a limited partner in a partnership the sole purpose of which is direct or indirect investment in the acquisition, rehabilitation or new construction of a qualified housing project, provided that such limited partnership investments may not exceed 2% of the bank's total assets, and (iii) acquire up to 10% of the voting stock of a company that solely provides or reinsures directors', trustees' and officers' liability insurance coverage or bankers' blanket bond group insurance coverage for insured depository institutions. In addition, an FDIC-insured state-chartered bank may not directly, or indirectly through a subsidiary, engage as "principal" in any activity that is not permissible for a national bank unless the FDIC has determined that such activities would pose no significant risk to the insurance fund of which it is a member and the bank is in compliance with applicable regulatory capital requirements.

Regulatory Enforcement Authority. Applicable banking laws include substantial enforcement powers available to federal banking regulators. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions against banking organizations and institution-affiliated parties, as defined. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with regulatory authorities. On June 12, 2017, Shinhan Bank America entered into a consent order with the FDIC with respect to certain weaknesses relating to its anti-money laundering compliance program. On October 13, 2022, the FDIC issued an Amended and Restated Consent Order (the "2022 Consent Order") requiring additional corrective action to address the remaining deficiencies and weaknesses identified in Shinhan Bank America's AML program. Shinhan Bank America also entered into a Memorandum of Understanding with NYDFS in May 2020 (the "2020 NYDFS MOU") to address deficiencies in Shinhan Bank America's BSA/AML compliance program and its internal audit function, which required Shinhan Bank America to, among other things, submit written reports detailing its remediation of these deficiencies. On May 14, 2021, the NYDFS notified Shinhan Bank America that it was in material breach of the 2020 NYDFS MOU. On September 29, 2023, Shinhan Bank America entered into a Consent Order (the "2023 FinCEN Order") with the U.S. Treasury Department's Financial Crimes Enforcement Network ("FinCEN") under which FinCEN determined that Shinhan Bank America committed willful violations of the Bank Secrecy Act and its implementing regulations during the relevant time period (April 2016, through March 2021). Under the 2023 FinCEN Order, FinCEN assessed a civil money penalty of $15 million against Shinhan Bank America. Also on September 29, 2023, the FDIC assessed a civil money penalty of $5 million against Shinhan Bank America (payment of which was credited against the civil money penalty assessed under the 2023 FinCEN Order), and the NYDFS entered into a consent order ("NYDFS Consent Order") and assessed a civil money penalty of $10 million against Shinhan Bank America (resulting in a total amount of $25 million of civil money penalties). In addition to the $10 million civil money penalty to New York State, Shinhan Bank America will be required under the NYDFS Consent Order to create a written plan, acceptable to the NYDFS, detailing enhancements to compliance policies and procedures, suspicious activity monitoring and reporting, and customer due diligence requirements. Shinhan Bank America continues to take corrective measures to improve its anti-money laundering program and system.

Under the New York State Banking Law, the Department may issue an order to a New York-chartered banking institution to appear and explain an apparent violation of law, to discontinue unauthorized or unsafe practices and to keep prescribed books and accounts. Upon a finding by the Department that any director, trustee or officer of any banking organization has violated any law, or has continued unauthorized or unsafe practices in conducting the business of the banking organization after having been notified by the Department to discontinue such practices, such director, trustee or officer may be removed from office by the Department after notice and an opportunity to be heard. The Department also may take possession of a banking organization under specified statutory criteria.

Prompt Corrective Action. Section 38 of the Federal Deposit Insurance Act provides the federal banking regulators with broad power to take "prompt corrective action" to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." A bank is deemed to be (i) "well capitalized" if it has total risk-based capital ratio of 10.0% or greater, has a Tier I risk-based capital ratio of 8.0% or greater, has a common equity Tier I capital ratio of 6.5% or greater, has a Tier I leverage capital ratio of 5.0% or greater, and is not subject to specified requirements to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or greater, has a Tier I risk-based capital ratio of 6.0% or greater, has a common equity Tier I capital ratio of 4.5% or greater, has a Tier I leverage capital ratio of 4.0% or greater and does not meet the definition of "well capitalized," (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 8.0%, has a Tier I risk-based capital ratio that is less than 6.0%, has a common equity Tier I capital ratio of less than 4.5%, or has a Tier I leverage capital ratio that is less than 4.0%, (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, has a Tier I risk-based capital ratio that is less than 4.0%, has a common equity Tier I capital ratio that is less than 3.0%, or has or a Tier I leverage capital ratio that is less than 3.0%, and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. The regulations also provide that a federal banking regulator may, after notice and an opportunity for a hearing, reclassify a "well capitalized" institution as "adequately capitalized" and may require an "adequately capitalized" institution or an "undercapitalized" institution to comply with supervisory actions as if it were in the next lower category if the institution is in an unsafe or unsound condition or engaging in an unsafe or unsound practice. The federal banking regulator may not, however, reclassify a "significantly undercapitalized" institution as "critically undercapitalized."

An institution generally must file a written capital restoration plan which meets specified requirements, as well as a performance guaranty by each company that controls the institution, with an appropriate federal banking regulator within 45 days of the date that the institution receives notice or is deemed to have notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Immediately upon becoming undercapitalized, an institution becomes subject to statutory provisions, which, among other things, set forth various mandatory and discretionary restrictions on the operations of such an institution.

FDIC Insurance. Shinhan Bank America's deposits are insured by the FDIC. As insurer, the FDIC is authorized to conduct examinations of, and to require reporting by, FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the FDIC.

The Dodd-Frank Act requires the FDIC to maintain the ratio of the FDIC insurance fund to estimated total insured deposits ("**Reserve Ratio**") at 1.35% and to adopt a restoration plan when the Reserve Ratio falls below such percentage. Extraordinary growth in insured deposits during the first and second quarters of 2020 caused the Reserve Ratio to decline below the statutory minimum of 1.35%, resulting in the FDIC establishing a restoration plan on September 15, 2020 which contemplates the Reserve Ratio returning to 1.35% within 8 years. In October 2022, the FDIC adopted a final rule, applicable to all insured depository institutions, to increase the initial base deposit insurance assessment rates uniformly by 2%, beginning in the first quarterly assessment period of 2023. The rate increase is intended to increase the likelihood that the Reserve Ratio reaches the statutory minimum of 1.35% by September 30, 2028. The new assessment rates will remain in effect unless and until the Reserve Ratio meets or exceeds the FIDC's long-term goal of a 2% Reserve Ratio. Progressively lower assessment rate schedules will take effect when the Reserve Ratio reaches 2%, and again when it reaches 2.5%.

In connection with the FDIC's resolution of Silicon Valley Bank and Signature Bank in March 2023, U.S. government agencies invoked the "systemic risk exception" which extended FDIC insurance to depositors of the failed banks with deposits above the US$250,000 insurance limit. In order to recover the cost associated with protecting such uninsured depositors, the FDIC adopted a final rule in November 2023 to implement a special assessment of approximately 13.4 basis points (0.134%) of a banking organization's estimated uninsured deposits reported as of December 31, 2022, excluding the first $5 billion of the combined banking organization's estimated uninsured deposits. The special assessment will be due over eight quarterly periods. Based on the terms of the FDIC's final rule, Shinhan Bank America would not expect to be subject to a special assessment on its uninsured deposits based on its amount of uninsured deposits reported for the December 31, 2022 reporting period. If bank failures in the future are more costly than the FDIC currently anticipates, then the FDIC may be required to continue to impose higher insurance premiums or additional special assessments. Any such increase or special assessment would increase the Bank's non-interest expense.

The FDIC may terminate the deposit insurance of any insured depository institution, including Shinhan Bank America, if it determines, after a hearing, that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order or any condition imposed by an agreement with the FDIC. It also may suspend deposit insurance temporarily during the hearing process for the permanent termination of insurance, if the institution has no tangible capital. If insurance of accounts is terminated, the accounts at the institution at the time of the termination, less subsequent withdrawals, shall continue to be insured for a period of six months to two years, as determined by the FDIC. Management is aware of no existing circumstances that would result in termination of Shinhan Bank America's deposit insurance.

Brokered Deposits. Under federal law and applicable regulations, (i) a well-capitalized bank may solicit and accept, renew or roll over any brokered deposit without restriction, (ii) an adequately capitalized bank may not accept, renew or roll over any brokered deposit unless it has applied for and been granted a waiver of this prohibition by the FDIC and (iii) an undercapitalized bank may not accept, renew or roll over any brokered deposit. A bank that is less than well capitalized may not solicit deposits by offering a rate of interest that exceeds by more than 75 basis points the "national rate" (as published by the FDIC) (or, if higher, certain other national reference rates), except that, subject to certain criteria, such a bank may offer deposit interest rates up to a "local market rate cap" (determined by reference to the prevailing interest rates on insured deposits of comparable maturity in such institution's normal market area or in the market area in which such deposits are being solicited). The term "undercapitalized insured depository institution" is defined to mean any insured depository institution that fails to meet the minimum regulatory capital requirement prescribed by its appropriate federal banking agency. The FDIC may, on a case-by-case basis and upon application by an adequately capitalized insured depository institution, waive the restriction on brokered deposits upon a finding that the acceptance of brokered deposits does not constitute an unsafe or unsound practice with respect to such institution. In January 2021, the FDIC adopted rules on aspects of FDIC's brokered deposit and interest rate regulations. The impact of these rules on Shinhan Bank America's operations in the future is uncertain. Shinhan Bank America had an aggregate amount of US$4.5 million of brokered deposits outstanding as of December 31, 2023.

Community Reinvestment and Consumer Protection Laws. In connection with its lending activities, Shinhan Bank America is subject to a variety of federal laws designed to protect borrowers and promote lending to various sectors of the economy and population. Included among these are the Home Mortgage Disclosure Act, Real Estate Settlement Procedures Act, Truth-in-Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act and CRA.

The CRA requires FDIC insured banks to define the assessment areas that they serve, identify the credit needs of those assessment areas and take actions that respond to the credit needs of the community. The FDIC must conduct regular CRA examinations of Shinhan Bank America and assign it a CRA rating of "outstanding," "satisfactory," "needs improvement" or "unsatisfactory." Shinhan Bank America is also subject to provisions of the New York State Banking Law which impose similar obligations to serve the credit needs of its assessment areas. The Department and the FDIC each periodically assess a bank's compliance, and makes the assessment available to the public. Federal and New York State laws both require consideration of these ratings when reviewing a bank's application to engage in certain transactions, including mergers, asset purchases and the establishment of branch offices. A negative assessment may serve as a basis for the denial of any such application. Shinhan Bank America has received "satisfactory" ratings from both the Department and the FDIC in its most recent CRA performance evaluation.

In October 2023, the FDIC and other federal regulatory agencies finalized comprehensive amendments to the CRA regulatory framework. Among other things, the amendments are intended to reflect changes in the banking industry, including the expanded role of mobile and online banking and to tailor performance standards to account for differences in bank size, business models and local conditions. The ultimate consequences of the CRA amendments remain uncertain. It also remains unclear whether any other particular legislative or regulatory proposals will be enacted or adopted concerning CRA requirements applicable to us. Such regulatory developments may impact the ability of Shinhan Bank America to achieve "satisfactory" CRA performance ratings.

The Dodd-Frank Act created the Consumer Financial Protection Bureau (the "Bureau") with broad authority to regulate and enforce consumer protection laws. The Bureau has the authority to adopt regulations under numerous existing federal consumer protection statutes. The Bureau may also decide that a particular consumer financial product or service, or the manner in which it is offered, is an unfair, deceptive, or abusive act or practice. If the Bureau so decides, it has the authority to outlaw such act or practice.

Limitations on Dividends. The payment of dividends by Shinhan Bank America is subject to various regulatory requirements. Under New York State Banking Law, a New York-chartered stock bank may declare and pay dividends out of its net profits, unless there is an impairment of capital, but approval of the Superintendent of Banks is required if the total of all dividends declared in a calendar year would exceed the total of its net profits for that year combined with its retained net profits of the preceding two years, subject to certain adjustments.

Assessments. Banking institutions are required to pay assessments to both the FDIC and the Department to fund the operations of those agencies. The assessments are based upon the amount of Shinhan Bank America's total assets. Shinhan Bank America must also pay an examination fee to the Department when it conducts an examination.

Transactions with Related Parties. Shinhan Bank America's authority to engage in transactions with related parties or "affiliates" (i.e., any entity that controls or is under common control with an institution) is limited by Sections 23A and 23B of the Federal Reserve Act. Section 23A limits the aggregate amount of transactions with any individual affiliate to 10% of the capital and surplus of the institution and also limits the aggregate amount of transactions with all affiliates to 20% of the institution's capital and surplus. The term "affiliate" includes, for this purpose, us and any company that we control other than Shinhan Bank America and its subsidiaries.

Loans to affiliates must be secured by collateral with a value that depends on the nature of the collateral. The purchase of low quality assets from affiliates is generally prohibited. Loans and asset purchases with affiliates must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with nonaffiliated companies. In the absence of comparable transactions, such transactions may only occur under terms and circumstances, including credit standards that in good faith would be offered to or would apply to nonaffiliated companies. Shinhan Bank America's authority to extend credit to executive officers, directors and 10% shareholders, as well as entities controlled by such persons, is governed by Regulation O of the Federal Reserve Board. Regulation O generally requires such loans to be made on terms substantially similar to those offered to unaffiliated individuals (except for preferential loans made in accordance with broad based employee benefit plans), places limits on the amount of loans Shinhan Bank America may make to such persons based, in part, on Shinhan Bank America's capital position, and requires certain approval procedures to be followed.

Standards for Safety and Soundness. FDIC regulations require that Shinhan Bank America adopt procedures and systems designed to foster safe and sound operations in the areas of internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings and compensation, fees and benefits. Among other things, these regulations prohibit compensation and benefits and arrangements that are excessive or that could lead to a material financial loss. If Shinhan Bank America fails to meet any of these standards, it will be required to submit to the FDIC a plan specifying the steps that will be taken to cure the deficiency. If it fails to submit an acceptable plan or fails to implement the plan, the FDIC will require it to correct the deficiency and until corrected, may impose restrictions on it.

The FDIC has also adopted regulations that require Shinhan Bank America to adopt written loan policies and procedures that are consistent with safe and sound operation, are appropriate for its size, and must be reviewed by its board of directors annually. Shinhan Bank America has adopted such policies and procedures, the material provisions of which are discussed above as part of the discussion of our lending operations.

U.S. Regulation of Other U.S. Operations

In the United States, Shinhan Securities America Inc., our U.S.-registered broker-dealer subsidiary, is subject to regulations that cover all aspects of the securities business, including, sales methods, trade practices among broker-dealers, use and safekeeping of clients' funds and securities, capital structure; record-keeping, the financing of clients' purchases, and the conduct of directors, officers and employees.

Shinhan Securities America Inc. is regulated by a number of different government agencies and self-regulatory organizations, including the SEC and the Financial Industry Regulatory Authority ("FINRA"). Our U.S. subsidiaries are also regulated by some or all of the NYSE, the Municipal Securities Rulemaking Board, the U.S. Department of the Treasury, the Federal Reserve Board and the Commodities Futures Trading Commission. In addition, the U.S. states, provinces and territories have local securities commissions that regulate and monitor activities in the interest of investor protection. These regulators have a variety of sanctions available, including the authority to conduct administrative proceedings that can result in censure, fines, the issuance of cease-and-desist orders or the suspension or expulsion of the broker-dealer or its directors, officers or employees.

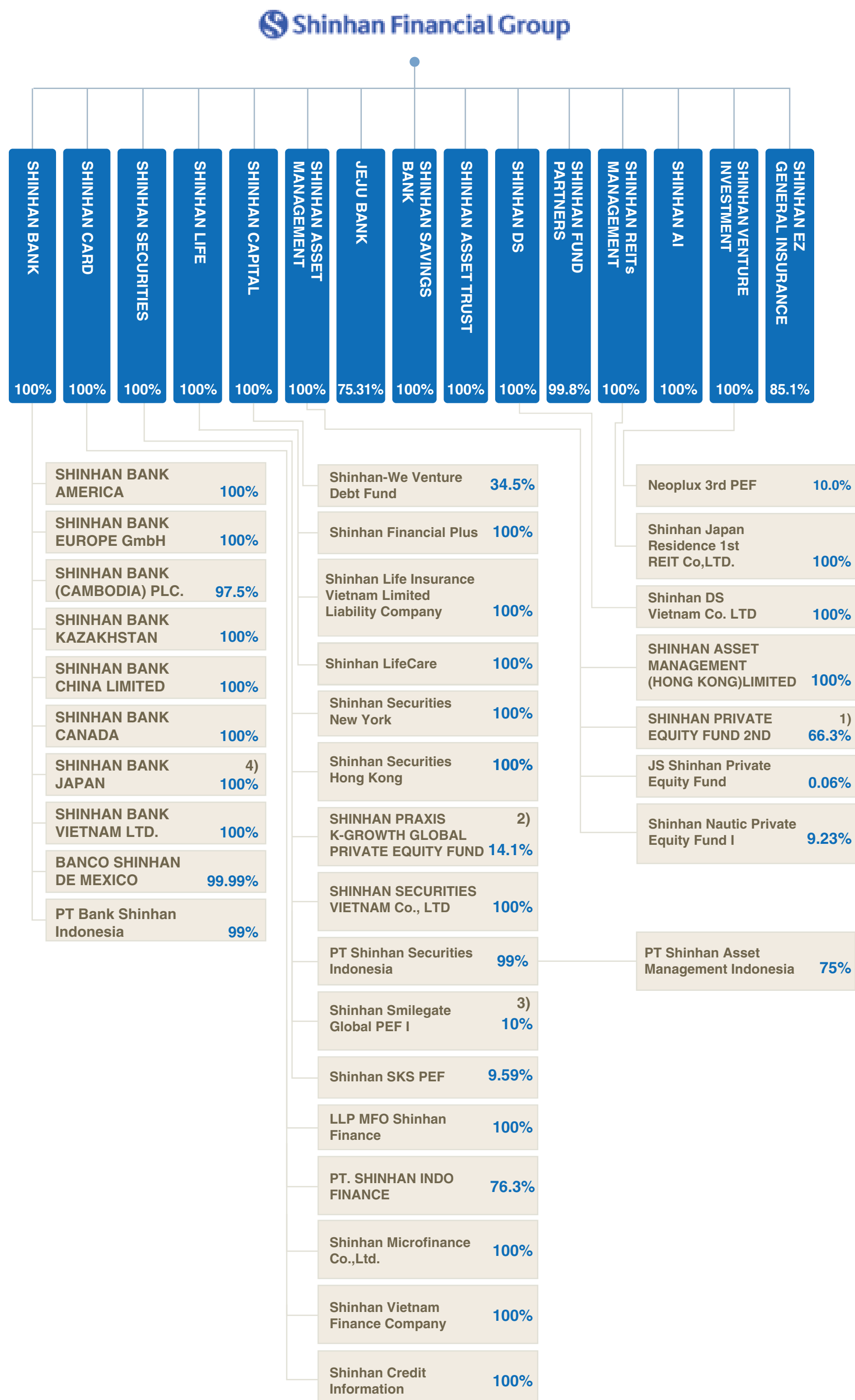
FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. FINRA covers a broad spectrum of securities businesses, including, registering and educating industry participants, examining securities firms, writing rules, enforcing those rules and the federal securities laws, informing and educating the investing public, providing trade reporting and other industry utilities, and administering a dispute resolution forum for investors and registered firms. It also performs market regulation under contract for the NASDAQ Stock Market, the American Stock Exchange and the Chicago Climate Exchange.

Many of the provisions of the Dodd-Frank Act discussed above will affect the operation of Shinhan Securities America, as well as our U.S. banking operations. Again, the impact of this statute on our operations will depend on the final regulations ultimately adopted by various agencies and oversight boards in coming years.

Shinhan Bank America may be impacted by provisions of the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, or other legislation or regulations adopted in response to the COVID-19 pandemic, which may contain certain temporary regulatory forbearance measures applicable during the COVID-19 pandemic.

ITEM 4.C. Organizational Structure

We currently have 16 direct and 36 indirect subsidiaries. The following diagram provides an overview of our organizational structure, including our significant subsidiaries and our ownership of such subsidiaries as of the date of this annual report:



All of our subsidiaries are incorporated in Korea, except for the following:

- Shinhan Bank America (incorporated in the United States);
- Shinhan Bank Canada (incorporated in Canada);
- Shinhan Bank (China) Limited (incorporated in the People's Republic of China);
- Shinhan Bank Europe GmbH (incorporated in Germany);
- Shinhan Bank Kazakhstan Limited (incorporated in Kazakhstan);
- Shinhan Bank Japan (incorporated in Japan);
- Shinhan Bank (Cambodia) PLC (incorporated in Cambodia);
- Shinhan Bank Vietnam Ltd. (incorporated in Vietnam);
- PT Bank Shinhan Indonesia (incorporated in Indonesia);
- Banco Shinhan de Mexico (incorporated in Mexico);
- LLP MFO Shinhan Finance (incorporated in Kazakhstan);
- PT Shinhan Indo Finance (incorporated in Indonesia);
- Shinhan Microfinance Co., Ltd. (incorporated in Myanmar);
- Shinhan Vietnam Finance Company Ltd. (incorporated in Vietnam);
- Shinhan Investment America Inc. (incorporated in the United States);
- Shinhan Investment Asia Ltd. (incorporated in Hong Kong);
- Shinhan Securities Vietnam Co., Ltd. (incorporated in Vietnam);
- PT Shinhan Sekuritas Indonesia (incorporated in Indonesia);
- Shinhan Asset Management Indonesia (incorporated in Indonesia);
- Shinhan Asset Management (Hong Kong) Limited (incorporated in Hong Kong);
- Shinhan DS Vietnam Co. Limited (incorporated in Vietnam); and
- SBJ DNX (incorporated in Japan).

ITEM 4.D. Properties

The following table provides information regarding certain of our properties in Korea.

		Area (In square meters)	
Type of Facility	**Location**	**Building**	**Site (If Different)**
Registered office and corporate headquarters	20, Sejong-daero 9-gil, Jung-gu, Seoul, Korea 04513	59,519	5,418
Shinhan Card headquarters	100, Eulji-ro, Jung-gu, Seoul, Korea 04551	65,774	4,634
Shinhan Centennial Building	29, Namdaemun-ro 10-gil, Jung-gu, Seoul, Korea 04540	19,697	1,389
Shinhan Bank Gwanggyo Branch	54, Cheonggyecheon-ro, Jung-gu, Seoul, Korea 04540	16,727	6,783
Shinhan Myongdong Branch	43, Myeongdong-gil, Jung-gu, Seoul, Korea 04534	8,936	1,017

Type of Facility	Location	Area (In square meters) Building	Site (If Different)
Shinhan Youngdungpo Branch	27, Yeongjung-ro, Yeoungdeungpo-gu, Seoul, Korea 07301	6,171	1,983
Shinhan Back Office Support Center	1311, Jungang-ro, Ilsandong-gu, Goyang-si, Gyeonggi-do, Korea 10401	25,238	5,856
Shinhan Bank Back Office and Call Center	251, Yeoksam-ro, Gangnam-gu, Seoul, Korea 06225	40,806	7,964
Shinhan Bank Back Office and Storage Center	1221, 1sunwhan-ro, Sangdang-gu, Cheongju-Si, Chungcheongbuk-do, Korea 28777	6,019	5,376
Shinhan Card Yoksam-Dong Building	176, Yeoksam-ro, Gangnam-gu, Seoul, Korea 06248	7,348	1,185
Shinhan Data Center	67, Digital Valley-ro, Suji-gu, Yongin-si, Gyeonggi-do, Korea 16878	45,277	9,114

Our subsidiaries own or lease various land and buildings for their branches and sales offices.

As of December 31, 2023, Shinhan Bank had a countrywide network of 721 branches. Approximately 20.25% of these facilities were housed in buildings owned by us, while the remaining branches were leased properties. Lease terms are generally between two to three years and generally do not exceed five years. As of December 31, 2023, Jeju Bank had 31 branches of which we own 12 of the buildings in which the facilities are located, representing 38.7% of its total branches. Lease terms are generally between one to two years and seldom exceed five years.

As of December 31, 2023, Shinhan Card had 29 branches, including its headquarters, all but three of which were leased. Lease terms are generally between one to two years. As of December 31, 2023, Shinhan Securities had a nationwide network of 76 branches of which we own five of the buildings. As of December 31, 2023, Shinhan Life Insurance had 218 branches, which we lease for a term of generally one to two years.

The net book value of all the properties owned by us on December 31, 2023 was ₩2,833 billion. We do not own any material properties outside of Korea.

ITEM 4A. *UNRESOLVED STAFF COMMENTS*

We do not have any unresolved comments from the staff of the U.S. Securities and Exchange Commission regarding our periodic reports under the Securities Exchange Act of 1934, as amended.

ITEM 5. *OPERATING AND FINANCIAL REVIEW AND PROSPECTS*

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and notes thereto included in this annual report. The following discussion is based on our consolidated financial statements, which have been prepared in accordance with IFRS.

Beginning January 1, 2023, IFRS 17 'Insurance Contracts' has replaced in its entirety existing guidance in IFRS 4. Therefore, we have applied IFRS 17 to insurance contracts in preparing our financial statements as of December 31, 2023 and for the year ended December 31, 2023, and in preparing such financial statements we have retrospectively applied IFRS 17 to insurance contracts to restate the comparative financial information as of December 31, 2022 and for the year ended December 31, 2022 included in this annual report, in each case, in accordance with IFRS 17. Unless stated otherwise, our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report are shown based on IFRS 17 whereas our financial information as of December 31, 2021 and for the year ended December 31, 2021 included in this annual report are shown based on IFRS 4 and have not been restated based on IFRS 17. Accordingly, certain of our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report may not be directly comparable against our historical financial *information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, which are shown based on IFRS 4 and have not been restated based on IFRS 17. Under IFRS 17, insurance contract liabilities will be calculated in terms of market value (as the present value of future insurance cash flows with a provision for risk) instead of book value. As the discount rate will reflect current interest rates rather than book yields, we may have a significantly higher debt balance under IFRS 17 due to higher insurance liabilities, thereby resulting in a decrease in our risk-based capital. See "— Risks Related to Our Overall Business — The implementation of IFRS 17 beginning on January 1, 2023 renders certain of our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, not directly comparable with our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report." in this annual report and Note 3 and Note 52 of the notes to the audited consolidated annual financial statements included in this annual report.*

ITEM 5.A. Operating Results

Overview

We are one of the leading financial institutions in Korea in terms of total assets, revenues, profitability and capital adequacy, among others. Incorporated on September 1, 2001, we are the first privately-held financial holding company to be established in Korea. Since inception, we have developed and introduced a wide range of financial products and services in Korea and aimed to deliver comprehensive financial solutions to clients through a convenient one-portal network.

Most of our assets are located in, and we generate most of our income from, Korea. Accordingly, our business and profitability are largely dependent on the general economic and social conditions in Korea, including interest rates, inflation, exports, personal expenditures and consumption, unemployment, demand for business products and services, debt service burden of households and businesses, the general availability of credit, the asset value of real estate and securities and other factors affecting the financial well-being of our corporate and retail customers. The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy and financial markets. In recent years, the global economy and financial markets experienced adverse conditions and volatility, which also had an adverse impact on the Korean economy and in turn on our business and profitability. See "Item 3.D. Risk Factors — Risks Relating to Our Overall Business — Difficult conditions and turbulence in the Korean and global economy and financial markets may adversely affect our business, asset quality, capital adequacy and earnings."

We derive most of our income from interest earned on our corporate and retail loans, net of funding costs (which primarily consist of interest payable on customer deposits). Net interest income is largely a function of the average volume of loans and the net interest spread thereon.

In 2022, the average volume of retail loans increased by 3.9% from 2021, primarily as a result of an increase in home mortgage loans. In 2022, the average volume of corporate loans increased by 10.0% from 2021, primarily as a result of the policies to support small- and medium-sized enterprises amidst the prolonged COVID-19 pandemic.

In 2023, the average volume of retail loans decreased by 2.2% from 2022, primarily as a result of a decrease in household credit loans (particularly general fund lump-sum repayment loans) and collective loans. In 2023, the average volume of corporate loans increased by 4.2% from 2022, primarily as a result of an increase in corporate credit loans (particularly working capital loans and loans for equipment).

From 2021 to 2022, both the average yield on interest-earning assets and the average rate on interest-bearing liabilities increased, primarily as a result of the continuous rise in benchmark interest rates set by the Bank of Korea during 2022. The average balance increased for both interest-earning assets and interest-bearing liabilities. Shinhan Bank's net interest income increased by 24.1% from ₩6,611 billion in 2021 to ₩8,205 billion in 2022. Net interest income after provision for loan losses amounted to ₩6,265 billion and ₩7,626 billion in 2021 and 2022, respectively. Shinhan Bank's operating income increased by 16.1% from ₩3,587 billion in 2021 to ₩4,163 billion in 2022.

From 2022 to 2023, both the average yield on interest-earning assets and the average rate on interest-bearing liabilities increased primarily as a result of an increase in the base interest rate by the Bank of Korea during 2022 and 2023. The average balance increased for both interest-earning assets and interest-bearing liabilities. Shinhan Bank's net interest income increased by 2.4% from ₩8,205 billion in 2022 to ₩8,403 billion in 2023. Net interest income after provision for loan losses amounted to ₩7,626 billion and ₩7,575 billion in 2022 and 2023, respectively. Shinhan Bank's operating income decreased by 0.4% from ₩4,163 billion in 2022 to ₩4,147 billion in 2023.

As for Shinhan Card, its operating revenue is largely dependent on transaction volume and less sensitive to interest rate movements than our banking business, since merchant fees (representing a fixed percentage of a credit card purchase amount) provide a stable source of income and our credit card business enjoys more diversified sources of funding, including commercial paper, corporate debentures (which have maturities longer than most bank deposit products) and asset-backed securitizations. The credit card transaction volume is largely dependent on the overall trends of the general Korean economy, such as general consumer spending patterns in Korea. Shinhan Card's operating revenues increased by 13.0% from ₩4,760 billion in 2022 to ₩5,379 billion in 2023, largely due to an increase in new customers as well as increase in fees and commission income from lease operations. In addition, fees and commission income increased by 17.8% from ₩1,758 billion in 2022 to ₩2,071 billion in 2023, primarily as a result of an increase in the average balance of operating leased assets resulting from the expansion of operating assets.

The following provides a discussion of the major trends surrounding the general economy and the financial services sector in Korea in 2023 and our current outlook for 2024 as they relate to our core businesses. The following discussion represents the subjective view of our management and may significantly differ from the actual results for 2024.

Trends in the Korean Economy

The global economy experienced a slowdown in growth in 2023, and despite some indications that supply chains and energy prices are stabilizing and the pace of inflation is slowing down in certain countries, concerns of prolonged global downturn remain. We expect continued volatility in the international financial markets, as the impact of high interest rates is expected to remain and major governmental financial assistance schemes have been discontinued. Fluctuations in U.S. dollar exchange rates and long-term market interest rates are also contributing to increasing volatility in the market. Major factors that are expected to affect the global economy and international financial markets include rate of global inflation, changes in monetary policy in major economies, relative strength of the U.S. dollar, the recovery of the Chinese economy, and other geopolitical risks.

In 2023, Korea's domestic economy experienced a downturn in consumption and investment. As the base interest rate is not expected to be decreased during the first half of 2024, the prolonged burden of high prices and household debt, and the deterioration of project finance loans could further constrain consumer sentiment. In contrast, Korea's exports recovered in 2023, as exports to both the United States and China have increased. Semiconductor exports have recently surged, while the automotive sector has sustained continuous growth. As the recovery in exports continues, a progressive improvement in the manufacturing sector linked to exports is expected. The increased demand for semiconductors and automobiles has led to expanded production and enhanced facility investments.

While it remains unclear whether or when the U.S. Federal Reserve Board's quantitative tightening may be reversed, the Bank of Korea may consider easing of the base rates in Korea in response to pressure from the Government and domestic market conditions. The Bank of Korea has prioritized price stability and continued its tightening stance for a significant period of time, as the inflation rate has remained higher than policy target levels and economic conditions continued to remain uncertain. In January 2024, the Bank of Korea announced that it would maintain the base interest rate at the current level of 3.50% after a series of raises since August 2021. Interest rate movements are uncertain and will depend, in part, on domestic and international economic conditions, employment rate, and price trends.

Recent Developments and Outlook for the Korean Financial Sector

Commercial Banking

Since the global financial crisis in 2008, the asset size of Korean commercial banks has consistently grown year over year, including in 2023. Asset quality of commercial banks in Korea continued to improve, primarily as a result of Korean commercial banks' risk management efforts and Government-led financial support programs. Corporate loans increased amidst recent Government-led financial support programs and expenditures and fiscal stimulus measures. Although household loans decreased as a result of the Government-led household loans management measures and increases in the base interest rate set by the Bank of Korea, net income for Korean commercial banks generally increased in 2023 compared to 2022, primarily due to relatively higher growth in corporate loan assets and improvement in net interest margin following interest rate increases.

In 2024, growth for commercial banks in Korea is expected to slow down due to a variety of factors, including continuation of relatively high levels of inflation, volatility in the base interest rate and the Government's continuing policies to control growth of household debt by regulating household mortgage and credit loans. In response to this market volatility and increased risk of defaults on loan payments, particularly for loans to small- and medium-sized enterprises and to real estate project financings, Korean commercial banks have generally increased their loan loss provisions in 2023 compared to 2022. If such trend of increasing loan loss provisions continues, it may have adverse effects on Korean commercial banks' asset quality and capacity to supply new loans. For further details, see "Item 3.D. Risk Factors — Risks Relating to Our Banking Business — We have significant exposure to small- and medium-sized enterprises, and financial difficulties experienced by such enterprises may result in a deterioration of our asset quality." In addition, as the demand for consumer protection in investment products increases, the banks' organization and key performance indicators are expected to be readjusted, and fees and commission income generally is expected to decrease. Competition among banks, shadow banking financial institutions and fintech firms is expected to further intensify due to the accelerated transition to digital platforms and contactless financial services. The resulting competition is expected to go beyond traditional price-based competition, requiring banks to focus on recruiting talented and innovative individuals and also on offering customized products and services based on big data analysis and integrating financial services with customers' daily life patterns in order to attract new customers and expand clientele. The Government's policies focusing on protection of consumers and encouraging inclusive financial policies are also expected to lead to further competition among banks for relevant businesses, such as businesses to support the middle class, socially disadvantaged classes, small businesses and startups. Environmental, social, and governance (ESG) issues, as well as the opportunities and risks associated with them, are becoming increasingly important to commercial banks. We believe that strengthening risk management capabilities will become increasingly important and have a more direct impact on the financial performance of commercial banks in Korea.

Credit Cards

In 2023, the prolonged impact of high interest rates and sluggish economic recovery increased uncertainty in the Korean credit card industry, and a series of challenges contributed to the market's volatility, including uncertain economic forecasts, a complex regulatory environment, and growing competition with fintech companies. Although the scale and profitability of Korean credit card businesses have generally increased steadily in recent years, the potential for additional quantitative growth may be limited given the ratio of credit card payment has already reached approximately 80% of total retail consumption.

In 2024, credit card companies will need to manage emerging issues in traditional financial services business, which include prolonged high levels of inflation, high interest rate environment, domestic and international real estate risks, a decrease in household purchasing power, accumulated credit risk, as well as effectively respond to increasingly stringent regulatory environments, which include lower maximum interests on loans, reduced merchant fees and tightened debt-to-service ratio regulations on financial products. The competition in mobile payment services is expected to intensify as payment through mobile applications has become prevalent, requiring credit card companies to develop customer-friendly digital payment services. As a result, credit card companies will need to enhance their core financial services business capabilities while also diversifying their business portfolios, managing and reducing costs through digital transformation, and enhancing the competitiveness of their digital platforms to maintain and expand their customer base in the payment market.

Securities

In 2023, securities companies continued their efforts to diversify revenue sources other than traditional brokerage services, expanding into investment banking and sales and trading in an effort to reduce the impact of stock price fluctuations on the profitability of securities companies. Competition has particularly intensified as entry barriers into the securities industry is relatively low and there are a limited number of factors allowing companies to differentiate its services with other financial companies. In addition to the traditional corporate finance sector, securities companies are currently focusing on acquisition financing and structured financings involving overseas real estate.

In 2024, securities companies continue to face a difficult business environment as a result of the market uncertainty and increasing levels of competition. Persisting volatilities in financial indices and interest rates are expected to weaken financial market sentiments, and competition with fintech companies and other securities companies is expected to intensify. The brokerage services industry is also implementing systematic changes in response to the Government's strengthening financial consumer protection measures. Competition for expanding ICT infrastructure is expected to intensify further in order to develop future growth opportunities created by the increase in digital service users and tech-savvy young customers. As more securities companies enter the wealth management and corporate and investment banking markets, more companies are expected to combine and integrate their banking and financial investment services. Moreover, fintech companies such as KakaoPay and Toss have entered the online brokerage and asset management markets through the launch of KakaoPay Securities Corp. and Toss Securities, respectively, in February 2021, further intensifying competition within the segment. Accordingly, securities companies will need to diversify and strengthen their investment banking divisions in order to mitigate the rising volatility and consequent fluctuations in the brokerage market. Specifically, acquisition finance and structured finance have recently grown and have become a new focus for securities companies as a result of the Government's policies to develop corporate finance industry.

Life Insurance

In 2023, the life insurance industry in Korea experienced major changes due to the implementation of IFRS 17 and K-ICS (requiring insurance companies to apply market price valuation to their assets and liabilities in calculating capital requirement ratios in line with the new IFRS 17 accounting standards), which contributed to increased volatility in insurance companies' profits and losses and capital ratios. See "— Risks Related to Our Overall Business — The implementation of IFRS 17 beginning on January 1, 2023 renders certain of our historical financial information as of December 31, 2021 and for the year ended December 31, 2021, included in this annual report, not directly comparable with our financial information as of December 31, 2022 and 2023 and for the years ended December 31, 2022 and 2023 included in this annual report."

In 2024, the life insurance industry's overall profitability is expected to experience continued pressure, due to aging population and low birthrates, slowing growth of the Korean economy, competition against tech companies who have been expanding into the life insurance market and volatility in the financial markets. It is expected that risk management and underwriting (risk takeover) capability will become an increasingly important factors in life insurance companies' ability to strategically reduce business expenses. In addition, the demands for health insurance products and retirement pension insurance have increased steadily, and as a result it is expected that sales channels, products, and digital-based competitiveness will become more important in the future. As the line between financial and non-financial sectors become blurry and the life insurance market matures, we expect overall growth potential for the industry to be limited and the importance of developing differentiated products and services tailored to customers' individualized needs and expanding digital-based customer services to become increasingly important.

Credit

The specialized credit business cannot accept customer deposits and generally involves providing a combination of four types of financing: equipment and facilities leasing, installment finance, new technology finance and credit card services, and sources funding primarily by issuing debentures and commercial papers. The specialized credit business generally targets customers with higher risk profile in return for higher return compared to customers of commercial banks, which makes risk management (including customer screening) a particularly key factor for commercial success of this business.

Due, in part, to the variety of services being offered and the broad range of potential customers, specialized credit providers often find it relatively easy to develop new customer segments and provide niche offerings. In September 2015, the National Assembly of Korea passed an amendment to the Credit Finance Business Act, which, among other things, reduced entry barriers into the credit finance industry by lowering the minimum capital requirements for new entrants. Due to the relatively low barriers of entry, however, competition is intense and has further intensified as commercial banks have been offering automobile loan offerings as well as medium-interest loan products and peer-to-peer companies and lenders have been expanding their credit loan businesses as well. Although the size of the overall industry has increased primarily due to recent increases in automobile financing (installment, lease and auto loan) and investments in, and loans to, tech companies, overall profitability has declined in recent years and competition has been further intensifying.

Asset Management

In 2024, diversification of investment strategies is expected to continue due to increased difficulty in generating profits from traditional assets as a result of increased interest rate volatility and uncertainties in global financial markets. In particular, direct investment and demand for alternative investment opportunities, such as real estate and alternative assets, is expected grow as investors seek to offset increases in base interest rates with high-yield investment products. In addition, it is expected that interest in retirement pension-linked products will continue to grow, as will online sales. Such growth in alternative investments is expected to offer new opportunities; however, increasing market volatility due to governments' monetary policies, stricter regulation on private equity activities and increased risk of class action suits from investors may pose additional risks.

The total amount of assets under management by Shinhan Asset Management increased by 6.6% to ₩108.1 trillion as of December 31, 2023 from ₩101.4 trillion as of December 31, 2022, due to overall growth in demand for stocks, bonds and alternative investments. The total amount of discretionary investment contracts increased by 36.9% to ₩59.6 trillion as of December 31, 2023 from ₩43.6 trillion as of December 31, 2022, primarily due to an increase in the volume of contracts with insurance companies. Operating profit increased by 24.7% to ₩35.7 billion in 2023 from ₩28.6 billion in 2022, and net profit increased by 35.7% to ₩27.0 billion in 2023 from ₩19.9 billion in 2022, primarily due to an increase in fees and commission income as a result of an increase in assets under management and an increase in valuation gains on Shinhan Asset Management's investments.

As estimated returns on investments in the Korean market are expected to remain low due to slowing growth of the Korean economy, demand for investments in overseas markets and non-financial assets is expected to increase. Demand for long-term investment products in the public fund market, such as individual annuity funds and retirement pension funds, is expected to continue to rise. Demand from investors looking to invest in ESG products is expected to continue to be strong as new ESG products are introduced into the market and gradually attract interest from retail investors.

Interest Rates

Interest rate movements, in terms of magnitude and timing as well as their relative impact on our assets and liabilities, have a significant impact on our net interest margins and profitability, particularly with respect to its financial products that are sensitive to such movements. For example, if the interest rates applicable to Shinhan

Bank's loans (which are recorded as our assets) decrease at a faster pace or by a wider margin, or increase at a slower pace or by a thinner margin, compared to the interest rates applicable to its deposits (which are recorded as our liabilities), Shinhan Bank's net interest margin will shrink and its profitability will be negatively affected. In addition, the relative size and composition of Shinhan Bank's variable rate loans and deposits (as compared to our fixed rate loans and deposits) may also impact Shinhan Bank's net interest margin. Furthermore, the difference in the average repricing frequency of Shinhan Bank's interest-earning assets (primarily loans) compared to its interest-bearing liabilities (primarily deposits) may also impact its net interest margin. For example, since Shinhan Bank's deposits currently have a longer term, on average, than that of its loans, its deposits are on average less sensitive to movements in the base interest rates on which its deposits and loans tend to be pegged, and therefore, an increase in the base interest rates tends to increase its net interest margin while a decrease in the base interest rates tends to have the opposite effect. Since Shinhan Bank is one of our principal operating subsidiaries, its net interest margin and profitability have a substantial effect on our overall net interest margin and profitability. While we continually manage our assets and liabilities to minimize our exposure to the interest rate volatility, such efforts by us may not mitigate the impact of interest rate volatility in a timely or effective manner.

The interest rate charged to customers by our banking subsidiaries is based, in part, on the "cost of funds index," or COFIX, which is published by the Korean Federation of Banks. COFIX is computed based on the weighted average interest of select funding products (including time deposits, housing and other installment savings deposits, repos, discounted bills and senior non-convertible financial debentures) of eight major Korean banks (comprised of Shinhan Bank, Kookmin Bank, Woori Bank, KEB Hana Bank, Nonghyup Bank, Industrial Bank of Korea, Citibank Korea and Standard Chartered Bank Korea). Each bank then independently determines the interest rate applicable to its respective customers by adding a spread to the COFIX based on the difference between the COFIX and such bank's general funding costs, administration fees, the customer's credit score, the maturity of the loan and other customer-specific premiums and discounts based on the customer relationship with such bank. These interest rates are typically adjusted on a monthly basis.

The following table shows certain benchmark Won-denominated borrowing interest rates as of the dates indicated.

	Corporate Bond Rates(1)	Treasury Bond Rates(2)	Certificate of Deposit Rates(3)	COFIX Balance-Based(4)	New COFIX Balance-Based(5)	COFIX New Borrowing-Based(6)
June 30, 2019	1.80	1.47	1.78	2.00	—	1.85
December 31, 2019 . . .	1.78	1.36	1.53	1.81	1.55	1.63
June 30, 2020	1.57	0.85	0.79	1.55	1.26	1.06
December 31, 2020 . . .	1.39	0.97	0.66	1.21	0.96	0.90
June 30, 2021	1.81	1.45	0.67	1.02	0.81	0.82
December 31, 2021 . . .	2.41	1.80	1.28	1.19	0.94	1.55
June 30, 2022	4.36	3.55	2.02	1.68	1.31	1.98
December 31, 2022 . . .	4.67	3.73	3.98	3.19	2.65	4.34
June 30, 2023	4.47	3.60	3.75	3.76	3.14	3.56
December 31, 2023 . . .	3.98	3.15	3.83	3.89	3.35	4.00

Source: Korea Financial Investment Association

Notes:

(1) Measured by the yield on three-year AA- rated corporate bonds.
(2) Measured by the yield on three-year treasury bonds.
(3) Measured by the yield on certificates of deposit (with maturity of 91 days).
(4) Measured based on the weighted average of the borrowing rates for the monthly ending balances of the funding made by the commercial banks that are subject of the COFIX reporting.

(5) New COFIX on Outstanding Balance (the "New COFIX") is a new benchmark COFIX introduced since July 2019. The New COFIX also takes into account other deposits such as inter-bank time deposits and non-resident deposits and other funding sources such as subordinated bonds and convertible bonds in calculating the weighted average of the borrowing rates for the monthly ending balances of the funding made by the commercial banks that are subject of the COFIX reporting.
(6) Measured based on the weighted average of the borrowing rates for new funding for each month made by the commercial banks that are subject of the COFIX reporting.

Average Balance Sheet and Volume and Rate Analysis

Average Balances and Related Interest

The following table shows our average balances and interest rates, as well as the net interest spread, net interest margin and asset liability ratio, for the years ended December 31, 2021, 2022 and 2023.

	For the Year Ended December 31,								
	2021			2022			2023		
	Average Balance(1)	Interest Income/ Expense	Yield / Rate	Average Balance(1)	Interest Income/ Expense	Yield / Rate	Average Balance(1)	Interest Income/ Expense	Yield / Rate
	(In billions of Won, except percentages)								
Assets:									
Interest-earning assets									
Due from banks(2)	₩ 10,476	₩ 87	0.83%	₩ 13,433	₩ 283	2.11%	₩ 13,336	₩ 591	4.43%
Loans(3)									
Retail loans	151,535	4,560	3.01	157,442	6,065	3.85	154,031	7,747	5.03
Corporate loans	192,743	5,331	2.77	211,942	7,802	3.68	220,791	11,293	5.11
Securities purchased with agreements to resell	3,685	31	0.85	3,723	73	1.96	2,331	67	2.87
Other corporate loans	189,058	5,300	2.80	208,219	7,729	3.71	218,460	11,226	5.14
Public and other loans	3,627	97	2.68	3,617	133	3.67	4,200	219	5.22
Loans to banks	6,019	46	0.76	6,097	155	2.54	7,588	377	4.97
Credit card loans	24,641	1,891	7.67	27,369	1,979	7.23	27,967	2,162	7.73
Total loans	378,565	11,925	3.15	406,467	16,134	3.97	414,577	21,798	5.26
Securities(4)	165,970	2,648	1.60	176,986	3,463	1.96	179,291	4,815	2.69
Reinsurance contract assets	—	—	—	—	—	—	2	—	5.38
Other interest-earning assets	—	64	—	—	93	—	—	135	—
Total interest-earning assets	₩555,011	₩14,724	2.65%	₩596,886	₩19,973	3.35%	₩607,206	₩27,339	4.50%
Non-interest-earning assets									
Cash and due from banks	₩ 17,291			₩ 18,363			₩ 17,134		
Derivative assets	4,073			6,137			5,474		
Property and equipment and intangible assets	9,488			9,736			10,212		
Other non-interest-earning assets	39,693			35,559			38,693		
Total non-interest-earning assets	₩ 70,545			₩ 69,795			₩ 71,513		
Total assets	₩625,556	₩14,724		₩666,681	₩19,973		₩678,719	₩27,339	

	For the Year Ended December 31,								
	2021			2022			2023		
	Average Balance(1)	Interest Income/ Expense	Yield / Rate	Average Balance(1)	Interest Income/ Expense	Yield / Rate	Average Balance(1)	Interest Income/ Expense	Yield / Rate
	(In billions of Won, except percentages)								
Liabilities:									
Interest-bearing liabilities									
Deposits									
Demand deposits	₩ 65,907	₩ 209	0.32%	₩ 68,636	₩ 322	0.47%	₩ 62,946	₩ 626	0.99%
Savings deposits	106,172	243	0.23	108,419	431	0.40	95,895	828	0.86
Time deposits	153,718	1,620	1.05	174,029	3,551	2.04	205,277	7,833	3.82
Other deposits	11,180	102	0.91	17,169	339	1.97	13,164	504	3.82
Total interest-bearing deposits	336,977	2,174	0.65	368,253	4,643	1.26	377,282	9,791	2.60
Financial liabilities designated at FVTPL	—	—	—	30	1	4.34	184	10	5.32
Borrowings									
Securities sold with agreements to repurchases	10,905	62	0.57	10,876	208	1.91	13,023	446	3.43
Other borrowings	31,018	269	0.87	39,270	731	1.86	41,233	1,450	3.52
Total interest-bearing borrowings	41,923	331	0.79	50,146	939	1.87	54,256	1,896	3.49
Debt securities issued	77,137	1,390	1.80	80,637	1,901	2.36	75,739	2,735	3.61
Insurance contract liabilities	—	—	—	48,841	1,672	3.42	46,310	1,705	3.68
Reinsurance contract liabilities	—	—	—	65	1	1.41	—	—	—
Other interest-bearing liabilities	5,805	60	1.04	6,373	219	3.43	5,552	384	6.92
Total interest-bearing liabilities	₩461,842	₩ 3,955	0.86%	₩554,345	₩ 9,376	1.69%	₩559,323	₩16,521	2.95%
Non-interest-bearing liabilities									
Non-interest-bearing deposits	₩ 4,818			₩ 5,390			₩ 4,475		
Derivatives liabilities	3,512			6,971			6,303		
Insurance liabilities	53,847			—			—		
Other non-interest-bearing liabilities	53,245			47,777			52,730		
Total non-interest-bearing liabilities	₩115,422			₩ 60,138			₩ 63,508		
Total liabilities	₩577,264	₩ 3,955		₩614,483	₩ 9,376		₩622,831	₩16,521	
Total equity attributable to equity holder of the Group	46,040			49,839			53,090		
Non-controlling interests	2,252			2,359			2,798		
Total liabilities and equity	₩625,556	₩ 3,955		₩666,681	₩ 9,376		₩678,719	₩16,521	
Net interest spread(5)			1.79%			1.66%			1.55%
Net interest margin(6)			1.94%			1.78%			1.78%
Average asset liability ratio(7)			120.17%			107.67%			108.56%

Notes:

(1) Average balances are based on (a) daily balances for Shinhan Bank and (b) quarterly balances for other subsidiaries.

(2) Due from banks as of December 31, 2021, 2022 and 2023, consists of due from banks at amortized cost and deposits at fair value through profit or loss.

(3) Non-accruing loans are included in the respective average loan balances. Income on such non-accruing loans is no longer recognized from the date the loan is placed on nonaccrual status. We reclassify loans as accruing when interest (including default interest) and principal payments are current. Loans as of December 31, 2021, 2022 and 2023, consist of loans at amortized cost and loans at fair value through profit or loss.

(4) Average balance and yield on securities are based on book value. Securities as of December 31, 2021, 2022 and 2023, consist of securities at fair value through profit or loss, securities at fair value through other comprehensive income and securities at amortized cost.

(5) Represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest paid on interest-bearing liabilities.
(6) Represents the ratio of net interest income to average interest-earning assets.
(7) Represents the ratio of average interest-earning assets to average interest-bearing liabilities.

Analysis of Changes in Net Interest Income — Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income between changes in volume and changes in rates for (i) 2023 compared to 2022 and (ii) 2022 compared to 2021. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest-earning assets and average interest-bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to the absolute volume and rate change.

	From 2022 to 2023 Interest Increase (Decrease) Due to Change in		
	Volume	Rate	Change
	(In billions of Won)		
Increase (decrease) in interest income			
Due from banks	₩ (2)	₩ 310	₩ 308
Loans:			
Retail loans	(134)	1,816	1,682
Corporate loans	338	3,153	3,491
Public and other loans	24	62	86
Loans to banks	45	177	222
Credit card loans	44	139	183
Total loans	317	5,347	5,664
Securities	46	1,306	1,352
Reinsurance contract assets	—	—	—
Other interest-earning assets	—	42	42
Total interest income	₩ 361	₩7,005	₩7,366
Increase (decrease) in interest expense			
Deposits:			
Demand deposits	₩ (29)	₩ 333	₩ 304
Savings deposits	(55)	452	397
Time deposits	733	3,549	4,282
Other deposits	(94)	259	165
Total interest-bearing deposits	555	4,593	5,148
Financial liabilities designated at FVTPL	8	1	9
Borrowings	83	874	957
Debt securities issued	(122)	956	834
Insurance contract liabilities	(89)	122	33
Reinsurance contract liabilities	(1)	—	(1)
Other interest-bearing liabilities	(31)	196	165
Total interest expense	403	6,742	7,145
Net increase (decrease) in net interest income	₩ (42)	₩ 263	₩ 221

	From 2021 to 2022 Interest Increase (Decrease) Due to Change in		
	Volume	Rate	Change
	(In billions of Won)		
Increase (decrease) in interest income			
Due from banks	₩ 30	₩ 166	₩ 196
Loans:			
Retail loans	184	1,321	1,505
Corporate loans	572	1,899	2,471
Public and other loans	—	36	36
Loans to banks	1	108	109
Credit card loans	201	(113)	88
Total loans	958	3,251	4,209
Securities	185	630	815
Other interest-earning assets	—	29	29
Total interest income	₩1,173	₩4,076	₩5,249
Increase (decrease) in interest expense			
Deposits:			
Demand deposits	₩ 9	₩ 104	₩ 113
Savings deposits	5	183	188
Time deposits	239	1,692	1,931
Other deposits	74	163	237
Total interest-bearing deposits	327	2,142	2,469
Financial liabilities designated at FVTPL	1	—	1
Borrowings	76	532	608
Debt securities issued	66	445	511
Insurance contract liabilities	1,672	—	1,672
Reinsurance contract liabilities	1	—	1
Other interest-bearing liabilities	6	153	159
Total interest expense	2,149	3,272	5,421
Net increase (decrease) in net interest income	₩ (976)	₩ 804	₩ (172)

Profitability Ratios and Other Data

	For the year ended December 31,		
	2021	2022	2023
	(Percentages)		
Profit attributable to the Group as a percentage of:			
Average total assets(1)	0.66%	0.71%	0.66%
Average total Group equity(1)	8.52	9.54	8.43
Dividend payout ratio(2)	28.28	26.27	28.49
Net interest spread(3)	1.80	1.65	1.55
Net interest margin(4)	1.94	1.78	1.78
Efficiency ratio(5)	86.77	87.33	86.73
Cost-to-income ratio(6)	45.25	43.86	41.38
Cost-to-average assets ratio(1)(7)	5.85	6.58	5.74
Equity to average asset ratio(1)(8)	7.72	7.48	7.82

Notes:

(1) Average total assets (including average interest-earning assets), liabilities (including average interest-bearing liabilities) and equity are based on (a) daily balances for Shinhan Bank and (b) quarterly balances for other subsidiaries.
(2) Represents the ratio of total dividends declared on common and preferred stock and hybrid bonds as a percentage of profit attributable to the Group.
(3) Represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(4) Represents the ratio of net interest income to average interest-earning assets.
(5) Represents the ratio of non-interest expense to the sum of net interest income and non-interest income. Efficiency ratio is used as a measure of efficiency for banks and financial institutions. Efficiency ratio may be reconciled to comparable line items in our income statements for the periods indicated as follows:

	For the year ended December 31,		
	2021	**2022**	**2023**
	(In billions of Won, except percentages)		
Non-interest expense (A)	₩36,606	₩43,875	₩38,984
Divided by			
The sum of net interest income and non-interest income (B)	42,189	50,242	44,949
Net interest income	10,769	10,597	10,818
Non-interest income	31,420	39,645	34,131
Efficiency ratio ((A) as a percentage of (B))	86.77%	87.33%	86.73%

(6) Represents the ratio of general and administrative expenses to the operating income before general and administrative expenses and provision for credit loss allowance.
(7) Represents the ratio of non-interest expense to average total assets.
(8) Represents the ratio of average equity to average total assets.

Results of Operations

2023 Compared to 2022

The following table sets forth, for the periods indicated, the principal components of our operating income.

	For the Year Ended December 31,		
	2022	**2023**	**% Change**
	(In billions of Won, except percentages)		
Net interest income	₩10,597	₩10,818	2.1%
Net fees and commission income	2,414	2,647	9.7
Net other operating expense	(7,105)	(7,364)	3.6
Operating income	₩ 5,906	₩ 6,101	3.3%

Net Interest Income

The following table shows, for the periods indicated, the principal components of our net interest income.

	For the Year Ended December 31		
	2022	2023	% Change
	(In billions of Won, except percentages)		
Interest income:			
Cash and due from bank at amortized cost	₩ 282	₩ 591	109.6%
Deposits at fair value through profit or loss	1	—	(100)
Securities at fair value through profit or loss	924	1,396	51.1
Securities at fair value through other comprehensive income	1,847	2,357	27.6
Securities at amortized cost	692	1,062	53.5
Loans at amortized cost	16,065	21,677	34.9
Loans at fair value through profit or loss	69	121	75.4
Insurance finance interest income	119	240	101.7
Others	93	135	45.2
Total interest income	₩20,092	₩27,579	37.3%
Interest expense:			
Deposits	₩ 4,643	₩ 9,791	110.9%
Financial liabilities designated at FVTPL	1	10	900.0
Borrowings	939	1,896	101.9
Debt securities issued	1,901	2,735	43.9
Insurance finance interest expense	1,792	1,945	8.5
Others	219	384	75.3
Total interest expense	₩ 9,495	₩16,761	76.5%
Net interest income	₩10,597	₩10,818	2.1%
Net interest margin(1)	1.78%	1.78%	

Note:

(1) Represents the ratio of net interest income to average interest-earning assets. See "— Average Balance Sheet and Volume and Rate Analysis — Average Balances and Related Interest."

Interest income. Interest income increased by 37.3% to ₩27,579 billion in 2023 from ₩20,092 billion in 2022, primarily due to a 34.9% increase in interest income on loans at amortized cost to ₩21,677 billion in 2023 from ₩16,065 billion in 2022, largely as a result of an increase in the weighted average base interest rate to 3.49% in 2023 from 2.03% in 2022 resulting from increases in the base interest rate set by the Bank of Korea, as well as an increase in the average balance of loans. The average lending rate on loans increased to 5.26% in 2023 from 3.97% in 2022, principally due to an increase in average lending rates for corporate loans resulting from the higher average market interest rate for 2023 compared to 2022 as discussed above. The average balance of loans increased by 2.0% to ₩414,577 billion in 2023 from ₩406,467 billion in 2022, principally due to an increase in the average balances of corporate loans, which was partially offset by a decrease in the average balances of retail loans, as further described below.

More specifically, the increase in interest income was due to the following:

- a 27.7% increase in interest on retail loans to ₩7,747 billion in 2023 from ₩6,065 billion in 2022, primarily due to an increase in the average lending rate for retail loans to 5.03% in 2023 from 3.85% in 2022 which was partially offset by a 2.2% decrease in the average balance of retail loans to ₩154,031 billion in 2023 from ₩157,442 billion in 2022. The average lending rate for retail loans increased primarily as a result of the general increase in market interest rates largely driven by increases in the base interest rate set by the Bank of Korea in 2023 as discussed above. The base interest rate set by the Bank of Korea affects the market interest rate for certificates of deposit, which in turn largely determines our lending rates for a substantial majority of our retail loans. The average balance of retail loans decreased primarily as a result of a decrease in the average volume of household loans and collective loans.

- a 44.7% increase in interest on corporate loans to ₩11,293 billion in 2023 from ₩7,802 billion in 2022, primarily due to an increase in the average lending rate for corporate loans to 5.11% in 2023 from 3.68% in 2022, as well as a 4.2% increase to the average balance of corporate loans to ₩220,791 billion in 2023 from ₩211,942 billion in 2022. The average lending rate for corporate loans increased primarily as a result of the general increase in market interest rates largely driven by the increase in the base interest rate set by the Bank of Korea in 2023 as discussed above. The average balance of corporate loans increased largely due to corporate customers' preference for loans over bonds as source of financing resulting from an increase in issuance costs of bonds.

Interest expense. Interest expense increased by 76.5% from ₩9,495 billion in 2022 to ₩16,761 billion in 2023, primarily due to a 110.9% increase in interest expense on deposits from ₩4,643 billion in 2022 to ₩9,791 billion in 2023, as well as a 101.9% increase in interest expense on borrowings from ₩939 billion in 2022 to ₩1,896 billion in 2023.

The increase in interest expense on deposits was due to an increase in the average interest rate of total interest-bearing deposits from 1.26% in 2022 to 2.60% in 2023, as well as a 2.5% increase in the average balance of deposits from ₩368,253 billion in 2022 to ₩377,282 billion in 2023. The increase in the average rate of interest paid on deposits was mainly due to an increase in the average rate of interest paid on time deposits from 2.04% in 2022 to 3.82% in 2023 as well as an increase in the average rate of interest paid on savings deposits from 0.40% in 2022 to 0.86% in 2023. The average rate of interest paid on time deposits and savings deposits increased largely as a result of an increase in the weighted average base interest rate from 2.03% in 2022 to 3.49% in 2023 resulting from increases in the base interest rate set by the Bank of Korea as explained above. The increase in the average balance of deposits was primarily due to an 18.0% increase in the average balance of time deposits, which was largely a result of an increase in amounts deposited by customers in light of higher deposit interest rates.

The increase in interest expense on borrowings was primarily due to an increase in the average interest rate of borrowings from 1.87% in 2022 to 3.49% in 2023, and an 8.2% increase in the average balance of borrowings from ₩50,146 billion in 2022 to ₩54,256 billion in 2023. The average interest rate of borrowings increased principally as a result of higher average market interest rates for 2023 compared to 2022 as described above. The average balance of borrowings increased as we incurred additional borrowings to invest in bonds, in anticipation of expected decrease in market interest rates.

Net interest margin. Net interest margin represents the ratio of net interest income to the average balance of interest-earning assets. Our overall net interest margin remained consistent at 1.78% in both 2022 and 2023. Interest income and interest expense increased substantially in 2023, primarily due to the rise in the weighted average base interest rate as discussed above.

Net interest spread. Net interest spread, which represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest paid on interest-bearing liabilities, decreased by 11 basis points from 1.66% in 2022 to 1.55% in 2023, as the average rate of interest on interest-bearing liabilities increased by 126 basis points from 1.69% in 2022 to 2.95% in 2023 and the average rate of interest on interest-earning assets increased by 115 basis points from 3.35% in 2022 to 4.50% in 2023. The average rate of interest on interest-bearing liabilities increased primarily due to a 134 basis point increase in the average interest rate on deposits. The average rate of interest on interest-earning assets increased primarily due to a 129 basis point increase in the average interest rates on loans, which was mainly due to the increased average interest rate on corporate loans. The average rate of corporate loans increased largely as a result of the increase in the base interest rate during 2023 as discussed above.

Fees and Commission Income (Expense), Net

The following table shows, for the periods indicated, the principal components of our net fees and commission income.

	For the Year Ended December 31,		
	2022	2023	% Change
	(In billions of Won, except percentages)		
Fees and commission income:			
Credit placement fees	₩ 68	₩ 76	11.8%
Commission received as electronic charge receipt	148	146	(1.4)
Brokerage fees	340	369	8.5
Commission received as agency	136	134	(1.5)
Investment banking fees	233	165	(29.2)
Commission received in foreign exchange activities	295	296	0.3
Trust management fees	308	300	(2.6)
Credit card fees	1,202	1,378	14.6
Operating lease fees	478	600	25.5
Others	677	711	5.0
Total fees and commission income	₩3,885	₩4,175	7.5 %
Fees and commission expense:			
Credit-related fees	₩ 37	₩ 46	24.3%
Credit card fees	896	930	3.8
Others	538	552	2.6
Total fees and commission expense	₩1,471	₩1,528	3.9%
Net fees and commission income	₩2,414	₩2,647	9.7%

Net fees and commission income increased by 9.7% from ₩2,414 billion in 2022 to ₩2,647 billion in 2023 primarily due to increases in credit card fees income and operating lease fees income.

Credit card fees income increased by 14.6% from ₩1,202 billion in 2022 to ₩1,378 billion in 2023 as a result of increased credit card usage due to increased membership.

Operating lease fees income increased by 25.5% from ₩478 billion in 2022 to ₩600 billion in 2023 primarily due to an increase in the volume of Won-denominated operating leases. Operating leases increased primarily due to Shinhan Card's increased focus on marketing automobile lease financings as part of its profit diversification strategy.

Other Operating Income (Expense), Net

The following table shows, for the periods indicated, the principal components of our net operating expense.

	For the Year Ended December 31,		
	2022	2023	% Change
	(In billions of Won, except percentages)		
Net insurance income	₩ 1,046	₩ 1,114	6.5%
Net insurance finance income (expenses)	808	(516)	N/M
Dividend income	178	181	1.7
Net gain (loss) on financial instruments at fair value through profit or loss	(1,161)	2,494	N/M
Net gain (loss) on financial instruments designated at fair value through profit or loss	577	(438)	N/M
Net foreign currency transaction gain	245	257	4.9
Net loss on disposal of securities at fair value through other comprehensive income	(161)	(130)	(19.3)
Provision for credit loss allowance	(1,292)	(2,245)	73.8
General and administrative expenses	(5,645)	(5,895)	4.4
Other operating expenses, net	(1,700)	(2,186)	28.6
Net other operating expenses	₩(7,105)	₩(7,364)	3.6%

N/M = not meaningful

Net other operating expense increased by 3.6% from ₩7,105 billion in 2022 to ₩7,364 billion in 2023, primarily as a result of recognizing net insurance finance expenses of ₩516 billion in 2023 compared to net insurance finance income of ₩808 billion in 2022 as well as recognizing net loss on financial instruments designated at fair value through profit or loss of ₩438 billion in 2023 compared to net gain on financial instruments designated at fair value through profit or loss of ₩577 billion in 2022. We recognized net insurance finance expenses in 2023 compared to net insurance finance income in 2022 primarily due to a recovery in stock market indices in 2023 which led to our recognition of net gain on financial instruments at fair value through profit or loss in 2023 compared to net loss on financial instruments at fair value through profit or loss in 2022. Such recognition of net gain on financial instruments at fair value through profit or loss in 2023 led to a corresponding increase in investment contract liabilities to investors under our variable insurance funds, resulting in our recognition of net insurance finance expenses in 2023. In addition we recognized net loss on financial instruments designated at fair value through profit or loss in 2023 compared to net gain on financial instruments designated at fair value through profit or loss in 2022 primarily due to a decrease in asset values caused by rising interest rates in 2023. Such increases in other operating expense were partially offset by our recognition of net gain on financial instruments designated at fair value through profit or loss in 2023 due to a recovery in stock market indices as mentioned above.

Provision for Credit Loss Allowance on Financial Assets

The following table sets forth for the periods indicated the provisions for credit loss allowance by type of financial asset.

	For the Year Ended December 31,		
	2022	2023	% Change
	(In billions of Won, except percentages)		
Loans:			
Retail	₩ 425	₩ 482	13.4%
Corporate	248	906	265.3
Credit card	565	724	28.1
Others	6	2	(66.7)
Subtotal	1,244	2,114	69.9
Securities[1]	(4)	3	N/M
Others	52	128	146.2
Total provision for credit loss allowance on financial assets	₩1,292	₩2,245	73.8%

N/M = not meaningful
Note:

(1) Consist of securities at amortized cost and securities at fair value through other comprehensive income.

Provision for credit loss allowance on financial assets increased by 73.8% from ₩1,292 billion in 2022 to ₩2,245 billion in 2023 principally due to a 69.9% increase in credit loss allowance on loans from ₩1,244 billion in 2022 to ₩2,114 billion in 2023. Our allowance for credit losses on loans increased primarily due to an increase in allowance for credit losses on corporate loans and credit card loans. Provision for credit loss allowance for corporate loans increased in 2023 as we preemptively recognized credit loss allowance in light of real estate project financing risks. Provision for credit loss allowance for credit card loans increased in 2023 primarily due to an increase in overall delinquency rates compared to 2022.

Income Tax Expense

Income tax expense decreased by 7.7% from ₩1,611 billion in 2022 to ₩1,487 billion in 2023 primarily as a result of a decrease in profit before income taxes by 6.3% to ₩5,965 billion in 2023 from ₩6,367 billion in 2022. Our effective rate of income tax decreased to 24.9% in 2023 from 25.3% in 2022.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 5.8% from ₩4,756 billion in 2022 to ₩4,478 billion in 2023.

Other Comprehensive Income (loss) for the Year

	For the Year Ended December 31,		
	2022	2023	% Change
	(In billions of Won, except percentages)		
Items that are or may be reclassified to profit or loss:			
Net gain (loss) on securities at fair value through other comprehensive income	₩(5,929)	₩ 3,163	N/M%
Equity in other comprehensive income (loss) of associates	(16)	7	N/M
Foreign currency translation adjustments for foreign operations	15	(6)	N/M
Net change in unrealized fair value of cash flow hedges	(70)	61	N/M
Net finance income (expense) on insurance contract assets (liabilities)	4,706	(2,172)	N/M
Net finance income (expense) on reinsurance contract assets (liabilities)	34	(21)	N/M
	(1,260)	1,032	N/M
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liabilities (assets)	252	(201)	N/M
Valuation gain on securities at fair value through other comprehensive income	5	8	60.0
Gain (loss) on disposal of securities at fair value through other comprehensive income	2	(3)	N/M
Changes in own credit risk on financial liabilities designated at fair value through profit of loss	(4)	9	N/M
	255	(187)	N/M
Total other comprehensive income (loss), net of income tax	₩(1,005)	₩ 845	N/M%

N/M = not meaningful

We recognized other comprehensive income of ₩845 billion in 2023 compared to other comprehensive loss of ₩1,005 billion in 2022, primarily due to recognizing valuation gain on securities at fair value through other comprehensive income, that may be reclassified subsequently to profit or loss, of ₩3,163 billion in 2023 compared to valuation loss on securities at fair value through other comprehensive income, that may be reclassified subsequently to profit or loss, of ₩5,929 billion in 2022, which was partially offset by recognizing net finance expense on insurance contract assets (liabilities) of ₩2,172 billion in 2023 compared to net finance income on insurance contract assets (liabilities) of ₩4,706 billion in 2022. We recognized valuation gain on securities at fair value through other comprehensive income, that may be reclassified subsequently to profit or loss, in 2023 compared to valuation loss on securities at fair value through other comprehensive income, that may be reclassified subsequently to profit or loss, in 2022 due to a significant increase in gain on valuation of government bonds in 2023 compared to 2022 due to appreciation in government bond values amidst volatility and fluctuations in financial markets. We recognized net finance expense on insurance contract assets (liabilities) in 2023 compared to net finance income on insurance contract assets (liabilities) in 2022 primarily due to a recovery in stock market indices in 2023 which led to our recognition of net gain on securities at fair value through other comprehensive income in 2023 compared to net loss on securities at fair value through other comprehensive income in 2022. Such recognition of net gain on securities at fair value through other comprehensive income in 2023 led to a corresponding increase in investment contract liabilities to investors under our variable insurance funds, resulting in our recognition of net finance expense on insurance contract assets (liabilities) in 2023.

2022 Compared to 2021

The following table sets forth, for the periods indicated, the principal components of our operating income.

	For the year ended December 31,			
	2021	2022		% Change
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 4)
	(In billions of Won, except percentages)			
Net interest income	₩10,769	₩12,464	₩10,597	15.7%
Net fees and commission income	2,675	2,526	2,414	(5.6)
Net other operating income (expense)	(7,492)	(9,102)	(7,105)	21.5
Operating income	₩ 5,952	₩ 5,888	₩ 5,906	(1.1)%

Net Interest Income

The following table shows, for the periods indicated, the principal components of our net interest income.

	For the year ended December 31,			
	2021	2022		% Change
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 4)
	(In billions of Won, except percentages)			
Interest income:				
Cash and due from bank at amortized cost	₩ 86	₩ 273	₩ 282	217.4%
Deposits at fair value through profit or loss	1	1	1	—
Securities at fair value through profit or loss	660	871	924	32.0
Securities at fair value through other comprehensive income	896	1,209	1,847	34.9
Securities at amortized cost	1,092	1,275	692	16.8
Loans at amortized cost	11,890	16,317	16,065	37.2
Loans at fair value through profit or loss	35	69	69	97.1
Insurance finance interest income	—	—	119	N/M
Others	64	94	93	46.9
Total interest income	₩14,724	₩20,109	₩20,092	36.6%
Interest expense:				
Deposits	₩ 2,174	₩ 4,643	₩ 4,643	113.6%
Financial liabilities designated at FVTPL	—	1	1	N/M
Borrowings	331	939	939	183.7
Debt securities issued	1,390	1,901	1,901	36.8
Insurance finance interest expense	—	—	1,792	N/M
Others	60	161	219	168.3
Total interest expense	₩ 3,955	₩ 7,645	₩ 9,495	93.3%
Net interest income	₩10,769	₩12,464	₩10,597	15.7%
Net interest margin(1)	1.94%	2.08%	1.78%	

Note:

(1) Represents the ratio of net interest income to average interest-earning assets. See "— Average Balance Sheet and Volume and Rate Analysis — Average Balances and Related Interest."

Interest income. Interest income increased by 36.5% in 2022 from ₩14,724 billion in 2021 to ₩20,092 billion in 2022. The application of IFRS 17 on interest income in 2022 results in interest income decreasing by ₩17 billion from ₩20,109 billion under IFRS 4 to ₩20,092 billion under IFRS 17.

Under IFRS 4, interest income increased by 36.6% to ₩20,109 billion in 2022 from ₩14,724 billion in 2021, primarily due to a 37.2% increase in interest income on loans at amortized cost to ₩16,317 billion in 2022 from ₩11,890 billion in 2021, largely as a result of an increase in the weighted average base interest rate to 2.03% in 2022 from 0.61% in 2021 resulting from increases in the base interest rate set by the Bank of Korea, as well as an increase in the average balance of loans. The average lending rate on loans increased to 3.99% in 2022 from 3.15% in 2021, principally due to an increase in average lending rates for retail loans resulting from the higher average market interest rate for 2022 compared to 2021 as discussed above. The average balance of loans at amortized cost increased by 8.5% to ₩410,772 billion in 2022 from ₩378,565 billion in 2021, principally due to increases in the average balances of retail loans and corporate loans as further described below.

More specifically, the increase in interest income was due to the following:

- a 34.4% increase in interest on retail loans to ₩6,130 billion in 2022 from ₩4,560 billion in 2021, primarily due to an increase in the average lending rate for retail loans to 3.89% in 2022 from 3.01% in 2021 as well as a 4.0% increase in the average balance of retail loans to ₩157,570 billion in 2022 from ₩151,535 billion in 2021. The average lending rate for retail loans increased primarily as a result of the general increase in market interest rates largely driven by increases in the base interest rate set by the Bank of Korea in 2022 as discussed above. The base interest rate set by the Bank of Korea affects the market interest rate for certificates of deposit, which in turn largely determines our lending rates for a substantial majority of our retail loans. The average balance of retail loans increased primarily as a result of new loans placed during 2022 despite the growth rates of new loans declining in the second half of the year as compared to the same period of the previous year.
- a 49.9% increase in interest on corporate loans to ₩7,989 billion in 2022 from ₩5,331 billion in 2021, primarily due to an increase in the average lending rate for corporate loans to 3.70% in 2022 from 2.77% in 2021, as well as a 12.1% increase to the average balance of corporate loans to ₩216,119 billion in 2022 from ₩192,743 billion in 2021. The average lending rate for corporate loans increased primarily as a result of the general increase in market interest rates largely driven by the increases in the base interest rate set by the Bank of Korea in 2022 as discussed above. The average balance of corporate loans increased principally due to the policies to support small-and medium-sized enterprises amidst the prolonged COVID-19 pandemic and their efforts to secure funds.

Interest expense. Interest expense increased by 140.1% in 2022 from ₩3,955 billion in 2021 to ₩9,495 billion in 2022. The application of IFRS 17 on interest expense in 2022 results in interest expense increasing by ₩1,850 billion from ₩7,645 billion under IFRS 4 to ₩9,495 billion under IFRS 17.

Under IFRS 4, interest expense increased by 93.3% from ₩3,955 billion in 2021 to ₩7,645 billion in 2022, primarily due to a 113.6% increase in interest expense on deposits from ₩2,174 billion in 2021 to ₩4,643 billion in 2022, as well as a 183.7% increase in interest expense on borrowings from ₩331 billion in 2021 to ₩939 billion in 2022.

The increase in interest expense on deposits was due to an increase in the average interest rate of total interest-bearing deposits from 0.65% in 2021 to 1.26% in 2022, and a 9.3% increase in the average balance of deposits from ₩336,977 billion in 2021 to ₩368,273 billion in 2022. The increase in the average rate of interest paid on deposits was mainly due to an increase in the average rate of interest paid on time deposits from 1.05% in 2021 to 2.04% in 2022 as well as an increase in the average rate of interest paid on savings deposits from 0.23% in 2021 to 0.40% in 2022. The average rate of interest paid on time deposits and savings deposits increased largely as a result of increase in the weighted average base interest rate from 0.61% in 2021 to 2.03% in 2022 resulting from increases in the base interest rate set by the Bank of Korea. The increase in the average balance of deposits was primarily due to a 13.2% increase in the average balance of time deposits, which was largely a result of an increase in benchmark interest rates during 2022 that results in an increase in deposit interest rates and, in turn, deposit amounts.

The increase in interest expense on borrowings was primarily due to an increase in the average interest rate of borrowing from 0.79% in 2021 to 1.87% in 2022, and a 19.6% increase in the average balance of borrowings from ₩41,923 billion in 2021 to ₩50,146 billion in 2022. The average interest rate of borrowings increased principally as a result of higher average market interest rates for 2022 compared to 2021 as described above.

Net interest margin. Net interest margin represents the ratio of net interest income to the average balance of interest-earning assets. Net interest margin decreased from 1.94% in 2021 to 1.78% in 2022. The application of IFRS 17 on net interest margin in 2022 results in net interest margin decreasing by 30 basis points from 2.08% under IFRS 4 to 1.78% under IFRS 17.

Under IFRS 4, our overall net interest margin increased by 14 basis points from 1.94% in 2021 to 2.08% in 2022, largely due an increase in net interest income based on increase in the weighted average base interest rate from to 2.03% in 2022 from 0.61% in 2021 resulting from increases in the base interest rate set by the Bank of Korea, which outpaced an increase in the average volume of interest-earning assets.

Net interest spread. Net interest spread represents the difference between the average rate of interest earned on interest-earning assets and the average rate of interest paid on interest-bearing liabilities. Net interest spread decreased from 1.79% in 2021 to 1.66% in 2022. The application of IFRS 17 on net interest spread in 2022 results in net interest spread decreasing by 19 basis points from 1.85% under IFRS 4 to 1.66% under IFRS 17.

Under IFRS 4, net interest spread increased by 6 basis points from 1.79% in 2021 to 1.85% in 2022 due to a 65 basis point increase in the average rate of interest on interest-bearing liabilities from 0.86% in 2021 to 1.51% in 2022 and a 71 basis point increase in the average rate of interest on interest-earning assets from 2.65% in 2021 to 3.36% in 2022. The average rate of interest on interest-bearing liabilities increased primarily due to a 61 basis point increase in the average interest rate on deposits. The average rate of interest on interest-earning assets increased primarily due to an 84 basis point increase in the average interest rates on loans, which was mainly due to the increased average interest rate on corporate loans. The average rate of corporate loans increased largely as a result of the increases in the base interest rate as discussed above.

Fees and Commission Income (Expense), Net

The following table shows, for the periods indicated, the principal components of our net fees and commission income.

	For the year ended December 31,			
	2021 (IFRS 4)	2022 (IFRS 4)	2022 (IFRS 17)	% Change (IFRS 4)
	(In billions of Won, except percentages)			
Fees and commission income:				
Credit placement fees	₩ 71	₩ 68	₩ 68	(4.2)%
Commission received as electronic charge receipt	149	148	148	(0.7)
Brokerage fees	577	342	340	(40.7)
Commission received as agency	147	136	136	(7.5)
Investment banking fees	189	233	233	23.3
Commission received in foreign exchange activities	272	295	295	8.5
Trust management fees	310	308	308	(0.6)
Credit card fees	1,175	1,202	1,202	2.3
Operating lease fees	365	478	478	31.0
Others	885	901	677	1.8
Total fees and commission income	₩4,140	₩4,111	₩3,885	(0.7)%

	For the year ended December 31,			
	2021 (IFRS 4)	2022 (IFRS 4)	2022 (IFRS 17)	% Change (IFRS 4)
	(In billions of Won, except percentages)			
Fees and commission expense:				
Credit-related fees	₩ 39	₩ 37	₩ 37	(5.1)%
Credit card fees	837	896	896	7.0
Others	589	652	538	(10.7)
Total fees and commission expense	₩1,465	₩1,585	₩1,471	8.2%
Net fees and commission income	₩2,675	₩2,526	₩2,414	(5.6)%

Net fees and commission income decreased by 9.8% in 2022 from ₩2,675 billion in 2021 to ₩2,414 billion in 2022. The application of IFRS 17 on net fees and commission income in 2022 results in net fees and commission income decreasing by ₩112 billion from ₩2,526 billion under IFRS 4 to ₩2,414 billion under IFRS 17.

Under IFRS 4, net fees and commission income decreased by 5.6% from ₩2,675 billion in 2021 to ₩2,526 billion in 2022 primarily due to decreases in brokerage fees and an increase in credit card fee expenses, which was partially offset by an increase in operating lease fees.

Brokerage fees decreased due to a decrease in daily average stock trading volume resulting from the stock market slump in Korea during the current period. Fee expense on credit cards increased principally due to the expansion of overseas credit card business of Shinhan Card. Operating lease fees income increased as the average balance of operating leased assets of Shinhan Card increased due to Shinhan Card's increased focus on marketing automobile lease financings as part of its profit diversification strategy.

Other Operating Income (Expense), Net

The following table shows, for the periods indicated, the principal components of our net operating expense.

	For the year ended December 31,			
	2021 (IFRS 4)	2022 (IFRS 4)	2022 (IFRS 17)	% Change (IFRS 4)
	(In billions of Won, except percentages)			
Net insurance income (expenses)	₩ (775)	₩ (827)	₩ 1,046	6.7%
Net insurance finance income (expenses)	—	—	808	N/M
Dividend income	125	143	178	14.4
Net gain (loss) on financial instruments at fair value through profit or loss	1,104	(304)	(1,161)	N/M
Net gain on financial instruments at fair value through profit or loss (overlay approach)	43	313	—	627.9
Net gain (loss) on financial instruments designated at fair value through profit or loss	(88)	577	577	N/M
Net foreign currency transaction gain	223	180	245	(19.3)
Net gain (loss) on disposal of securities at fair value through other comprehensive income	86	(127)	(161)	N/M
Provision for credit loss allowance	(975)	(1,292)	(1,292)	32.5
General and administrative expenses	(5,744)	(6,014)	(5,645)	4.7
Other operating expenses, net	(1,491)	(1,751)	(1,700)	17.4
Net other operating expenses	₩(7,492)	₩(9,102)	₩(7,105)	21.5%

N/M = not meaningful

Net other operating expenses decreased by 5.2% in 2022 from ₩7,492 billion in 2021 to ₩7,105 billion in 2022. The application of IFRS 17 on net other operating expenses in 2022 results in net other operating expenses decreasing by ₩1,997 billion from ₩9,102 billion under IFRS 4 to ₩7,105 billion under IFRS 17.

Under IFRS 4, net other operating expenses increased by 21.5% from ₩7,492 billion in 2021 to ₩9,102 billion in 2022, primarily as a result of recognizing net loss on financial instruments at fair value through profit or loss of ₩304 billion in 2022 compared to net gain on financial instruments at fair value through profit or loss of ₩1,104 billion in 2021 and an increase in general and administrative expense by 4.7% from ₩5,744 billion in 2021 to ₩6,014 billion in 2022. Net loss on financial instruments at fair value through profit or loss was recognized primarily due to an increase in losses on sales and valuation of debt securities because of the rise in the benchmark interest rates. General and administrative expense increased primarily due to increases in salary, recruitment of new employees, management performance bonus payments and advertising expenses.

Provision for Credit Loss Allowance on Financial Assets

The following table sets forth for the periods indicated the provisions for credit loss allowance by type of financial asset.

	For the year ended December 31,			
	2021	2022		% Change
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 4)
	(In billions of Won, except percentages)			
Loans*:*				
Retail	₩164	₩ 425	₩ 425	159.1%
Corporate	330	248	248	(24.8)
Credit card	415	565	565	36.1
Others	(2)	6	6	N/M
Subtotal	907	1,244	1,244	37.2
Securities[(1)]	26	(4)	(4)	N/M
Others	42	52	52	23.8
Total provision for credit loss allowance on financial assets	₩975	₩1,292	₩1,292	32.5%

N/M = not meaningful

Note:

(1) Consist of securities at amortized cost and securities at fair value through other comprehensive income.

Provision for credit loss allowance on financial assets increased by 32.5% in 2022 from ₩975 billion in 2021 to ₩1,292 billion in 2022. The application of IFRS 17 on provision for credit loss allowance on financial assets in 2022 results in provision for credit loss allowance on financial assets decreasing by ₩0.5 billion from ₩1,292.3 billion under IFRS 4 to ₩1,291.8 billion under IFRS 17.

Under IFRS 4, provision for credit loss allowance increased by 32.5% from ₩975 billion in 2021 to ₩1,292 billion in 2022 principally due to a 37.2% increase in credit loss allowance on loans from ₩907 billion in 2021 to ₩1,244 billion in 2022. Our allowance for credit losses on loans increased primarily due to an increase in allowance for credit losses on retail loans. Provision for credit loss allowance for retail loans increased in 2022 primarily due to a revised method in evaluating forward-looking information to estimate provision for credit loss allowance for prolonged COVID-19 and economic uncertainties (such as adding "Worst" scenario in addition to "Upside", "Central" and "Downside" scenarios).

Income Tax Expense

Income tax expense increased by 9.5% in 2022 from ₩1,471 billion in 2021 to ₩1,611 billion in 2022. The application of IFRS 17 on income tax expense in 2022 results in income tax expense decreasing by ₩6 billion from ₩1,617 billion under IFRS 4 to ₩1,611 billion under IFRS 17.

Under IFRS 4, income tax expense increased by 9.9% from ₩1,471 billion in 2021 to ₩1,617 billion in 2022 primarily as a result of an increase in profit before income taxes by 13.7% to ₩6,349 billion in 2022 from ₩5,584 billion in 2021. Our effective rate of income tax decreased to 25.5% in 2022 from 26.4% in 2021.

Profit for the Year

Profit for the year increased by 15.6% in 2022 from ₩4,113 billion in 2021 to ₩4,756 billion in 2022. The application of IFRS 17 on profit for the year in 2022 results in profit for the year increasing by ₩24 billion from ₩4,732 billion under IFRS 4 to ₩4,756 billion under IFRS 17.

Under IFRS 4, as a result of the foregoing, our profit for the year increased by 15.0% from ₩4,113 billion in 2021 to ₩4,732 billion in 2022.

Other Comprehensive Income (loss) for the Year

	For the year ended December 31,			
	2021	2022		% Change
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 4)
	(In billions of Won, except percentages)			
Items that are or may be reclassified to profit or loss:				
Net loss on financial assets at fair value through other comprehensive income	₩(880)	₩(2,448)	₩(5,929)	178.2%
Net loss on financial instruments at fair value through profit or loss (overlay approach)	(20)	(220)	—	1000.0
Equity in other comprehensive income (loss) of associates	3	(16)	(16)	N/M
Foreign currency translation adjustments for foreign operations	252	14	15	(94.4)
Net change in unrealized fair value of cash flow hedges	22	(70)	(70)	N/M
Net finance income on insurance contract assets (liabilities)	—	—	4,706	N/M
Net finance income on reinsurance contract assets (liabilities)	—	—	34	N/M
Other comprehensive loss of separate account	(41)	(113)	—	175.6
	(664)	(2,853)	(1,260)	329.7
Items that will not be reclassified to profit or loss:				
Remeasurements of the defined benefit liability	43	252	252	486.0
Valuation gain on financial assets at fair value through other comprehensive income	35	5	5	(85.7)
Loss on disposal of financial assets at fair value through other comprehensive income	(29)	2	2	N/M
Changes in own credit risk on financial liabilities designated at fair value through profit of loss	(3)	(4)	(4)	33.3
	46	255	255	454.3
Total other comprehensive loss, net of income tax	₩(618)	₩(2,598)	₩(1,005)	320.4%

N/M = not meaningful

Other comprehensive loss increased by 62.6% in 2022 from ₩618 billion in 2021 to ₩1,005 billion in 2022. The application of IFRS 17 on other comprehensive loss in 2022 results in other comprehensive loss decreasing by ₩1,593 billion from ₩2,598 billion under IFRS 4 to ₩1,005 billion under IFRS 17.

Under IFRS 4, other comprehensive loss increased by 320.4% from ₩618 billion in 2021 to ₩2,598 billion in 2022, primarily due to an increase in net loss on financial asset at fair value through other comprehensive income by 178.2% from ₩880 billion in 2021 to ₩2,448 billion in 2022, which was partially offset by an increase in remeasurements of the net defined benefit liabilities. Net loss on financial assets at fair value through other comprehensive income increased, primarily due to fluctuations in interest rates and stock prices. Remeasurements of the net defined benefit liabilities increased by 486.0% from ₩43 billion in 2021 to ₩252 billion in 2022, primarily due to an increase in actuarial gain resulting from changes in financial assumptions.

Results by Principal Business Segment

As of December 31, 2023, we were organized into six major business segments as follows:

- commercial banking services, which are principally provided by Shinhan Bank:
- credit card services, which are principally provided by Shinhan Card;
- securities services, which are provided by Shinhan Securities;
- insurance services, which are principally provided by Shinhan Life Insurance;
- credit services, which are provided by Shinhan Capital; and
- other services that do not belong to above business segments.

We report our segment information in accordance with the provisions of IFRS 8 (Operating Segments). We categorize our operating segments according to a business based approach. See Note 8 of the notes to our consolidated financial statements included in this annual report.

Operating Income by Principal Business Segment

The table below provides the income statement data for our principal business segments for the periods indicated.

	For the Year Ended December 31,				% Change	
	2021	2022		2023	2021/2022	2022/2023
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 17)	(IFRS 4)	(IFRS 17)
	(In billions of Won, except percentages)					
Banking	₩3,478	₩4,060	₩4,060	₩4,010	16.7%	(1.2)%
Credit card	1,021	880	880	933	(13.8)	6.0
Securities	577	121	121	253	(79.0)	109.1
Insurance	552	603	539	651	9.2	20.8
Credit	341	349	349	343	2.3	(1.7)
Others	260	173	173	341	(33.5)	97.1
Consolidation adjustment(1)	(277)	(298)	(216)	(430)	7.6	99.1
Total operating income	₩5,952	₩5,888	₩5,906	₩6,101	(1.1)%	3.3%

Note:

(1) Consolidation adjustment consists of adjustments for inter-segment transactions.

Banking Services

The banking services segment offers commercial banking and related services and includes: (i) retail banking, which consists of banking and other services provided primarily through the retail branches of Shinhan Bank and Jeju Bank to individuals and households; (ii) corporate banking, which consists of corporate banking products and services provided through Shinhan Bank’s corporate banking branches to its corporate customers, most of which are small-and medium-sized enterprises and large corporations, including members of the *chaebol* groups; (iii) international banking, which primarily consists of the operations of Shinhan Bank's overseas subsidiaries and branches; and (iv) other banking, which primarily consists of treasury business for our banking business (including internal asset and liability management and other non-deposit funding activities), securities investing and trading and derivatives trading, as well as administration of our overall banking operations.

The table below provides the income statement data for our banking services segment for the periods indicated.

	For the Year Ended December 31,			% Change	
	2021	2022	2023	2021/2022	2022/2023
	(In billions of Won, except percentages)				
Income statement data					
Net interest income (expense)	₩ 6,738	₩ 8,359	₩ 8,548	24.1%	2.3%
Net fees and commission income (expense)	818	801	748	(2.1)	(6.6)
Net other income (expense)	(4,078)	(5,100)	(5,286)	25.1	3.6
Operating income (expense)	₩ 3,478	₩ 4,060	₩ 4,010	16.7%	(1.2)%

Comparison of 2023 to 2022

Operating income for banking services decreased by 1.2% from ₩4,060 billion in 2022 to ₩4,010 billion in 2023.

Net interest income increased by 2.3% from ₩8,359 billion in 2022 to ₩8,548 billion in 2023 primarily due to increases in net interest income for corporate banking, international banking and other banking services, which was partially offset by a decrease in net interest income for retail banking. More specifically:

- Net interest income for retail banking decreased by 3.2% from ₩4,727 billion in 2022 to ₩4,577 billion in 2023 primarily due to a decrease in the average volume of retail loans to ₩154,031 billion in 2023 from ₩157,442 billion in 2022 despite an increase in the Bank's net interest margin. The average volume of retail loans decreased largely due to a decrease in household loans and collective loans.
- Net interest income for corporate banking increased by 1.6% from ₩3,421 billion in 2022 to ₩3,476 billion in 2023 primarily due to a 4.2% increase in the average balance of corporate loans to ₩220,791 billion in 2023 from ₩211,942 billion in 2022, as well as an increase in the average lending rate for corporate loans to 5.11% in 2023 from 3.68% in 2022. The average volume of corporate loans increased largely due to corporate customers' preference for loans over bonds as source of financing resulting from an increase in issuance costs of bonds. The increase in our net interest margin was largely due to an increase in the weighted average base interest rate to 3.49% in 2023 from 2.03% in 2022.
- Net interest income for international banking increased by 5.6% from ₩1,063 billion in 2022 to ₩1,122 billion in 2023 primarily due to an increase in interest income resulting from an increase in interest rates in Vietnam and Indonesia.
- For other banking, net interest expense decreased by 26.4% from ₩852 billion in 2022 to ₩627 billion in 2023 primarily due to an increase in interest income on securities held by the securities management department of Shinhan Bank.

Net fees and commission income decreased by 6.6% from ₩801 billion in 2022 to ₩748 billion in 2023 primarily due to a decrease in net fees and commissions for other banking services, which was offset in part by an increase in net fees and commissions for international banking services. Net fees and commissions for other banking services decreased primarily due to an increase in commission expenses related to foreign currency procurement and foreign currency covered bonds. Net fees and commission income for international banking increased primarily due to an increase in credit card fees in Vietnam and an increase in credit placement fees in Japan.

Net other expense increased by 3.6% from ₩5,100 billion in 2022 to ₩5,286 billion in 2023 primarily due to an increase in net other expense for other banking and retail banking services. Net other expense for other banking services increased mainly due to a transfer of other expenses from Shinhan Bank's corporate banking segment to the other banking segment in connection with its internal operations and department structure changes, and also partly due to an increase in employee benefits expenses and fixed expenses. The increase in net other expense for retail banking services was principally due to an increase in allowance for credit loss in anticipation of the discontinuation of COVID-19 financial support programs and economic uncertainty.

Comparison of 2022 to 2021

Operating income for banking services increased by 16.7% from ₩3,478 billion in 2021 to ₩4,060 billion in 2022.

Net interest income increased by 24.1% from ₩6,738 billion in 2021 to ₩8,359 billion in 2022 primarily due to increases in net interest income for retail banking and corporate banking services. More specifically:

- Net interest income for retail banking increased by 68.9% from ₩2,799 billion in 2021 to ₩4,727 billion in 2022 primarily due to an increase in the average volume of retail loans to W157,570 billion in 2022 from ₩151,535 billion in 2021 as well as an increase in net interest margin. The average volume of retail loans increased largely due to an increase in home mortgage loans. The increase in our net interest margin was largely due to an increase in the weighted average base interest rate to 2.03% in 2022 from 0.61% in 2021 resulting from increases in the base interest rate set by the Bank of Korea.
- Net interest income for corporate banking increased by 36.0% from ₩2,515 billion in 2021 to ₩3,421 billion in 2022 primarily due to a 12.4% increase in the average balance of corporate loans to ₩187,318 billion in 2022 from ₩166,696 billion in 2021, as well as an increase in the average lending rate for corporate loans to 3.50% in 2022 from 2.55% in 2021. The average volume of corporate loans increased largely as a result of the policies to support small- and medium-sized enterprises amidst the prolonged COVID-19 pandemic. The average lending rate for corporate loans increased primarily as a result of the general increase in market interest rates largely driven by the increases in the base interest rate by the Bank of Korea in 2022 as discussed above.
- Net interest income for international banking increased by 22.9% from ₩865 billion in 2021 to ₩1,063 billion in 2022 primarily due to an increase in the average balance of loans extended by our overseas subsidiaries, especially in Japan and Vietnam and the strengthening of the Vietnamese Dong against the Korean Won.
- For other banking, net interest expense was ₩852 billion in 2022 compared to net interest income of ₩559 billion in 2021, primarily due to an increase in interest expenses related to the borrowings and the debt securities issued.

Net fees and commission income decreased by 2.1% from ₩818 billion in 2021 to ₩801 billion in 2022 primarily due to an increase in net fees and commissions for retail banking services, which was offset in part by an increase in net fees and commissions for other banking services. Net fees and commissions for retail banking services decreased despite an increase in the overall volume of transactions, primarily due to an increase in the proportion of online banking transactions, for which the Bank generally charges lower fees and commissions. Net fees and commission income for other banking increased primarily due to an increase in commission received as electronic charge receipt regarding the retirement pensions.

Net other expense increased by 25.1% from ₩4,078 billion in 2021 to ₩5,100 billion in 2022 primarily due to an increase in net other expense for other banking and retail banking services. Net other expense for other banking services increased mainly due to an increase in advertising expenses from a new platform business, a delivery app. The increase in net other expense for retail banking services was principally due to a decrease in net income related to specified money trust of individual customers.

Credit Card Services

The credit card services segment consists of the credit card business of Shinhan Card, including its installment finance and automobile leasing businesses.

	For the Year Ended December 31,			% Change	
	2021	2022	2023	2021/2022	2022/2023
	(In billions of Won, except percentages)				
Income statement data					
Net interest income (expense)	₩ 1,799	₩ 1,798	₩ 1,895	(0.1)%	5.4%
Net fees and commission income (expense)	635	702	969	10.6	38.0
Net other income (expense)	(1,413)	(1,620)	(1,931)	14.6	19.2
Operating income (expense)	₩ 1,021	₩ 880	₩ 933	(13.8)%	6.0%

Comparison of 2023 to 2022

Operating income for the credit card business increased by 6.0% from ₩880 billion in 2022 to ₩933 billion in 2023.

Net interest income increased by 5.4% from ₩1,798 billion in 2022 to ₩1,895 billion in 2023 primarily due to an increase in interest income on loans at amortized cost including credit card loans and installment finance loans, and loans denominated in Korean Won. The increase in interest income on credit card loans was mainly attributable to the impact of decrease in card loan prepayments and increase in loan maturity extensions. The increase in interest income on installment finance loans was mainly attributable to the increase in foreign currency installment finance loans in Kazakhstan. In addition, the increase in interest income on loans denominated in Korean Won was due to the increase in the average balance of loans denominated in Korean Won primarily in the form of working capital loans. The increase in net interest income was partially offset by an increase in interest expenses on debt securities issued and borrowings. The increase in interest expenses on debt securities issued was mainly attributable to the rising interest rates even though the average balance of general corporate bonds decreased. Interest expense on borrowings increased primarily due to an increase in the amount of long-term borrowings.

Net fees and commission income increased by 38.0% from ₩702 billion in 2022 to ₩969 billion in 2023 primarily as a result of an increase in fees and commission income from lease operations and, to a lesser extent, an increase in fees income on credit cards. Fees and commission income from lease operations increased primarily due to an increase in the average balance of operating leased assets resulting from customers' expansion of operating leases. The increase in fees income on credit cards was mainly due to an overall increase in fees income (excluding revolving credit sales payment fee income) resulting from an increase in the number of credit card members. The increase in net fees and commission income was partially offset by an increase in fee expense on credit cards. Fee expense on credit cards increased principally due to an increase in foreign currency credit card payment fee expense.

Net other expense increased by 19.2% from ₩1,620 billion in 2022 to ₩1,931 billion in 2023, primarily due to an increase in bad debt expenses resulting from high delinquency roll rate and, to a lesser extent, an increase in other operating expense resulting from increases in loss on hedging items and depreciation expenses on lease assets. Also, net other expense was due to an increase in general and administrative expenses from increase in employee benefits. Such increase in net other expense was offset by an increase in gains on valuation and sale of financial instruments at fair value through profit or loss, and decrease in foreign exchange transaction net loss due to lower foreign currency exchange rate (U.S. Dollar to Korean Won) in 2023 compared to 2022.

Comparison of 2022 to 2021

Operating income for the credit card business decreased by 13.8% from ₩1,021 billion in 2021 to ₩880 billion in 2022.

Net interest income decreased by 0.1% from ₩1,799 billion in 2021 to ₩1,798 billion in 2022 primarily due to an increase in interest expenses on debt securities issued and borrowings. The increase in interest expenses on debt securities issued was mainly attributable to the rising interest rates as compared to the prior year, and interest expense on borrowings increased primarily due to an increase in issuances of money-market securities, particularly commercial paper. The decrease in net interest income was partially offset by an increase in interest income on loans at amortized cost including credit card loans, resulting from the increase in loans due to the business expansion and a decrease in early prepayment of credit card loans.

Net fees and commission income increased by 10.6% from ₩635 billion in 2021 to ₩702 billion in 2022 primarily as a result of an increase in fees and commission income from lease operations and, to a lesser extent, an increase in fees income on credit cards. Fees and commission income from lease operations were primarily due an increase in the average balance of operating leased assets resulting from the expansion of operating assets. The increase in fees income on credit cards was mainly due to increases in credit card usage resulting from an increase in the number of credit card members. The increase in net fees and commission income was partially offset by an increase in fee expense on credit cards. Fee expense on credit cards increased principally due to the expansion of overseas credit card business.

Net other expense increased by 14.6% from ₩1,413 billion in 2021 to ₩1,620 billion in 2022, primarily due to an increase in bad debt expenses resulting from high delinquency roll rate and, to a lesser extent, an increase in other operating losses resulting from increases in loss on hedging items and depreciation expenses on lease assets. Such increases in net other expense were offset by an increase in gains on valuation and sale of financial instruments at fair value through profit or loss, and a decrease in termination benefits.

Securities Services

Securities services segment primarily reflects securities brokerage and dealing services on behalf of customers, which is conducted by Shinhan Securities, our principal securities brokerage subsidiary.

	For the Year Ended December 31,			% Change	
	2021	2022	2023	2021/2022	2022/2023
	(In billions of Won, except percentages)				
Income statement data					
Net interest income (expense)	₩ 517	₩ 428	₩ 444	(17.2)%	3.7%
Net fees and commission income (expense)	602	485	500	(19.4)	3.1
Net other income (expense)	(542)	(792)	(691)	46.1	(12.8)
Operating income (expense)	₩ 577	₩ 121	₩ 253	(79.0)%	109.1%

Comparison of 2023 to 2022

Operating income for securities services increased by 109.1% from ₩121 billion in 2022 to ₩253 billion in 2023.

Net interest income increased by 3.7% from ₩428 billion in 2022 to ₩444 billion in 2023, as increase in interest income, outpaced increase in interest expenses. Interest income increased from ₩942 billion in 2022 to ₩1,399 billion in 2023, primarily due to an increase in interest income on cash and amortized cost measurement deposits, securities at fair value through profit or loss, and loans at amortized cost. Interest income on cash and amortized cost measurement deposits increased primarily due to an increase in the average balance of time deposits denominated in Korean Won. Even though the average balance of time deposits denominated in foreign currency decreased, the interest income on the time deposits denominated in foreign currency increased due to overall increase in interest rates in 2023. Interest income on securities at fair value through profit or loss increased primarily due to an increase in interest income on financial institution bonds and corporation bonds. This was mainly due to increases in the average balance and proportion of bond investments in 2023 in anticipation of expected decrease in market interest rates. The interest income on loans at amortized cost increased mainly due to the interest income on loans denominated in Korean Won resulting from increased demand from customers for securities-secured loans as well as increase in interest rates. The interest income on loans at fair value through profit or loss increased due to a increase in loans related to other facilities in foreign currency in accordance with fund supplement agreements. On the other hand, interest expenses increased from ₩514 billion in 2022 to ₩955 billion in 2023, primarily due to an increase in interest expense on deposit liabilities and borrowing debts. The increase in interest expense on deposit liabilities increased due to an increase in consignor deposits usage fees rates despite a decrease in the average balance of consignor deposits. Interest expense on borrowing debts increased mainly due to an increase in interest expense on borrowings denominated in Korean Won and bonds sold under repurchase agreements denominated in Korean Won resulting from an increase in the average balance of the borrowings as well as increase in interest rates.

Net fees and commission income increased by 3.1% from ₩485 billion in 2022 to ₩500 billion in 2023 primarily due to an increase in consignor fees income which was partially offset by a decrease in commission income in Korean Won as well as an increase in foreign exchange payment fees. The increase in consignor fees income was due to an increase in income on investment trust consignor fees. Commission income in Korean Won decreased due to a decrease in investment banking fees resulting from a decrease in advisory income in light of increased volatility in capital and real estate markets. Foreign exchange payment fees increased due to an increase in volume of foreign currency trades and rise in U.S. Dollar exchange rates.

Net other expense decreased by 12.8% from ₩792 billion in 2022 to ₩691 billion in 2023 primarily as a result of an increase in net gain on financial instruments at fair value through profit or loss and a decrease in net loss on trading of foreign currency assets and liabilities. The decrease in net other expense was partially offset by an increase in net loss on financial instruments designated at fair value through profit or loss and an increase in impairment loss on financial assets. The increase in net loss on financial instruments designated at fair value through profit or loss was mainly due to an increase in valuation of equity- linked securities sold and derivatives-combined securities. Net loss on foreign currency translation decreased due to the fact that U.S. Dollar to Korean Won exchange rate increase in 2023 was less than the exchange rate increase in 2022, resulting a relatively small net loss on foreign currency translation. The increase in impairment loss on financial assets was mainly due to an increase in bad debt expenses from real estate project financings and related bridge loans.

Comparison of 2022 to 2021

Operating income for securities services decreased by 79.0% from ₩577 billion in 2021 to ₩121 billion in 2022.

Net interest income decreased by 17.2% from ₩517 billion in 2021 to ₩428 billion in 2022, due to increases in interest expenses on borrowings and debt securities issued resulting from the increase in interest rates as compared to the prior year and increases in average balances of debt securities issued and asset-backed bonds. Such increases in interest expenses were partially offset by increase in interest income recognized primarily on loans at amortized cost, cash and due from banks at amortized cost, and securities at fair value through profit or loss. Interest income on loans at amortized cost increased due to an increase in the average balance of foreign currency facility loans, attributable to relatively weakening of the Korean Won and new loans outpacing repayments and sales of loans. Interest income on cash and due from banks at amortized cost increased due to an increase in performance guarantee deposits and the increase in interest rates. Interest income on securities at fair value through profit or loss increased primarily due to an increase in the proportion of government bonds and financial institution bonds whose value are less sensitive to interest rates as compared to corporate bonds in a rising interest rate environment.

Net fees and commission income decreased by 19.4% from ₩602 billion in 2021 to ₩485 billion in 2022 primarily due to a decrease in fees and commission income on brokerage as a result of a decrease in daily average stock trading volume resulting from the stock market slump in Korea during the current period. The decrease in net fees and commission income was partially offset by a decrease in the corresponding trading commission expenses as fees and commission income on brokerage decreased. Also, to a lesser extent, fees and commission expenses on legal and advisory services decreased year-over-year given high legal fees recognized in relation to certain financial products such as Lime funds during 2021.

Net other expense increased by 46.1% from ₩542 billion in 2021 to ₩792 billion in 2022 primarily as a result of recognizing net loss on financial instruments at fair value through profit or loss of ₩551 billion in 2022 compared to net gain on financial instruments at fair value through profit or loss of ₩369 billion in 2021. In addition, net other expense further increased due to an increase in net loss on foreign currency translation resulting from the strengthening of the U.S. dollar and the weakening of the Japanese yen, Euro, and Chinese yuan, against the Korean won as well as an increase in loss on foreign currency transaction of spot exchange. The increase in net other expense was partially offset by a decrease in bad debt expenses due to a decrease in allowance for credit losses on loans at amortized cost.

Insurance Services

Insurance services segment consists of life insurance services provided by Shinhan Life Insurance, and general insurance services provided by Shinhan EZ General Insurance.

	For the Year Ended December 31,				% Change	
	2021	2022		2023	2021/2022	2022/2023
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 17)	(IFRS 4)	(IFRS 17)
	(In billions of Won, except percentages)					
Income statement data						
Net interest income (expense)	₩ 1,620	₩ 1,650	₩(124)	₩(199)	1.9%	60.5%
Net fees and commission income (expense)	171	103	(4)	(3)	(39.8)	(25.0)
Net other income (expense)	(1,239)	(1,150)	667	853	(7.2)	27.9
Operating income (expense)	₩ 552	₩ 603	₩ 539	₩ 651	9.2%	20.8%

Comparison of 2023 to 2022

Operating income for insurance services increased by 20.8% from ₩539 billion in 2022 to ₩651 billion in 2023.

Net interest expense increased by 60.5% from ₩124 billion in 2022 to ₩199 billion in 2023 primarily due to an increase in interest expenses on others. Interest expenses on others increased mainly due to an increase in interest expenses on investment contract liabilities. Even though the average balance of investment contract liabilities decreased, the interest expenses on investment contract liabilities increased due to a relatively high level of interest rates in 2023 compared to 2022.

Net fees and commission expense decreased by 25.0% from ₩4 billion in 2022 to ₩3 billion in 2023 primarily due to a decrease in fees and commission expenses. Fees and commission expenses decreased in 2023 compared to 2022 due to a decrease in brokerage fees expense in Korean Won, which was mainly because in 2022 we recognized unusually high brokerage fees (in the form of fund management fees) in connection with disposal of assets held in one of our consolidated funds.

Net other income increased by 27.9% from ₩667 billion in 2022 to ₩853 billion in 2023 primarily due to an increase in net gain on financial instruments at fair value through profit or loss, resulting from net increase in valuation gains and disposal gains due to a rise in stock market index compared to the previous year. This increase in net other income was partially offset by a decrease in net insurance finance income, a decrease in net gain on foreign currency transactions, as well as an increase in general and administrative expense. The decrease in net insurance finance income was mainly due to an increase in interest expenses recognized on investment contract liabilities of variable insurance liabilities. The decrease in net gain on foreign currency transactions was mainly due to a decrease in net gain on trading and valuation of foreign currency assets and liabilities. Net gain on trading and valuation of foreign currency assets and liabilities decreased because the increase in the U.S. Dollar exchange rates against the Korean Won in 2023 compared to 2022 was lower than such increase in 2022 compared to 2021. The increase in general and administrative expense was mainly due to an increase in termination benefits resulting from voluntary retirement programs implemented in 2023 and increased amortization in 2023 for capitalized development costs which were recognized as assets in 2022.

Comparison of 2022 to 2021

Operating income for insurance services decreased by 2.4% in 2022 from ₩552 billion in 2021 to ₩539 billion in 2022. The application of IFRS 17 on operating income in 2022 results in operating income decreasing by ₩64 billion from ₩603 billion under IFRS 4 to ₩539 billion under IFRS 17.

Under IFRS 4, operating income for insurance services increased by 9.2% from ₩552 billion in 2021 to ₩603 billion in 2022.

Net interest income increased by 1.9% from ₩1,620 billion in 2021 to ₩1,650 billion in 2022 primarily due to an increase in interest income on securities at amortized cost, partially offset by a decrease in interest income on securities at fair value through other comprehensive income. Interest income on securities at amortized cost increased primarily due to an increase in the average balance of government bonds and asset-backed bonds and the increases in interest rate in 2022. Interest income on securities at fair value through other comprehensive income decreased due to a decrease in the average balance of government bonds measured at fair value through other comprehensive income as they were replaced by government bonds measured at amortized cost.

Net fees and commission income decreased by 39.8% from ₩171 billion in 2021 to ₩103 billion in 2022 due to an increase in fees and commission expense and a decrease in fees and commission income. The increase in fees and commission expense was mainly due to an increase in separate account fees, which resulted from loss on disposal of bonds, which were disposed in order to obtain liquidity for retirement pension, being compensated in general accounts in fees. To a lesser extent, fees and commission income decreased due to a decrease in the number of annuity payments for variable insurance and the fees resulting therefrom.

Net other expense decreased by 7.2% from ₩1,239 billion in 2021 to ₩1,150 billion in 2022 primarily due to a decrease in general and administrative expense in 2022 compared to 2021. There was a temporary increase in termination benefits in the previous year due to the voluntary retirements implemented in December 2021, which normalized during 2022 and resulted in the decrease in general and administrative expense in 2022 compared to 2021.

Credit Services

The credit services segment consists of the specialized credit business of Shinhan Capital, including facilities leasing, installment finance, new technology finance businesses.

	For the Year Ended December 31,			% Change	
	2021	2022	2023	2021/2022	2022/2023
	(In billions of Won, except percentages)				
Income statement data					
Net interest income (expense)	₩232	₩260	₩249	12.1%	(4.2)%
Net fees and commission income (expense)	29	31	17	6.9	(45.2)
Net other income (expense)	80	58	77	(27.5)	32.8
Operating income (expense)	₩341	₩349	₩343	2.3%	(1.7)%

Comparison of 2023 to 2022

Operating income for the specialized credit business decreased by 1.7% from ₩349 billion in 2022 to ₩343 billion in 2023.

Net interest income decreased by 4.2% from ₩260 billion in 2022 to ₩249 billion in 2023, as the increase in interest expenses outpaced the increase in interest income. Interest expenses increased from ₩227 billion in 2022 to ₩342 billion in 2023, primarily due to an increase in the average balance of borrowings denominated in Korean Won as well as an increase in interest rates. The increase in the average balance of borrowings in Korean Won was mainly due to Shinhan Capital's increased borrowings in Korean Won. Interest income increased from ₩487 billion in 2022 to ₩591 billion in 2023, primarily due to an increase in interest income on loans denominated in Korean Won resulting from an increase in interest rates on loans denominated in Korean Won, which was partially offset by a decrease in the average balance of loans for working capital such as interest-earning financial assets related to corporate finance. The increase in interest income was also partially offset by a decrease in the average balance of general financial lease receivables denominated in Korean Won, due to sale of Shinhan Capital's retail assets to Shinhan Card in 2020 (resulting in no new handling of lease or installment finance, other than principal repayment of remaining assets).

Net fees and commission income decreased by 45.2% from ₩31 billion in 2022 to ₩17 billion in 2023 primarily as a result of a decrease in commission fees denominated in Korean Won, which was mainly attributable to a decrease in investment finance commission fees. Investment finance commission fees decreased due to significant decrease in financial arrangement services rendered amidst slowdown in corporate and investment financings in 2023. The decrease in net commission income was also due to an increase in commission expenses, which was mainly due to an increase in commissions fees such as evaluation fees paid to external evaluation agencies due to increased volume of investments as well as increased risks related to overseas alternative investment assets.

Net other income increased by 32.8% from ₩58 billion in 2022 to ₩77 billion in 2023, primarily due to an increase in net gain on financial instruments at fair value through profit or loss and, to a lesser extent, a decrease in net loss on foreign currency translation, which was offset in part by an increase in provision for credit loss allowance. The increase in net gain on financial instruments at fair value through profit or loss was attributable to an increase in net gain on valuation and disposal from Shinhan Capital's investments such as venture capital investment as well as domestic and foreign alternative investments, and initial public offerings of such underlying asset. The decrease in net loss on foreign currency translation was mainly because the increase in U.S. Dollar exchange rate in 2023 compared to 2022 was outpaced by the increase in U.S. Dollar exchange rate in 2022 compared to 2021. The increase in provision for credit loss allowance was mainly because we preemptively recognized credit loss allowance in light of real estate project financing risks.

Comparison of 2022 to 2021

Operating income for the specialized credit business increased by 2.3% from ₩341 billion in 2021 to ₩349 billion in 2022.

Net interest income increased by 12.1% from ₩232 billion in 2021 to ₩260 billion in 2022 primarily reflecting the changes in loans measured at amortized cost. Interest income on loans denominated in Korean Won increased resulting from an increase in the average balance of loans for working capital as a result of an increase in interest-earning financial assets related to corporate finance. Interest-earning financial assets related to corporate finance increased as the Shinhan Capital's identity as a specialized credit company composed of investment banking and corporate finance, has been solidified since 2020. The increase in interest income was partially offset by an increase in interest expense on long-term borrowings and debt securities issued resulting from increases in their average balances. Due to its nature as a capital company that does not provide deposit services, Shinhan Capital raises its capital through debt or equity financing when assets increase. However, net interest income increased year over year due to an increase in interest margin and continued asset growth.

Net fees and commission income increased by 6.9% from ₩29 billion in 2021 to ₩31 billion in 2022 primarily as a result of an increase in commission received as agency and an increase in investment banking fees. The increase in commission received as agency was principally due to an increase in management fees and performance fees earned by us acting as the general partner, primarily driven by the growth trend centered on corporate finance and investment banking. Investment banking fees increased mainly as a result of an increase in underwriting fees reflecting the expansion of business operations centered on corporate finance and investment banking.

Net other income decreased by 27.5% from ₩80 billion in 2021 to ₩58 billion in 2022, primarily due to a decrease in net gain on financial instruments at fair value through profit or loss and, to a lesser extent, an increase in net loss on foreign currency translation, which was offset in part by a decrease in provision for credit loss allowance. Net gain on financial instruments at fair value through profit or loss decreased mainly due to a decrease in gain on valuation of puttable financial instruments. Net loss on foreign currency translation increased as a result of weaker valuation of the Korean Won. Provision for credit loss allowance decreased despite an additional provision for credit loss allowance reflecting the adverse impact of prolonged COVID-19 and economic uncertainty on our asset portfolio in 2022, principally due to an increase in reversal of provision for credit loss allowance resulting from the redemption of large loans, including loans for aircrafts, in 2022.

Others

Other segment primarily reflects all other activities of Shinhan Financial Group, as the holding company, and our other subsidiaries, including the results of operations of Shinhan Asset Management, Shinhan Savings Bank, Shinhan Asset Trust Co., Ltd., Shinhan REITs Management and back-office functions maintained at the holding company.

	For the Year Ended December 31,			% Change	
	2021	2022	2023	2021/2022	2022/2023
	(In billions of Won, except percentages)				
Income statement data					
Net interest income (expense)	₩ 69	₩ 153	₩ 125	121.7%	(18.3)%
Net fees and commission income (expense)	415	399	391	(3.9)	(2.0)
Net other income (expense)	(224)	(379)	(175)	69.2	(53.8)
Operating income (expense)	₩ 260	₩ 173	₩ 341	(33.5)%	97.1%

Comparison of 2023 to 2022

Operating income for others increased by 97.1% from ₩173 billion in 2022 to ₩341 billion in 2023.

Net interest income decreased by 18.3% from ₩153 billion in 2022 to ₩125 billion in 2023 primarily due to a decrease in net interest income of Shinhan Savings Bank and, to a lesser extent, a decrease in net interest income of consolidated structured entities. Net interest income of Shinhan Savings Bank decreased mainly due to a decrease in interest income on loans at amortized cost as a result of an decrease in the average balance of retail loans of Shinhan Savings Bank. The decrease in net interest income of consolidated structured entities was principally due to a decrease in interest income on loans measured at amortized cost.

Net fees and commission income decreased by 2.0% from ₩399 billion in 2022 to ₩391 billion in 2023 primarily due to a decrease in net fees and commission income of Shinhan Asset Trust and, to a lesser extent, our holding company's sale of Shinhan Credit Information to Shinhan Card. Net fees and commission income of Shinhan Asset Trust decreased primarily due to a decrease in new trust contract orders amidst increased concerns of real estate project financing delinquencies and overall slowdown in the real estate market, which also led to a decrease in the profitability of existing construction projects, increases in construction fees and delays in commission fee payments due to changes in project execution schedules. Also as a result of our holding company's sale of Shinhan Credit Information to Shinhan Card, Shinhan Credit Information's fees and commission income is no longer recognized under the other segment, thereby contributing to the decrease in the segment's net fees and commission income.

Net other expense decreased by 53.8% from ₩379 billion in 2022 to ₩175 billion in 2023 primarily due to an increase in net gain on financial liabilities measured at fair value through profit or loss of our holding company and, to a lesser extent, a decrease in net other operating expense of Shinhan Asset Management. The increase in net gain on financial liabilities measured at fair value through profit or loss of our holding company was mainly due to a rise in stock market indices compared to the previous year. Net other operating expense of Shinhan Asset Management also decreased due to a rise in stock market indices compared to the previous year.

Comparison of 2022 to 2021

Operating income for others decreased by 33.5% from ₩260 billion in 2021 to ₩173 billion in 2022.

Net interest income increased by 121.7% from ₩69 billion in 2021 to ₩153 billion in 2022 primarily due to an increase in net interest income of Shinhan Savings Bank and, to a lesser extent, an increase in net interest income of consolidated structured entities. Net interest income of Shinhan Savings Bank increased mainly due to an increase in interest income on loans at amortized cost as a result of an increase in the average balance of retail loans. The increase in net interest income of consolidated structured entities was principally due to an increase in interest income on loans measured at amortized cost.

Net fees and commission income decreased by 3.9% from ₩415 billion in 2021 to ₩399 billion in 2022 primarily due to Shinhan Credit Information whose net fee and commission income since the second half of the current year was included in the operating result of the credit card segment as it became a wholly-owned subsidiary of Shinhan Card in July 2022.

Net other expense increased by 69.2% from ₩224 billion in 2021 to ₩379 billion in 2022, primarily due to an increase in net other operating expense of our holding company and, to a lesser extent, a decrease in net other operating income of consolidated structured entities. The increase in net other operating expense of our holding company was mainly due to an increase in net loss on valuation of financial instruments at fair value through profit or loss, resulting from inflation and rising interest rates. Net other operating income of consolidated structured entities decreased due to a decrease in net gain on foreign currency translation as a result of the weakening of the Korean Won.

Financial Condition

Assets

The following table sets forth, as of the dates indicated, the principal components of our assets.

	As of December 31,				% Change	
	2021	2022		2023	2021/2022	2022/2023
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 17)	(IFRS 4)	(IFRS 17)
	(In billions of Won, except percentages)					
Cash and due from banks at amortized cost	₩ 28,453	₩ 29,532	₩ 30,051	₩ 34,629	3.8%	15.2%
Financial assets at fair value through profit or loss	62,404	56,664	61,508	71,217	(9.2)	15.8
Derivative assets	3,799	6,462	6,461	4,711	70.1	(27.1)
Securities at fair value through other comprehensive income	64,838	63,662	85,469	90,312	(1.8)	5.7
Securities at amortized cost	49,930	57,971	33,371	35,686	16.1	6.9
Loans at amortized cost	389,137	412,292	407,899	411,740	6.0	0.9
Property and equipment, net	4,046	4,011	4,011	3,972	(0.9)	(1.0)
Intangible assets	5,645	5,808	5,808	6,218	2.9	7.1
Investments in associates	2,914	2,904	2,904	2,692	(0.3)	(7.3)
Current tax receivables	15	26	26	31	73.3	19.2
Deferred tax assets	135	1,052	915	154	679.3	(83.2)
Investment property	675	363	363	258	(46.2)	(28.9)
Net defined benefit assets	142	620	457	114	336.6	(75.1)
Insurance contract assets	—	—	—	11	N/A	N/A
Reinsurance contract assets	—	—	89	88	N/A	(1.1)
Other assets	35,975	34,508	25,072	29,926	(4.1)	19.4
Assets held for sale	44	29	29	36	(34.1)	24.1
Total assets	₩648,152	₩675,884	₩664,433	₩691,795	4.3%	4.1%

2023 Compared to 2022

Our assets increased by 4.1% from ₩664,433 billion as of December 31, 2022 to ₩691,795 billion as of December 31, 2023, principally due to increases in financial assets at fair value through profit or loss, securities at fair value through other comprehensive income, and cash and due from banks at amortized cost.

Our financial assets at fair value through profit or loss increased by 15.8% to ₩71,217 billion as of December 31, 2023 from ₩61,508 billion as of December 31, 2022, primarily due to an increase in corporate bonds and bills purchased.

Our securities at fair value through other comprehensive income increased by 5.7% to ₩90,312 billion as of December 31, 2023 from ₩85,469 billion as of December 31, 2022, primarily due to an increase in government bonds and securities at fair value through other comprehensive income in foreign currency.

Our cash and due from banks at amortized cost increased by 15.2% to ₩34,629 billion as of December 31, 2023 from ₩30,051 billion as of December 31, 2022, primarily due to an increase in due from banks.

2022 Compared to 2021

Our assets increased by 2.5% in 2022 from ₩648,152 billion as of December 31, 2021 to ₩664,433 billion as of December 31, 2022. The application of IFRS 17 on our assets as of December 31, 2022 results in our assets decreasing by ₩11,451 billion from ₩675,884 billion under IFRS 4 to ₩664,433 billion under IFRS 17.

Under IFRS 4, our assets increased by 4.3% from ₩648,152 billion as of December 31, 2021 to ₩675,884 billion as of December 31, 2022, principally due to increases in loans at amortized cost, securities at amortized cost, derivative assets, and cash and due from banks at amortized cost.

Our loans at amortized cost increased by 6.0% to ₩412,292 billion as of December 31, 2022 from ₩389,137 billion as of December 31, 2021, primarily due to an increase in corporate loans and, to a lesser extent an increase in retail loans.

Our securities at amortized cost increased by 16.1% to ₩57,971 billion as of December 31, 2022 from ₩49,930 billion as of December 31, 2021, primarily due to an increase in the balance of debt securities measured amortized cost, such as government bonds, financial institutions bond and corporate bonds.

Our derivative assets increased by 70.1% to ₩6,462 billion as of December 31, 2022 from ₩3,799 billion as of December 31, 2021, primarily due to an increase in foreign currency derivatives assets.

Our cash and due from banks at amortized cost increased by 3.8% to ₩29,532 billion as of December 31, 2022 from ₩28,453 billion as of December 31, 2021, primarily due to an increase in the balance of deposits denominated in foreign currency.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of our liabilities.

	As of December 31,				% Change	
	2021	2022		2023	2021/2022	2022/2023
	(IFRS 4)	(IFRS 4)	(IFRS 17)	(IFRS 17)	(IFRS 4)	(IFRS 17)
	(In billions of Won, except percentages)					
Deposits	₩364,897	₩383,011	₩382,988	₩381,513	5.0%	(0.4)%
Financial liabilities at fair value through profit or loss	1,369	1,146	1,146	1,869	(16.3)	63.1
Financial liabilities designated at fair value through profit or loss	8,024	8,367	8,367	7,797	4.3	(6.8)
Derivative liabilities	3,587	7,705	7,709	5,038	114.8	(34.6)
Borrowings	43,167	49,279	49,279	56,901	14.2	15.5
Debt securities issued	80,149	77,289	77,289	81,562	(3.6)	5.5
Net defined benefit liabilities	51	15	15	68	(70.6)	353.3
Provisions	1,167	1,266	1,266	1,370	8.5	8.2
Current tax payable	703	702	702	92	(0.1)	(86.9)
Deferred tax liabilities	176	170	811	542	(3.4)	(33.2)
Insurance contracts liabilities	54,333	54,315	45,905	48,333	—	5.3
Reinsurance contract liabilities	—	—	63	93	N/A	47.6
Investment contract liabilities	—	—	2,134	1,573	N/A	(26.3)
Other liabilities	40,991	41,489	33,336	48,722	1.2	46.2
Total liabilities	598,614	624,754	611,010	635,473	4.4	4.0
Total equity attributable to equity holders of the Group	47,291	48,439	50,732	53,721	2.4	5.9
Non-controlling interests	2,247	2,691	2,691	2,601	19.8	(3.3)
Total equity	49,538	51,130	53,423	56,322	3.2	5.4
Total liabilities and equity	₩648,152	₩675,884	₩664,433	₩691,795	4.3%	4.1%

2023 Compared to 2022

Our total liabilities increased by 4.0% from ₩611,010 billion as of December 31, 2022 to ₩635,473 billion as of December 31, 2023, primarily due to an increase in borrowings, debt securities issued, and insurance contract liabilities.

Our borrowings increased by 15.5% from ₩49,279 billion as of December 31, 2022 to ₩56,901 billion as of December 31, 2023 primarily as a result of an increase in bonds sold under repurchase agreements.

Our debt securities issued increased by 5.5% from ₩77,289 billion as of December 31, 2022 to ₩81,562 billion as of December 31, 2023, primarily due to an increase in borrowings in Korean Won.

Our insurance contract liabilities increased by 5.3% from ₩45,905 billion as of December 31, 2022 to ₩48,333 billion as of December 31, 2023, primarily due to remaining coverage elements of insurance contract liabilities.

Total equity increased by 5.4% from ₩53,423 billion as of December 31, 2022 to ₩56,322 billion as of December 31, 2023, largely due to an increase in retained earnings and an increase resulting from additional hybrid bonds issued by the Group.

2022 Compared to 2021

Our total liabilities increased by 2.1% in 2022 from ₩598,614 billion as of December 31, 2021 to ₩611,010 billion as of December 31, 2022. The application of IFRS 17 on our total liabilities as of December 31, 2022 results in our total liabilities decreasing by ₩13,744 billion from ₩624,754 billion under IFRS 4 to ₩611,010 billion under IFRS 17.

Under IFRS 4, our total liabilities increased by 4.4% from ₩598,614 billion as of December 31, 2021 to ₩624,754 billion as of December 31, 2022, primarily due to an increase in deposits (which principally consist of customer deposits) and an increase in borrowings and, to a lesser extent, an increase in derivative liabilities.

Our deposits increased by 5.0% from ₩364,897 billion as of December 31, 2021 to ₩383,011 billion as of December 31, 2022, primarily due to an increase in time and savings deposits and demand deposits.

Our borrowings increased by 14.2% from ₩43,167 billion as of December 31, 2021 to ₩49,279 billion as of December 31, 2022 primarily as a result of an increase in borrowings denominated in Korean Won including borrowings from the Bank of Korea.

Our derivative liabilities increased by 114.8% from ₩3,587 billion as of December 31, 2021 to ₩7,705 billion as of December 31, 2022, primarily due to an increase in foreign currency derivative liabilities.

Total equity increased by 7.8% in 2022 from ₩49,538 billion as of December 31, 2021 to ₩53,423 billion as of December 31, 2022. The application of IFRS 17 on total equity as of December 31, 2022 results in total equity increasing by ₩2,293 billion from ₩51,130 billion under IFRS 4 to ₩53,423 billion under IFRS 17.

Under IFRS 4, total equity increased by 3.2% from ₩49,538 billion as of December 31, 2021 to ₩51,130 billion as of December 31, 2022, largely due to an increase in retained earnings and an increase resulting from additional hybrid bonds issued by the Group.

ITEM 5.B. Liquidity and Capital Resources

We are exposed to liquidity risk arising from the funding of our lending, trading and investment activities and in the management of trading positions. The goal of liquidity management is for us to be able, even under adverse conditions, to meet all of our liability repayments on time and fund all investment opportunities. For an explanation of how we manage our liquidity risk, see "Item 4.B. Business Overview — Risk Management — Market Risk Management — Market Risk Management for Non-trading Activities — Liquidity Risk Management." In our opinion, the working capital is sufficient for our present requirements.

The following table sets forth our capital resources as of December 31, 2023.

	As of December 31, 2023
	(In billions of Won)
Deposits	₩381,513
Long-term debt	78,624
Call money	2,196
Borrowings from the Bank of Korea	2,562
Other short-term borrowings	39,218
Asset securitizations	17,313
Stockholders' equity[1]	18,324
Total	₩539,750

Note:

(1) Includes capital stock, share premium, and hybrid bonds issued.

We obtain funding from a variety of sources, both domestic and foreign. Our principal source of funding is customer deposits obtained from our banking operations, and we from time to time issue equity and debt securities. In addition, our subsidiaries acquire funding through call money, borrowings from the Bank of Korea, other short-term borrowings, corporate debentures, other long-term debt and asset-backed securitizations.

Our primary funding strategy has been to achieve low-cost funding by increasing the average balances of low-cost retail customer deposits. Customer deposits accounted 72.0% of our total funding as of December 31, 2021, 72.4% of our total funding as of December 31, 2022 and 70.7% of our total funding as of December 31, 2023. Historically, except in limited circumstances, largely due to the lack of alternative investment opportunities for individuals and households in Korea, especially in light of a low interest rate environment and volatile stock market conditions, a substantial portion of such customer deposits were rolled over upon maturity and accordingly provided a stable source of funding for our banking subsidiaries. However, in the face of attractive alternative investment opportunities such as during a bullish run of the stock market, customers may transfer a significant amount of bank deposits to alternative investment products in search of higher returns, which may result in temporary difficulties in finding sufficient funding on commercial terms favorable to us. In addition, in recent years, we have faced increasing pricing competition from our competitors with respect to our deposit products. If we do not continue to offer competitive interest rates to our deposit customers, we may lose their business, which has traditionally provided a stable and low-cost source of funding. Even if we are able to match our competitors' pricing, doing so may result in an increase in our funding costs, which may have an adverse impact on our results of operations.

While our banking subsidiaries generally have not faced, and currently are not facing, liquidity difficulties in any material respect, if we or our banking subsidiaries are unable to obtain the funding we need on terms commercially acceptable to us for an extended period of time for reasons of Won devaluation or otherwise, we may not be able to ensure our financial viability, meet regulatory requirements, implement our strategies or compete effectively. See "Item 3.D. Risk Factors — Risks Related to Our Overall Business — Changes in interest rates, foreign exchange rates, bond and equity prices, and other market factors have affected and will continue to affect our business, results of operations and financial condition."

As of December 31, 2021, 2022 and 2023, ₩7,610 billion, ₩7,308 billion and ₩6,421 billion, or 2.1%, 2.0% and 1.7%, respectively, of Shinhan Bank's total deposits were deposits made by litigants in connection with legal proceedings in Korean courts. Court deposits carry interest rates which are generally lower than market rates.

In addition, we obtain funding through borrowings and the issuances of debt and equity securities, primarily through Shinhan Bank. Our borrowings consist mainly of borrowings from financial institutions, the Government and Government-affiliated funds. Call money, which is available in both Won and foreign currencies, is obtained from the domestic call loan market, a short-term loan market for loans with maturities of less than one month. As for our long-term debt, it is principally in the form of corporate debt securities issued by Shinhan Bank. Since 1999, Shinhan Bank has actively issued and continues to issue long-term debt securities with maturities of over one year in the Korean fixed-income market. Shinhan Bank and we have maintained one of the highest credit ratings in the domestic fixed-income market since their inception in 1999 and 2001, respectively. As Shinhan Bank maintains one of the highest debt ratings in the fixed-income market in Korea, we believe that Shinhan Bank will be able to obtain replacement funding through the issuance of long-term debt securities. Shinhan Bank's interest rates on long-term debt securities are in general 20 to 30 basis points higher than the interest rates offered on their deposits. However, since long-term debt is not subject to premiums paid for deposit insurance and the Bank of Korea reserves, we estimate that our funding costs on long-term debt securities are generally on par with our funding costs on deposits. In addition, our company, as well as Shinhan Bank may also issue long-term debt securities denominated in foreign currencies in overseas markets. Our company and Shinhan Bank each have a global medium term notes program under which foreign currency-denominated notes may be issued with an aggregate program limit of US$5 billion and US$8 billion, respectively. As of December 31, 2021, 2022 and 2023, our long-term debt amounted to ₩78,023 billion, ₩77,369 billion and ₩78,624 billion, respectively.

We also have funding requirements for our credit card activities. We obtain funding for our credit card activities from a variety of sources, primarily in Korea. The principal sources of funding for Shinhan Card are debentures, commercial papers (including call money), borrowings from the holding company and third-parties, which amounted to ₩21,651 billion, ₩5,016 billion, ₩2,233 billion and ₩713 billion, or 73.1%, 17.0%, 7.5%, and 2.4%, respectively, of the funding for our credit card activities, as of December 31, 2023. Unlike other credit card companies, Shinhan Card has the benefit of obtaining funding at favorable rates through loans from Shinhan Financial Group, which currently maintains the highest credit rating assigned by local rating agencies. Shinhan Card aims to further diversify its funding sources and more actively tap the domestic and international capital markets to ensure access to liquidity as needed.

Credit ratings affect the cost and other terms upon which we and our subsidiaries are able to obtain funding. Domestic and international rating agencies regularly evaluate us, and our subsidiaries and their ratings of our and our subsidiaries' long-term debt are based on a number of factors, including our financial strength as well as conditions affecting the financial services industry generally.

There can be no assurance that we or our subsidiaries will maintain our current credit ratings if, among other reasons, the global or Korean economy were to face another downturn, there are any changes in our corporate governance or our businesses significantly deteriorate. Our failure to maintain current credit ratings and outlooks could increase the cost of our funding, limit our access to capital markets and other borrowings, and require us to post additional collateral in financial transactions, any of which could adversely affect our liquidity, net interest margins and profitability.

Secondary funding sources also include call money, borrowings from the Bank of Korea and other short-term borrowings which amounted to ₩35,372 billion, ₩40,378 billion and ₩43,976 billion, as of December 31, 2021, 2022 and 2023, respectively, each representing 7.0%, 7.6% and 8.1%, respectively, of our total funding as of such dates.

We may also from time to time obtain funding through issuance of equity securities. For example, On September 29, 2020, partly in response to the prolonged COVID-19 pandemic and to increase our loss absorption capacity, we issued 39,130,000 common shares to two private equity funds, thereby increasing our paid-in capital by ₩195.7 billion. As a result of such offering, which was substantially fully subscribed and resulted in a capital increase of approximately 7.5%, we raised approximately ₩1,158 billion (before underwriting commissions and other offering expenses).

In addition, we obtain funding through issuance of hybrid bonds. The total of our hybrid bonds issued were ₩4,002 billion. In 2023, the additional hybrid bonds of ₩898 billion were newly issued to improve the capital adequacy ratio by expanding the capital.

In limited situations, we may also issue convertible and/or preferred shares. For example, in August 2003, in order to partly fund our acquisition of Chohung Bank, we raised a total of ₩2,552 billion through domestic private placements of redeemable preferred shares and redeemable convertible preferred shares to domestic financial institutions and governmental entities in Korea, all of which shares have since been redeemed or converted. In addition, in January 2007, partly to fund the acquisition of LG Card, we raised a total of ₩3,750 billion through domestic private placements of redeemable preferred shares and redeemable convertible preferred shares, all of which have been redeemed as of the date hereof. In April 2011, we issued redeemable preferred shares to fund redemption of such securities, and in April 2016, we redeemed the redeemable preferred shares issued in April 2011. In February 2019, we raised a total of ₩750 billion through domestic private placements of convertible preferred shares. For further details of our preferred shares, see "Item 10.B. Memorandum and Articles of Incorporation — Description of Preferred Stock."

Pursuant to laws and regulations in Korea, we may redeem our preferred stock to the extent of our retained earnings of the previous fiscal year, net of certain reserves. At this time, we expect that cash from our future operations would be adequate to provide us with sufficient capital resources to enable us to redeem our preferred stock on or prior to their scheduled maturities. In the event there is a short-term shortage of liquidity to make the required cash payments for redemption as a result of, among other things, failure to receive dividend payments from our operating subsidiaries on time or as a result of significant expenditures resulting from future acquisitions, we plan to raise cash liquidity through the issuance of long-term debt in the Korean fixed-income market in advance of the scheduled maturity on our preferred stock. To the extent we need to obtain additional liquidity, we plan to do so through the issuance of long-term corporate debentures or further preferred stock and/or the use of our other secondary funding sources.

We generally may not acquire our own shares except in certain limited circumstances such as a capital reduction. However, pursuant to the Financial Investment Services and Capital Markets Act and regulations under the Financial Holding Companies Act, we may purchase our own shares on the KRX KOSPI Market of the Korea Exchange or through a tender offer, or retrieve our own shares from a trust company upon termination of a trust agreement subject to the restrictions that (1) the aggregate purchase price of such shares may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year less the amounts of dividends and reserves for such fiscal year, subtracted by the sum of (a) the purchase price of treasury stock acquired if any treasury stock has been purchased after the end of the preceding fiscal year pursuant to the Commercial Act or the Financial Investment Services and Capital Markets Act, (b) the amount subject to a trust contract, and (c) the amount of dividends approved at the ordinary general shareholders' meeting after the end of the preceding fiscal year and the amount of retained earnings reserve required under the Commercial Act; plus if any treasury stock has been disposed of after the end of the preceding fiscal year, the acquisition cost of such treasury stock, and (2) the purchase of such shares shall meet the requisite ratio under the Financial Holding Companies Act and regulations thereunder. In addition, pursuant to the Financial Investment Services and Capital Markets Act, in certain limited circumstances, dissenting holders of shares have the right to require us to purchase their shares.

Contractual Obligations, Commitments and Guarantees

In the ordinary course of our business, we have certain contractual cash obligations and commitments which extend for several years. As we are able to obtain liquidity and funding through various sources as described in

"— Liquidity and Capital Resources" above, we do not believe that these contractual cash obligations and commitments will have a material effect on our liquidity or capital resources.

Contractual Cash Obligations

The following table sets forth our contractual cash obligations as of December 31, 2023.

	As of December 31, 2023 Payments Due by Period(1)						
	Less than 1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 Years	Total
	(In billions of Won)						
Deposits	₩204,354	₩49,995	₩43,383	₩65,673	₩24,930	₩ 2,932	₩391,267
Borrowings	19,311	5,679	6,167	9,812	14,182	5,170	60,321
Debt securities issued	4,496	7,218	7,931	18,001	45,962	3,735	87,343
Investment contract liabilities	245	110	67	424	727	—	1,573
Lease liability	43	39	55	91	331	55	614
Total	₩228,449	₩63,041	₩57,603	₩94,001	₩86,132	₩11,892	₩541,118

Note:

(1) Reflects all estimated contractual interest payments due on our interest-bearing deposits, borrowings, debt securities issued and lease liability, and the estimated contractual interest payments on borrowings and debt securities that are on a floating rate basis as of December 31, 2023 were computed as if the interest rate used on the last applicable date (for example, the interest payment date for such floating rate loans immediately preceding the determination date) were the interest rate applicable throughout the remainder of the term.

Commitments and Guarantees

In the normal course of business, we and our subsidiaries make various commitments and guarantees to meet the financing needs of our customers. Commitments and guarantees are usually in the form of, among others, commitments to extend credit, commercial letters of credit, standby letter of credit and performance guarantees. The contractual amount of these financial instruments represents the maximum possible loss amount if the counterparty draws down the commitment or we should fulfill our obligation under the guarantee and the counterparty fails to perform under the contract. See "Item 4.B. Business Overview — Description of Assets and Liabilities — Credit-Related Commitments and Guarantees."

The following table sets forth our commitments and guarantees as of December 31, 2023. These commitments, apart from certain guarantees and acceptances, are not included within our consolidated statements of financial position.

	As of December 31, 2023 Commitment Expiration by Period			
	Less than 1 Year	1-5 Years	More than 5 Years	Total
	(In billions of Won)			
Commitments to extend credit[1]	₩ 78,375	₩18,327	₩19,182	₩115,884
Commercial letters of credit[2]	2,837	97	—	2,934
Financial guarantees[3]	2,432	1,212	4	3,648
Performance guarantees[4]	5,351	4,258	139	9,748
Liquidity facilities to SPEs[5]	421	979	133	1,533
Acceptances[6]	509	2	—	511
Endorsed bills[7]	10,520	—	—	10,520
Unused credit limits on credit cards	90,833	—	—	90,833
Other	951	1,324	3,087	5,362
Total	₩192,229	₩26,199	₩22,545	₩240,973

Notes:

(1) Commitments to extend credit represent unfunded portions of authorizations to extend credit in the form of loans. The commitments expire on fixed dates and a customer is required to comply with predetermined conditions to draw funds under the commitments. Commitments to extend credit, including credit lines, are in general subject to provisions that allow us to withdraw such commitments in the event there are material adverse changes affecting an obligor.

(2) Commercial letters of credit are undertakings on behalf of customers authorizing third parties to draw drafts on us up to a stipulated amount under specific terms and conditions. These are generally short-term and collateralized by the underlying shipments of goods to which they relate.

(3) Financial guarantees are contracts that require us 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 terms of a debt instrument. Financial guarantee liabilities are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortized amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(4) Performance guarantees are issued to guarantee customers' tender bids on construction or similar projects or to guarantee completion of such projects in accordance with contractual terms. They are also issued to support a customer's obligation to supply products, commodities, maintenance or other services to third parties.

(5) Liquidity facilities to SPEs represent irrevocable commitments to provide contingent credit lines including commercial paper purchase agreements to special purpose entities for which we serve as the administrator.

(6) Acceptances represent guarantees by us to pay a bill of exchange drawn on a customer. We expect most acceptances to be presented, but reimbursement by the customer is normally immediate.

(7) Endorsed bills represent notes transferred to third parties by us. We are obligated to fulfill the duty of payment if the person primarily liable does not honor the bill on the due date.

See also Note 46 of the notes to our consolidated financial statements included in this annual report.

Capital Adequacy

The Financial Services Commission regulations require that capital ratios be computed based on our consolidated financial statements under IFRS and regulatory guidelines. The following table sets forth a summary of our capital and capital adequacy ratios as of December 31, 2021, 2022 and 2023 based on Basel III.

	As of December 31,		
	2021	2022	2023
	(In millions of Won, except percentages)		
Tier I Capital:			
Tier I CE Capital	₩ 35,469,554	₩ 37,287,768	₩ 41,388,070
Paid-in capital	2,882,231	2,882,231	2,969,641
Capital reserve	10,692,438	10,692,438	11,352,744
Retained earnings	30,541,300	33,342,633	36,387,314
Non-controlling interests in consolidated subsidiaries	50,475	52,851	50,419
Others	(8,696,662)	(9,682,158)	(9,371,821)
Additional Tier I Capital	4,965,931	6,018,792	5,118,817
Total Tier I Capital	₩ 40,435,485	₩ 43,267,373	₩ 46,506,887
Tier II Capital:			
Allowances for credit losses	743,451	962,384	1,107,906
Subordinated debt	—	—	
Others	2,684,500	2,752,016	2,303,717
Total Tier II capital	₩ 3,427,951	₩ 3,714,400	₩ 3,685,637
Total Capital	₩ 43,824,248	₩ 46,981,773	₩ 50,192,524
Risk-weighted assets			
Credit risk	₩235,174,053	₩254,233,024	₩260,495,455
Market risk	14,042,483	13,927,045	22,718,333
Operational risk	21,475,647	23,382,529	30,966,910
Total risk-weighted assets	₩270,692,183	₩291,542,598	₩314,180,698
Capital adequacy ratio	16.19%	16.11%	15.98%
Tier I capital adequacy ratio	14.92%	14.84%	14.80%
Common equity capital adequacy ratio	13.10%	12.79%	13.17%

	As of December 31,		
	2021	2022	2023
	(Percentages)		
Group BIS ratio[(1)]	16.19%	16.11%	15.98%
Total capital adequacy ratio of Shinhan Bank	18.18	17.77	18.08
Adjusted equity capital ratio of Shinhan Card[(2)]	18.85	18.60	19.71
Solvency ratio for Shinhan Life Insurance[(3)]	284.7	267.7	253.2

Notes:

(1) Under the guidelines of the Financial Services Commission applicable to financial holding companies, the minimum requisite capital ratio applicable to us is the Bank for International Settlement (“BIS”) ratio of 8%. This computation is based on our consolidated financial statements in accordance with IFRS. See “Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Capital Adequacy.”

(2) Represents the ratio of total adjusted shareholders’ equity to total adjusted assets and is computed in accordance with the guidelines issued by the Financial Services Commission for credit card companies.

Under these guidelines, a credit card company is required to maintain a minimum adjusted equity capital ratio of 8%. This computation is based on the consolidated financial statements of the credit card company prepared in accordance with IFRS. See "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Credit Card Companies — Capital Adequacy."

(3) Solvency ratio is the ratio of the solvency margin to the standard amount of solvency margin as defined and computed in accordance with the guidelines issued by the Financial Services Commission for life insurance companies. Under these guidelines, Shinhan Life Insurance is required to maintain a minimum solvency ratio of 100%. See "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Insurance Companies — Capital Adequacy."

ITEM 5.C. Research and Development, Patents and Licenses, etc.

Not applicable.

ITEM 5.D. Trend Information

These matters are discussed under Items 4.B., 5.A. and 5.B. above where relevant.

ITEM 5.E. Critical Accounting Estimates

Not applicable.

ITEM 6. *DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES*

ITEM 6.A. Directors and Senior Management

Executive Directors

Our executive director is as follows:

Name	Date of Birth	Position	Executive Director Since	Date Term Ends[1]
Jin Okdong	Feb. 21, 1961	Chief Executive Officer	March 23, 2023	March 2026

Note:

(1) The date on which the term will end will be the date of the general shareholders' meeting in the relevant year.

Jin Okdong is our Chief Executive Officer. Prior to being elected to his current position on March 23, 2023, Mr. Jin served as the chief executive officer of Shinhan Bank from 2019 to 2023. Mr. Jin served as the deputy president of Shinhan Financial Group from 2017 to 2018, the deputy president of Shinhan Bank in 2017 and the chief executive officer of Shinhan Bank Japan from 2015 to 2016. Mr. Jin received a master's degree in business administration from Chung Ang University.

Non-Executive and Outside Directors

Non-executive directors are directors who are not our employees and do not hold executive officer positions with us. Outside directors are non-executive directors who also satisfy the requirements set forth under the Financial Investment Services and Capital Markets Act to be independent of our major shareholders, affiliates and management. Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economics, management and accounting. Currently, 1 non-executive director and 9 outside directors are in office, all of whom were nominated by our board of directors and approved at a general meeting of shareholders.

Our non-executive and outside directors are as follows:

Name	Date of Birth	Position	Director Since	Date Term Ends[1]
Jung Sang Hyuk	Nov. 26, 1964	Non-Executive Director	March 23, 2023	March 2025
Yoon Jaewon	Aug. 29, 1970	Outside Director	March 26, 2020	March 2025
Bae Hoon	Mar. 30, 1953	Outside Director	March 25, 2021	March 2025
Lee Yong Guk	May 11, 1964	Outside Director	March 25, 2021	March 2025
Kim Jo Seol	Dec. 5, 1957	Outside Director	March 24, 2022	March 2025
Choi Jae Boong	Feb. 18, 1965	Outside Director	March 25, 2021	March 2025
Kwak Su Keun	Aug. 16, 1953	Outside Director	March 25, 2021	March 2025
Jin Hyun-duk	Sep. 10, 1955	Outside Director	March 26, 2020	March 2025
Song Seongjoo	Mar. 26, 1971	Outside Director	March 26, 2024	March 2026
Choi Young-Gwon	Jul. 16, 1964	Outside Director	March 26, 2024	March 2026

Note:

(1) The date on which each term will end will be the date of the general shareholders' meeting in the relevant year.

Jung Sang Hyuk has been our non-executive director since March 23, 2023. Mr. Jung was the chief executive officer of Shinhan Bank and previously served as the deputy president of Shinhan Bank from 2020 to 2023 Mr. Jung received a bachelor's degree in economics from Seoul National University.

Yoon Jaewon has been our outside director since March 26, 2020. Ms. Yoon is currently a professor at Hongik University College of Business Administration and member of the committee for National Tax Service as well as the committee on national accounting policy of the Ministry of Economy and Finance and Korea Custom Service. Ms. Yoon previously served as a non-executive judge at the Tax Tribunal from 2013 to 2019. Ms. Yoon received a Ph.D. in accounting from Korea University.

Bae Hoon has been our outside director since March 25, 2021. Mr. Bae is a Korean lawyer and Certified Public Accountant in Japan and currently serves as a representative attorney at Orbis Legal Profession Corporation. Mr. Bae received a master's degree in business administration from Kobe University.

Lee Yong Guk has been our outside director since March 25, 2021. Mr. Lee is a clinical professor at Seoul National University, School of Law. Mr. Lee was previously an attorney at Cleary Gottlieb Steen & Hamilton LLP for 27 years. Mr. Lee received a J.D. from Harvard University Law School.

Kim Jo Seol has been our outside director since March 24, 2022. Ms. Kim is a Korean-Japanese professor who teaches economics at Osaka University of Commerce and economist with a high awareness of Northeast Asian economics. Ms Kim received a Ph.D. in economics from Osaka City University.

Choi Jae Boong has been our outside director since March 25, 2021. Mr. Choi currently serves as a professor of mechanical engineering at Sung Kyun Kwan University, College of Engineering and director of Human-centered Convergence Design BK(Brain Korea)21+ Project, which is a human resource development program initiated by the Government. Mr. Choi received a Ph.D. in mechanical engineering from University of Waterloo.

Kwak Su Keun has been our outside director since March 25, 2021. Mr. Kwak currently serves as an honorary professor of accounting at Seoul National University, Business School and chair of Corporate Governance Advisory Board at Korea Listed Companies Association. Mr. Kwak received a Ph.D. in business administration from University of North Carolina Chapel Hill.

Jin Hyun-duk has been our outside director since March 26, 2020. Mr. Jin currently serves as the chief executive officer of Phoedra Co., Ltd. since 1988 and councilor of the Korea Educational Foundation. Mr. Jin was previously a professor at Sakushin-gakuin University and Utsunomiya University. Mr. Jin received a master's degree in business administration from Keio Business School.

Song Seongjoo has been newly appointed as our outside director since March 26, 2024. Ms. Song currently serves as a professor of statistics at Korea University since 2012 and Director of the Korea Risk Management Society. Ms. Song was previously an Advisory Professor, Economic Statistics Division, Bank of Korea. Ms. Song received a Ph. D in Statistics from University of Chicago.

Choi Young-Gwon has been newly appointed as our outside director since March 26, 2024. Mr. Choi currently serves as an Adjunct Professor, Graduate School of Business Administration, Sogang University and Adjunct Professor, College of Business Administration, Soongsil University. Mr. Choi was previously served the chief executive officer of Woori Asset Management in 2019-2023. Mr. Choi received a Ph.D. in Financial Management from Soongsil University.

Any director wishing to enter into a transaction with Shinhan Financial Group or any of its subsidiaries in his or her personal capacity is required to obtain the prior approval of our board of directors. The director having an interest in the transaction may not vote at the meeting of our board of directors at which the relevant transaction is subject to vote for approval.

Executive Officers

In addition to the executive directors who are also our executive officers, we currently have the following executive officers.

Name	Date of Birth	Position	In Charge of
Chun Sang-yung	Jul. 25, 1969	Deputy President and Chief Financial Officer	Finance Management Team Investor Relations Part Accounting Part Group Business Synergy Part
Wang Ho-min	Mar. 4, 1964	Deputy President and Chief Compliance Officer	Compliance Team
Lee Een-kyoon	Apr. 1, 1967	Deputy President and Chief Operation Officer	Shinhan Leadership Center Management Support Team PR Team
Bang Dong-kwon	Feb. 10, 1966	Deputy President and Chief Risk Officer	Risk Management Part
Koh Seogheon	Sept. 27, 1968	Deputy President and Chief Strategy Officer	Strategic Planning Team ESG Part Digital Strategy Part
Park Hyun Joo	Apr. 22, 1965	Deputy President and Chief Consumer Protection Part	Group Consumer Protection Part
Kim Junhwan	Jun. 23, 1972	Executive Director and Head of Digital Part	Group Digital Part
Kim Jion	May. 12, 1968	Executive Director and Chief Audit Officer	Group Audit Part

None of the executive officers have any significant activities outside Shinhan Financial Group.

Chun Sang-yung has been our deputy president and chief finance officer since January 1, 2024. Mr. Chun previously served as the head of group synergy division and business management division of Shinhan Financial Group. Mr. Chun received a bachelor's degree in business management from Yeonsei University.

Wang Ho-min has been our deputy president and chief compliance officer since January 1, 2019. Mr. Wang previously served as the branch manager of Southern Jam-sil branch, Seoul Southern District Court branch and the head of corporate culture development team. Mr. Wang received a bachelor's degree in law from Hankuk University of Foreign Studies.

Lee Een-kyoon has been our deputy president and chief operation officer since January 1, 2019. Mr. Lee previously served as the head of management support team and the head of secretary's office of Shinhan Bank. Mr. Lee received a bachelor's degree in English literature from Hanyang University.

Bang Dong-kwon has been our chief risk officer since January 1, 2020. Mr. Bang previously served as the head of risk management department of Shinhan Bank. Mr. Bang received a bachelor's degree in English language and literature from Sung Kyun Kwan University.

Koh Seogheon has been our executive director and chief strategy officer since January 1, 2022. Mr. Koh previously served as the head of business management division and strategic planning team of Shinhan Financial Group. Mr. Koh received a bachelor's degree in economics from Seoul National University.

Park Hyun Joo, has been our deputy president and chief consumer protection part since July 1, 2023. Ms. Park previously served as the head of Consumer Protection Division at Shinhan Bank. Ms. Park graduated from Seoul Girl's Commercial High School.

Kim Junhwan has been our executive director and head of digital part since January 1, 2024. Mr. Kim previously served as the head of digital innovation team at Shinhan Bank. Mr. Kim received a master's degree in computer application design studies from Korea Advanced Institute of Science & Technology.

Kim Jion has been our executive director and chief audit officer since January 1, 2024. Ms. Kim previously served as the head of PRM marketing team at Shinhan Bank. Ms. Kim received a bachelor's degree in economics from Yonsei University.

There are no family relationships among our directors and/or executive officers.

ITEM 6.B. Compensation

The aggregate remuneration and benefits-in-kind paid by us to our chairman, our executive directors, our non-executive directors and our executive officers for the year ended December 31, 2023 was ₩6.5 billion, consisting of ₩4.4 billion in salaries and wages and ₩2.1 billion in bonus payments.

We do not offer any service contracts to outside directors upon their retirement, but we may offer such service contracts to certain members of our senior management upon termination of their employment with us. We do not pay any severance payment to outside directors upon their retirement, but we pay fixed sums of severance payment to members of our senior management pursuant to our internal guidelines on severance payments. In 2023, we accrued ₩0.2 billion for retirement bonus.

Prior to April 1, 2010, we granted stock options to our chairman, our president and chief executive officer and other directors and executive officers. Effective April 1, 2010, we ceased granting stock options. On March 18, 2015, the exercise period for all outstanding stock options expired, except for a limited number of stock options for which exercise of such stock options (and hence the expiration of the exercise period as well) were suspended by a resolution of the board of directors in December 2010. In May 2017 and September 2017, by a resolution of the board of directors, we lifted such suspension for a portion of the stock options. As of December 31, 2023, we have no stock options that remain unexercisable. We did not record any accrued expense for stock options in 2023.

During the period from March 20, 2007 to December 31, 2013, we granted "performance units" to certain high-ranking officers of select group companies. These performance units are performance-based cash compensation, the per-unit value of which is initially determined at the time of grant subject to adjustment after a fixed number of years based on the operating and financial performance of the relevant group company over the same or another fixed term, at the end of which a cash amount equal to the adjusted number of the performance units is paid out. For performance units granted prior to April 1, 2010, the performance review period was three years, and the payout was made at the end of the three-year term. For performance units granted on or after April 1, 2010 until December 31, 2013, the applicable performance review period is generally four years (and to a limited extent, five years), and the payment is made at the end of such four- or five-year term. We ceased granting performance units since January 1, 2014.

Since April 1, 2010, we have also granted "performance shares" to certain high-ranking officers of select group companies. The performance shares are conceptually similar to the performance units granted since April 1, 2010, in that the number of performance shares is based on the operating and financial performance of the relevant group company, except that the number of performance shares granted is adjusted on the basis of movements in the market price of our shares. The aggregate amount of performance shares granted to a given grantee is generally equal to the expected incentive compensation payable to such grantee for three years (in the case of performance shares granted prior to January 1, 2014) and one year (in the case of performance shares granted since January 1, 2014) of service starting from the grant date, which initial amount is computed based on the expected performance of the grantee's company and the expected price movements of our shares over the applicable adjustment period, which is generally four years (and to a limited extent, five years). The performance shares are paid out in cash at the end of the applicable adjustment period (even if employment is terminated prior to such date), and the grantee is contractually and in accordance with our internal regulations required to use the payout solely to purchase our shares in the market at the then-prevailing market price (in the case of performance shares granted prior to January 1, 2014).

Neither performance units nor performance shares have been granted to outside directors. In 2023, we recognized no accrued expenses for performance units and ₩16.1 billion as accrued expenses for performance shares.

Under the Financial Supervisory Service's standards for preparing corporate disclosure forms, which standards were amended in December 2016, we are required to disclose in our Korean annual report the individual annual compensation (including stock options) paid by us to our directors and statutory auditors if the individual annual compensation for such persons is ₩500 million or greater.

In 2023, Jin Okdong, our Chief Executive Officer, received ₩659 million, consisting of salaries and wages. In addition, in 2023, Mr. Jin was granted 20,528 performance shares. The exercisability of these performance shares will be determined based on a review of our business performance and share price movements during four years, beginning with the fiscal year in which such shares were granted.

The Group determines annual incentive compensation by conducting performance evaluations. Performance measures include quantitative measures, such as total shareholder return, profitability, risk-adjusted return, nonperforming loan ratios before sales and write-offs and efficiency ratios, as well as qualitative measures such as the achievement of pre-established strategic initiatives. The Group determines long-term incentive compensation by conducting performance evaluations over a four-year period. Performance measures include quantitative measures, such as the relative stock price performance, net profit, adjusted ROE and non-performing loans ratio. The maximum number of performance shares that may be granted to directors of the board of the Group in respect of the fiscal year 2024 has been set at 30,000 shares in the aggregate.

ITEM 6.C. Board Practices

Board of Directors

Our board of directors, which currently consists of one executive director, one non-executive director and 9 outside directors, has the ultimate responsibility for the management of our affairs.

Our Articles of Incorporation provide for no less than three but no more than fifteen directors, the number of outside directors must be more than 50% of the total number of directors, and we must maintain at least three outside directors. All directors are elected for a term not exceeding three years as determined by the shareholders' meeting, except that outside directors are elected for a term not exceeding two years, provided that the term of re-election shall not exceed one year and the term cannot be extended in excess of six years. The aggregate term served as an outside director of us or any of our subsidiaries shall not exceed nine years.

Terms are renewable and are subject to the Korean Commercial Code, the Financial Holding Companies Act, the Act on Corporate Governance of Financial Companies and related regulations. See "Item 6.A. Directors and Senior Management" above for information concerning the terms of office of our directors and executive officers.

Our board of directors meets on a regular basis to discuss and resolve material corporate matters. Additional extraordinary meetings may also be convened at the request of the chairman and chief executive officer or a director designated by the board.

Currently, there are no outstanding service contracts between any of our directors or executive officers and us or any of our subsidiaries providing for benefits upon termination of employment by such director or executive officer.

Committees of the Board of Directors

We currently have seven management committees that serve under the board:

- the Risk Management Committee;
- the Audit Committee;
- the Remuneration Committee;
- the Committee for Recommending Candidates for Independent Directors and Members of Audit Committee;
- the Committee for Recommending Candidates for CEO;
- the Environment, Social and Governance (ESG) Strategy Committee; and
- the Subsidiary's CEO Recommendation Committee.

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of shareholders.

Risk Management Committee

The Risk Management Committee currently consists of three outside directors, namely Song Seongjoo (Chair), Lee Yong Guk and Choi Young-Gwon. The committee oversees and makes determinations on all issues relating to our comprehensive risk management function. In order to ensure our stable financial condition and to maximize our profits, the committee monitors our overall risk exposure and reviews our compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions, reviews risk-based capital allocations, and reviews the plans and evaluation of internal control. The committee holds regular meetings every quarter.

Audit Committee

The Audit Committee currently consists of three outside directors, namely Kwak Su Keun (Chair), Yoon Jaewon and Bae Hoon. The committee oversees our financial reporting and approves the appointment of and interaction with our independent auditors and our internal audit-related officers. The committee also reviews our financial information, audit examinations, key financial statement issues and the administration of our financial affairs by the board of directors. In connection with the general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors for each general meeting of shareholders. The committee holds regular meetings every quarter.

Remuneration Committee

The Remuneration Committee currently consists of three outside directors, namely Choi Young-Gwon (Chair), Kwak Su Keun, Kim Jo Seol. At least one-half of the members of this committee must be outside directors and currently all members of Remuneration Committee are outside directors. This committee is responsible for reviewing and approving the management's evaluation and compensation programs. The committee meetings are called by the chairman of this committee, who must be an outside director.

Committee for Recommending Candidates for Independent Directors and Members of Audit Committee

The Committee for recommending candidates for independent directors and members of audit committee currently consists of five outside directors, namely Choi Jae Boong (Chair), Kim Jo Seol, Jin Hyun-duk and Song Seongjoo. Members of this committee will be appointed by our board of directors only to the extent necessary to recommend and nominate candidates for our outside director positions, audit committee members and related matters. However, when the procedure for final recommendation of outside director and audit committee member candidates commences, all outside directors are called to participate in the committee and in this case, all outside directors are deemed as enrolled. The committee meetings are called by the chairman of this committee, who must be an outside director. This committee is responsible and authorized for: (i) establishment, review and reinforcement of policies for outside director and audit committee member selection, (ii) recommendation of outside director and audit committee member candidates for approval at the general shareholders' meeting and (iii) continual recruitment and screening of potential outside director candidates.

Committee for Recommending Candidates for CEO

The Committee for recommending candidates for Chief Executive Officer (CEO) was established in March 2012 and currently consists of five directors, namely Yoon Jaewon (Chair), Jin Hyun-duk, Bae Hoon, Choi Jae Boong and Choi Young-Gwon. However, when the meeting for final selection of candidates for Chief Executive Officer, all outside directors are called to participate in the committee and in this case, all outside directors are deemed as enrolled. This committee is responsible for matters concerning the recommendation of candidates for the CEO including establishing and reviewing our management succession plan and its operation, setting and evaluating the qualifications and criteria for the CEO and CEO candidate pool and other matters necessary for improving our overall corporate governance structure. The chair of the committee must be an outside director, and the incumbent CEO may be restricted from participating and voting on matters related to the CEO selection.

Environmental, Social and Governance (ESG) Strategy Committee

The ESG Strategy Committee was established in March 2015 and currently consists of five directors, namely Lee Yong Guk (Chair), Kim Jo Seol, Choi Jae Boong, Jung Sang Hyuk and Jin Okdong. This committee is responsible for setting the corporate policy for sustainable management, corporate disclosure of sustainability report and discussing specific business agenda in relation to socially responsible management and other matters such as corporate strategy toward climate change.

Subsidiary's CEO Recommendation Committee

The Subsidiary's CEO Recommendation Committee was established in March 2021 and currently consists of five directors, namely Jin Okdong (Chair), Kwak Su Keun, Yoon Jaewon, Bae Hoon, Lee Yong Guk. This committee is responsible for matters concerning the evaluation of subsidiary management leadership, establishment of subsidiary CEO qualifications, verification and recommendation of subsidiary CEO candidates and other matters deemed necessary by the committee

ITEM 6.D. Employees

At the holding company level, we had 165, 171 and 173 regular employees as of December 31, 2021, 2022 and 2023, respectively, almost all of whom are employed within Korea. Our subsidiaries had 21,365, 22,700 and 20,528 regular employees as of December 31, 2021, 2022 and 2023, respectively, almost all of whom are employed within Korea. In addition, we had five, seven and seven non-regular employees at the holding company level as of December 31, 2021, 2022 and 2023, respectively, and 1,942, 2,041 and 2,006 non-regular employees at the subsidiary level as of December 31, 2021, 2022 and 2023, respectively. Of the total number of regular and non-regular employees at both the holding company and subsidiaries, approximately 1.15% were managerial or executive employees.

As of December 31, 2023, (i) 8,595 employees of Shinhan Bank and 321 employees of Jeju Bank were members of the Korean Financial Industry Union, (ii) 2,119 employees of Shinhan Card were members of the Korean Federation of Clerical and Financial Labor Union and (iii) 1,700 employees of Shinhan Securities, 1,112 employees of Shinhan Life Insurance, 209 employees of Shinhan Fund Partners and 15 employees of Shinhan EZ General Insurance were members of the Korea Finance & Service Workers' Union.

Under Korean law, we may not terminate full time employees except under limited circumstances.

Since our acquisition of Chohung Bank in 2003, we have not experienced any general employee work stoppages and consider our employee relations to be good.

Under the Korean National Pension Law, we annually contribute an amount equal to 4.5% of employee wages, and each employee contributes 4.5% of his or her wages, to the National Pension Management Corporation. In addition, pursuant to the Employee Retirement Security Act, we operate a retirement pension system under which we make annual contributions to pension funds managed by financial institutions (which replaced our former retirement pension system under which we managed the pension fund in-house) that provide employees both regular pension payments and a lump sum payment upon termination of employment. We believe that our retirement pension system confers the following benefits: (1) insulation of employees from the risk of default on their pension payments as the pension funds are deposited with large financial institutions; (2) offer of varied forms of payment, i.e., regular pension payments and a lump sum payment, upon termination of employment; (3) offer to employees the option to make investment decisions for his or her individual pension account and (4) elimination of the ability of employees to cash in his or her retirement fund prematurely, thereby guaranteeing such employee a lump sum payment upon termination of employment. Under this retirement pension system, we and our subsidiaries can opt for either a defined benefit plan or a defined contribution plan, or a combination of both. Under the defined benefit plan, the amount of pension payable upon an employee's retirement is fixed in advance, and the employer is responsible for making the requisite payments to the pension fund and making investment decisions in relation to the fund assets. Under the defined contribution plan, the employee sets aside a fixed percentage or amount of his salaries to the pension fund and exercises investment decisions for his or her individual pension account. As of December 31, 2021, 2022 and 2023, we recognized liabilities (asset) for defined benefit obligations of ₩(91) billion, ₩(442) billion and ₩(47) billion, respectively. See Note 26 of the notes to our consolidated financial statements included in this annual report.

ITEM 6.E. Share Ownership

As of March 18, 2024, the persons who are currently our directors or executive officers, as a group, beneficially held an aggregate of 67,027 shares of our common stock, representing approximately 0.01% of our outstanding common stock as of such date. None of these persons individually held more than 1% of our outstanding common stock as of such date.

Members of the employee stock ownership association have certain pre-emptive rights in relation to our shares that are publicly offered under the Financial Investment Services and Capital Markets Act. As of December 31, 2023, the employee stock ownership association owned 26,654,678 shares of our common stock.

Prior to April 1, 2010, we granted stock options to our chairman, our president and chief executive officer and other directors and executive officers. Effective April 1, 2010, we ceased granting stock options. On March 18, 2015, the exercise period for all outstanding stock options expired, except for a limited number of stock options for which exercise of such stock options (and hence the expiration of the exercise period as well) were suspended by a resolution of the board of directors in December 2010. In May 2017 and September 2017, by a resolution of the board of directors, we lifted such suspension for a portion of the stock options. As of December 31, 2023, there were no unexercisable stock options.

On February 1, 2019, we acquired a 59.15% interest in Orange Life Insurance. On January 28, 2020, we acquired the remaining interests in Orange Life Insurance by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code. As part of the comprehensive stock exchange, we transferred 980,780 shares of our common stock to Orange Life Insurance in exchange for 1,485,697 treasury shares of Orange Life Insurance held by Orange Life Insurance in accordance with the exchange ratio for the comprehensive stock exchange. Pursuant to paragraph (2) of Article 342-2 of the Korean Commercial Code, Orange Life Insurance was required to dispose of these shares of our common stock within six months from the acquisition date. In addition, we also transferred 5,514,807 shares of our common stock to Orange Life Insurance in exchange for 8,353,891 shares of Orange Life Insurance which were purchased by Orange Life Insurance as a result of the exercise of appraisal rights by dissenting shareholders of Orange Life Insurance. Pursuant to paragraph (1) of Article 62-2 of the Financial Holding Company Act, Orange Life Insurance was required to dispose of these shares of our common stock within three years from the acquisition date. The acquisition date of these shares of common stock was December 30, 2020. Orange Life Insurance disposed all of such shares as of January 28, 2021. Orange Life Insurance was subsequently merged with and into Shinhan Life Insurance in July 2021.

On September 29, 2020, we acquired a 96.8% interest in Neoplux, a venture capital company formerly under the Doosan Group. On December 30, 2020, we acquired the remaining interest in Neoplux by effecting a small-scale stock exchange under Article 360-10 of the Korean Commercial Code. As part of the small-scale stock exchange, we transferred 7,153 shares of our common stock to Neoplux in exchange for 80,090 treasury shares of Neoplux held by Neoplux in accordance with the exchange ratio for the small-scale stock exchange. Pursuant to paragraph (2) of Article 342-2 of the Korean Commercial Code, Neoplux was required to dispose of these shares of our common stock within six months from the acquisition date. In addition, we also transferred 1,755 shares of our common stock to Neoplux in exchange for 19,653 shares of Neoplux which were purchased by Neoplux as a result of the exercise of appraisal rights by dissenting shareholders of Neoplux. Pursuant to paragraph (1) of Article 62-2 of the Financial Holding Company Act, Neoplux was required to dispose of these shares of our common stock within three years from the acquisition date. The acquisition date of these shares of common stock was December 30, 2020. Neoplux subsequently changed its name to Shinhan Venture Investment on January 11, 2021 and disposed all of such shares as of March 8, 2021.

On September 29, 2020, partly in response to the prolonged COVID-19 pandemic and to increase our loss absorption capacity, we issued 39,130,000 common shares to two private equity funds, thereby increasing our paid-in capital by ₩195.7 billion.

ITEM 6.F. Disclosure of a Registrant's Action to Recover Erroneously Awarded Compensation

Not Applicable.

ITEM 7. *MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS*

ITEM 7.A. Major Shareholders

The following table sets forth certain information relating to the beneficial ownership of our common shares as of December 31, 2023.

Name of Shareholder	Number of Common Shares Beneficially Owned	Beneficial Ownership (%)
National Pension Service	38,279,553	7.47%
BlackRock Fund Advisors	29,063,012	5.67%
Shinhan Financial Group Employee Stock Ownership Association	26,654,678	5.20%
Centennial Investment Limited	20,239,539	3.95%
BNP Paribas SA	18,690,310	3.65%
Supreme, L.P.	18,588,400	3.63%
Mercury1, INC.	17,482,000	3.41%
Citibank, N.A. (ADR Department)	16,091,417	3.14%
KT	10,877,651	2.12%
The Government of Singapore	9,419,543	1.84%
Vanguard Total International Stock Index	6,695,069	1.31%
Peoples Bank of China	5,439,268	1.06%
Natwest Tstee N DPSTRY SRVCS LTD RE ST JAMES'S PL GBL EQ INC	5,146,309	1.00%
Others	290,092,722	56.57%
Total	512,759,471	100.00%

As of December 31, 2023, the number of treasury shares held by us is 6,352 common shares, which do not have voting rights. Other than those listed above, no other person or entity known by us, jointly or severally, directly or indirectly own more than 1% of our issued and outstanding voting securities or otherwise exercise control or could exercise control over us. None of our shareholders have different voting rights.

As of the date hereof, our total authorized share capital is 1,000,000,000 shares, par value ₩5,000 per share.

As of December 31, 2023, the latest date on which we closed our shareholders' registry, 652 shareholders of record were notated as U.S. persons, holding in the aggregate 22.5% of our then total outstanding shares (including Citibank, N.A., as the depositary for our American depositary shares, each representing one share of our common stock effective October 15, 2012, prior to which each American depositary share represented two common shares).

ITEM 7.B. Related Party Transactions

Since the beginning of the preceding three financial years, none of our directors or officers has or had any transactions with us that are or were unusual in their nature or conditions or significant to our business, other than as set forth below and also described in Note 48 of the notes to our consolidated financial statements included in this annual report.

In December 2001, BNP Paribas acquired 4.00% of our common stock in return for an investment of approximately ₩155 billion in cash pursuant to an alliance agreement. Under the terms of the alliance agreement, for so long as BNP Paribas does not sell or otherwise transfer (except to any of its wholly-owned subsidiaries) any portion of its ownership interest in our common stock and maintains, after any issuances of new shares by us from time to time, its shareholding percentage of not less than 3.5% of our issued common stock, we are required to call a meeting of our shareholders to recommend that one nominee of BNP Paribas be elected to our board of directors. In addition, under the alliance agreement, BNP Paribas has the right to subscribe for new issuances of our common shares in the event that such new issuances would result in the dilution of the shareholding percentage of BNP Paribas below 3.5%. As of December 31, 2023, BNP Paribas held 18,690,310 shares, or 3.65% of our total common stock.

As of December 31, 2021, 2022 and 2023, we had principal loans outstanding to our directors, executive officers and their affiliates in the principal amount of ₩6.1 billion, ₩6.6 billion and ₩5.0 billion, which were made in the ordinary course of business on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features.

ITEM 7.C. Interests of Experts and Counsel

Not applicable.

ITEM 8. *FINANCIAL INFORMATION*

ITEM 8.A. Consolidated Statements and Other Financial Information

See “Item 18. Financial Statements” and our consolidated financial statements included in this annual report.

Legal Proceedings

We and our subsidiaries are involved in various legal actions and regulatory proceedings arising from the normal course of business. As of December 31, 2023, we and our subsidiaries were defendants in pending lawsuits (including regulatory proceedings) in the aggregate claim amount of ₩732 billion, for which we recorded a provision of ₩31 billion. We also recorded additional ₩4 billion for insurance contract liabilities (liability for incurred claims) for litigations, etc.

In October 2018, the Financial Supervisory Service requested Shinhan Bank to submit supporting documents in connection with allegations of inadequate compliance controls. In November 2018, the Financial Supervisory Service notified Shinhan Bank of an institutional caution for alleged deficiencies in its customer due diligence and imposed an administrative fine of ₩100 million citing negligence in carrying out its customer verification obligations. In December 2019, the Financial Supervisory Service notified Shinhan Bank of an institutional caution and imposed an administrative fine of ₩3 billion for alleged prohibited activities, including promotional activities for specified money trusts, investment solicitation for derivatives and management of trust properties. In 2021, the Korea Exchange imposed a total of three penalties on Shinhan Securities for regulatory violations, totaling ₩2.7 million in fines. In 2021, the Financial Supervisory Service imposed a total of eight penalties against Shinhan Securities for regulatory violations, totaling ₩4,088 million in fines, which include a fine of ₩1,800 million for certain employees’ violation of conflict of interest obligations in connection with the Lime Asset incident and a fine of ₩1,160 million for violation of rules against advertising certain money trust products. In 2022, the Korea Exchange imposed a total of four penalties on Shinhan Securities for regulatory violations, totaling ₩2.0 million in fines. In 2022, the Financial Supervisory Service imposed a total of four penalties against Shinhan Securities for regulatory violations, totaling ₩600.9 million in fines. In November 2023, the Financial Services Commission imposed a fine of ₩50 million on Shinhan Securities for alleged violations of the Act on Corporate Governance Of Financial Companies. In 2023, the Financial Supervisory Service imposed a total of six penalties against Shinhan Securities for regulatory violations, totaling ₩2.26 billion in fines.

In January 2020, the Financial Supervisory Service notified Shinhan Life Insurance of an institutional caution and imposed an administrative fine of ₩266 million for allegedly omitting certain information regarding the level of expenses deducted from premiums paid when selling savings insurance products over the telephone. In February 2021, the Financial Supervisory Service notified Shinhan Bank of an institutional warning and imposed an administrative fine of ₩2.1 billion for reasons including alleged violation of internal regulations and reporting procedures in connection with Shinhan Bank's designation as the primary bank for Seoul Metropolitan Government in 2018. In March 2021, the Financial Supervisory Service notified Shinhan Bank of an institutional caution and imposed an administrative fine of ₩31.2 million for alleged violation of the safety standard in operating its information system in respect of the electronic financial transaction and alleged negligence in notifying its customers of the errors occurred to the electronic financial transaction and measures taken to correct the errors. On July 31, 2023, the sanctions committee of the Financial Supervisory Service recommended a partial business suspension, a fine of ₩1.2 million and an administrative fine of ₩ 174 million on Shinhan Bank in connection with Shinhan Bank's alleged violation of regulations and reporting procedures in connection with foreign exchange transactions.

In January 2021, the Financial Services Commission imposed a fine of ₩28.8 million on Shinhan Card citing failure to discard personal information after transaction. On December 21, 2023, the Financial Services Commission notified Shinhan Card of an institutional caution and imposed a fine of ₩50 million on Shinhan Card for alleged violation of security authorization standard of its mobile application.

In August 2019, the Financial Supervisory Service launched an investigation into Lime Asset Management Co., Ltd. ("**Lime Asset**"), Korea's then largest hedge fund managing approximately ₩4.1 trillion in assets as of December 31, 2020, including with regards to allegations that Lime Asset had concealed the fact that it had changed the multi-manager trade finance fund's investment method and concealed losses in their trade finance funds. Beginning in October 2019, Lime Asset suspended withdrawals from certain of its funds, freezing approximately ₩1.7 trillion in total as of the end of 2019, according to the Financial Supervisory Service. According to Financial Supervisory Service investigations, Lime Asset's ₩229.6 billion trade finance fund was found to have been associated with a debacle involving the International Investment Group LLC ("**IIG**"), a New York-based investment adviser charged with securities fraud and running a Ponzi scheme. On November 26, 2019, the SEC revoked the registration of IIG for allegedly overvaluing defaulted loans in the fund's portfolio to conceal losses in its flagship hedge fund and selling at least $60 million in fake loan assets to clients. According to the Financial Supervisory Service, Lime Asset signed a contract with a Singaporean commodity trader, which took over Lime Asset's ownership stake in an IIG fund in June 2019, with the Singaporean entity issuing promissory notes to Lime Asset, and Lime Asset did not properly disclose to its investors such change in the fund's investment target from the IIG fund to promissory notes.

Certain investors in funds of Lime Asset have filed dispute mediation claims to the Financial Supervisory Service and criminal and civil claims against Lime Asset, as well as against financial institutions that have sold such products, claiming they learned of the change in the trade finance fund's investment method and losses only in October 2019 and that they were also misguided and not fully informed of the risks associated with these funds when investing in such products. The Financial Supervisory Service conducted a comprehensive audit in November and December 2019. In February 2020, the Prosecutors' Office of Korea announced that they had launched an investigation into Lime Asset as well as Shinhan Securities and also searched Shinhan Bank's headquarters on July 1, 2020 in connection with this matter. On December 10, 2021, the Financial Supervisory Service imposed a partial 6-month business suspension and a fine of approximately ₩4 billion on Shinhan Securities, and a suspension from duties on one former CEO and a cautionary warning on another former CEO of Shinhan Securities in connection with alleged violations of the Capital Markets Act and the Act on Real Name Financial Transactions and Confidentiality in failing to properly monitor its employees involved in the sale of certain money trust products. On November 12, 2021, a fine of ₩1.8 billion on Shinhan Securities was confirmed. On March 15, 2023, Financial Services Commission imposed a fine of ₩50 million on Shinhan Securities for violation of the Financial Investment Services and Capital Markets Act of Korea in failing to properly monitor its employees involved in the sale of Lime Asset products. On April 22, 2021, the sanctions committee of the Financial Supervisory Service recommended a partial business suspension and fine of ₩8.7 billion on Shinhan Bank, a cautionary warning to the CEO of Shinhan Bank, an institutional caution and fine of ₩50 million on Shinhan Financial Group and a caution to the CEO of Shinhan Financial Group in connection with Shinhan Bank's alleged improper solicitation of troubled Lime Asset funds and management's oversight in risk management. On July 11, 2022, the partial business suspension and the fine of ₩5.7 billion on Shinhan Bank and a cautionary warning to the CEO of Shinhan Bank were confirmed. On November 29, 2023, a final resolution by the Financial Services Commission confirmed a fine of ₩50 million for Shinhan Financial Group and Shinhan Bank for violating the obligation to establish internal control standards under the Corporate Governance Act, as well as an institutional caution and a cautionary warning to the CEO of Shinhan Financial Group.

In May 2020, Shinhan Securities announced that its board of directors has resolved to compensate certain investors for amounts ranging between 30% to 70% (in the case of retail investors) and 20% to 50% (in the case of institutional investors) of the amount of such investor's investment in Lime Asset products. In June 2020, Shinhan Bank announced that its board of directors has resolved to make prepayments to investors in certain Lime Asset funds that have reached maturity in an amount equal to 50% of such investor's investment in the relevant product. On June 30, 2020, the Financial Dispute Mediation Committee of the Financial Supervisory Service recommended through a non-binding ruling for brokerages, including Shinhan Securities, to return 100% of the amount of investors' investment in certain of Lime Asset products sold after November 2018 in the aggregate of approximately ₩161 billion. In August 2020, the board of directors of Shinhan Securities resolved to accept the non-binding ruling for certain Lime Asset's trade finance funds sold around November 2018. With these resolutions by the board of directors of Shinhan Securities, the total amount of compensation to investors of Lime Asset funds that Shinhan Securities has agreed to pay has reached ₩42.46 billion. On April 19, 2021, the Financial Dispute Mediation Committee of the Financial Supervisory Service recommended through a non-binding ruling that Shinhan Bank compensate investors in such Lime Asset funds in amounts ranging from 40% to 80% of the losses incurred by the investors by way of making prepayments, with adjustments to be made depending on particular facts, such as the nature of the investor (e.g., whether retail or institutional investor, the age and experience level of the investor, etc.) and adequacy of documentation. In 2022, in accordance with such compensation guideline recommended by the Financial Dispute Mediation Committee, Shinhan Bank completed its voluntary settlement process with substantially all of such investors in Lime Asset funds.

In June 2020, the Financial Supervisory Service launched an investigation into Discovery Asset Management Co., Ltd. ("**Discovery Asset**"), which operated funds that invested in certain funds in the U.S. managed by Direct Lending Investment, LLC ("**DLI**"). In April 2019, the U.S. Securities and Exchange Commission obtained a preliminary injunction and order appointing a receiver to freeze DLI's funds based on the complaint that DLI fabricated values of its assets under management and reported returns. In response, Discovery Asset suspended withdrawals from funds under its management, thereby freezing approximately ₩256 billion in total of its investors' funds as of April 2019. While neither Shinhan Bank nor Shinhan Securities was involved in sale of such DLI-related funds structured by Discovery Asset, Shinhan Bank and Shinhan Securities did sell other Discovery Asset funds (affected by such suspension of withdrawal) to investors in Korea. Between 2017 and 2019, Shinhan Bank and Shinhan Securities sold approximately ₩93.6 billion and ₩29.5 billion, respectively, of such Discovery Asset products (unrelated to DLI funds), of which Shinhan Bank and Shinhan Securities have recovered approximately ₩45.1 billion and ₩21.8 billion, respectively, from Discovery Asset. In 2022, Shinhan Bank completed its voluntary settlement process with substantially all of such investors in Discovery Asset funds.

From May 2017 to December 2018, Shinhan Securities sold approximately ₩390.7 billion of certain German Heritage derivative-linked securities ("German Heritage DLS Products"). As of December 31, 2023, the principal amount of German Heritage DLS Products that have become eligible for payment but for which payment has been delayed is ₩366.4 billion. The German Heritage DLS Products are derivative-linked trust products where performance is based on underlying Singapore funds that invest in Germany's monument status building development projects. Since July 2019, maturity payments have been delayed on the German Heritage DLS Products as recovery on the underlying funds has been delayed. In March 2020, Shinhan Securities announced that its board of directors has resolved to make prepayments to investors who have consented to the extension of maturity in an amount equal to 50% of the amount of such investor's investments in the German Heritage DLS Products. As of December 31, 2023, Shinhan Securities has completed the provisional prepayment for German Heritage DLS Products.

The prepayments made or to be made by Shinhan Bank and Shinhan Securities to investors of Lime Asset funds, Discovery Asset funds and German Heritage DLS Products, respectively, as explained above, have been or will be, as the case may be, settled at the time of recovery of the underlying funds. If the amount recovered on the underlying fund is less than the amount prepaid to investors, Shinhan Bank and Shinhan Securities may not be able to recover from investors the amount of the prepaid amount that is in excess of the recovered amount and accordingly suffer losses. Depending on the performance of such underlying funds, we may record provisions for credit loss allowance to account for expected future losses.

During the fiscal year 2023, Shinhan Bank and Shinhan Securities recorded ₩27.3 billion and ₩154.7 billion, respectively, for credit loss allowance to account for expected future losses associated with financial products, including Lime Asset, Discovery Asset and German Heritage DLS Products. Depending on a variety of factors, including those outside the control of Shinhan Bank or Shinhan Securities, such as the performance of the underlying funds and progression of discussions with investors, Shinhan Bank or Shinhan Securities may record additional provisions for credit loss allowance to account for expected future losses from these or other financial products, and there is no guarantee that such amounts, if any, will not be significant. In response to increased incidents involving alleged improper sales of financial products such as those involving Lime Asset products, Discovery Asset products and German Heritage DLS Products, we have taken additional measures to improve our risk management systems and internal controls to prevent similar incidents. Shinhan Bank and Shinhan Securities have each updated their internal controls and performance evaluation systems and have made improvements to various stages of the sales cycle for financial products. For example, Shinhan Bank and Shinhan Securities have both upgraded their product review departments (which were initially under the investment products and services divisions) to independent divisions, thereby facilitating independent review and thorough assessment of the merits of financial products prior to such products being sold through sales channels. In addition, we have modified the composition of key performance indicators used as a basis for personnel evaluations and promotions to move away from simply increasing the volume of sales, thereby further incentivizing employees to adhere to prudent sales practices and avoid speculative or high risk sales.

In January 2024, the Financial Supervisory Service commenced an investigation into an alleged violation of, among others, the Financial Consumer Protection Act that occurred during past sales by Shinhan Bank and by other banks in Korea of Hong Kong H-Index-based equity linked trust products ("**H-Index ELT**"). If Hong Kong H-Index remains at current levels, customers who have purchased such H-Index ELT are expected to incur significant losses upon maturity of such products. While we intend to fully cooperate with the investigations by the Financial Supervisory Service, it is not currently possible to predict the final outcome of such investigations and the potential impact they may have on us. On March 11, 2024, the Financial Supervisory Service announced dispute resolution criteria that may be voluntarily applied by each financial institution in determining compensation for investors who suffered losses due to such institution's alleged incomplete sales of H-Index ELT. On March 29, 2024, Shinhan Bank announced that its board of directors has resolved to initiate voluntary settlement process with the investors based on the guideline announced by the Financial Supervisory Service and began discussions with the investors starting April 2024. Depending on the results of the investigations and settlement negotiations with the investors, it is currently unclear to what extent we may be required to compensate the customers, which may cause us to suffer substantial losses or to record provisions for credit loss allowance to account for expected future losses.

In February 2023, the Korea Fair Trade Commission commenced investigations into banks in Korea with respect to whether they had engaged in any unfair practices in violation of competition laws. In January 2024, the Korea Fair Trade Commission issued a review report addressed to the four largest banks in Korea, including Shinhan Bank, which alleged that the banks had colluded among themselves to maintain similar terms and conditions for their secured loans. Specifically, the Korea Fair Trade Commission alleged that the banks had shared information about the maximum loan-to-value ratio each bank offered to its respective customers with the intent of maintaining similar levels among themselves. Such investigation is ongoing, and it is difficult to predict the results of these proceedings and the potential impact they may have on us.

In June 2022, Shinhan Bank voluntarily reported to the Financial Supervisory Service certain overseas wire transfers made in 2020 and 2021 which Shinhan Bank had detected as unusual based on its internal monitoring system. After similar activities were also reported by another major Korean bank, the Financial Supervisory Service launched an investigation in August 2022 into wire transfers made under similar circumstances across all major banks in Korea, including Shinhan Bank. In an interim report released in September 2022, the Financial Supervisory Service reported that approximately more than US$7.2 billion of suspicious overseas wire transfers were made through 12 banks, of which approximately US$2.36 billion had been wired through Shinhan Bank and that at least some of these transfers were allegedly related to cryptocurrency arbitrage transactions. The Financial Supervisory Service and the Seoul Central District Prosecutor's Office investigated these wire transfers and the parties involved, including in relation to any violation of certain monitoring and reporting obligations under the Foreign Exchange Transactions Act of Korea and the Act on Reporting and Use of Certain Financial Transaction Information of Korea. In December 2022, the Financial Supervisory Service made a recommendation to improve Shinhan Bank's fraud detection system, including allocating sufficient staff and establishing a computer system dedicated to identifying digital asset-related transactions and assessing risks related to digital asset management. In February 2024, the Financial Supervisory Service imposed a sanction on commercial banks in connection with such overseas wires transfers, including Shinhan Bank, and imposed temporary suspension of 2.6 months on one of Shinhan Bank's branches, an administrative fine of ₩ 12 million, and an administrative penalty of ₩ 174 million to Shinhan Bank.

Although we plan to rigorously defend our positions in the lawsuits or other regulatory proceedings against us, it is difficult to predict the final outcome of these proceedings and the potential impact these proceedings and related events may have on our financial condition, equity or results of operations. The total amount in dispute or amounts subject to regulatory action may increase during the course of these legal claims and regulatory actions, and other lawsuits may be brought against us based on similar allegations. Accordingly, we cannot assure you that these proceedings and related events will not have an adverse effect on our business, financial condition and results of operations. For further details of these and other litigations, see Note 46 of the notes to our consolidated financial statements.

Dividend Policy

For a detailed description on the dividend policy, please see "Item 10.B. Memorandum and Articles of Incorporation — Description of Share Capital — Dividends."

ITEM 8.B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. *THE OFFER AND LISTING*

ITEM 9.A. Offer and Listing Details

Market Prices of Common Stock and American Depositary Shares

The principal trading market for our common shares is the KRX KOSPI Market Division of the Korea Exchange, where our common shares were listed on September 10, 2001. Our American depositary shares have been listed on the New York Stock Exchange since September 16, 2003 and are identified by the symbol "SHG."

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the Korea Exchange for our common stock since 2017, and their high and low closing prices and the average daily volume of trading activity on the New York Stock Exchange for our American depositary shares since 2017.

	Korea Exchange			New York Stock Exchange		
	Closing Price per Common Stock		Average Daily Trading Volume	Closing Price per ADS		Average Daily Trading Volume
	High	Low	(Shares)	High	Low	(ADSs)
2019	48,000	38,350	987,989	40.54	32.23	85,258
2020	42,750	22,200	2,366,124	37.45	17.37	144,214
2021	43,000	30,650	1,784,390	39.07	27.67	112,478
2022	43,200	33,400	1,303,530	34.60	23.00	154,790
First Quarter	41,500	36,400	1,531,090	34.32	29.41	162,315
Second Quarter	43,200	37,050	1,287,123	34.60	28.56	123,982
Third Quarter	37,900	33,400	1,259,431	28.92	23.00	178,305
Fourth Quarter	38,500	34,500	1,148,202	29.67	23.59	153,817
2023	44,900	32,500	1,153,125	36.62	25.13	129,154
First Quarter	44,900	34,300	1,709,502	36.62	25.59	151,879
Second Quarter	35,900	33,850	1,133,213	27.74	25.69	123,019
Third Quarter	38,000	32,500	962,360	28.49	25.13	120,840
Fourth Quarter	40,150	34,100	795,571	31.12	25.13	121,141
October	36,400	34,100	821,473	26.72	25.13	120,214
November	37,000	34,500	799,190	28.52	25.60	121,910
December	40,150	36,350	765,479	31.12	27.87	121,355
2024 (through April 12)	51,500	36,350	2,607,485	37.94	27.23	148,214
January	40,850	36,350	1,211,737	30.69	27.23	147,114
February	45,300	41,350	3,040,301	33.85	31.15	126,665
March	51,500	44,050	4,018,316	37.94	32.61	146,215
April (through April 12)	45,550	41,850	1,970,411	33.64	30.00	197,620

Source: Korea Exchange; New York Stock Exchange.

ITEM 9.B. Plan of Distribution

Not applicable.

ITEM 9.C. Markets

The Korea Exchange

Pursuant to the Korea Stock and Futures Exchange Act, as of January 27, 2005, the Korea Stock Exchange, which began its operations in 1956, the KRX KOSDAQ, which began its operation on July 1, 1996, and the Korea Futures Exchange (as an exchange operating futures market and options market), which began its operation on February 1, 1999, were unified to form the Korea Exchange.

The Korea Exchange was established in a form of a limited liability stock company in accordance with the Korean Commercial Code with the minimum paid-in capital of ₩100 billion in accordance with the Financial Investment Services and Capital Markets Act. Historically, the Korea Exchange was the only exchange authorized under the Financial Investment Services and Capital Markets Act. On May 28, 2013, however, the Financial Investment Services and Capital Markets Act was amended to implement a license system under which a license may be granted to an exchange upon satisfaction of certain requirements. In addition, the Financial Services Commission has authorized the establishment of alternative trading systems that engage in the trading of listed beneficial certificates, among other things, for a multiple number of parties through electronic means. Notwithstanding the foregoing regulatory developments, the Korea Exchange is presently the only duly licensed exchange in Korea and there have been no definitive developments regarding newly licensed exchanges or alternative trading systems in Korea. The Korea Exchange operates and supervises four market divisions, the KRX KOSPI Market Division, the KRX KOSDAQ Market Division, the KRX Futures Market Division and the KRX KONEX Market Division. It has its principal office in Busan.

As of December 28, 2023, the aggregate market value of equity securities listed on the KOSPI was approximately ₩2,126 trillion. The average daily trading volume of equity securities for 2023 was approximately 538 million shares with an average transaction value of ₩9,603 billion.

Even though the Financial Investment Services and Capital Markets Act prescribed that the Korea Exchange be established in a form of a limited liability stock company, the Korea Exchange is expected to play a public role as a public organization. In order to safeguard against a possible conflict, the Financial Investment Services and Capital Markets Act has placed restrictions on the ownership and operation of the Korea Exchange and any newly established exchanges approved by the Financial Services Commission as follows:

- Any person’s ownership of shares in the Korea Exchange is limited to 5% or less except for an investment trust company or investment company established under the Financial Investment Services and Capital Markets Act, or the Government. However, more than 5% ownership in Korea Exchange is permitted if necessary for forming a strategic alliance with a foreign stock or futures exchange and such amount of ownership is approved by the Financial Services Commission on grounds that such ownership may contribute to the efficiency and soundness of capital markets and the distribution of shares held by shareholders;

- The number of outside directors on the board of directors of the Korea Exchange shall be more than half of the total number of directors;

- Any amendment to the Articles of Incorporation, transfer or consolidation of business, spin off, stock swap in its entirety or transfer of shares in its entirety of the Korea Exchange will receive prior approval from the Financial Services Commission; and

- In the event the Financial Services Commission determines that the chief executive officer of the Korea Exchange is not appropriate for the position, the Financial Services Commission can request the Korea Exchange upon reasonable cause, within one month from the chief executive officer’s election, to dismiss the chief executive officer. Subsequently, the chief executive officer will be suspended from performing his duties and the Korea Exchange will elect a new chief executive officer within two months from the request.

The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semiannually and quarterly and to release immediately all information that may affect trading in a security.

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector of the Korean economy and its actions may depress or boost the stock market. In the past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers excess capacity in a particular industry and induced private companies to offer publicly their securities.

The Korea Exchange publishes the Korea Composite Stock Price Index ("KOSPI") every ten seconds, which is an index of all equity securities listed on the Korea Exchange. Historical movements in KOSPI are set out in the following.

	Opening[(1)]	High	Low	Closing
2019	2,010.00	2,248.63	1,909.71	2,197.67
2020	2,175.17	2,873.47	1,457.64	2,873.47
2021	2,944.45	3,305.21	2,839.01	2,977.65
2022	2,988.77	2,989.24	2,155.49	2,236.40
2023	2,225.67	2,667.07	2,218.68	2,655.28
2024 (through April 12)	2,669.81	2,757.09	2,435.90	2,681.82

Source: Korea Exchange

Note:

(1) The figures represent the daily closing price of the first trading day of the respective year.

Shares are quoted "ex-dividend" on the first trading day of the relevant company's accounting period. "Ex-dividend" refers to a share no longer carrying the right to receive the following dividend payment because the settlement date occurs after the record date for determining which shareholders are entitled to receive dividends. "Ex-rights" refers to shares no longer carrying the right to participate in the following rights offering or bonus issuance because the settlement date occurs after the record date for determining which shareholders are entitled to new shares. The calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted "ex-dividend" and "ex-rights," permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 30% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price	Rounded Down to Won
Less than 2,000	1
2,000 to less than 5,000	5
5,000 to less than 20,000	10
20,000 to less than 50,000	50
50,000 to less than 200,000	100
200,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the financial investment companies with brokerage licenses.

The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table.

		Total Market Capitalization		Average Daily Trading Volume, Value		
Year	Number of Listed Companies	(Millions of Won)	(Thousands of Dollars)(1)	Thousands of Shares	(Millions of Won)	(Thousands of Dollars)(1)
2019	799	₩1,475,909,366	$1,277,290,667	470,723	$ 4,989,807	$ 4,318,309
2020	795	1,980,543,162	1,823,536,656	895,256	12,200,417	11,233,235
2021	818	2,203,366,546	1,853,749,408	1,039,479	15,424,224	12,976,800
2022	820	1,767,235,221	1,402,345,041	595,197	9,008,398	7,148,387
2023	834	2,126,372,516	1,649,117,819	538,210	9,602,689	7,447,409
2024 (through April 12)	835	2,189,191,730	1,618,506,380	533,502	10,665,076	7,884,871

Source: Korea Exchange

Note:

(1) Converted at the Noon Buying Rate at the end of the periods indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and the Financial Investment Services and Capital Markets Act. The law imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests.

Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies

Under Korean law, the relationship between a customer and a financial investment company in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the securities company) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving a financial investment company, the customer of the financial investment company is entitled to the proceeds of the securities sold by the financial investment company. In addition, the Financial Investment Services and Capital Markets Act recognizes the ownership of a customer in securities held by a financial investment company in such customer's account.

When a customer places a sell order with a financial investment company which is not a member of the Korea Exchange and this financial investment company places a sell order with another financial investment company which is a member of the Korea Exchange, the customer is still entitled to the proceeds of the securities sold received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company. Likewise, when a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

In addition, under the Financial Investment Services and Capital Markets Act, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company which is a member of the Korea Exchange breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

As the cash deposited with a financial investment company is regarded as belonging to the financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the financial investment company if a bankruptcy or reorganization procedure is instituted against the financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay each investor up to ₩50 million per financial institution in case of the financial investment company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. The premiums related to this insurance are paid by financial investment companies. Pursuant to the Financial Investment Services and Capital Markets Act, a financial investment company with a dealing or brokerage license is required to deposit the cash received from its customers with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by securities companies with the Korea Securities Finance Corporation is prohibited. In addition, in the event of bankruptcy or dissolution of the financial investment company, the cash so deposited shall be withdrawn and paid to the customer prior to payment to other creditors of the financial investment company.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of our ADSs in the secondary market outside Korea or for the withdrawal of shares of our common stock underlying the ADSs and the delivery within Korea of shares in connection with the withdrawal, provided that a foreigner procures a Legal Entity Identifier (passport number for individual) as described below. The acquisition of the shares by a foreigner must be immediately reported to the governor of the Financial Services Commission, either by the foreigner or by his standing proxy in Korea.

Persons who have acquired shares of our common stock as a result of the withdrawal of shares underlying our ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

Under current Korean laws and regulations, the depositary is required to obtain our prior consent for the number of shares of our common stock to be deposited in any given proposed deposit that exceeds the difference between:

(1) the aggregate number of shares of our common stock deposited by us for the issuance of our ADSs (including deposits in connection with the initial issuance and all subsequent offerings of our ADSs and stock dividends or other distributions related to these ADSs); and

(2) the number of shares of our common stock on deposit with the depositary at the time of such proposed deposit. We have agreed to grant such consent to the extent that the total number of shares on deposit with the depositary would not exceed 40,432,628 at any time.

Reporting Requirements for Holders of Substantial Interests

Under the Financial Investment Services and Capital Markets Act, any person whose direct or beneficial ownership of our common stock with voting rights, whether in the form of shares of common stock or ADSs, certificates representing the rights to subscribe for shares and equity-related debt securities including convertible bonds and bonds with warrants (which we refer to collectively as "Equity Securities"), together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5% or more of the total outstanding shares (including Equity Securities of us held by such persons) is required to report the status of the holdings and the purpose of the holdings (for example, whether intending to seek management control) to the Financial Services Commission and the Korea Exchange within five business days after reaching the 5% ownership level. In addition, any change in the ownership interest subsequent to the report that equals or exceeds 1% of the total outstanding Equity Securities or change in the purpose of the holdings is required to be reported to the Financial Services Commission and the Korea Exchange within five business days from the date of the change, provided that (i) if the investment is for passive investment purposes the change must be reported by the 10th day of the month following an amendment event and (ii) if the investment is for general investment purposes (i.e., an investment that is not intended for active management participation, but with a intention to actively exercise its rights as a shareholder with respect to the matters such as a distribution policies of the issuer) the change must be reported within 10 business days following an amendment event. For institutional investors as prescribed by the Financial Services Commission, (i) if the investment is for portfolio investment purposes, the change must be reported by the 10th day of the following quarter in which the change occurred and (ii) if the investment is for general investment purposes, the change must be reported by the 10th day of the month following an amendment event).

Violation of these reporting requirements may subject a person to criminal sanctions such as administrative sanctions, fines, imprisonment and/or a loss of voting rights with respect to the portion of ownership of Equity Securities exceeding 5% of the total outstanding shares. In addition, the Financial Services Commission may order the disposal of the unreported Equity Securities. Any persons who reports management control as the purpose for its holdings is prohibited from acquiring additional shares or from exercising voting rights during the following five days following the reporting date.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our stock accounts for 10% or more of the total issued and outstanding shares (which we refer to as a “major stockholder”) must report the status of his/her shareholding to the Korea Securities Futures Commission and the Korea Exchange within five days after he/she becomes a major stockholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Korea Securities Futures Commission and the Korea Exchange within five days after the change occurred, provided that the obligation to report such change shall be exempt if the number shares that changed in ownership is less than 1,000 shares and the aggregate amount of such shares that changed in ownership is less than ₩10 million. Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment. Any single stockholder or persons who have a special relationship with such stockholder that jointly acquire more than 10% (4% in case of non-financial business group companies) of the voting stock of a Korean financial holding company who controls national banks will be subject to reporting or approval requirements pursuant to the Financial Holding Company Act. See “Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Restrictions on Financial Holding Company Ownership.”

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws and Financial Services Commission regulations, as amended (collectively, the “Investment Rules”), foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the Stock Market Division of the Korea Exchange or on the KOSDAQ Market Division of the Korea Exchange, unless prohibited by specific laws. Foreign investors may trade shares listed on the Stock Market Division of the Korea Exchange or on the KOSDAQ Market Division of the Korea Exchange only through the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange, except in limited circumstances, including:

- odd-lot trading of shares;
- acquisition of shares (which we refer to as “Converted Shares”) by exercise of warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;
- acquisition of shares as a result of inheritance, donation, bequest or exercise of stockholders’ rights, including preemptive rights or rights to participate in free distributions and receive dividends;
- over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded subject to certain exceptions; and

- sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract.

For over-the-counter transactions of shares between foreigners outside the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a securities company licensed in Korea must act as an intermediary. Odd-lot trading of shares outside the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange must involve a licensed securities company in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions with respect to shares that are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares on the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange (including Converted Shares and shares being issued for initial listing on the Stock Market Division of the Korea Exchange or on KOSDAQ Market Division of the Korea Exchange) to identify its identity with the Legal Entity Identifier ("LEI") or provide a passport number prior to making any such investment.

Upon a foreign investor's purchase of shares through the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange, no separate report by the investor is required. However, a foreign investor's acquisition or sale of shares outside the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange (as discussed above) must be reported by the foreign investor or his standing proxy to the governor of the Financial Supervisory Service at the time of each such acquisition or sale. A foreign investor must ensure that any acquisition or sale by it of shares outside the Stock Market Division of the Korea Exchange or the KOSDAQ Market Division of the Korea Exchange in the case of trades in connection with a tender offer, odd-lot trading of shares, trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the governor of the Financial Supervisory Service by himself or his standing proxy, or, in the case of sale and purchase of shares at fair value between foreigners, who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract. A foreign investor may appoint a standing proxy from among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), securities companies (including domestic branches of foreign securities companies), asset management companies, futures trading companies and internationally recognized custodians which will act as a standing proxy to exercise stockholders' rights or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. Generally, a foreign investor may not permit any person, other than its standing proxy, to exercise rights relating to his shares or perform any tasks related thereto on his behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed inevitable by reason of conflict between laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks (including domestic branches of foreign banks), securities companies (including domestic branches of foreign securities companies), the Korea Securities Depository, asset management companies, futures trading companies and internationally recognized custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his custodian deposits his shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person in their articles of incorporation. Furthermore, an investment by a foreign investor in 10% or more of the issued and outstanding shares with voting rights of a Korean company is defined as a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to the Ministry of Commerce, Industry and Energy of Korea. The acquisition of shares of a Korean company by a foreign investor may also be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. For a description of such restrictions applicable to Korean banks, see "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Banks — Restrictions on Bank Ownership."

ITEM 9.D. Selling Shareholders

Not applicable.

ITEM 9.E. Dilution

Not applicable.

ITEM 9.F. Expenses of the Issue

Not applicable.

ITEM 10. *ADDITIONAL INFORMATION*

ITEM 10.A. Share Capital

Not applicable.

ITEM 10.B. Memorandum and Articles of Incorporation

We are a financial holding company established under the Financial Holding Company Act. As set forth in our Articles of Incorporation, our objects and purposes as a financial holding company are, among others, to operate and manage financial companies or companies engaged in similar lines of business, to provide financial support to, or investments in, our subsidiaries and to develop and jointly sell products with our subsidiaries. We are registered with the commercial registry office of Seoul Central District Court.

Our articles of incorporation, which was last amended on March 23, 2023, is annexed to this annual report as Exhibit 1.1.

Description of Share Capital

This section provides information relating to our capital stock, including brief summaries of material provisions of our Articles of Incorporation, the Korean Commercial Code, the Financial Investment Services and Capital Markets Act, the Financial Holding Companies Act and certain related laws of Korea, all as currently in effect. The following summaries are intended to provide only summaries and are subject to the full text of the Articles of Incorporation and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code, and certain other related laws of Korea.

General

As of December 31, 2023 and as of the date hereof, our authorized share capital is 1,000,000,000 shares. Our Articles of Incorporation provide that we are authorized to issue shares of preferred stock up to one-half of all of the issued and outstanding shares. Furthermore, through an amendment of the Articles of Incorporation, we have created new classes of shares in addition to the common shares and the preferred shares. As of December 31, 2023, the number of our issued and outstanding common shares was 512,759,471.

On January 25, 2007, we issued 28,990,000 Series 10 redeemable preferred shares and 14,721,000 Series 11 redeemable convertible preferred shares as part of our funding for the acquisition of LG Card, all of which were redeemed on January 25, 2012. On April 21, 2011, as part of funding for partial redemption of the Series 10 redeemable preferred stock and the Series 11 redeemable convertible preferred stock, we issued 11,100,000 shares of the Series 12 non-voting redeemable preferred stock, all of which were redeemed on April 21, 2016. April 30, 2019, as part of funding for the acquisition of Orange Life Insurance, we issued 17,482,000 shares of non-voting convertible preferred stock through third-party allotment at a price of ₩42,900. In addition, we issued 8,232,906 shares of common stock in relation to a comprehensive stock exchange between Shinhan Financial Group and Orange Life Insurance on January 28, 2020. On May 1, 2023, 17,482,000 shares of our convertible preferred stock issued on April 30, 2019 have been automatically converted to common stock. See "— Description of Preferred Stock."

From April 29, 2020 to May 28, 2020, we acquired 5,035,658 treasury shares which we retired entirely on June 1, 2020. On September 29, 2020, partly in response to the prolonged COVID-19 pandemic and to increase our loss absorption capacity, we issued 39,130,000 common shares to two private equity funds, thereby increasing our paid-in capital by ₩195.7 billion. On December 30, 2020, as part of the small-scale stock exchange for the acquisition of the remaining interest in Neoplux, we issued 72,719 shares of common stocks.

All of the issued and outstanding shares are fully-paid and non-assessable, and are in registered form. As of December 31, 2023, our authorized but unissued share capital was 487,240,529 shares. We may issue the unissued shares without further shareholder approval but subject to a board resolution as provided in the Articles of Incorporation. See "— Distribution of Free Shares." Share certificates are issued in denominations of one, five, ten, 50, 100, 500, 1,000 and 10,000 shares. The par value of our common shares per share is ₩5,000.

Dividends

Dividends are distributed to shareholders in proportion to the number of shares of the relevant class of capital stock owned by each shareholder following approval by the shareholders at an annual general meeting of shareholders. We pay full annual dividends on newly issued shares (such as the common shares representing the American depositary shares ("ADSs")) for the year in which the new shares are issued. We declare our dividend annually at the annual general meeting of shareholders which is held within three months after the end of the fiscal year. Once declared, the annual dividend must be paid to the stockholders of record as of the end of the preceding fiscal year within one month after the annual general meeting unless otherwise resolved thereby. Annual dividends may be distributed either in (i) cash or (ii) shares provided that shares must be distributed at par value and, if the market price of the shares is less than their par value, dividends in shares may not exceed one-half of the total annual dividends (including dividends in shares). In addition to the annual dividend, we may also distribute cash dividends to the stockholders of record as of the end of March, June and September of each year upon a resolution by the board of directors. Under the Korean Commercial Code we do not have an obligation to pay any annual dividend unclaimed for five years from the scheduled payment date.

In addition, under the Financial Investment Services and Capital Markets Act and our Articles of Incorporation, we may pay quarterly dividends to our shareholders of record as of the end of March, June and September of each year upon the resolution of the board of directors. The quarterly dividend, if any, will be paid to the shareholders in cash. Our Articles of Incorporation stipulates that any quarterly dividends shall not exceed the net assets as of the end of the immediately preceding fiscal year, after deducting (i) the paid-in capital as of the end of the immediately preceding fiscal year, (ii) the aggregate amount of the capital reserves and earned surplus reserves, accumulated up to the end of the immediately preceding fiscal year, (iii) unrealized profits as prescribed under the Enforcement Decree of the Commercial Code, (iv) the amount resolved to be distributed as dividends at the Ordinary General Meeting of Shareholders held in respect of the immediately preceding fiscal year, (v) voluntary reserves accumulated for specific purposes in accordance with the relevant provisions of these Articles of Incorporation or by the resolution of the General Meetings of Shareholders as of the end of the immediately preceding fiscal year, (vi) earned surplus reserves that account for at least 10% of the net profits of the relevant fiscal year until such reserves equal the aggregate amount of its stated capital and (vii) the aggregate amount of quarterly dividends paid during the current fiscal year, if any.

The table below sets forth the cash dividend per share of common stock and the cash dividend per share of preferred stock declared by us in respect of the years ended December 31, 2021, 2022 and 2023.

Dividends

	For the Year Ended December 31,		
	2021	2022	2023
	(In Won and US$)		
Cash dividends per share of common stock:			
In Korean Won	₩ 1,960	₩ 2,065	₩ 2,100
In U.S. Dollars(1)	$ 1.65	$ 1.64	$ 1.63
Cash dividends per share of preferred stock:			
In Korean Won	₩ 1,960	₩ 2,065	₩ 525
In U.S. Dollars(1)	$ 1.65	$ 1.64	$ 0.41

Note:

(1) Won amounts for 2021, 2022 and 2023 are expressed in U.S. Dollar at the rate of ₩1,188.6 and ₩1,260.2 and ₩1,291.0, respectively, to US$1.00, the Noon Buying Rate in effect on December 31, 2021, 2022 and 2023, respectively, for the convenience of readers. No representation is made that the Won or U.S. Dollar amounts referred to above could have been or could be converted into U.S. Dollars or Won, as the case may be, at any particular rate or at all.

Under the Financial Holding Companies Act and the regulations thereunder, a financial holding company may not pay an annual dividend unless it has set aside as its legal reserve an amount equal to at least one-tenth of its net income after tax and shall set aside such amount as its legal reserve until its legal reserve reaches at least the aggregate amount of its stated capital.

Other than as set forth above and the dividend rights granted to preferred shareholders as further described in "— Description of Preferred Stock," our articles of incorporation do not provide special rights to our common or preferred shareholders to share in our profits. For information regarding Korean taxes on dividends, see "Item 10.E. Taxation — Korean Taxation."

Distribution of Free Shares

In addition to permitting dividends in the form of shares to be paid out of retained or current earnings, the Korean Commercial Code permits a company to distribute to its shareholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve to stated capital. These free shares must be distributed to all of the shareholders pro rata. Our Articles of Incorporation require the same types of preferred shares to be distributed to the holders of preferred shares in case of distribution of free shares. For information regarding the treatment under Korean tax laws of free share distributions, see "Item 10.E. Taxation — Korean Taxation — Taxation of Dividends on Shares of Common Stock or American Depositary Shares."

Preemptive Rights and Issuance of Additional Shares

Unless otherwise provided in the Korean Commercial Code, a company may issue authorized but unissued shares at such times and upon such terms as the board of directors of the company may determine. The company must offer the new shares on uniform terms to all shareholders who have preemptive rights and who are listed on the shareholders' register as of the record date. Our shareholders are entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. However, as provided in the Articles of Incorporation, we may issue new shares by resolution of board of directors to persons other than existing shareholders if those shares are (1) publicly offered (where the number of such shares so offered may not exceed 50% of our total number of issued and outstanding shares); (2) preferentially allocated to the members of the ESOA pursuant to relevant provisions of the Financial Investment Services and Capital Markets Act; (3) issued for the purpose of issuing depositary receipts pursuant to relevant provisions of the Financial Investment Services and Capital Markets Act (where the number of such shares so issued may not exceed 50% of our total number of issued and outstanding shares); (4) issued to directors or employees as a result of exercise of stock options we granted to them pursuant to the Korean Commercial Code; (5) issued to a financial investment company, a private equity fund or a special purpose company under the Financial Investment Services and Capital Markets Act; or (6) issued to any specified foreign investors, foreign or domestic financial institutions or alliance companies for operational needs such as introduction of advanced financial technology, improvement of its or subsidiaries' financial structure and funding or strategic alliance (where such number of shares so issued may not exceed 50% of our total number of issued and outstanding shares). Under the Korean Commercial Code, a company may vary, without stockholders' approval, the terms of such preemptive rights for different classes of shares. Public notice of the preemptive rights to new shares and the transferability thereof must be given not less than two weeks (excluding the period during which the shareholders' register is closed) prior to the record date. We will notify the shareholders who are entitled to subscribe for newly issued shares of the deadline for subscription at least two weeks prior to the deadline. If a shareholder fails to subscribe on or before such deadline, the shareholder's preemptive rights will lapse. Our board of directors may determine how to distribute shares in respect of which preemptive rights have not been exercised or where fractions of shares occur. Under the Financial Investment Services and Capital Markets Act, if a listed company intends to issue new shares by way of allotment to shareholders, it must issue a certificate of preemptive right to the newly issued shares. Furthermore, the company must list the newly issued shares on the Korea Exchange for a certain period of time or designate a securities company to broker and/or deal in such newly issued shares in order to ensure that they are properly distributed. In the event certain shareholder forfeit their right to subscribe to newly issued shares, the company may allot the forfeited shares to a third party under certain conditions, including in relation to the purchase price of such shares, although in principle, the company must withdraw the forfeited shares. Under the Korean Commercial Code, when a company issues new shares by way of allotment to a third party, such company must notify its stockholders or make public notice of the conditions and other details of such new shares not less than two weeks prior to the relevant subscription payment date. Under the Financial Investment Services and Capital Markets Act, however, a listed company may substitute such notification or public notice by disclosing the material fact in a report publicly filed with the listing authorities.

Under the Financial Investment Services and Capital Markets Act, members of a company's employee stock ownership association, whether or not they are shareholders, have a preemptive right, subject to certain exceptions, to subscribe for up to 20% of the shares publicly offered pursuant to the Financial Investment Services and Capital Markets Act. However, this right is exercisable only to the extent that the total number of shares so acquired and held by such members does not exceed 20% of the total number of shares to be newly issued and shares then outstanding. As of December 31, 2023, the employee stock ownership association owned 26,654,678 shares, or 5.20%, of our common stock.

General Meeting of Shareholders

There are two types of general meetings of shareholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within three months after the end of each fiscal year. Subject to a board resolution or court approval, an extraordinary general meeting of shareholders may be held when necessary or at the request of our Audit Committee. In addition, under the Korean Commercial Code, an extraordinary general meeting of shareholders may be held at the request of the shareholders holding shares for at least six months of an aggregate of 1.5% or more of the outstanding shares with voting rights of the listed company, subject to a board resolution or court approval. Furthermore, under the Act on the Corporate Governance of Financial Companies of Korea and its sub-regulations, an extraordinary general meeting of shareholders may be held at the request of the shareholders holding shares for at least six months of an aggregate of 1.5% (0.75% in the case of a financial holding company (i) whose total assets at the end of the latest fiscal year is ₩5 trillion or more and (ii) who is in control of two or more subsidiaries, each with total assets of ₩2 trillion or more) or more of the outstanding shares of the company, subject to a board resolution or court approval. Meeting agendas are determined by the board of directors or proposed by holders of an aggregate of 3% or more of the outstanding shares with voting rights by way of a written proposal to the board of directors at least six weeks prior to the meeting. In addition, under the Korean Commercial Code, the meeting agenda may be proposed by the shareholders holding shares for at least six months of an aggregate of 1% (0.5% in the case of a listed company whose capital at the end of the latest operating year is ₩100 billion or more) or more of the outstanding shares of the listed company. Furthermore, under the Act on the Corporate Governance of Financial Companies and its sub-regulations, the meeting agenda may be proposed by the shareholders holding shares for at least six months of an aggregate of 0.1%. Written notices stating the date, place and agenda of the meeting must be given to the shareholders at least two weeks prior to the date of the general meeting of shareholders; provided, that, notice may be given to holders of 1% or less of the total number of issued and outstanding shares which are entitled to vote, by placing at least two public notices at least two weeks in advance of the meeting in at least two daily newspapers or by using an electronic method defined under the Korean Commercial Code and related regulations at least two weeks in advance of the meeting. Currently, we use *The Korea Economic Daily* and *Maeil Business Newspaper* for the publication of such notices. Shareholders who are not on the shareholders' register as of the record date are not entitled to receive notice of the general meeting of shareholders, and they are not entitled to attend or vote at such meeting.

The general meeting of shareholders is held at our executive office (which is our registered executive office) or, if necessary, may be held anywhere in the vicinity of our executive office.

Voting Rights

Holders of common shares are entitled to one vote for each share. However, voting rights with respect to common shares that we hold and common shares that are held by a corporate shareholder, more than one-tenth of the outstanding capital stock of which is directly or indirectly owned by such shareholder, may not be exercised. Unless stated otherwise in a company's Articles of Incorporation, the Korean Commercial Code permits holders of an aggregate of 3% (1%, in case of a company whose total assets as at the end of the latest fiscal year is ₩2 trillion or more) or more of the outstanding shares with voting rights to request cumulative voting when electing two or more directors. Our Articles of Incorporation currently do not prohibit cumulative voting. If a listed company's total assets amounted to ₩ 2 trillion or more as of the end of the latest fiscal year, the company is required to establish and maintain an audit committee, whose members must be composed of directors of such company as appointed at a shareholders meeting. At least one member of the audit committee must be an outside director of such company. For a large listed company with total assets of ₩2 trillion or more as of the end of the latest fiscal year and a listed company with total assets of ₩100 billion or more as of the end of the latest fiscal year that has established an audit committee instead of a full-time auditor, the company is required that at least one director (or more than two directors, if specified in the articles of incorporation) who will serve as an audit committee member must be appointed separately from the other directors at the general meeting of shareholders. If the aggregate number of voting shares held by any shareholder exceeds 3% of the total number of issued and outstanding voting shares, then the shareholder may not exercise its voting rights with respect to the shares it holds in excess of such 3% threshold to elect or remove a member of the audit committee. In case the shareholder is the company's largest shareholder, the shareholder and its specially related persons (as defined under the relevant laws) may not exercise their voting rights with respect to the shares they collectively hold in excess of the 3% threshold to elect or remove the audit committee member who is not an outside director of the company. If the listed company's total assets amounted to ₩100 billion or above but below ₩2 trillion as of the end of the latest fiscal year, the company is required to appoint at least one standing director or one director to its audit committee through a shareholders' meeting. If the aggregate number of voting shares held by any shareholder of such company exceeds 3% of the total number of issued and outstanding voting shares, then the shareholder may not exercise its voting rights with respect to the shares it holds in excess of the 3% threshold to elect or remove the company's statutory auditor.

The Korean Commercial Code and our Articles of Incorporation provide that an ordinary resolution may be adopted if approval is obtained from the holders of at least a majority of those common shares present or represented at such meeting and such majority also represents at least one-fourth of the total of our issued and outstanding common shares. Holders of non-voting shares (other than enfranchised non-voting shares) are not entitled to vote on any resolution or to receive notice of any general meeting of shareholders unless the agenda of the meeting includes consideration of a resolution on which such holders are entitled to vote. The Korean Commercial Code provides that a company's articles of incorporation may prescribe conditions for enfranchisement of non-voting shares. For example, if our general shareholders' meeting resolves not to pay to holders of preferred shares the annual dividend as determined by the board of directors at the time of issuance of such shares, the holders of preferred shares will be entitled to exercise voting rights from the general shareholders' meeting immediately following the meeting adopting such resolution until the end of the meeting to declare to pay such dividend with respect to the preferred shares. Holders of such enfranchised preferred shares have the same rights as holders of common shares to request, receive notice of, attend and vote at a general meeting of shareholders.

The Korean Commercial Code provides that to amend the Articles of Incorporation (which is also required for any change to the authorized share capital of the company) and in certain other instances, including removal of a director of a company, dissolution, merger or consolidation of a company, transfer of the whole or a significant part of the business of a company, acquisition of all of the business of any other company or issuance of new shares at a price lower than their par value, a special resolution must be adopted by the approval of the holders of at least two-thirds of those shares present or represented at such meeting and such special majority must also represent at least one-third of the total issued and outstanding shares with voting rights of the company.

In addition, in the case of amendments to the Articles of Incorporation or any merger or consolidation of a company or in certain other cases which affect the rights or interest of the shareholders of the preferred shares, a resolution must be adopted by a separate meeting of shareholders of the preferred shares. Such a resolution may be adopted if the approval is obtained from shareholders of at least two-thirds of the preferred shares present or represented at such meeting and such preferred shares also represent at least one-third of the total issued and outstanding preferred shares of the company.

A shareholder may exercise his voting rights by proxy given to another shareholder. If a particular shareholder intends to obtain proxy from another shareholder, a reference document specified by the Financial Supervisory Service must be sent to the shareholder giving proxy, with a copy furnished to the company's executive office or the branch office, transfer agent and the Financial Services Commission. The proxy must present the power of attorney prior to the start of the general meeting of shareholders.

Rights of Dissenting Shareholders

Pursuant to the Financial Investment Services and Capital Markets Act, in certain limited circumstances (including, without limitation, if we transfer all or any significant part of our business or if we merge or consolidate with another company), dissenting holders of shares have the right to require us to purchase their shares. Pursuant to the Financial Holding Companies Act, the Financial Investment Services and Capital Markets Act and the Korean Commercial Code, if a financial holding company acquires a new direct or indirect subsidiary through the exchange or transfer of shares except in limited circumstances, the dissenting holders of such shares have the right to require us to purchase their shares. To exercise such a right, shareholders must submit to us a written notice of their intention to dissent prior to the general meeting of shareholders. Within 20 days (or 10 days under certain circumstances according to the Financial Holding Companies Act) after the date on which the relevant resolution is passed at such meeting, such dissenting shareholders must request in writing that we purchase their shares. We are obligated to purchase the shares of dissenting shareholders within one month after the end of such request period at a price to be determined by negotiation between the shareholder and us. If we cannot agree on a price with the shareholder through such negotiations, the purchase price will be the arithmetic mean of (1) the weighted average of the daily closing share prices on the KRX KOSPI Market of the Korea Exchange for two months prior to the date of the adoption of the relevant board of directors' resolution, (2) the weighted average of the daily closing share prices on the KRX KOSPI Market of the Korea Exchange for one month prior to the date of the adoption of the relevant board of directors' resolution and (3) the weighted average of the daily closing share prices on the KRX KOSPI Market of the Korea Exchange for one week prior to the date of the adoption of the relevant board of directors' resolution. If we or the dissenting shareholder who requested purchase of their shares do not accept such purchase price, we or the shareholder may request to the court to adjust such purchase price.

Register of Shareholders and Record Dates

We maintain the register of our shareholders at our transfer agent's office in Seoul, Korea. The Korea Securities Depository as our transfer agent, registers transfers of shares on the register of shareholders upon presentation of the share certificates.

The record date for annual dividends is December 31. For the purpose of determining the holders of shares entitled to annual dividends, the register of shareholders may be closed for the period from January 1 of each year up to January 15 of such year. Further, the Korean Commercial Code and the Articles of Incorporation permit us upon at least two weeks' public notice to set a record date and/or close the register of shareholders for not more than three months for the purpose of determining the shareholders entitled to certain rights pertaining to the shares. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Other Shareholder Rights

Our articles of incorporation do not have sinking fund provisions or provisions creating liability to further capital calls. Other than to amend our articles of incorporation in accordance with the Korean Commercial Code, no particular action is necessary to change the rights of holders of our capital stock. In addition, our articles of incorporation do not have specific provisions for governing changes in capital or which would have an effect of delaying, deferring or preventing a change in control of us and that would operate only with respect to a merger, acquisition or corporate restructuring involving us or any of our subsidiaries.

Directors

Under the Korean Commercial Code and our articles of incorporation, any director wishing to enter into a transaction with us or our subsidiaries in his or her personal capacity is required to obtain the prior approval of the board of directors, and any director having an interest in the transaction may not vote at the meeting of the board of directors to approve the transaction.

Neither our articles of incorporation nor applicable Korean laws have provisions relating to (i) the directors' power, in the absence of an independent quorum, to vote compensation to themselves or any members of their body (ii) borrowing powers exercisable by the directors and how such borrowing powers can be varied; (iii) retirement or non-retirement of directors under an age limit requirement; or (iv) the number of shares required for a director's qualification.

Description of Preferred Stock

On January 25, 2007, as part of funding our acquisition of LG Card, we issued 28,990,000 Series 10 non-voting redeemable preferred shares. On January 25, 2012, we redeemed all of the Series 10 preferred shares.

On January 25, 2007, as part of funding our acquisition of LG Card, we issued 14,721,000 Series 11 non-voting redeemable convertible preferred shares. On January 25, 2012, we redeemed all of the Series 11 preferred shares.

On April 21, 2011, as part of funding for preferred stocks due to be redeemed in January 2012, we issued 11,100,000 Series 12 non-voting redeemable preferred shares for the subscription price of ₩100,000 per share, or ₩1,110 billion in the aggregate. On April 21, 2016, we redeemed all of the Series 12 redeemable preferred shares.

On April 30, 2019, as part of funding for the acquisition of Orange Life Insurance, we issued 17,482,000 shares of non-voting convertible preferred stock through third-party allotment at a price of ₩42,900.

On May 1, 2023, 17,482,000 shares of our convertible preferred stock issued on April 30, 2019 have been automatically converted to common stock.

Annual Report

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission and the Korea Exchange an annual business report (containing audit report and audited annual nonconsolidated and consolidated financial statements) within 90 days after the end of our fiscal year as well as a semiannual business report within 45 days after the end of the first six months of our fiscal year and quarterly business reports within 45 days after the end of the first three months and nine months of our fiscal year, respectively (in each case, containing review report and reviewed interim nonconsolidated and consolidated financial statements). Copies of such reports are available for public inspection at the websites of the Financial Services Commission and the Korea Exchange.

Transfer of Shares

Under the Korean Commercial Code, the transfer of shares is effected by the delivery of share certificates. In order to exercise shareholders' rights, the transferee must have his name and address registered on the registry of shareholders. For this purpose, shareholders are required to file with us their name, address and seal. Nonresident shareholders must notify us of the name of their proxy in Korea to which our notice can be sent. Under the Financial Services Commission regulations, nonresident shareholders may appoint a standing proxy and may not allow any person other than the standing proxy to exercise rights regarding the acquired share or perform any task related thereto on his behalf, subject to certain exceptions. Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians are authorized to act as standing proxy and provide related services. Certain foreign exchange controls and securities regulations apply to the transfer of shares by nonresidents or non-Koreans. See "Item 10.D. Exchange Controls." As to the ceiling on the aggregate shareholdings of a single shareholder and persons who have a special relationship with such shareholder, please see "Item 4.B. Business Overview — Supervision and Regulation — Principal Regulations Applicable to Financial Holding Companies — Restrictions on Financial Holding Company Ownership."

Acquisition of Treasury Shares

Under the Korean Commercial Code, we may acquire our own shares upon resolution of the general meeting of the shareholders or resolution of the board of directors pursuant to Article 165-3 of the Financial Investment Services and Capital Markets Act by either (i) purchasing them on a stock exchange or (ii) purchasing a number of shares, other than the redeemable shares as set forth in Article 345, Paragraph (1) of the Korean Commercial Code, from each shareholder in proportion to its existing shareholding ratio through the methods set forth in the Presidential Decree, provided that the total purchase price does not exceed the amount of our profit that may be distributed as dividends in respect of the immediately preceding fiscal year. In addition, pursuant to the Financial Investment Services and Capital Markets Act and regulations under the Financial Holding Companies Act, we may purchase our own shares on the KRX KOSPI Market of the Korea Exchange, through a tender offer, or through a trust agreement with a trust company, or retrieve our own shares from a trust company upon termination of a trust agreement, subject to the restrictions that (1) the aggregate purchase price of such shares may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year less the amounts of dividends and reserves for such fiscal year, subtracted by the sum of (a) the purchase price of treasury stock acquired if any treasury stock has been purchased after the end of the preceding fiscal year pursuant to the Commercial Act or the Financial Investment Services and Capital Markets Act, (b) the amount subject to trust agreements, and (c) the amount of dividends approved at the ordinary general shareholders' meeting after the end of the preceding fiscal year and the amount of retained earnings reserve required under the Commercial Act; plus if any treasury stock has been disposed of after the end of the preceding fiscal year, the acquisition cost of such treasury stock and (2) the purchase of such shares shall meet the requisite capital ratio under the Financial Holding Companies Act and the guidelines issued by the Financial Services Commission. In general, under the Financial Holding Companies Act, our subsidiaries are not permitted to acquire our shares.

Liquidation Rights

In the event we are liquidated, the assets remaining after the payment of all debts, liquidation expenses and taxes will be distributed to shareholders in proportion to the number of shares held by such shareholders. Holders of preferred shares may have preferences over holders of common shares in liquidation.

ITEM 10.C. Material Contracts

None.

ITEM 10.D. Exchange Controls

General

The Foreign Exchange Transaction Act of Korea the related Presidential Decree and the regulations under such Act and Decree (collectively the "Foreign Exchange Transaction Laws") herein, regulate investment in Korean securities by nonresidents and issuance of securities by Korean companies outside Korea. Under the Foreign Exchange Transaction Laws, nonresidents may invest in Korean securities only to the extent specifically allowed by these laws or otherwise permitted by the Ministry of Strategy and Finance of Korea. The Financial Services Commission has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners in Korean securities and regulate issuance of securities by Korean companies outside Korea.

Under the Foreign Exchange Transaction Laws, (1) if the Government determines that it is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other situations equivalent thereto, the Ministry of Strategy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe keep, deposit or sell means of payment in or to certain Korean governmental agencies or financial institutions; and (2) if the Government determines that international balance of payments and international finance face or are likely to face serious difficulty or the movement of capital between Korea and abroad will cause or is likely to cause serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Strategy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in such transactions at certain Korean governmental agencies or financial institutions, in each case subject to certain limitations.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to make a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a securities dealing or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. No Korean governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a nonresident of Korea must be deposited either in a Won account with the investor's financial investment company with a securities dealing or brokerage license or in his Won account. Funds in the investor's Won account may be transferred to his foreign currency account or withdrawn for local living expenses, provided that any withdrawal of local living expenses by any one person exceeding US$10,000 per day needs to be reported to the governor of the Financial Supervisory Service by the foreign exchange bank at which the Won account is maintained. Funds in the Won account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a securities dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, financial companies with a securities dealing, brokerage or collective investment license may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

ITEM 10.E. Taxation

The following summary is based upon tax laws, regulations, rulings, decrees, income tax conventions (treaties), administrative practice and judicial decisions of Korea and the United States as of the date of this annual report, and is subject to any change in Korean or United States law that may come into effect after such date. Investors in shares of common stock or American depositary shares are advised to consult their own tax advisers as to the Korean, United States or other tax consequences of the purchase, ownership and disposition of such securities, including the effect of any national, state or local tax laws.

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

- a resident of Korea;
- a corporation having its head office, principal place of business, or place of effective management in Korea (a Korean corporation); or
- engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Taxation of Dividends on Shares of Common Stock or American Depositary Shares

We will deduct Korean withholding tax from dividends (whether in cash or in shares) paid to you at a rate of 22% (including local income surtax). If you are a qualified resident and a beneficial owner of the dividends in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See "— Tax Treaties" below for a discussion of treaty benefits. If we distribute to you free shares representing a transfer of certain capital reserves or asset revaluation reserves into paid-in capital, such distribution may be subject to a Korean withholding tax.

Taxation of Capital Gains from Transfer of Common Shares or American Depositary Shares

As a general rule, capital gains earned by non-residents upon transfer of our common shares or American depositary shares ("ADSs") are subject to a Korean withholding tax at the lower of (1) 11% (including local income surtax) of the gross proceeds realized or (2) 22% (including local income surtax) of the net realized gain, subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs associated with common shares or ADSs, unless exempt from Korean income taxation under an applicable tax treaty between Korea and the country of your tax residence. See "— Tax Treaties" below for a discussion on treaty benefits. Even if you do not qualify for the exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you meet certain requirements for the exemption under Korean domestic tax laws discussed in the following paragraphs.

You will not be subject to the Korean income taxation on capital gains realized upon a transfer of our common shares through the Korea Exchange if you (1) have no permanent establishment in Korea and (2) do not own and have never owned (together with any shares owned by any entity with which you have a special relationship and possibly including the shares represented by the ADSs) 25% or more of our total issued and outstanding shares at any time during the calendar year in which the sale occurs and during the five consecutive calendar years prior to the calendar year in which the sale occurs.

Under Korean tax law, ADSs are viewed as shares of stock for capital gains tax purposes. Accordingly, capital gains from sale or disposition of ADSs are taxed (if taxable) as if such gains are from sale or disposition of shares of our common stock. It should be noted that (i) capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or the STTCL, provided that the issuance of ADSs is deemed to be an overseas issuance under the STTCL, but (ii) in the case where an owner of the underlying shares of stock transfers ADSs after conversion of the underlying shares into ADSs, the exemption under the STTCL described in (i) will not apply. In the case where an owner of the underlying shares of stock transfers the ADSs after conversion of the underlying shares of stock into ADSs, such person is obligated to file corporate income tax returns and pay tax unless a purchaser or a financial investment company with a brokerage license, as applicable, withholds and pays the tax on capital gains derived from transfer of ADSs, as discussed below.

If you are subject to tax on capital gains with respect to a sale of common shares or ADSs, the purchaser or, in the case of a sale of common shares on the Korea Exchange or through a financial investment company with a brokerage license in Korea, the financial investment company is required to withhold Korean tax from the sales proceeds in an amount equal to 11% (including local income surtax) of the gross realization proceeds and to remit the withheld tax to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law or produce satisfactory evidence of your acquisition costs and certain direct transaction costs associated with common shares or ADSs. See the discussion under "— Tax Treaties" below for an explanation of claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries, including the United States, which reduce or exempt Korean withholding tax on the income derived by residents of such treaty countries. For example, under the Korea-U.S. income tax treaty, reduced rates of Korean withholding tax on dividends of 16.5% or 11.0%, respectively (including local income surtax), depending on your shareholding ratio, and an exemption from Korean withholding tax on capital gains are generally available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains. However, under Article 17 (Investment or Holding Companies) of the Korea-U.S. income tax treaty, such reduced rates and exemption do not apply if (1) you are a United States corporation, (2) by reason of any special measures the tax imposed on you by the United States with respect to such dividends or capital gains is substantially less than the tax generally imposed by the United States on corporate profits, and (3) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-U.S. income tax treaty, the exemption on capital gains does not apply if (a) you have a permanent establishment in Korea and any shares of common stock in which you hold an interest and which gives rise to capital gains are effectively connected with such permanent establishment, (b) you are an individual and you maintain a fixed base in Korea for a period or periods aggregating 183 days or more during the taxable year and your common shares or ADSs giving rise to capital gains are effectively connected with such fixed base or (c) you are an individual and you are present in Korea for a period or periods of 183 days or more during the taxable year.

You should inquire for yourself whether you are entitled to the benefit of an income tax treaty with Korea. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser, the financial investment company, or other withholding agent, as the case may be, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser, the financial investment company, or other withholding agent, as the case may be, must withhold tax at the normal rates. Furthermore, in order for you to claim the benefit of a tax rate reduction or tax exemption on certain Korean source income (e.g., dividends or capital gains) under an applicable tax treaty as the beneficial owner of such Korean source income, Korean tax law requires you (or your agent) to submit an application (in the case for reduced withholding tax rate, an "application for entitlement to reduced tax rate," and in the case for exemption from withholding tax, an "application for tax exemption") with a certificate of your tax residency issued by the competent authority of your country of tax residence, subject to certain exceptions (together, the "BO application"). For example, a U.S. resident would be required to provide a Form 6166 as a certificate of tax residency with the application for entitlement to reduced tax rate or the application for tax exemption, as the case may be. However, if such application for tax exemption is being sought by an entity for an amount that is Won 1 billion or more (including where the aggregate amount exempted within one year from the last day of the month in which the payment was made, is Won 1 billion or more), in addition to the certificate of tax residence issued by a competent authority of such entity's country of residence, such entity will be required to additionally submit (i) the names and addresses of all of the members of its board of directors, (ii) the identities and shareholding percentages of all of its shareholders (provided that if there are more than 100 shareholders, it may instead provide a statement showing the total number of shareholders and the aggregate investment amount from each country), and (iii) audit reports for the most recent three years submitted to the country of residence (or, if the entity has been in existence for less than three years, audit reports since incorporation). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (an "OIV") that is not the beneficial owner of such income, a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO application to such OIV, which in turn must submit an OIV report and a schedule of beneficial owners (and the BO applications collected from each beneficial owner, if such beneficial owner is applying for tax exemption) to the withholding agent prior to the payment date of such income. Effective as of January 1, 2022, an OIV shall be deemed to be a beneficial owner of the Korean source income if (i) under the applicable tax treaty, the OIV bears tax liabilities in the country in which it is established and (ii) the Korean source income is eligible for the treaty benefits under the tax treaty. The benefits under a tax treaty between Korea and the country of such OIV's residence will apply with respect to the relevant income paid to such OIV, subject to certain application requirements as prescribed by the Corporate Income Tax or Individual Income Tax Law. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report in the event the income will be paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you would be treated as the owner of the shares of common stock underlying the ADSs. If the tax authority interprets depositary receipts as the underlying share certificates, you may be treated as the owner of the shares of common stock and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax, which ranges from 10% to 50% recently, assessable based on the value of the ADSs or shares of common stock and the identity of the individual against whom the tax is assessed.

If you die while holding a common share or donate a subscription right or a common share, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Securities Transaction Tax

If you transfer common shares through the Korea Exchange in 2024, you will be subject to a securities transaction tax at the rate of 0.03% (no such securities transaction tax to be imposed on transfers starting January 1, 2025) and an agriculture and fishery special surtax at the rate of 0.15% of the sales price of common shares. If your transfer of common shares is not made through the Korea Exchange, subject to certain exceptions, you will be subject to a securities transaction tax at the rate 0.35% but will not be subject to an agriculture and fishery special surtax.

Depositary receipts, which the ADSs constitute, are included in the scope of securities transfer subject to securities transaction tax. Nonetheless, transfer of depositary receipts listed on a foreign securities exchange similar to the Korea Exchange (e.g., the New York Stock Exchange, the NASDAQ National Market) will not be subject to the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by a transferor of common shares. When a transfer is effected through a securities settlement company in Korea, such settlement company is generally required to withhold and remit the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and remit the tax. Where a transfer is affected by a non-resident who has no permanent establishment in Korea by a method other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

Non-reporting or underreporting of securities transaction tax will generally result in the imposition of penalties equal to 20% to 60% of the non-reported or 10% to 60% of underreported tax amount and a failure to timely pay securities transaction tax due will result in penalties of 8.03% per annum of the due but unpaid tax. The penalty is imposed on the party responsible for paying the securities transaction tax or, if the securities transaction tax is to be withheld, on the party that has the withholding obligation.

Certain United States Federal Income Tax Consequences

The following summary describes certain U.S. federal income tax considerations for beneficial owners of our common shares or ADSs that hold the common shares or ADSs as capital assets and are "U.S. holders." You are a "U.S. holder" if you are for U.S. federal income tax purposes:

(i) an individual citizen or resident of the United States;

(ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state thereof or District of Columbia;

(iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source;

(iv) a trust that is subject to the primary supervision of a court within the United States and has one or more U.S. persons with authority to control all substantial decisions of the trust; or

(v) a trust that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In addition, this summary only applies to you if you are a U.S. holder that is a resident of the United States for purposes of the current income tax treaty between the United States and Korea (the "Treaty"), your common shares or ADSs are not, for purposes of the Treaty, effectively connected with a permanent establishment in Korea and you otherwise qualify for the full benefits of the Treaty.

This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations (including proposed regulations), rulings and judicial decisions thereunder as of the date hereof, as well as the Treaty, all of which are subject to change, perhaps retroactively. It is for general purposes only and you should not consider it to be tax advice. In addition, it assumes that each obligation under the deposit agreement will be performed in accordance with its terms. This summary does not represent a detailed description of all the U.S. federal income tax consequences to you in light of your particular circumstances, and does not address the Medicare tax on net investment income, U.S. federal estate and gift taxes or the effects of any state, local or non-U.S. tax laws. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws, including if you are:

- a bank or one of certain other financial institutions;
- a dealer in securities or currencies;
- an insurance company;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt entity;
- a trader in securities that has elected to use a mark-to-market method of accounting for your securities holdings;
- a person holding common shares or ADSs as part of a hedging, conversion, constructive sale or integrated transaction or a straddle;
- a person liable for alternative minimum tax;
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a person who owns or is deemed to own 10% or more of our stock (by vote or value);
- a person required to accelerate the recognition of any item of gross income with respect to our common shares or ADSs as a result of such income being recognized on an applicable financial statement; or
- a person whose functional currency is not the U.S. Dollar.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds our common shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common shares or ADSs, you are urged to consult your tax advisor.

You should consult your own tax advisor concerning the particular U.S. federal tax consequences to you of the ownership and disposition of common shares or ADSs, as well as any consequences arising under the laws of any other taxing jurisdiction.

American Depositary Shares

If you hold ADSs, for U.S. federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such ADSs. Accordingly, deposits or withdrawals of common shares for ADSs will not be subject to U.S. federal income tax.

Distributions on Common Shares or American Depositary Shares

Subject to the discussion below under "— Passive Foreign Investment Company Rules," the gross amount of distributions on our common shares or ADSs (including amounts withheld to reflect Korean withholding tax) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day you actually or constructively receive it, in the case of our common shares, or the day actually or constructively received by the ADS depositary, in the case of ADSs. Such dividends will not be eligible for the dividends-received deduction generally allowed to corporations under the Code.

Subject to applicable limitations (including a minimum holding period requirement), dividends received by non-corporate U.S. investors from a qualified foreign corporation may be treated as "qualified dividend income" that is subject to reduced rates of taxation. A qualified foreign corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States which the U.S. Treasury Department determines to be satisfactory for these purposes and which includes an exchange of information provision. The U.S. Treasury Department has determined that the Treaty meets these requirements, and we believe we are eligible for the benefits of the Treaty. A foreign corporation is also treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. U.S. Treasury Department guidance indicates that our ADSs, which are listed on the New York Stock Exchange, are readily tradable on an established securities market in the United States for these purposes. However, our common shares that are not represented by ADSs will generally not be considered readily tradable on an established securities market in the United States for these purposes. There also can be no assurance that our ADSs will be considered readily tradable on an established securities market in the United States in later years. Furthermore, non-corporate U.S. holders will not be eligible for the rate reduction on any dividends that we pay if we are a passive foreign investment company (as discussed below under "— Passive Foreign Investment Company Rules") in the taxable year in which such dividends are paid or were a passive foreign investment company in the preceding taxable year. If you are a non-corporate U.S. holder, you should consult your own tax advisor regarding the application of these rules given your particular circumstances.

The amount of any dividend paid in Korean Won will equal the U.S. Dollar value of the Korean Won received calculated by reference to the exchange rate in effect on the date you receive the dividend, in the case of our common shares, or the date received by the ADS depositary, in the case of ADSs, regardless of whether the Korean Won are converted into U.S. Dollars. If the Korean Won received as a dividend are converted into U.S. Dollars on the date they are received, you generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the Korean Won received are not converted into U.S. Dollars on the day of receipt, you will have a basis in the Korean Won equal to their U.S. Dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Korean Won will be treated as United States source ordinary income or loss.

Subject to certain significant conditions and limitations, Korean taxes withheld from dividends (at a rate not exceeding the rate provided in the Treaty) may be treated as foreign income taxes eligible for credit against your U.S. federal income tax liability. See "— Korean Taxation — Tax Treaties" for a discussion of the Treaty rate. Korean taxes withheld in excess of the rate provided in the Treaty will not be eligible for credit against your U.S. federal income tax until you exhaust all effective and practical remedies to recover such excess withholding, including the seeking of competent authority assistance from the Internal Revenue Service (the "IRS"). For purposes of the foreign tax credit, dividends paid on our common shares or ADSs will be treated as income from sources outside the United States and will generally constitute passive category income. The rules governing the foreign tax credit are complex. For example, U.S. Treasury regulations addressing foreign tax credits (the "Foreign Tax Credit Regulations") impose additional requirements for foreign taxes to be eligible for a foreign tax credit, and there can be no assurance that those requirements will be satisfied if you do not elect to apply the benefits of the Treaty. The Department of the Treasury and the IRS are considering proposing amendments to the Foreign Tax Credit Regulations. In addition, recent notices from the IRS provide temporary relief by allowing taxpayers that comply with applicable requirements to apply many aspects of the foreign tax credit regulations as they previously existed (before the release of the current Foreign Tax Credit Regulations) for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). Instead of claiming a foreign tax credit, you may be able to deduct Korean withholding taxes on dividends in computing your taxable income, subject to generally applicable limitations under U.S. federal income tax law (including that a U.S. holder is not eligible for a deduction for otherwise creditable foreign income taxes paid or accrued in a taxable year if such U.S. holder claims a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year). You are urged to consult your tax advisors regarding the Foreign Tax Credit Regulations (and the related temporary relief in the IRS notices) and the availability of the foreign tax credit or a deduction under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction of your adjusted basis in our common shares or ADSs (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of our common shares or ADSs), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to determine earnings and profits in accordance with U.S. federal income tax principles. Therefore, you should expect that a distribution will generally be reported and treated as a dividend (as discussed above).

Distributions of our common shares or ADSs or rights to subscribe for our common shares or ADSs that are received as part of a pro rata distribution to all of our shareholders (including holders of ADSs) generally will not be subject to U.S. federal income tax to recipient common shareholders (including holders of ADSs). Consequently, such distributions will not give rise to foreign source income and you will not be able to use a foreign tax credit for any Korean withholding tax imposed on such distributions unless such credit can be applied (subject to applicable limitations) against U.S. federal income tax due on other income derived from foreign sources.

Disposition of Common Shares or American Depositary Shares

For U.S. federal income tax purposes, you will recognize gain or loss upon the sale, exchange or other disposition of our common shares or ADSs in an amount equal to the difference between the amount realized upon the sale, exchange or other disposition and your adjusted tax basis in our common shares or ADSs, as the case may be, both as determined in U.S. Dollars. Subject to the discussion below under "— Passive Foreign Investment Company Rules," such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if at the time of sale, exchange or other disposition, our common shares or ADSs have been held for more than one year. Long-term capital gains of non-corporate U.S. holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Any gain or loss you recognize on the sale, exchange or other disposition of our common shares or ADSs will generally be treated as United States source gain or loss. Consequently, you may not be able to claim a foreign tax credit for any Korean tax imposed on the disposition of our common shares or ADSs unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources. However, pursuant to the Foreign Tax Credit Regulations, unless you elect to apply the benefits of the Treaty, any such Korean tax would generally not be a foreign income tax eligible for a foreign tax credit (regardless of any other income that you may have that is derived from foreign sources). In such case, it is possible that the non-creditable Korean tax would reduce the amount realized on the sale, exchange or other disposition of our common shares or ADSs. As discussed above, however, recent notices from the IRS provide temporary relief by allowing taxpayers that comply with applicable requirements to apply many aspects of the foreign tax credit regulations as they previously existed (before the release of the current Foreign Tax Credit Regulations) for taxable years ending before the date that a notice or other guidance withdrawing or modifying the temporary relief is issued (or any later date specified in such notice or other guidance). If any Korean tax is imposed upon the disposition of our common shares or ADSs and you apply such temporary relief, such Korean tax may be eligible for a foreign tax credit or deduction, subject to the applicable conditions and limitations. You are urged to consult your tax advisors regarding the Foreign Tax Credit Regulations (and the related temporary relief in the IRS notices) and the availability of the foreign tax credit or a deduction under your particular circumstances.

You should note that any Korean securities transaction tax imposed upon a disposition of our common shares or ADSs generally will not be treated as a creditable foreign tax for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

Based upon the past and projected composition of our income and assets and valuation of our assets, we do not believe that we were a PFIC for 2023, and we do not expect to be a PFIC in 2024 or to become one in the foreseeable future, although there can be no assurance in this regard. PFIC status is a factual determination that is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in composition of our income or assets or valuation of our assets.

In general, we will be considered a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income; or
- at least 50% of the value (generally determined based on a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, certain royalties and rents and gains from financial investments (other than certain income derived in the active conduct of a banking business as discussed below). In addition, cash and other assets readily convertible into cash are generally considered passive assets. If we own at least 25% by value of another corporation's stock, we will be treated, for purposes of the PFIC rules, as owning our proportionate share of the assets and receiving our proportionate share of the income of that corporation.

Our determination with respect to our PFIC status is based in part upon certain proposed U.S. Treasury regulations and other administrative pronouncements from the IRS which provide special rules for determining the character of income derived in the active conduct of a banking business for purposes of the PFIC rules. Specifically, these rules treat certain income earned by a non-U.S. corporation engaged in the active conduct of a banking business as non-passive income. Although we believe we have adopted a reasonable interpretation of the proposed U.S. Treasury regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation. You should consult your own tax advisor regarding the application of these rules.

If we are a PFIC for any taxable year during which you hold our common shares or ADSs (and you do not make a timely mark-to-market election, as described below), you will be subject to special tax rules with respect to any "excess distribution" that you receive and any gain you realize from the sale or other disposition (including a pledge) of our common shares or ADSs. These special tax rules generally will apply even if we cease to be a PFIC in future years. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for our common shares or ADSs will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for our common shares or ADSs;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we are a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year for individuals or corporations, as applicable, and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In certain circumstances, you could make a mark-to-market election (under which in lieu of being subject to the special rules discussed above, you will include gain on our common shares or ADSs on a mark-to-market basis as ordinary income), provided that our common shares or ADSs are regularly traded on a qualified exchange or other market. Our common shares are listed on the Korea Exchange, which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable U.S. Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the common shares are or will continue to be "regularly traded" for purposes of the mark-to-market election. Our ADSs are currently listed on the New York Stock Exchange, which constitutes a qualified exchange, although there can be no assurance that the ADSs are or will continue to be "regularly traded." If you make a valid mark-to-market election, for each year that we are a PFIC you will include as ordinary income the excess of the fair market value of your common shares or ADSs at the end of the year over your adjusted tax basis in the common shares or ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the common shares or ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, in each year that we are a PFIC any gain you recognize upon the sale or other disposition of your common shares or ADSs will be treated as ordinary income, and any loss will be treated as ordinary loss, but such loss will be ordinary only to the extent of the net amount previously included in income as a result of the mark-to-market election.

A U.S. holder's adjusted tax basis in common shares or ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the common shares or ADSs are no longer regularly traded on a qualified exchange or other market or the IRS consents to the revocation of the election. You should consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable with respect to your particular circumstances.

In addition, a holder of common shares or ADSs in a PFIC can sometimes avoid the rules described above by electing to treat the company as a "qualified electing fund" under Section 1295 of the Code. This option is not available to you because we do not intend to comply with the requirements necessary to permit holders to make this election.

If we are a PFIC for any taxable year during which you hold our common shares or ADSs and any of our non-U.S. subsidiaries is also a PFIC, you will be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of the PFIC rules. You will not be able to make the mark-to-market election described above in respect of any lower-tier PFIC. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

If you hold our common shares or ADSs in any year in which we are classified as a PFIC, you will generally be required to file IRS Form 8621.

Non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or were a PFIC in the preceding taxable year. You should consult your tax advisor concerning the determination of our PFIC status and the U.S. federal income tax consequences of holding our common shares or ADSs if we are considered a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our common shares or ADSs and the proceeds from the sale, exchange or other disposition of our common shares or ADSs that are paid to you within the United States (and in certain cases, outside the United States), unless you establish that you are an exempt recipient. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number and a certification that you are not subject to backup withholding or if you fail to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability provided the required information is timely furnished to the IRS.

FATCA

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as “FATCA”), certain entities in a broadly defined class of foreign financial institutions (“FFIs”) may be subject to a 30% U.S. federal withholding tax on certain United States source payments made to the FFI, unless the FFI is a “participating FFI,” which is generally defined as an FFI that (i) enters into an agreement with the IRS pursuant to which it agrees to comply with a complicated and expansive reporting regime or (ii) complies with the requirements of an intergovernmental agreement entered into by the United States and another jurisdiction regarding the implementation of FATCA (an “IGA”), or the FFI is otherwise deemed compliant with or exempt from FATCA.

The FATCA legislation also contains complex provisions requiring certain participating FFIs to withhold on certain “foreign passthru payments” made to FFIs that are not participating FFIs or otherwise exempt from FATCA withholding and to holders that fail to provide the information required by FATCA. Although the definition of a “foreign passthru payment” is still reserved under current regulations, the term generally refers to payments that are from non-United States sources but that are “attributable to” certain United States payments described above. Pursuant to proposed U.S. Treasury regulations (upon which taxpayers may rely until final regulations are issued), withholding on foreign passthru payments, if applicable, would not be required with respect to payments made before the date that is two years after the date of publication of final regulations defining the term foreign passthru payment. It is unclear whether or to what extent payments on our common shares or ADSs would be considered foreign passthru payments that are subject to withholding under FATCA.

On June 10, 2015, the United States and Korea entered into an IGA to implement the foregoing requirements. The IGA is intended to result in the automatic exchange of tax information through reporting by FFIs to the IRS. Prospective investors should consult their tax advisors regarding the application of the FATCA rules to an investment in our common shares or ADSs.

ITEM 10.F. Dividends and Paying Agents

Not applicable.

ITEM 10.G. Statements by Experts

Not applicable.

ITEM 10.H. Documents on Display

We are subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. You may inspect and copy these materials, including this annual report and the exhibits thereto, at SEC's Public Reference Room 100 Fifth Street, N.E., Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. As a foreign private issuer, we are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission's web site at *http://www.sec.gov*.

ITEM 10.I. Subsidiary Information

Not applicable.

ITEM 10.J. Annual Report to Security Holders

Not applicable.

ITEM 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

See "Item 4.B. Business Overview — Risk Management" for quantitative and qualitative disclosures about market risk.

ITEM 12. *DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES*

ITEM 12.A. Debt Securities

Not applicable.

ITEM 12.B. Warrants and Rights

Not applicable.

ITEM 12.C. Other Securities

Not applicable.

ITEM 12.D. American Depositary Shares

Depositary Fees and Charges

Under the terms of the Deposit Agreement in respect of our American depositary shares ("ADSs"), the holder of ADSs may be required to pay the following fees and charges to Citibank, N.A., acting as depositary for our ADSs:

Item	Services	Fees	Paid by
1	Issuance of ADSs upon deposit of common shares (excluding issuances contemplated by items 3(b) and 5 below	Up to US$5.00 per 100 ADSs (or fraction thereof) issued	Person depositing common shares or person receiving ADSs
2	Delivery of deposited securities against surrender of ADSs	Up to US$5.00 per 100 ADSs (or fraction thereof) surrendered	Person surrendering ADSs for purpose of withdrawal of deposited securities or person to whom deposited securities are delivered
3	Distribution of (a) cash dividends or (b) ADSs pursuant to stock dividends	No fee, to the extent prohibited by the exchange on which the ADSs are listed. If the charging of such fee is not prohibited, the fees specified in item 4 below shall be payable	Person to whom distribution is made
4	Distribution of (a) cash proceeds (i.e., upon sale of rights and other entitlements) or (b) free shares in the form of ADSs (not constituting a stock dividend)	Up to US$2.00 per 100 ADSs (or fraction thereof) held	Person to whom distribution is made
5	Distribution of securities other than ADSs or rights to purchase additional ADSs (i.e., spinoff shares)	Up to US$5.00 per 100 ADSs (or fraction thereof) distributed	Person to whom distribution is made
6	Depositary Services	Unless prohibited by the exchange on which the ADSs are listed, up to US$2.00 per 100 ADSs (or fraction thereof) held as of the last day of each calendar year, except to the extent of any cash dividend fee(s) charged under paragraph (3)(a) above during the applicable calendar year	Person holding ADSs on last day of calendar year
7	Distribution of ADSs pursuant to exercise of rights to purchase additional ADSs	Up to US$2.00 per 100 ADSs (or fraction thereof) held	Person who exercises such rights

Holders and beneficial owners of ADSs, persons depositing common shares for deposit and persons surrendering ADSs for cancellation and for the purpose of withdrawing deposited securities shall be responsible for the following charges:

(i) taxes (including applicable interest and penalties) and other governmental charges;

(ii) such registration fees as may from time to time be in effect for the registration of common shares or other deposited securities on the share register and applicable to transfers of common shares or other deposited securities to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;

(iii) such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the Deposit Agreement to be at the expense of the person depositing or withdrawing common shares or holders and beneficial owners of ADSs;

(iv) the expenses and charges incurred by the depositary in the conversion of foreign currency;

(v) such fees and expenses as are incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to common shares, deposited securities, ADSs and ADRs; and

(vi) the fees and expenses incurred by the depositary, the custodian or any nominee in connection with the servicing or delivery of deposited securities.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly-issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these transaction fees to their clients.

Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date. The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividends, rights offerings), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or un-certificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts via the central clearing and settlement system, The Depository Trust Company (DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in turn charge their clients' accounts the amount of the fees paid to the depositary banks.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the Deposit Agreement, refuse the requested service until payment is received or may set- off the amount of the depositary fees from any distribution to be made to the ADS holder.

The fees and charges the ADS holders may be required to pay may vary over time and may be changed by us and by the depositary. The ADS holders will receive prior notice of such changes.

Depositary Payments for the Fiscal Year 2023

In 2023, we received the following payments from Citibank, N.A., acting as depositary for our ADSs:

Reimbursement of settlement infrastructure fees (including DTC fees)	US$ —
Reimbursement of proxy process expenses (printing, postage and distribution)	US$ 99,785.55
Legal expenses	US$ —
Contributions towards our investor relations efforts (i.e., non-deal roadshows, investor conferences and IR agency fees) and legal expenses incurred in connection to the preparation of our Form 20-F for the fiscal year 2023	US$530,059.21
Total:	US$638,844.76

Note: The amounts provided above are after deduction of applicable of U.S. taxes.

ITEM 13. *DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES*

Not applicable.

ITEM 14. *MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS*

Not applicable.

ITEM 15. *CONTROLS AND PROCEDURES*

Disclosure Control

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of December 31, 2023. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that the design and operation of our disclosure controls and procedures as of December 31, 2023 were effective to provide reasonable assurance that information required to be disclosed by us in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decision regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for our company. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2023 based on the framework established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Internal Control-Integrated Framework (2013) suspended the original framework issued by COSO in 1992 on December 15, 2014. We adopted the 2013 Framework on December 15, 2014. Further details of the changes made are set out below. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements in accordance with generally accepted accounting principles and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of a company's assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that a company's receipts and expenditures are being made only in accordance with authorizations of a company's management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of a company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of our internal control over financial reporting has been audited by KPMG Samjong, an independent registered public accounting firm, who has also audited our consolidated financial statements for the year ended December 31, 2023. KPMG Samjong has issued an attestation report on the effectiveness of our internal control over financial reporting an independent registered public accounting firm, as stated in its report included herein, which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2023.

Attestation Report of the Independent Registered Public Accounting Firm

KPMG Samjong's attestation report on the effectiveness of internal control over financial reporting can be found on page F-2 of this annual report.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. *[RESERVED]*

ITEM 16A. *AUDIT COMMITTEE FINANCIAL EXPERT*

Our Audit Committee currently consists of three outside directors, namely Kwak Su Keun (Chair), Yoon Jaewon and Bae Hoon. Our board of directors has determined that Kwak Su Keun, the chair of our Audit Committee is an "audit committee financial expert," as such term is defined by the regulations of the Securities and Exchange Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. Kwak Su Keun, Yoon Jaewon and Bae Hoon are independent as such term is defined in Section 303A.02 of the NYSE Listed Company Manual, Rule 10A-3 under the Exchange Act and the Korea Stock Exchange listing standards.

ITEM 16B. *CODE OF ETHICS*

We have adopted a code of ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions as required under Section 406 of the Sarbanes-Oxley Act of 2002, together with an insider reporting system in compliance with Section 301 of the Sarbanes-Oxley Act. We have not granted any waiver, including an implicit waiver, from a provision of the code of ethics to any of the above-mentioned officers during our most recently completed fiscal year. As a further detailed guideline to the code of ethics, we have also adopted a code of ethics applicable to all the officers and employees of our holding company and our subsidiaries and established a supplemental code of behavior for all officers and employees of our holding company and our subsidiaries in order to provide additional guideline for the performance of their work-related duties as well as their daily behavior. Our code of ethics is available on our website www.shinhangroup.com.

ITEM 16C. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The following table sets forth the aggregate fees billed for professional services rendered by our principal auditors for the years ended December 31, 2021, 2022 and 2023, for various types of services and a brief description of the nature of such services. Samil PricewaterhouseCoopers, a Korean independent registered public accounting firm, was our principal auditors for the years ended December 31, 2021 and 2022. KPMG Samjong Accounting Corp., a Korean independent registered public accounting firm, was our principal auditors for the year ended December 31, 2023 and we currently expect KPMG Samjong Accounting Corp. to serve as our principal auditors for the year ended December 31, 2024.

	Aggregate Fees Billed During the Year Ended December 31,			
Type of Services	**2021**	**2022**	**2023**	**Nature of Services**
	(In millions of Won)			
Audit fees	₩ 12,533	₩ 12,807	₩ 14,580	Audit service for Shinhan Financial Group and its subsidiaries.
Audit related fees	434	373	370	Assurance services rendered in the ordinary course of our business
Tax fees	—	—	—	Tax return and consulting advisory service.
All other fees	—	—	—	All other services which do not meet the three categories above.
Total	₩ 12,967	₩ 13,180	₩ 14,950	

Our Audit Committee generally pre-approves all engagements of our principal accountants pursuant to policies and procedures adopted by it. Our Audit Committee has adopted the following policies and procedures for consideration and approval of requests to engage our principal accountants to perform audit and non-audit services. Engagement requests for audit and non-audit services for us or our subsidiaries must, in the first instance, be submitted to our Audit Team. If the request relates to services that would impair the independence of our principal accountants, the request must be rejected. If the engagement request relates to audit and permitted non-audit services, it must be forwarded to the Audit Committee for consideration. To facilitate the consideration of engagement requests between its meetings, the Audit Committee has delegated approval authority of the following: (i) permitted non-audit services to our holding company, (ii) audit services to our subsidiaries and (iii) permitted non-audit services to our subsidiaries, to one of its members who is "independent" as defined by the Securities and Exchange Commission and the New York Stock Exchange. Such member in our case is Yoon Jaewon, the chair of our Audit Committee, and she is required to report any approvals made by her to the Audit Committee at its next meeting. Our Audit Committee meets regularly once every quarter.

Any other audit or permitted non-audit service must be pre-approved by the Audit Committee on a case-by-case basis. Our Audit Committee did not pre-approve any non-audit services under the de minimis exception of Rule 2.01(c)(7)(i)(C) of Regulation S-X as promulgated by the Securities and Exchange Commission.

ITEM 16D. *EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES*

Not applicable.

ITEM 16E. *PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS*

The following table sets forth information regarding purchases by us of our common shares during the period covered by this annual report.

Period	Total Number of Shares Purchased[(1)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (as of end of period)
January 1 to March 31, 2023	3,676,470	₩ 37,168	3,676,470	$—
April 1 to June 30, 2023	4,243,281	₩ 35,185	4,243,281	—
July 1 to September 30, 2023	2,842,929	₩ 35,175	2,994,011	—
October 1 to December 31, 2023	2,744,718	₩ 36,434	2,857,142	—
Total	13,507,398	₩ 35,990	13,770,904	$—

Other than as described above, neither we nor any "affiliated purchaser," as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

ITEM 16F. *CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT*

Not applicable.

ITEM 16G. *CORPORATE GOVERNANCE*

We are committed to high standards of corporate governance. We are in compliance with the corporate governance provisions of the Korean Commercial Code, the Financial Holding Companies Act of Korea, the Act on Corporate Governance of Financial Companies, the Financial Investment Services and Capital Markets Act and the Listing Rules of the Korea Exchange. We, like all other companies in Korea, must comply with the corporate governance provisions of the Korean Commercial Code. In addition, as a financial holding company, we are also subject to the Financial Holding Companies Act and the Act on Corporate Governance of Financial Companies. Also, our subsidiaries that are financial institutions must comply with the respective corporate governance provisions under the Act on Corporate Governance of Financial Companies and relevant laws under which they were established.

The Act on Corporate Governance of Financial Companies came into effect as of August 1, 2016. The Act was enacted to address calls for strengthened regulations on corporate governance of financial companies and to serve as a uniform regulation on corporate governance matters applicable to all financial companies in place of the separate regulations for each sector that existed. The Act contains several key measures, including, but not limited, to (i) condition of eligibility of officers of financial companies and standards for determining whether financial companies' officers may hold concurrent positions in other companies, (ii) standards for composition and operation of board of directors, (iii) standards for establishment, composition and operation of committees of the board of directors, (iv) internal control and risk management, (v) requirements and procedures for the approval of a change of major shareholders and (vi) special regulations for rights of minority shareholders of financial companies.

We are a "foreign private issuer" (as such term is defined in Rule 3b-4 under the Exchange Act), and our ADSs are listed on the New York Stock Exchange, or NYSE. Under Section 303A of the NYSE Listed Company Manual, NYSE-listed companies that are foreign private issuers are permitted to follow home country practice in lieu of the corporate governance provisions specified by the NYSE with limited exceptions. Under the NYSE Listed Company Manual, we as a foreign private issuer are required to disclose significant differences between NYSE's corporate governance standards and those we follow under Korean law. The following summarizes some significant ways in which our corporate governance practices differ from those followed by U.S. companies listed on the NYSE under the listing rules of the NYSE:

Majority of Independent Directors on the Board

Under the NYSE listing rules, U.S. companies listed on the NYSE must have a board the majority of which is comprised of independent directors satisfying the requirements of "independence" as set forth in Rule 10A-3 under the Exchange Act. While as a foreign private issuer, we are exempt from this requirement, but our board of directors is in compliance with this requirement as it currently consists of 14 directors, of which 12 directors satisfy the requirements of "independence" as set forth in Rule 10A-3 under the Exchange Act. 12 of our directors are also "outside directors" as defined in the Financial Holding Companies Act of Korea. An "outside director" for purposes of the Act on Corporate Governance of Financial Companies and the Korean Commercial Code means a director who does not engage in the regular affairs of the financial holding company, and who is elected at a shareholders' meeting, after having been nominated by the outside director nominating committee, and none of the largest shareholder, those persons "specially related" to the largest shareholder of such company, persons who during the past two years have served as an officer or employee of such company, the spouses and immediate family members of an officer of such company, and certain other persons specified by law may qualify as an outside director of such company. Under the Korea Exchange listing rules and the Korean Commercial Code, at least one-fourth of a listed company's directors must be outside directors. In the case of "large listed companies" as defined under the Korean Commercial Code or "large financial companies" as defined under the Act on Corporate Governance of Financial Companies, like us, a majority of the directors must be outside directors provided that there must be at least three outside directors.

Executive Session

Under the NYSE listing rules, non-management directors of U.S. companies listed on the NYSE are required to meet on a regular basis without management present and independent directors must meet separately at least once per year. There is no such requirement under Korean law or listing standards or our internal regulations.

Audit Committee

Under the NYSE listing rules, listed companies must have an audit committee that has a minimum of three members, and all audit committee members must satisfy the requirements of independence set forth in Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act. We are in compliance with this requirement as our Audit Committee is comprised of four outside directors meeting the requirements of independence set forth in Section 303A.02 of the NYSE Listed Company Manual and Rule 10A-3 under the Exchange Act. A large listed company under the Korea Exchange listing rules and the Korean Commercial Code or a large financial company under the Act on Corporate Governance of Financial Companies must also establish an audit committee of which at least two-thirds of its members must be outside directors and whose chair must be an outside director. In addition, under the Act on Corporate Governance of Financial Companies, at least one member of the audit committee who is an outside director must also be an accounting or financial expert. We are also in compliance with the foregoing requirements.

Nomination/Corporate Governance Committee

Under the NYSE listing rules, U.S. companies listed on the NYSE must have a nomination/corporate governance committee composed entirely of independent directors. In addition to identifying individuals qualified to become board members, this committee must develop and recommend to the board a set of corporate governance principles. Under the Korean Commercial Code and other applicable laws, large listed companies, financial holding companies, commercial banks, and certain other financial institutions are required to have an outside director nominating committee of which at least one-half of its members are required to be outside directors. However, there is no requirement to establish a corporate governance committee under applicable Korean law. Our outside director nominating committee is formed on an ad hoc basis prior to a general shareholders' meeting if the agenda for such meeting includes appointment of an outside director. The composition of the committee is in compliance with the relevant provisions under the Korean Commercial Code and the Act on Corporate Governance of Financial Companies, and the chair of the committee must be an outside director pursuant to the Act on Corporate Governance of Financial Companies.

We currently have a committee for recommending candidates for CEO, which is responsible for general corporate governance, reviewing and recommending nominees for the president and/or CEO of our group and the development, operation and review of our management succession plan, including setting the qualifications for he CEO, evaluating the CEO candidate pool and recommending CEO candidates. The chair of the committee must be an outside director, and the incumbent CEO may be restricted from participating and voting on matters related to CEO selection. We also have a committee for recommending candidates for independent directors and members of the audit committee, which is responsible for matters related to the recommendation and nomination of outside directors including audit committee members. In addition, in light of the recent emphasis on corporate governance, in March 2021, we transferred certain functions, such as those relating to code of ethics and other code of behavior, determination of the size of the board of directors and other matters necessary for improving our overall corporate governance structure, from the corporate governance committee to the board of directors.

Internal Control Committee

Under the amended Act on Corporate Governance of Financial Companies which will come into effect on July 3, 2024, financial institutions including financial holding companies must establish an internal control committee of which at least one-half of its members must be outside directors and whose chairman must be an outside director. provided, however, that an internal control committee may not be established if the audit committee or the risk management committee deliberates and resolves on the establishment of the basic policy and strategy for internal control, the establishment of a plan to establish an organizational culture that values the professional ethics and compliance spirit of officers and employees, the establishment and amendment of internal regulations on governance structure, the establishment and amendment of internal control standards, and requests for the inspection, evaluation and necessary measures with respect to the performance of the obligation of internal control management by executives and the representative director, as prescribed by the articles of incorporation of a financial institution.

Responsibilities Map for Internal Control

Under the amended Act on Corporate Governance of Financial Companies which will come into effect on July 3, 2024, financial institutions including financial holding companies must clarify in advance the scope and details of the matters subject to internal control that each officer is responsible for by preparing the responsibilities map. CEOs must establish a responsibilities map and submit it to the financial authorities after deliberation and resolution by the board of directors. Financial companies are obligated to verify whether their executives have the necessary qualifications including expertise, character and credibility to perform their duties. Executive officers stated in the responsibilities map must oversee internal control over the matters for which they are responsible, by taking certain prescribed measures. The CEO, as the top overseer of internal control, is responsible for establishing a company-wide internal control system and supervising each officer's internal control activities.

Compensation Committee

Under the NYSE listing rules, U.S. companies listed on the NYSE are required to have a compensation committee which is composed entirely of independent directors. In January 2013, the SEC approved amendments to the listing rules of NYSE and NASDAQ regarding the independence of compensation committee members and the appointment, payment and oversight of compensation consultants. The listing rules were adopted as required by Section 952 of the Dodd-Frank Act and rule 10C-1 of the Securities Exchange Act of 1934, as amended, which direct the national securities exchanges to prohibit the listing of any equity security of a company that is not in compliance with the rule's compensation committee director and advisor independence requirements. Certain elements of the listing rules became effective on July 1, 2013 and companies listed on the NYSE must comply with such listing rules by the earlier of the company's first annual meeting after January 15, 2014, or October 31, 2014.

Under the Act on Corporate Governance of Financial Companies, financial institutions including financial holding companies must establish a compensation committee of which at least one-half of its members must be outside directors and whose chairman must be an outside director.

We currently have a remuneration committee, which is responsible for reviewing and approving the management's evaluation and compensation programs. The committee consists of four members, all of whom are outside directors and satisfy the independent director requirements as set forth in Rule 10A-3 under the Exchange Act.

Corporate Governance Guidelines and Code of Business Conduct and Ethics

Under the NYSE listing rules, U.S. companies listed on the NYSE are required to establish corporate governance guidelines and to adopt a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. As a foreign private issuer, we are exempt from this requirement. In Korea, the Financial Services Commission implemented the Standard Corporate Governance Guidelines for Financial Service Companies in December 2014, and accordingly, we have adopted in February 2015 and are currently complying with international regulators on corporate governance modeled after the standard guidelines implemented by the Financial Services Commission,

Pursuant to the requirements of the Sarbanes-Oxley Act, we have adopted a code of ethics applicable to all the officers and employees of our holding company and our subsidiaries, including all financial, accounting and other officers and employees that are involved in the preparation and disclosure of Shinhan Financial Group's consolidated financial statements and internal control of financial reporting. As a further detailed guideline to the code of ethics, we have also established a supplemental code of behavior for all officers and employees of our holding company and our subsidiaries in order to provide additional guideline for the performance of their work-related duties as well as their daily behavior. We have also adopted an insider reporting system in compliance with Section 301 of the Sarbanes-Oxley Act. The above-mentioned code of ethics and the code of behavior are available on our website www.shinhangroup.com.

On May 25, 2011, the SEC adopted final rules to implement whistleblower provisions of the Dodd-Frank Act, which are applicable to foreign private issuers with securities registered under the U.S. securities laws. The final rules provide that any eligible whistleblower who voluntarily provides the SEC with original information that leads to the successful enforcement of an action brought by the SEC under U.S. securities laws must receive an award of between 10 and 30 percent of the total monetary sanctions collected if the sanctions exceed US$1,000,000. An eligible whistleblower is defined as someone who provides information about a possible violation of the securities laws that he or she reasonably believes has occurred, is ongoing, or is about to occur. The possible violation does not need to be material, probably or even likely, but the information must have a "facially plausible relationship to some securities law violation"; frivolous submissions would not qualify. The final rules also prohibit retaliation against the whistleblower. While the final rules do not require employees to first report allegations of wrongdoing through a company's corporate compliance system, they do seek to incentivize whistleblowers to utilize internal corporate compliance first by, among other things, (i) giving employees who first report information internally the benefit of the internal reporting date for purposes of the SEC program so long as the whistleblower submits the same information to the SEC within 120 days of the initial disclosure; (ii) clarifying that the SEC will consider, as part of the criteria for determining the amount of a whistleblower's award, whether the whistleblower effectively utilized the company's corporate compliance program or hindered the function of the program; and (iii) crediting a whistleblower who reports internally first and whose company passes the information along to the SEC, which would mean the whistleblower could receive a potentially higher award for information gathered in an internal investigation initiated as a result of the whistleblower's internal report.

In addition, the final rules address concerns that the whistleblower rules incentivize officers, directors and those with legal, audit, compliance or similar responsibilities to abuse these positions by making whistleblower complaints to the SEC with respect to information they obtained in these roles by generally providing that information obtained through a communication subject to attorney-client privilege or as a result of legal representation would not be eligible for a whistleblower award unless disclosure would be permitted by attorney conduct rules. Accordingly, officers and directors, auditors and compliance personnel and other persons in similar roles would not be eligible to receive awards for information received in these positions unless (x) they have a reasonable basis to believe that (1) disclosure of the information is necessary to prevent the entity from engaging in conduct that is likely to cause substantial injury to the financial interests of the entity or investors; or (2) the entity is engaging in conduct that will impede an investigation of the misconduct, for example, destroying documents or improperly influencing witnesses; or (y) 120 days have passed since the whistleblower provided the information to senior responsible persons at the entity or 120 days have passed since the whistleblower received the information at a time when these people were already aware of the information.

In Korea, the Act on the Protection of Public Interest Whistleblowers (the "Act on Whistleblowers") was enacted in March 29, 2011 and became effective on September 30, 2011. Under the Act on Whistleblowers, a "conduct detrimental to the public interest" means any conduct falling under the penalty provisions of certain acts or any conduct subject to administrative measures such as cancellation or suspension of an approval or a permit. As the Financial Holding Companies Act is included in the "certain acts" above, any conduct falling under the penalty provisions or subject to administrative measures for a violation of the Financial Holding Companies Act constitutes a "conduct detrimental to the public interest." Any person deeming that a conduct detrimental to the public interest has been, or is likely to be, committed may make a public interest report to a representative of the organization involved or a relevant investigative agency. The personal information of a public interest whistleblower shall be kept in confidence, and the measures necessary for personal protection of a public interest whistleblower shall be taken. In addition, any disadvantageous measures against a public interest whistleblower, including discriminatory treatment and delayed payment of wage, are prohibited, and where a public interest report leads to a recovery of, or increase in, revenues of the Government, the public interest whistleblower may be entitled to compensation by the Anti-Corruption and Civil Rights Commission of Korea.

We established a group-wide whistleblower policy in July 2005 and maintain related policies and programs for most of our subsidiaries. For example, Shinhan Bank maintains a whistleblower program named "*Shinhan Jikimi,*" through which any employee, vendor or customer can raise concerns and report suspicious circumstances in confidence using a variety of channels including the Internet, email, postal mail, facsimile and mobile phones. In addition, Shinhan Bank distributes to its employees a quarterly email notice intended to raise awareness of the whistleblower program and posts relevant informative materials on the company bulletin board. At Shinhan Card and Shinhan Securities, we strive to maintain transparency in every aspect of business activities and provide secure and accessible channels for all related parties to raise concerns and report violations.

Shareholder Approval of Equity Compensation Plans

Under the NYSE listing rules, shareholders of U.S. companies listed on the NYSE are required to approve all equity compensation plans.

Under Korean law, board of directors of a listed company with capital of ₩300 billion or more may grant stock options to officers and employees other than directors exercisable for up to 1% of the company's issued and outstanding shares by board's resolution, provided that such grant is permitted by such company's articles of incorporation and is approved by a resolution of the subsequent general meeting of stockholders. Under our articles of incorporation, we may also grant stock options, but since April 1, 2010, we have not granted any stock options.

We currently have two equity compensation plans, consisting of a performance share plan for directors and key employees and an employee stock ownership plan for all employees under the Framework Act on Labor Welfare.

In accordance with our internal regulations, performance shares granted to directors are granted pursuant to a resolution by the board of director, subject to the limit amount set by a resolution at the shareholders' meeting while performance shares granted to key employees are granted pursuant to a resolution by the board of director, without any requirement that the limit amount be approved at the shareholders' meeting. There are no requirements relating to the granting of performance shares under applicable Korean laws and our articles of incorporation.

Under the Framework Act on Labor Welfare, a Korean company may issue stock options up to 20% of its issued and outstanding shares by a resolution at the shareholders' meeting, if permitted by the articles of incorporation. Our articles of incorporation does not contain such provision. The equity compensation scheme for the employee stock ownership association is governed by its internal regulations, over which we have no control under Korean law.

Annual Certification of Compliance

Under the NYSE listing rules, a chief executive officer of a U.S. company listed on the NYSE must annually certify that he or she is not aware of any violation by the company of NYSE corporate governance standards. As a foreign private issuer, we are not subject to this requirement. However, in accordance with rules applicable to both U.S. companies and foreign private issuers, we are required to promptly notify the NYSE in writing if any executive officer becomes aware of any material noncompliance with the NYSE corporate governance standards applicable to us. In addition, foreign private issuers, including us, are required to submit to the NYSE an annual written affirmation relating to compliance with Sections 303A.06 and 303A.11 of the NYSE listed company manual, which are the NYSE corporate governance standards applicable to foreign private issuers. All written affirmations must be executed in the form provided by the NYSE, without modification. An annual written affirmation is required to be submitted to the NYSE within 30 days of filing with the SEC our annual report on Form 20-F. We have been in compliance with this requirement in all material respects and plan to submit such affirmation within the prescribed timeline.

ITEM 16H. *MINE SAFETY DISCLOSURE*

Not applicable.

ITEM 16I. *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.*

Not applicable.

ITEM 16J. *INSIDER TRADING POLICIES.*

Not applicable.

ITEM 16K. *CYBERSECURITY.*

1. Risk Management and Strategy

Cybersecurity is integrated into our risk management procedures through which we identify, assess, monitor, control, communicate and escalate related risks. As cybersecurity threats continue to evolve, we expect to continue to expend substantial resources to modify or enhance our measures to detect and prevent cybersecurity attacks or to investigate and remediate information security vulnerabilities that are found. The risks posed by cybersecurity threats that could materially affect us, including our business strategy, results of operations or financial condition, are discussed in “Item 3.D. Risk Factors — Other Risks Relating to Us as the Holding Company — Our activities are subject to cyber security risk.” For a description of our information technology system, see “Item 4.B. Business Overview – Information Technology.”

We examine cybersecurity threats annually through a professional institution holding a license recognized by the Government, and such examination includes risk assessment to predict potential impact of any identified risks. Action plans are developed based on the results of these evaluation, and after these action plans are implemented the results are reported to our Chief Information Security Officer (CISO). We provide annual reports on cybersecurity risks and ICT security operations to the Risk Management Committee of the board of directors. The main components of such reports consist of (i) findings from periodic security risk evaluations, (ii) results of internal security drills designed to improve responses to breaches, outages, and natural disasters, and (iii) current status of our requisite certifications for information security management systems such as ISO 27001 and ISMS.

Our CISO, Jung-eun Lee, is an experienced professional with required qualification in information protection and technology, in compliance with relevant domestic regulations. As a trusted advisor, the CISO ensures the accuracy of information related to cybersecurity risk, makes final decisions related thereto, and convenes the Information Protection Committee to effectively address significant risks that could potentially impact our customer services. We regularly conduct vulnerability assessments and black-box penetration testing to check for potential external breaches and establish preventive measures. Additionally, we monitor the exposure of sensitive information such as customer data to dark web and deep web and carry out additional preventive activities such as attack surface management, cyber threat intelligence collection, and phishing and pharming detection.

2. Governance.

The Internal Control Committee provides regular reports on cybersecurity to management, and the Risk Management Committee and Operational Risk Committee report to board meetings quarterly. Reports provide a comprehensive overview of various areas, such as ICT risk recognition and assessment, cybersecurity incident response and recovery training, systems change management, incident management processes, and periodic testing.

Our Head of Digital Part, Joon-hwan Kim, has a Ph. D. in engineering from the Korea Institute of Science and Technology as well as over 20 years of relevant experience in the field. The Head of Digital Part oversees the management of our ICT, information protection strategy, and internal control by periodically receiving comprehensive reports on the outcomes of various information protection activities related to cyber security, such as periodic vulnerability inspections, internal control and security monitoring, digital checkup, incident response training, and emergency response training. Based on these reports, the Head of Digital Part makes informed decisions related to cybersecurity in general. As part of his role, the Head of Digital Part is also appointed as a Credit Information Management Protection Officer as required by domestic regulations. Credit Information Management Protection Officer is required to provide annual reports related to credit information protection to the board of directors and to submit related reports to governmental agencies.

ITEM 17. *FINANCIAL STATEMENTS*

We have responded to Item 18 in lieu of responding to this item.

ITEM 18. ***FINANCIAL STATEMENTS***

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

ITEM 19. ***EXHIBITS***

(a) Exhibits filed as part of this Annual Report:

See Exhibit Index beginning on page 294 of this annual report.

(b) Financial Statements filed as part of this Annual Report:

See Index to Financial Statements on page F-1 of this annual report.

INDEX OF EXHIBITS

1.1	Articles of Incorporation, last amended as of March 23, 2023 (in English)† ******
2.1	Form of Common Stock Certificate (in English) †*
2.2	Form of Deposit Agreement to be entered into among Shinhan Financial Group, Citibank, N.A., as depositary, and all owners and holders from time to time of American depositary shares issued thereunder, including the form of American depositary receipt*
2.3	Long-term debt instruments of Shinhan Financial Group, Shinhan Bank and other consolidated subsidiaries for which financial statements are required to be filed are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Shinhan Financial Group agrees to furnish the Commission on request a copy of any instrument defining the rights of holders of its long-term debt and that of any subsidiary for which consolidated or unconsolidated financial statements are required to be filed.*
4.1	Stock Purchase Agreement by and between Korea Deposit Insurance Corporation and Shinhan Financial Group dated July 9, 2003**
4.2	Investment Agreement by and between Shinhan Financial Group and Korea Deposit Insurance Corporation dated July 9, 2003*
4.3	Agreed Terms, dated June 22, 2003, by and among the President of Korea Deposit Insurance Corporation, CEO of Shinhan Financial Group, CEO of Chohung Bank, Chairman of the National Financial Industry Labor Union of Korea and the Head of the Chohung Bank Chapter of the National Financial Industry Labor Union*
4.4	Merger Agreement between Shinhan Bank and Chohung Bank (in English) † ***
4.5	Split-Merger Agreement between Shinhan Card and Chohung Bank (in English) † ***
4.6	Form of Share Purchase Agreement, dated January 17, 2007, by and between Shinhan Financial Group and the holders of the redeemable preferred shares and the redeemable convertible shares issued by Shinhan Financial Group as part of the funding for the acquisition of LG Card Co., Ltd. (in English) †****
4.7	LG Card Acquisition Agreement, dated 2006, between Korea Development Bank and 13 other financial institutions, on the one hand, and Shinhan Financial Group†*****
8.1	List of all subsidiaries of Shinhan Financial Group
12.1	Certifications of our Chief Executive Officer required by Rule 13a-14(a) of the Exchange Act
12.2	Certifications of our Chief Financial Officer required by Rule 13a-14(a) of the Exchange Act
13.1	Certifications of our Chief Executive Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of the United States Code (18 U.S.C. 1350)
13.2	Certifications of our Chief Financial Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of the United States Code (18 U.S.C. 1350)
97.1	Policy Relating to Recovery of Erroneously Awarded Compensation required by applicable listing standards adopted pursuant to 17 CFR 240.10D-1
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)

† A fair and accurate translation from Korean into English.

* Incorporated by reference to the registrant's previous filing on Form 20-F (No. 001-31798), filed on September 15, 2003.

** Incorporated by reference to the registrant's previous filing on Form 20-F (No. 001-31798), filed on September 15, 2003. Confidential treatment has been requested for certain portions of the Stock Purchase Agreement.

*** Incorporated by reference to the registrant's previous filing on Form 20-F (No. 001-31798), filed on June 30, 2006.

**** Incorporated by reference to the registrant's previous filing on Form 20-F (No. 001-31798), filed on June 29, 2007.

***** Incorporated by reference to registrant's previous filing on Form 20-F (No. 001-31798), filed on June 30, 2008.

****** Incorporated by reference to registrant's previous filing on Form 20-F (No. 001-31798), filed on April 20, 2023.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 18, 2024

Shinhan Financial Group Co., Ltd.

By: /s/ Jin Okdong

Name: Jin Okdong
Title: Chief Executive Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Auditor Firm ID: 1357	**Auditor Name:** **KPMG Samjong Accounting Corp.**	**Auditor Location:** **27th Floor, Gangnam Finance Center,** **152, Teheran-ro, Gangnam-gu, Seoul,** **Republic of Korea 06236**

Report of Independent Registered Public Accounting Firm

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

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated statement of financial position of Shinhan Financial Group Co., Ltd. and subsidiaries (“the Group”) as of December 31, 2023, the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). We also have audited the Group’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited the adjustments to the 2022 consolidated financial statements to retrospectively apply the change in accounting due to the adoption of IFRS 17 *Insurance Contracts*, as described in Note 52. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 consolidated financial statements taken as a whole.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023 based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Group’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group’s consolidated financial statements and an opinion on the Group’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

(i) Assessment of allowance for credit losses for loans calculated on a collective basis

As discussed in Notes 3.(h), 5.(b), and 13 to the consolidated financial statements, the Group has KRW 4,330,470 million of allowance for credit losses for loans at amortized cost as of December 31, 2023, a portion of which is calculated on a collective basis. The Group estimates the allowance for credit loss on an individual basis for individually significant corporate loans which are credit impaired and for those which have experienced a significant increase in credit risk. The allowance for credit losses for all other loans is measured on a collective basis. For these loans, the Group measures expected credit loss (ECL) based on its estimates of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) as well as the impact of forward-looking information (FLI). The PDs and LGDs, and the effects of FLI on these, are the outputs of a set of complex models that involve significant judgments and assumptions. For corporate loans measured on a collective basis, one of the relevant inputs for determining PD is the internal credit risk rating of the borrower. The internal credit risk rating of the borrower is defined by the Group using quantitative and qualitative factors. The evaluation of the quantitative and qualitative factors involves a high level of judgment by the Group.

We identified the assessment of the allowance for credit losses for loans calculated on a collective basis as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge and subjective and complex auditor judgment, was required to evaluate the assumptions and judgments applied by the Group in the measurement of ECL on a collective basis. This included the analysis of the quantitative and qualitative factors considered in determining the internal credit risk ratings of corporate loans, the calculation of PDs and LGDs and the evaluation of FLI incorporated in the measurement of collective ECL.

The following are the primary audit procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to: (i) the validation of the models used to determine the PDs and LGDs and the impact of FLI; and (ii) the assessment of quantitative and qualitative factors in the process of determining the internal credit risk rating of the corporate loans. We involved credit risk professionals with specialized skills and knowledge who assisted in: (i) evaluating the methodology and key assumptions and judgments used in determining the PD and LGD parameters; (ii) evaluating how FLI was incorporated in the collective ECL model; and (iii) for a sample of loans, checking the accuracy of the PD and LGD, adjusted for FLI, calculated by management. For a sample of corporate loans with ECL measured on a collective basis, we assessed the reasonableness of the internal credit risk rating considering the quantitative and qualitative information and the Group's credit risk rating policy.

(ii) Fair value of the subsidiary Shinhan Securities Co. Ltd.'s level 3 derivatives and derivative-linked securities

As discussed in Notes 4.(c) and 5.(e) to the consolidated financial statements, as of December 31, 2023 the Group, through its subsidiary Shinhan Securities Co. Ltd, has KRW 629,223 million and KRW 785,312 million of level 3 derivative assets and liabilities, respectively, and KRW 66,866 million and KRW 6,725,252 million of level 3 derivative-linked securities held and issued, respectively. Level 3 financial instruments are measured at fair value using valuation techniques where one or more significant inputs are not based on observable market data. In order to measure the fair value of these level 3 derivatives and derivative-linked securities, the Group uses internally developed valuation models such as discounted cash flow models and option models. These models use various inputs and assumptions, depending on the nature of the financial instruments.

We identified the measurement of the fair value of the subsidiary Shinhan Securities Co. Ltd.'s level 3 derivatives and derivative-linked securities as a critical audit matter. Subjective auditor judgment was required to assess the significant inputs to the valuation models which were not directly observable including volatility of underlying assets and correlations. In addition, the audit effort associated with these measurements required the involvement of valuation professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the measurement of fair value of the subsidiary Shinhan Securities Co. Ltd.'s level 3 derivatives and derivative-linked securities. This included controls related to the determination of the values of the significant unobservable inputs used in the measurement of the fair values. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the reasonableness of the Group's fair value estimate for a selection of the level 3 derivatives and derivative-linked securities by developing independent estimates of the fair values of those instruments and comparing the results to the Group's estimates. As part of this independent estimate, the valuation professionals developed independent estimates of the significant unobservable inputs used in the measurement of the financial instruments, including the volatility of underlying assets and correlations.

(iii) Estimation of the loss rates used in the measurement of insurance liabilities

As discussed in Notes 2(e)i), 3(t), 4(e), 28 to the consolidated financial statements, the Group has KRW 48,229,566 million of insurance liabilities, excluding those measured under the premium allocation approach, as of December 31, 2023. These insurance liabilities are measured as the sum of the fulfillment cash flows and, when applicable, the contractual service margin. The fulfillment cash flows comprise an estimate of the expected cash flows that will arise within the boundaries of the insurance contract, including for the payment of claims and benefits, discounted to reflect the time value of money and a risk adjustment for non-financial risks. The Group uses loss rates in its estimation of the future cash flows for payments of claims and benefits. These loss rates are derived from the Group's historical experience and, in certain cases, external data using methodologies that involve significant judgments and assumptions.

We identified the estimation of the loss rates used in the measurement of insurance liabilities as a critical audit matter. A high degree of subjective auditor judgment was required to assess the reasonableness of the loss rates used by the Group to estimate the expected payments of claims and benefits. In addition, the audit effort associated with the assessment of the loss rates required the involvement of actuarial professionals with specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the estimate of loss rates. This included controls related to the review and approval of the calculation methodologies applied to determine the loss rates, the review and approval of the final loss rates to be used in the measurement of the insurance liabilities, and the review of methodologies and loss rates by the appointed actuary. We involved actuarial professionals with specialized skills and knowledge, who assisted in: (i) reviewing the methodologies applied to calculate the loss rates; and (ii) checking the accuracy of the final loss rates using the Group's data and methodologies.

/s/ KPMG Samjong Accounting Corp.

We have served as the Company's auditor since 2023.

Seoul, Korea
April 18, 2024

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the consolidated statement of financial position of Shinhan Financial Group Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2022, and the related consolidated statements of income and comprehensive income, of changes in shareholders' equity and of cash flows for each of the two years in the period ended December 31, 2022, including the related notes (collectively referred to as the "consolidated financial statements"), before the effects of the adjustments to retrospectively reflect the adoption of IFRS No.1117, *Insurance Contracts* on the 2022 consolidated financial statements described in Note 52. In our opinion, the consolidated financial statements, before the effects of the adjustments to retrospectively reflect the adoption of IFRS No.1117, *Insurance Contracts* on the 2022 consolidated financial statements described in Note 52, present fairly, in all material respects, the financial position of the Group as of December 31, 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (the 2022 financial statements before the effects of the adjustments discussed in Note 52 are not presented herein).

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively reflect the adoption of IFRS No.1117, *Insurance Contracts* on the 2022 consolidated financial statements as described in Note 52 and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on the Group's consolidated financial statements, before the effects of the adjustments described above, based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements, before the effects of the adjustments described above, in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Samil PricewaterhouseCoopers
Seoul, the Republic of Korea
April 20, 2023

We served as the Group's auditor from 2020 to 2023.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of January 1, 2022, December 31, 2022 and 2023

(In millions of won)	Note	January 1, 2022	December 31, 2022	December 31, 2023
Assets				
Cash and due from banks at amortized cost	5, 9, 13, 20	₩ 29,049,341	30,050,840	34,629,251
Financial assets at fair value through profit or loss	5, 10, 20	68,161,348	61,508,281	71,216,564
Derivative assets	5, 11	3,800,158	6,460,652	4,711,421
Securities at fair value through other comprehensive income	5, 12, 20	90,893,467	85,469,161	90,311,979
Securities at amortized cost	5, 12, 20	26,164,942	33,371,198	35,686,487
Loans at amortized cost	5, 13, 20	384,810,774	407,898,972	411,739,562
Property and equipment, net	14, 19, 20	4,046,164	4,011,097	3,972,304
Intangible assets	15	5,644,782	5,807,836	6,217,946
Investments in associates	16	2,913,745	2,904,474	2,692,031
Current tax receivable		15,159	26,307	30,590
Deferred tax assets	44	131,257	915,369	153,719
Investment property	17	675,391	363,108	257,806
Net defined benefit assets	26	33,429	456,838	114,378
Insurance contract assets	28	—	—	10,654
Reinsurance contract assets	28	—	88,772	88,353
Other assets	5, 13, 18	25,480,156	25,071,114	29,925,844
Assets held for sale		44,409	29,211	36,444
Total assets		₩641,864,522	664,433,230	691,795,333
Liabilities				
Deposits	5, 21	₩364,874,652	382,988,294	381,512,664
Financial liabilities at fair value through profit or loss	5, 22	1,369,225	1,146,110	1,868,977
Financial liabilities designated at fair value through profit or loss	5, 23	8,023,870	8,367,368	7,796,727
Derivative liabilities	5, 11	3,588,165	7,708,615	5,038,416
Borrowings	5, 24	43,167,065	49,279,175	56,901,352
Debt securities issued	5, 25	80,149,363	77,288,783	81,561,725
Net defined benefit liabilities	26	131,494	14,664	67,620
Provisions	27	1,166,883	1,266,314	1,369,666
Current tax payable		702,608	702,143	92,253
Deferred tax liabilities	44	420,677	810,569	542,595
Insurance contract liabilities	28	53,774,915	45,904,773	48,333,208
Reinsurance contract liabilities	28	281,763	62,803	93,240
Investment contract liabilities	5, 30	2,953,698	2,133,586	1,572,685
Other liabilities	5, 31	31,044,194	33,336,475	48,722,340
Total liabilities		591,648,572	611,009,672	635,473,468

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position (Continued)

As of January 1, 2022, December 31, 2022 and 2023

(In millions of won)	Note	January 1, 2022	December 31, 2022	December 31, 2023
Equity	32			
Capital stock		2,969,641	2,969,641	2,969,641
Hybrid bonds		3,334,531	4,196,968	4,001,731
Capital surplus		12,095,043	12,095,043	12,094,968
Capital adjustments		(664,429)	(582,859)	(658,664)
Accumulated other comprehensive loss		(905,223)	(1,910,750)	(1,074,453)
Retained earnings		31,139,115	33,963,799	36,387,314
Total equity attributable to equity holders of Shinhan Financial Group Co., Ltd.		47,968,678	50,731,842	53,720,537
Non-controlling interests		2,247,272	2,691,716	2,601,328
Total equity		50,215,950	53,423,558	56,321,865
Total liabilities and equity		₩641,864,522	664,433,230	691,795,333

Since IFRS 17 "Insurance contracts" was first applied from January 1, 2023, the Group restated the consolidated statements of financial position as of December 31, 2022 and January 1, 2022 in accordance with IAS 1 "Financial statement presentation". 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, 2022 and 2023

(In millions of won)	Note	2021	2022	2023
Interest income		₩14,724,230	20,092,325	27,579,211
Interest expense		(3,954,905)	(9,495,472)	(16,761,289)
Net interest income	34	10,769,325	10,596,853	10,817,922
Fees and commission income		4,139,885	3,884,346	4,175,243
Fees and commission expense		(1,464,888)	(1,470,804)	(1,528,037)
Net fees and commission income	35	2,674,997	2,413,542	2,647,206
Insurance income		6,484,523	2,741,730	2,899,599
Reinsurance income		—	36,274	44,985
Insurance expenses		(7,259,909)	—	—
Insurance service expenses		—	(1,667,870)	(1,748,779)
Reinsurance service expenses		—	(63,910)	(82,190)
Net insurance income (expenses)	28	(775,386)	1,046,224	1,113,615
Insurance finance income		—	850,940	143,064
Insurance finance expenses		—	(42,976)	(659,161)
Net insurance finance income (expenses)	29	—	807,964	(516,097)
Dividend income	36	124,531	177,569	181,486
Net gain (loss) on financial instruments at fair value through profit or loss	37	1,103,631	(1,160,833)	2,493,626
Net gain (loss) on financial instruments at fair value through profit or loss (overlay approach)		43,003	—	—
Net gain (loss) on financial instruments designated at fair value through profit or loss	38	(88,301)	576,942	(437,780)
Net gain on foreign currency transaction		222,819	245,079	256,766
Net gain (loss) on disposal of securities at fair value through other comprehensive income	12	85,596	(161,423)	(129,575)
Net gain (loss) on disposal of securities at amortized cost	12	(319)	(60)	251
Provision for allowance for credit loss	39	(974,685)	(1,291,813)	(2,244,503)
General and administrative expenses	40	(5,743,088)	(5,644,160)	(5,895,337)
Other operating expenses, net	42	(1,490,027)	(1,700,320)	(2,186,730)
Operating income		5,952,096	5,905,564	6,100,850
Equity method income	16	158,600	121,697	125,088
Other non-operating income (expense), net	43	(527,032)	339,365	(260,978)
Profit before income taxes		5,583,664	6,366,626	5,964,960
Income tax expense	44	1,471,036	1,611,112	1,486,960
Profit for the year		₩ 4,112,628	4,755,514	4,478,000

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Continued)

For the years ended December 31, 2021, 2022 and 2023

(In millions of won, except earnings per share data)	Note	2021	2022	2023
Other comprehensive income for the year, net of income tax	32			
Items that are or may be reclassified to profit or loss:				
Gain (loss) on securities at fair value through other comprehensive income		₩ (879,671)	(5,928,937)	3,162,544
Equity in other comprehensive income (loss) of associates		2,748	(15,758)	7,156
Foreign currency translation adjustments for foreign operations		252,308	14,732	(6,245)
Net change in unrealized fair value of cash flow hedges		21,700	(70,264)	61,280
Net finance income on insurance contract assets (liabilities)		—	4,705,903	(2,172,458)
Net finance income (expense) on reinsurance contract assets (liabilities)		—	34,045	(20,772)
Loss on financial instruments at fair value through profit or loss (overlay approach)		(20,098)	—	—
Other comprehensive loss of separate account		(41,273)	—	—
		(664,286)	(1,260,279)	1,031,505
Items that will not be reclassified to profit or loss:				
Remeasurements of the net defined benefit liabilities (assets)		43,277	251,991	(200,857)
Equity in other comprehensive loss of associates		(2)	(5)	—
Valuation gain on securities at fair value through other comprehensive income		35,441	5,133	8,174
Gain (loss) on disposal of securities at fair value through other comprehensive income		(29,421)	2,134	(3,056)
Changes in own credit risk on financial liabilities designated at fair value through profit of loss		(2,798)	(4,749)	8,623
		46,497	254,504	(187,116)
Total other comprehensive income (loss), net of income tax		(617,789)	(1,005,775)	844,389
Total comprehensive income for the year		₩3,494,839	3,749,739	5,322,389
Profit attributable to:				
Equity holders of Shinhan Financial Group Co., Ltd.	32, 45	₩4,019,254	4,665,643	4,368,035
Non-controlling interests		93,374	89,871	109,965
		₩4,112,628	4,755,514	4,478,000
Total comprehensive income attributable to:				
Equity holders of Shinhan Financial Group Co., Ltd.		₩3,402,925	3,660,798	5,208,629
Non-controlling interests		91,914	88,941	113,760
		₩3,494,839	3,749,739	5,322,389
Earnings per share:	32, 45			
Basic and diluted earnings per share in won		₩ 7,308	8,498	8,048

Since IFRS 17 "Insurance contracts" was first applied from January 1, 2023, the Group restated the consolidated statements of comprehensive income for the year ended December 31, 2022 in accordance with IAS 1 "Financial statement presentation". Also, the comparative information for the year ended December 31, 2021 are prepared on an IFRS 4 basis. See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31, 2021

(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 compre-hensive income (loss)	Retained earnings	Sub-total	Non-controlling interests	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)
Loss 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 the net defined benefit liabilities (assets)	—	—	—	—	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 to 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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Continued)

For the year ended December 31, 2022

(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, 2022	₩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
Adjustment on initial application of IFRS 17 (Note 52)	—	—	—	—	79,713	597,815	—	—	677,528
Balance (restated) at January 1, 2022	2,969,641	3,334,531	12,095,043	(664,429)	(905,223)	31,139,115	47,968,678	2,247,272	50,215,950
Profit for the year	—	—	—	—	—	4,665,643	4,665,643	89,871	4,755,514
Other comprehensive income (loss), net of income tax:									
Loss on valuation and disposal of securities at fair value through other comprehensive income	—	—	—	—	(5,918,084)	—	(5,918,084)	(3,586)	(5,921,670)
Equity in other comprehensive loss of associates	—	—	—	—	(15,763)	—	(15,763)	—	(15,763)
Foreign currency translation adjustments for foreign operations	—	—	—	—	12,936	—	12,936	1,796	14,732
Net change in unrealized fair value of cash flow hedges	—	—	—	—	(70,264)	—	(70,264)	—	(70,264)
Net finance income on insurance contract assets (liabilities)	—	—	—	—	4,705,903	—	4,705,903	—	4,705,903
Net finance income on reinsurance contract assets (liabilities)	—	—	—	—	34,045	—	34,045	—	34,045
Remeasurements of the net defined benefit liabilities (assets)	—	—	—	—	251,131	—	251,131	860	251,991
Changes in own credit risk on financial liabilities designated at fair value through profit or loss	—	—	—	—	(4,749)	—	(4,749)	—	(4,749)
Total other comprehensive loss	—	—	—	—	(1,004,845)	—	(1,004,845)	(930)	(1,005,775)
Total comprehensive income (loss)	—	—	—	—	(1,004,845)	4,665,643	3,660,798	88,941	3,749,739
Other changes in equity									
Dividends	—	—	—	—	—	(747,705)	(747,705)	—	(747,705)
Interim dividends	—	—	—	—	—	(637,598)	(637,598)	—	(637,598)
Dividends to hybrid bonds	—	—	—	—	—	(156,277)	(156,277)	—	(156,277)
Issuance of hybrid bonds (Note 32)	—	997,120	—	—	—	—	997,120	—	997,120
Redemption of hybrid bonds (Note 32)	—	(134,683)	—	(317)	—	—	(135,000)	—	(135,000)
Acquisition of treasury stock (Note 32)	—	—	—	(300,000)	—	—	(300,000)	—	(300,000)
Retirement of treasury stock (Note 32)	—	—	—	300,000	—	(300,061)	(61)	—	(61)
Change in other capital adjustments	—	—	—	(3,904)	—	—	(3,904)	—	(3,904)
Change in other non-controlling interests	—	—	—	85,791	—	—	85,791	355,503	441,294
	—	862,437	—	81,570	—	(1,841,641)	(897,634)	355,503	(542,131)
Reclassification of OCI to retained earnings	—	—	—	—	(682)	682	—	—	—
Balance at December 31, 2022	₩2,969,641	4,196,968	12,095,043	(582,859)	(1,910,750)	33,963,799	50,731,842	2,691,716	53,423,558

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity (Continued)
For the year ended December 31, 2023

(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, 2023	₩2,969,641	4,196,968	12,095,043	(582,859)	(1,910,750)	33,963,799	50,731,842	2,691,716	53,423,558
Profit for the year	—	—	—	—	—	4,368,035	4,368,035	109,965	4,478,000
Other comprehensive income (loss), net of income tax:									
Loss on valuation and disposal of securities at fair value through other comprehensive income	—	—	—	—	3,163,334	—	3,163,334	4,328	3,167,662
Equity in other comprehensive loss of associates	—	—	—	—	7,156	—	7,156	—	7,156
Foreign currency translation adjustments for foreign operations	—	—	—	—	(6,234)	—	(6,234)	(11)	(6,245)
Net change in unrealized fair value of cash flow hedges	—	—	—	—	61,280	—	61,280	—	61,280
Net finance loss on insurance contract assets (liabilities)	—	—	—	—	(2,172,458)	—	(2,172,458)	—	(2,172,458)
Net finance loss on reinsurance contract assets (liabilities)	—	—	—	—	(20,772)	—	(20,772)	—	(20,772)
Remeasurements of the net defined benefit liabilities (assets)	—	—	—	—	(200,335)	—	(200,335)	(522)	(200,857)
Changes in own credit risk on financial liabilities designated at fair value through profit or loss	—	—	—	—	8,623	—	8,623	—	8,623
Total other comprehensive income	—	—	—	—	840,594	—	840,594	3,795	844,389
Total comprehensive income (loss)	—	—	—	—	840,594	4,368,035	5,208,629	113,760	5,322,389
Other changes in equity									
Dividends	—	—	—	—	—	(455,215)	(455,215)	—	(455,215)
Interim dividends	—	—	—	—	—	(817,122)	(817,122)	—	(817,122)
Dividends to hybrid bonds	—	—	—	—	—	(189,672)	(189,672)	—	(189,672)
Issuance of hybrid bonds (Note 32)	—	897,646	—	—	—	—	897,646	—	897,646
Redemption of hybrid bonds (Note 32)	—	(1,092,883)	—	(102,667)	—	—	(1,195,550)	—	(1,195,550)
Transfer of redemption loss of hybrid bonds to retained earnings	—	—	—	317	—	(317)	0	—	—
Acquisition of treasury stock (Note 32)	—	—	—	(485,947)	—	—	(485,947)	—	(485,947)
Retirement of treasury stock (Note 32)	—	—	—	485,947	—	(486,028)	(81)	—	(81)
Preferred stock converted to common stock	—	—	(75)	—	—	—	(75)	—	(75)
Change in other capital adjustments	—	—	—	26,703	—	(463)	26,240	—	26,240
Change in other non-controlling interests	—	—	—	(158)	—	—	(158)	(204,148)	(204,306)
	—	(195,237)	(75)	(75,805)	—	(1,948,817)	(2,219,934)	(204,148)	(2,424,082)
Reclassification of OCI to retained earnings	—	—	—	—	(4,297)	4,297	—	—	—
Balance at December 31, 2023	₩2,969,641	4,001,731	12,094,968	(658,664)	(1,074,453)	36,387,314	53,720,537	2,601,328	56,321,865

Since IFRS 17 "Insurance contracts" was first applied from January 1, 2023, the Group restated the consolidated statements of changes in equity for the year ended December 31, 2022 in accordance with IAS 1 "Financial statement presentation". Also, the comparative information for the year ended December 31, 2021 are prepared on an IFRS 4 basis. 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, 2022 and 2023

(In millions of won)	Note	2021	2022	2023
Cash flows from operating activities				
Profit for the year		₩ 4,112,628	4,755,514	4,478,000
Adjustments for:				
Interest income	34	(14,724,230)	(20,092,325)	(27,579,211)
Interest expense	34	3,954,905	9,495,472	16,761,289
Dividend income	36	(124,531)	(177,569)	(181,486)
Income tax expense	44	1,471,036	1,611,112	1,486,960
Net fees and commission expense	35	124,486	126,665	307,492
Net insurance loss (gain)	28	1,356,064	(1,046,224)	(1,113,615)
Net insurance finance expense (income)	29	—	(807,964)	516,097
Net loss (gain) on financial instruments at fair value through profit or loss	37	(174,279)	1,056,473	(1,228,900)
Net loss (gain) on derivatives	11	64,128	702,735	(292,483)
Net loss (gain) on financial instruments at fair value through profit or loss (overlay approach)	9	(43,003)	—	—
Net loss (gain) on foreign currency translation		(21,130)	44,316	4,396
Net gain on financial instruments designated at fair value through profit or loss	38	(423,914)	(806,741)	(54,256)
Net loss (gain) on disposal of securities at fair value through other comprehensive income	12	(85,596)	161,423	129,575
Net loss (gain) on disposal of securities at amortized cost	12	319	60	(251)
Provision for allowance for credit loss	39	974,685	1,291,813	2,244,503
Employee benefit	26	221,259	178,923	145,874
Depreciation and other amortization	40	902,692	999,682	1,185,006
Other operating expense	42	457,359	2,086,352	859,065
Equity method income, net	16	(158,600)	(121,697)	(125,088)
Other non-operating expense (income)	43	447,138	(437,202)	200,355
		(5,781,212)	(5,734,696)	(6,734,678)
Changes in assets and liabilities:				
Due from banks at amortized cost		2,690,535	(1,052,471)	1,325,355
Securities at fair value through profit or loss		(2,934,113)	5,901,524	(7,374,788)
Due from banks at fair value through profit or loss		92,944	—	—
Loans at fair value through profit or loss		341,140	(721,736)	620,955
Financial instruments designated at fair value through profit or loss		(9,466)	1,100,240	(726,476)
Derivative instruments		14,548	728,222	(336,770)
Loans at amortized cost		(28,740,535)	(24,043,584)	(5,652,482)
Insurance contract assets		—	299	(10,387)
Reinsurance contract assets		—	(72,331)	(4,262)
Other assets		(6,920,943)	(2,080,768)	(6,394,740)
Deposits		36,948,828	18,309,172	(1,380,003)
Liabilities for defined benefit obligations		(261,750)	(341,740)	7,263
Provisions		(25,526)	(72,384)	(424,494)
Insurance contract liabilities		—	(903,025)	(1,247,849)
Reinsurance contract liabilities		—	(201,490)	(31,265)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2021, 2022 and 2023

(In millions of won)	Note	2021	2022	2023
Investment contract liabilities		₩ —	(907,047)	(671,181)
Other liabilities		(4,489,460)	1,789,192	13,479,464
		(3,293,798)	(2,567,927)	(8,821,660)
Income taxes paid		(1,149,965)	(1,693,408)	(1,931,943)
Interest received		14,325,392	19,070,421	26,411,959
Interest paid		(4,114,027)	(6,770,156)	(13,058,769)
Dividends received		100,936	128,692	186,937
Net cash inflow from operating activities		4,199,954	7,188,440	529,846
Cash flows from investing activities				
Decrease in financial instruments at fair value through profit or loss		4,362,417	5,206,643	3,845,778
Increase in financial instruments at fair value through profit or loss		(5,409,361)	(5,954,987)	(5,355,995)
Proceeds from disposal of securities at fair value through other comprehensive income		29,991,033	22,231,923	36,748,023
Acquisition of securities at fair value through other comprehensive income		(37,575,878)	(24,545,800)	(36,745,746)
Proceeds from disposal of securities at amortized cost		5,203,156	5,148,999	4,257,920
Acquisition of securities at amortized cost		(7,343,501)	(12,302,642)	(6,421,141)
Proceeds from disposal of property and equipment	14, 43	20,068	93,511	16,159
Acquisition of property and equipment	14	(334,874)	(326,546)	(261,444)
Proceeds from disposal of intangible assets	15, 43	15,867	23,040	25,029
Acquisition of intangible assets	15	(555,340)	(616,581)	(454,794)
Proceeds from disposal of investments in associates	16	357,401	516,735	377,496
Acquisition of investments in associates	16	(588,827)	(657,836)	(428,423)
Proceeds from disposal of investment property	17, 43	276	259,453	166,767
Acquisition of investment property	17	(8,292)	(6,883)	(5,367)
Proceeds from disposal of assets held for sale		47,792	624,837	3,663
Change in other assets		(220,636)	(238,869)	1,959
Proceeds from settlement of hedging derivative financial instruments		61,502	12,585	29,123
Payment of settlement of hedging derivative financial instruments		(53,313)	(135,669)	(70,720)
Net cash flow from business combination		—	(27,840)	—
Net cash outflow from investing activities		(12,030,510)	(10,695,927)	(4,271,713)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2021, 2022 and 2023

(In millions of won)	Note	2021	2022	2023
Cash flows from financing activities				
Issuance of hybrid bonds		₩ 1,154,597	997,120	897,646
Redemption of hybrid bonds		—	(135,000)	(1,195,550)
Net increase in borrowings		849,212	6,145,271	8,153,087
Proceeds from debt securities issued		28,561,082	39,521,966	47,674,027
Redemption of debt securities issued		(24,143,252)	(41,777,940)	(43,808,445)
Increase in financial liabilities designated at fair value through profit or loss		—	49,993	209,969
Change in other liabilities		83,067	239,591	164,567
Dividends paid		(1,218,761)	(1,540,871)	(1,461,371)
Proceeds from settlement of hedging derivative financial instruments		1,223,033	2,391,556	1,538,590
Payment of settlement of hedging derivative financial instruments		(1,210,366)	(2,319,927)	(1,459,027)
Acquisition of treasury stock		(79)	(300,000)	(485,947)
Disposition and redemption of treasury stock		23,588	(60)	(81)
Increase (decrease) in non-controlling interests		(84,998)	382,929	(205,169)
Redemption of lease liabilities		(275,273)	(259,913)	(262,055)
Payment of stock issuance costs		(105)	—	—
Conversion costs for preferred stock to common stock		—	—	(75)
Net cash inflow from financing activities		4,961,745	3,394,715	9,760,166
Effect of exchange rate changes on cash and cash equivalents held		112,854	(58,955)	(15,361)
Increase (decrease) in cash and cash equivalents		(2,755,957)	(171,727)	6,002,938
Cash and cash equivalents at beginning of year	47	26,859,400	24,585,673	24,413,946
Cash and cash equivalents at end of year	47	₩ 24,103,443	24,413,946	30,416,884

Since IFRS 17 “Insurance contracts” was first applied from January 1, 2023, the Group restated the consolidated statements of cash flows for the year ended December 31, 2022 and January 1, 2022 in accordance with IAS 1 “Financial statement presentation”. Also, the comparative information for the year ended December 31, 2021 are prepared on an IFRS 4 basis. See accompanying notes to the consolidated financial statements.

(In millions of won)

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, 2022 and 2023 are as follows:

Investor	Investee (*1)	Location	Date of financial information	Ownership (%) 2022	Ownership (%) 2023
Shinhan Financial Group Co., Ltd.	Shinhan Bank	Korea	December 31	100.0	100.0
”	Shinhan Card Co., Ltd.	”	”	100.0	100.0
”	Shinhan Securities Co., Ltd.	”	”	100.0	100.0
”	Shinhan Life Insurance Co., Ltd.	”	”	100.0	100.0
”	Shinhan Capital Co., Ltd.	”	”	100.0	100.0
”	Jeju Bank	”	”	75.3	75.3
”	Shinhan Asset Management Co., Ltd.	”	”	100.0	100.0
”	SHC Management Co., Ltd.	”	”	100.0	100.0
”	Shinhan DS	”	”	100.0	100.0
”	Shinhan Savings Bank	”	”	100.0	100.0
”	Shinhan Asset Trust Co., Ltd.	”	”	100.0	100.0
”	Shinhan Fund Partners Co., Ltd. (*2)	”	”	99.8	99.8
”	Shinhan REITs Management Co., Ltd.	”	”	100.0	100.0
”	Shinhan AI Co., Ltd. (*3)	”	”	100.0	100.0
”	Shinhan Venture Investment Co., Ltd.	”	”	100.0	100.0
”	Shinhan EZ General Insurance Co., Ltd.	”	”	85.1	85.1
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

(In millions of won)

1. Reporting entity (continued)

Investor	Investee (*1)	Location	Date of financial information	Ownership (%) 2022	2023
”	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.	Shinhan Credit Information Co., Ltd.	Korea	December 31	100.0	100.0
”	LLP MFO Shinhan Finance	Kazakhstan	”	100.0	100.0
”	PT. Shinhan Indo Finance	Indonesia	”	76.3	76.3
”	Shinhan Microfinance Co., Ltd.	Myanmar	”	100.0	100.0
”	Shinhan Vietnam Finance Co., Ltd.	Vietnam	”	100.0	100.0
Shinhan Securities Co., Ltd.	Shinhan Securities America Inc.	USA	”	100.0	100.0
”	Shinhan Securities 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	Indonesia	”	75.0	75.0
Shinhan Life Insurance Co., Ltd.	Shinhan Financial Plus Co., Ltd.	Korea	”	100.0	100.0
”	Shinhan LifeCare Co., Ltd. (*4)	”	”	100.0	100.0
”	Shinhan Life Insurance Vietnam Co., Ltd.	Vietnam	”	100.0	100.0
Shinhan Asset Management Co., Ltd.	SHINHAN ASSET MGT HK, LIMITED	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, special purpose company, partnerships and private equity fund which are not actually operating their own business are excluded.
(*2) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.
(*3) The major assets were sold to Shinhan Bank, a subsidiary company, in January 2024, and the liquidation process is in progress.
(*4) Shinhan CubeOn Co., Ltd. has changed its name to Shinhan LifeCare Co., Ltd. on December 29, 2023.

(c) Consolidated structured entities

1. Reporting entity (continued)

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 significant 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	Tiger Eyes 3 Co., Ltd. and 224 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 substantially exposed to, or has rights to significant 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 substantially exposed to, or has rights to significant variable returns.
Investment Fund	One Shinhan Future's Fund and 165 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 substantially exposed to, or has rights to, the significant variable returns.

(*) The Group provides ABCP purchase agreements and others of ₩8,616,163 million for the purpose of credit enhancement of structured companies.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). IFRS are the standards and related interpretations issued by the International Accounting Standards Board (“IASB”).

The Group’s consolidated financial statements as of and for the year ended December 31, 2023, were certified by management on April 18, 2024.

2. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the consolidated 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 economic environment in which each individual company of group entities operate. These consolidated financial statements are presented and reported in Korean won, which is the controlling company's functional and presentation currency.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with 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, 2023 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 might have a significant risk of resulting in a material adjustment within the next financial year are described in Note 4.

2. Basis of preparation (continued)

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 uncertainties are the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2022 except as explained below.

(e) Standards and amendments adopted by the Group

The Group has newly applied the following accounting policies upon preparation of the annual consolidated financial statements from the beginning on January 1, 2023.

i) Amendments to IFRS 17 'Insurance Contracts'

The main characteristics of IFRS 17 are recognition of insurance revenue on an accrual basis, measurement of insurance contract liabilities based on fulfilment cash flows, and presentation of insurance contracts income or expenses, separately from investment income or expenses.

① Measurement of insurance contract liabilities based on fulfilment cash flows

The Group identifies a portfolio of insurance contracts consisting of contracts that are exposed to similar risks and are managed together, and then separates the group of insurance contracts into similar profitable contracts within the portfolio. It then estimates cash flows expected to occur within the boundaries of the insurance contract for each group of insurance contracts and measures the insurance liability at current estimates of future cash flows expected to occur in the fulfilment of the contract, reflecting the assumptions and risks on the reporting date.

As a result, insurance liabilities for each group of insurance contracts on the reporting date are measured as an estimate of future cash flows (reflecting policy loans, cash flows related to options and guarantees, the time value of money, etc.), risk adjustment and insurance margin.

The contractual service margin represents unrealized gains that will be recognized in the future as insurance services are provided, and the negative (-) insurance margin is not to be recognized, but rather it is classified as onerous group of insurance contracts and recognized in loss immediately. For contracts without direct participation features, the Group adjusts the contractual service margin for the changes in fulfilment cash flows relating to future service, measured at the discount rates determined on initial recognition, but does not adjust the contractual service margin for effects of the time value of money, financial risk, and changes therein.

On the other hand, reinsurance contracts refer to insurance contracts issued by reinsurance companies to compensate for claims arising from the underlying insurance contracts issued by other insurance companies. A group of reinsurance contracts also applies a consistent assumption with the group of underlying insurance contracts when estimating the present value of future cash flows for the group of underlying insurance contracts.

② Recognition of insurance revenue on an accrual basis

For insurance revenue, it is recognized during the accounting year on an accrual basis, with measurement of insurance contracts with recognition of profit over the period that services are provided. Insurance revenue recognized for the current period is an estimated amount at the beginning of the period, including premiums and expenses, changes in risk adjustment, contractual service margin for services provided to the

2. Basis of preparation (continued)

policyholder. Insurance revenue related to insurance acquisition cash flows recognized as a systematic allocation of the premium portion related to the collection of insurance acquisition cash flows. Any investment component (the amount an insurance contract requires the entity to repay to a policyholder in all circumstances, regardless of whether an insured event occurs) is excluded from insurance revenue.

③ Presentation of insurance income or expense

The Group chose an accounting policy that separates insurance revenue and insurance income or expense including insurance service expense for presentation. Insurance finance income or expense, includes the time value of money, financial risks, and the change effects thereof related from a group of insurance contracts, is recognized either profit or loss or other comprehensive income during the period.

④ Accounting policy for transition and the transition effects

Based on the transition provisions of IFRS 17, each group of insurance contracts shall be identified, recognized, and measured (fully retrospective approach) as if this Standard had been applied. If the fully retrospective approach is impractical, the Group can apply either the modified retrospective approach or the fair value approach to contracts.

The effects on the date of transition and the date of the initial application of the key changes in the Group's financial statements resulting from its adoption of IFRS 17 are disclosed in Note 52.

ii) Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure of Accounting Policies

The amendments define material accounting policy information and require disclosure of material accounting policy information. The amendments do not have a significant impact on the consolidated financial statements.

iii) Amendments to IAS 1 'Presentation of Financial Statements' – Disclosure of gains or losses on valuation of financial liabilities with variable exercise price

The amendments require disclosure of the carrying amount of financial liabilities and the related gain or loss, if all or part of financial instruments with exercise price that is adjusted depending on the issuer's share price change is classified as financial liabilities. The amendments do not have a significant impact on the consolidated financial statements.

iv) Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates

The amendments define accounting estimates and clarify the way to distinguish changes in accounting policies from changes in accounting estimates. The amendments do not have a significant impact on the consolidated financial statements.

v) Amendments to IAS 12 'Income Taxes' – Global minimum corporate tax

Under the Global Minimum Corporate Tax Act, effective from 2024, the Group may be required to pay additional taxes on the difference between the effective tax rate and the minimum tax rate of 15% for each

2. Basis of preparation (continued)

unit of jurisdiction in which each constituent company belongs. The Group believes that it will be subject to the Global Minimum Corporate Tax Act, but it does not affect current income tax costs as of the end of the reporting period because Korea's global minimum tax-related tax law will take effect on January 1, 2024. The Group also applies the temporary exception to deferred tax in IAS 12, which does not recognize deferred tax assets and liabilities related to the Global Minimum Corporate Tax Act and does not disclose information related to deferred tax.

vi) Amendments to IAS 12 'Income Taxes' – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments add a requirement to the initial recognition exemption by requiring entities to recognize the deferred tax on transactions that give rise to equal amounts of taxable and deductible temporary differences. The amendments will not have a significant impact on the consolidated financial statements.

3. Material accounting policies

Material accounting policies applied by the Group upon the preparation of consolidated financial statements under IFRS are described below, and consolidated financial statements for the year ended December 31, 2023 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 8. 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

If an entity 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. Considering the terms and conditions of the arrangement in which the structured entity was established, the entity is included in the consolidated entities if it is determined that the Group obtains gains and losses from the operations thereof, and the Group has the

3. Material accounting policies (continued)

ability to direct the activities of the 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.

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 IAS 12, *'Income Taxes'*
- Employee benefit arrangements are recognized and measured in accordance with IAS 19, *'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 IFRS 2, *'Share-based Payment'*
- Non-current assets held for sale are measured at fair value less costs to sell in accordance with IFRS 5, *'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.

3. Material 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 amount is increased or decreased to recognize the Group's share of the profit or loss and changes in the investments 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 amount 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.

(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.

i) Financial assets designated at FVTPL

Financial assets can be irrevocably designated as measured at FVTPL despite of classification standards stated below, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases. However, once the financial assets are designated at FVTPL, it is irrevocable.

ii) Equity instruments

For the equity instruments that are not held for short-term trading, at initial recognition, the Group may make an irrevocable election to present subsequent changes in fair value in other comprehensive income.

3. Material accounting policies (continued)

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.

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.

3. Material accounting policies (continued)

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.

(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

3. Material accounting policies (continued)

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 IAS 21, “Effect of Changes in Foreign Exchange Rates” at the time of disposing of its overseas operations or disposing of a portion of its overseas operations to profit or loss.

ii) 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

Except for financial assets measured at fair value through profit or loss, financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income are assessed for expected credit losses at the end of each reporting period and recognized as loss allowance. 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.

Category		Allowance for credit loss
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

3. Material accounting policies (continued)

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.

i) Reflection of forward-looking information

The Group reflects forward-looking 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 amortized cost

The expected credit loss of amortized financial assets is measured as the difference between the present value of the cash flows expected to be received and the cash flow to be received in accordance with loan agreements. For this purpose, the Group calculates expected cash flows for individually significant financial assets. For financial assets that are not individually significant, the Group collectively measures the expected credit losses thereof with similar credit risk characteristics.

Expected credit losses are deducted from financial assets at amortized cost using ACL, which are written off along with the assets if the assets are not recoverable. The allowance for credit loss is increased when the written-off loan receivables are subsequently collected, and the 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 loss of financial assets at FVOCI 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 financial assets at FVOCI, 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

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis over the estimated useful lives for the acquisition cost after deduction of the residual value. 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

(j) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

3. Material accounting policies (continued)

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

(k) Investment properties

An investment property is initially recognized at cost including any directly attributable expenditure. Subsequent to initial recognition, the asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The depreciation method and the estimated useful lives for the current and comparative periods are as follows:

Descriptions	Useful lives	Depreciation method
Buildings	40 years	Straight-line

(l) 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.

If internal rate of return from 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

3. Material accounting policies (continued)

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.

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 amount 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 amount 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) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than assets arising from employee benefits, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

3. Material accounting policies (continued)

Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, 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 amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying amount of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Impairment losses of goodwill cannot be reversed in the subsequent period. For other assets than goodwill, at the end of each reporting period, the Group reviews whether there is any indication that the impairment loss for those assets that was previously recognized no longer exists or has decreased, and reverses the impairment loss only if there is a change in the estimate used to determine the recoverable amount after the recognition of the impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

(n) 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 are measured at fair value, and changes in the fair value are recognized as profit or loss.

3. Material accounting policies (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).

(o) Foreign currency

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.

(p) Equity capital

i) Hybrid bonds

The Group classifies an issued financial instrument, or its component parts, as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. Hybrid bonds where the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as an equity instrument and presented in equity. 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.

ii) 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.

(q) 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

3. Material accounting policies (continued)

the related service, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

iii) Retirement benefits: defined benefit plans

For the year ended December 31, 2023, 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.

(r) 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.

(s) 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 IFRS 9, ‘*Financial Instruments*’
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15, ‘*Revenue from Contracts with Customers*’

3. Material accounting policies (continued)

(t) Insurance contracts – policy applicable from January 1, 2023

i) Definition and classification of insurance contracts

The Group classifies the insurance contract issued as an insurance contract when assuming significant insurance risk from the policyholder, regardless of its legal form. It is classified as an insurance contract if, based on present value, there is a potential loss exposure and if, under any commercially plausible scenario, significant additional payments (determined on a present value basis) would be required to the policyholder. The assessment of assuming significant insurance risk is performed for each contract at the time of issuance. For reinsurance contracts, they are classified as insurance contracts when transferring significant insurance risk to the reinsurer. Additionally, contracts with discretionary participation features are also classified as insurance contracts.

ii) Recognition and measurement of insurance liabilities (assets) and reinsurance assets (liabilities)

① Accounting unit

The Group identifies insurance contract portfolios by integrating insurance contracts that are exposed to similar risks and managed together based on coverage, currency, and interest rate types. The Group divides a portfolio of insurance contracts issued into the following groups of insurance contracts based on similarity of profitability. However, for insurance contracts applying the premium allocation approach, it assumes that there is onerous insurance contract (or net loss contract for reinsurance contracts held) at the initial recognition unless evidence suggests otherwise.

A group of insurance contracts issued

- A group of contracts that are onerous at initial recognition.
- A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently
- A group of the remaining contracts

A group of reinsurance contracts held

- A group of contracts with net profits at initial recognition.
- A group of contracts that at initial recognition have possibility of having net profits subsequently
- A group of the remaining contracts

The Group does not include contracts with a difference in issuance dates exceeding one year in the same group of insurance contracts issued, and it does not reassess the composition of the group subsequently.

② Recognition of a group of insurance contracts issued

The Group shall recognize a group of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group becomes due (If there is no contractual payment due date, the time the first premium is received is considered that date); and
- For a group of onerous contracts, when the group becomes onerous.

3. Material accounting policies (continued)

The Group recognizes a group of reinsurance contracts held at the beginning of the coverage period of the group of insurance contracts held. However, in the case of proportional reinsurance, if the group of underlying contracts is a group of onerous contract and the group of reinsurance contracts held is concluded at or before the time when the group of underlying contracts is recognized, the Group recognizes a group of reinsurance contracts held at the earlier of the beginning of the coverage period of the group of reinsurance contracts held or the recognition time of the group of underlying insurance contracts which is the onerous contract for the current year. In addition, in the case of proportional reinsurance, the Group recognizes the group of reinsurance contracts held at the time of initial recognition of the group of underlying insurance contracts, if the initial recognition time of the group of underlying insurance contracts is later than the beginning of the coverage period of the group of reinsurance contracts held.

③ Measurement of insurance liabilities (assets) and reinsurance assets (liabilities) under the general model

At the time of initial recognition, the Group measures a group of insurance contracts issued as the sum of fulfillment cash flows (estimates of future cash flows, adjustments to the time value of money related to financial risks to future cash flows, and risk adjustments to non-financial risks) and contractual service margin, and subsequently, as the sum of The liability for remaining coverage or assets (fulfillment cash flow and contractual service margin) and incurred accident liabilities or assets (fulfillment cash flow). The liability for remaining coverage includes the obligation to investigate and pay reasonable insurance benefits according to the current insurance contract for insurance events that have not yet occurred, the obligation to pay amounts related to insurance contract services that have not yet been provided, the obligation to pay amounts related to insurance contract services that have not yet been provided, and represents the obligation to pay investment elements and other amounts that have not been transferred to incurred liability. The liability for incurred claims comprises the obligation to investigate insurance events that have already occurred and pay reasonable insurance premiums and other incurred insurance costs, the obligation to pay amounts related to insurance contract services already provided, and obligation to pay investment elements and other amounts not related to insurance contract services and not included in the liability for remaining coverage.

- The estimate of future cash flows

The Group estimates future cash flows using a probability-weighted average based on all relevant, reliable, and neutral information available without undue cost or effort regarding the timing, scope, and uncertainty of future cash flows. Estimates for market variables are consistent with observable market prices and reflect the perspective of the entity, while estimates for non-market variables incorporate all reasonable and reliable internal and external evidence available without undue cost or effort, while ensuring consistency with observable market variables. The Group segregates the future cash flows of reinsurance contracts held from those of the underlying insurance contracts issued and measures them separately, using assumptions consistent with the underlying insurance contracts issued but including the effect of risk of non-performance by the issuer of the reinsurance contract.

- Future cash flows within the boundary of the contract

The Group includes all future cash flows within the boundary of a group of insurance contracts issued when measuring the group. Cash flows within the boundary of the contract refer to cash flows up to the reporting period in which there exists a substantive right or obligation to compel the policyholder to pay premiums (or

3. Material accounting policies (continued)

compel the reinsurer to pay reinsurance premiums for a group of reinsurance contracts held) or to provide substantive services under the insurance contract (or receive substantive services from the reinsurer for a group of reinsurance contracts held).

Cash flows within the boundary of the contract include premiums from policyholders, claims and benefits payable to policyholders (including payments linked to underlying items), insurance claim handling expenses, undivided options and guarantees-related cash flows, insurance acquisition cash flows directly attributable to the contract or its portfolio, fixed/variable indirect expenses directly attributable to fulfilling the insurance contract, costs related to investment activities and the provision of investment return services/ investment-related services, insurance policy loans, etc; and excludes investment income or future insurance-related cash flows, product development expenses, and training expenses not directly attributable to the insurance contract portfolio.

The substantive obligations to provide insurance contract services (or the substantive right to receive insurance contract services for a group of reinsurance contracts held) ends when there is the practical ability to reassess the risks of the particular policyholder or the risks of the portfolio of insurance contracts(the risk transferred to reinsurance company for a group of reinsurance contracts held), and, as a result, to fully reflect such risks in pricing or settlement; during the reassessment of portfolio pricing, the risks related to periods after the reassessment date is not considered. The Group reassesses the boundary of the contract at the end of each reporting period to reflect changes in circumstances affecting substantive rights and obligations.

- Discretionary cash flows

The Group identifies and distinguishes the effects of discretionary cash flow variations, which pertain to amounts or timing of cash flows subject to discretion, and the effects of changes in assumptions related to financial risks on the recognition, separately. Any impact of changes in discretion on recognition is adjusted in contractual service margin. The Group considers any adjustment rate applied to the disclosed benchmark rate as discretionary when applying the disclosed interest rate to payments to policyholders.

- Insurance acquisition cash flows

The Group allocates insurance acquisition cash flows directly attributable to the insurance contract portfolio to the group of insurance contracts issued in the portfolio and to the group of future insurance contracts that will be recognized upon renewal of the insurance contracts included in the group in a reasonable and systematic manner. Insurance acquisition cash flows recognized as assets after distribution are assessed for recoverability at the end of each reporting period if the fact and circumstances exist that the asset is impaired. If an impairment loss is identified, it is recognized in profit or loss for the current period and insurance acquisition cash flow assets and adjusted to the carrying amount of insurance acquisition cash flow assets. Insurance acquisition cash flow assets are derecognized when the related group of contracts is initially recognized and are included in the fulfilment cash flow measurement for that group of contracts.

- Discount rate

The Group measures the time value of money using a discount rate that reflects the cash flow and liquidity characteristics of insurance contracts while being consistent with current observable market prices and then adjusts future cash flow estimates. To do this, the Group calculates a risk-free interest rate term structure using the Smith-Wilson interpolation method, incorporating yields on government bonds with maturities

3. Material accounting policies (continued)

observed in the market up to the longest term available, along with initial convergence periods and long-term forward interest rates. Liquidity premiums are then added to determine deterministic scenarios. The liquidity premium is derived by multiplying an adjustment ratio to the difference between the risk spread of the representative insurance industry portfolio and the credit risk spread. Additionally, the Group generates 1,000 stochastic scenarios based on this deterministic scenario, reflecting convergence speed parameters and volatility parameters. Deterministic and stochastic scenarios for foreign currencies are calculated separately from scenarios for Korean Won, taking into account the characteristics of each currency.

- The adjustment for non-financial risk

The Group explicitly reflects between estimated future cash flows and discount rates, reflecting the compensation of the uncertainty surrounding the amounts and timing of cash flows arising from non-financial risks through adjustments for non-financial risk. These adjustments are made in accordance with insurance regulations and are allocated at the individual contract level through reasonable and systematic methods. For reinsurance contracts held, adjustments for non-financial risk are calculated to reflect the risk transferred from the holder of the reinsurance contract to the reinsurer, consistent with the assumptions applied in the underlying insurance contracts issued.

- Contractual service margin

At the time of initial recognition of a group of insurance contracts issued, the Group measures the contractual service margin, which is unrealized profit that will be recognized as insurance contract services are provided in the future, as the amount that does not generate revenue or expenses from:

i) The amount of fulfillment cash flows expected at initial recognition date for the group of insurance contracts issued.

ii) All cash flows already incurred from contracts within the group at the initial recognition date.

iii) The insurance acquisition cash flows allocated to the group at the initial recognition date.

iv) Other assets or liabilities recognized previously for cash flows associated with the group at the initial recognition date.

In the case of a reinsurance contracts held, the net cost or net gain on purchasing a group of the reinsurance contracts held is recognized as contractual service margin. However, if the net cost of purchasing reinsurance coverage is related to costs incurred prior to purchasing a group of reinsurance contracts held, it is recognized in profit or loss.

- Changes in fulfilment cash flows and contractual service margin.

The Group re-estimates the future cash flows as of the end of each reporting period at current estimates. Changes in fulfilment cash flows related to the future are adjusted in the contractual service margin, while the current and past service-related portions are recognized in profit or loss. The Group also adjusts the contractual service margin for experience adjustments related to future service-related premiums and related insurance acquisition cash flows, as well as for differences between expected and actual investment elements. However, changes in the time value of money and financial risk, changes in estimated fulfilment cash flows for the liabilities for incurred claims (assets), and other experience adjustments related to current and past services are not adjusted in the contractual service margin.

3. Material accounting policies (continued)

The Group adjusts the current contractual service margin at the end of the reporting period by adding the following amounts to the base amount:

i) Impact of newly added contracts to the current group of insurance contracts issued.

ii) Accrued interest on the carrying amount of the contractual service margin, measured at the discount rate determined at initial recognition.

iii) Changes in future service-related fulfilment cash flows (excluding recognition and recovery elements of losses).

iv) Effects of currency exchange differences on the contractual service margin.

v) Amounts recognized in the current period's profit or loss due to the transfer of insurance contract services during the period.

- Loss components and loss recovery components

The Group considers an insurance contract as one that incurs a loss if, at the initial recognition date, the total of the fulfilment cash flows allocated to the insurance contract, previously recognized insurance acquisition cash flows, and cash flows arising from the contract at that date result in a net outflow. Additionally, the Group categorizes a group of insurance contracts issued as a group of onerous contract if, at subsequent measurement dates, adverse fluctuations related to future services allocated to the group of insurance contracts issued exceed the carrying amount of the contractual service margin.

In a group of onerous contracts, there is no contractual service margin, and the measurement of the group consists entirely of the fulfilment cash flows. Any portion at the initial recognition date in the group of onerous contract that is expected to result in a net outflow or exceeds the carrying amount of the contractual service margin subsequently is considered a loss component of that group and recognized as a loss in the current period. After recognizing the loss component, the Group systematically allocates subsequent fluctuations in the remaining insurance liability fulfilment cash flows between the loss component and the liability for remaining coverage, excluding the loss component, based on established criteria. However, subsequent decreases in cash flows related to future services are allocated only to the loss component until it is fully exhausted and recognized in the current period. Any excess beyond the loss component's exhaustion is then recognized as contractual service margin again.

In the case of a group of reinsurance contracts held, when a loss component is recognized in the group of the underlying insurance contracts, the Group calculates the loss recovery component of the group of the reinsurance contracts held by multiplying the expected recovery ratio for claims under the group of the underlying insurance contracts by the loss component attributed to those claims. This loss recovery component is then used to adjust assets for the remaining coverage of the reinsurance group and to adjust the contractual service margin (or directly adjust the remaining insurance liability if the premium allocation approach is applied) for recognition of the current period's profit or loss. The loss recovery component is adjusted to reflect fluctuations in the loss component of the group of the underlying insurance contracts within the range that does not exceed the loss component's carrying amount for the group of the underlying insurance contracts.

④ Measurement of insurance liabilities (assets) under the variable fee approach

The Group applies the variable fee approach to measure insurance liabilities (assets) for insurance contracts with direct participation features that meet the following criteria at inception. The Group provides

3. Material accounting policies (continued)

investment-related services at the commencement of the insurance contract, and the insurance contract has direct participation features. The Group does not reassess the fulfillment of these criteria unless there is a contract modification. The variable fee approach is not applied to reinsurance contracts held.

i) The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items

ii) The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items

iii) The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items

In the variable fee approach, it is clear that the obligation to pay an amount equal to the fair value of the underlying items, deducted by the variable fee, constitutes the liability to the policyholder. The variable fee is the company's share of the fair value of the underlying items minus fulfillment cash flows, which do not vary depending on the performance of the underlying items. Fluctuations in the obligation to pay an amount equal to the fair value of the underlying items are not adjusted in the contractual service margin. However, adjustments are made in the contractual service margin for the portion of the fair value of the underlying items attributable to the company and the changes in the fulfilment cash flows not subject to variations based on the performance of the underlying items.

The Group measures the present value of cash flows at the initial recognition date and at the end of the reporting period using the same general model. The contractual service margin is calculated by adjusting the base amount with the following amounts.

i) The effect of new contracts added to the current group of insurance contracts issued.

ii) Changes in the portion of the fair value of underlying items attributable to the entity (excluding recognition and reversal of loss components).

iii) Changes in the fulfilment cash flows related to future services (excluding recognition and reversal of loss components).

iv) The effect of exchange rate fluctuations on contractual service margins.

v) Amounts recognized in the current period's profit or loss due to the transfer of insurance contract services during the period.

⑤ Insurance liabilities (assets) and reinsurance assets (liabilities) measured under the premium allocation approach.

At the inception of a group of insurance contracts issued, if there is a reasonable expectation that the measurement of liabilities for remaining coverage under premium allocation approach does not differ materially from the one under the general model, and if the coverage period for all contracts within the group of insurance contracts issued is one year or less, the insurance liabilities (assets) are measured using the premium allocation approach, which is a simplified method compared to the general model.

The Group measures the liabilities (assets) for remaining coverage at the initial recognition by deducting from the cash received as premiums (or reinsurance premiums paid for reinsurance contracts held), the amount of insurance acquisition cash flows not immediately recognized as expenses (including amounts

3. Material accounting policies (continued)

removed from assets). Subsequently, it determines the carrying amount by adding or subtracting the following amounts from the initial amount.

i) Premiums received during the reporting period. (reinsurance premiums paid for reinsurance contracts held)

ii) Insurance acquisition cash flows not recognized as expenses and amortization of those insurance acquisition cash flows

iii) Adjustments related to significant financial components

iv) Amount recognized in profit or loss for the reporting period due to providing insurance contract services.

v) Investment components paid (received for reinsurance contracts held) or transferred to the liability for incurred claims.

The Group does not adjust the carrying amount of the remaining insurance liabilities at the initial recognition date if the coverage period of each contract within the group of insurance contracts issued does not exceed one year, in order to reflect the time value of money and the financial risk effect. Additionally, acquisition cash flows are recognized as expenses when they occur. However, if circumstances indicate that the group of insurance contracts issued incurs losses, the Group performs impairment tests. If the fulfilment cash flows exceed the carrying amount of the remaining insurance liabilities, the difference is recognized as a loss in the current period, is also recognized as increase of the liabilities for remaining coverage.

⑥ Contractor share adjustment

According to IFRS 17, when measuring the liability for participating insurances, it is required to consider dividends when measuring cash flows from participating insurances, and use a discount rate that reflects assumptions and risks.

Unlike the existing accounting practices under IFRS 4, the requirement is not enough to disclose the potential obligations from participating insurances, which leads to the conflict from ‘objective of financial under ‘Conceptual framework’. Considering the conflict may cause users of financial statements misunderstood, the Group measures the liability in accordance with the Article 4-1-2 of the Enforcement Rules for Insurance Business Supervision regarding future potential obligations expected to arise from valuation gains and losses on unrealized assets as of the end of the reporting period.

iii) Recognition of insurance revenue and insurance service expenses

① Recognition of insurance revenue in general model and variable fee approach model

Insurance revenue is measured as the amount expected to be received in exchange for providing insurance contract services for a group of insurance contracts issued. It consists of the sum of changes in the liabilities for remaining coverage as following and insurance acquisition cash flows:

i) Insurance service expenses incurred during the period, measured at the amount estimated at the inception date (excluding transaction-related taxes collected on behalf of third parties, allocated amounts to loss components, insurance acquisition costs, investment components repaid to policyholders even if an insured event does not occur, and the executed loan from insurance contracts).

3. Material accounting policies (continued)

ii) Changes in the risk adjustment for non-financial risks (excluding allocated amounts to loss components and changes related to future services).

iii) Contractual service margin recognized in the current period as profit or loss (contractual service margin allocated to current coverage units among all coverage units calculated considering the quantity of benefits payments and the expected duration for coverage within the group of insurance contracts issued, and the frequency and severity of occurrence of insured events.

iv) Other amounts such as experience adjustments on premiums collected for current or past services.

The Group determines insurance revenue related to insurance acquisition cash flows by allocating the portion of the premiums that related to recovering those cash flows to each reporting period in a systematic way on the basis of the passage of time; also, recognizes the same amount as insurance service expenses.

② Recognition of insurance revenue under the premium allocation approach.

Under the premium allocation approach, insurance revenue is recognized by allocating the expected premium income (excluding investment components) for services provided over each period on the basis of the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, the expected premium income is calculated on the basis of expected timing of incurred insurance service expenses.

③ Recognition of insurance service expenses

The insurance service expenses incurred as a result of issuing the group of insurance contracts issued consist of the following.

i) Increase in the liabilities for incurred claims and changes in the fulfilment cash flows related to premiums and expenses (excluding repayment of investment components).

ii) Amortization of insurance acquisition cash flows (the same amount is recognized as insurance revenue and insurance service expenses).

iii) Changes in loss components recognized for the first time in onerous groups of contracts and loss components related to future services.

④ Recognition of reinsurance revenue and reinsurance service expenses for the group of reinsurance contracts held.

The revenue and expenses arising from the group of reinsurance contracts held is recognized by adopting the method of recognizing insurance service expenses and insurance revenue of the group of underlying insurance contracts, with adjustments made to reflect the characteristics of reinsurance contracts held (revenue being the amount recovered from reinsurers and expenses being the allocated portion of premiums paid to reinsurers).

iv) Contract modifications and terminations

The Group derecognises the original contract and recognizes the modified contract as a new contract when the insurance contract terms are changed and specific criteria are met. If the contract modification does not meet such criteria, the effect of the contract modification is accounted for as changes in estimated fulfilment cash flows. There were no instances during the current and prior periods where the original contract was

3. Material accounting policies (continued)

removed and the modified contract was recognized as a new contract. When an insurance contract is extinguished (due to expiration, fulfilment, or cancellation of obligations stated in the insurance contract), the Group removes the insurance contract, adjusts the estimated fulfilment cash flows and contractual service margin related to the removed contract within the group of insurance contracts issued, and reflects the removed contract in the number of coverage units of the group of insurance contracts issued.

v) Change in accounting treatment of accounting estimates measured in the interim financial statements

The Group has adopted an accounting policy of not changing the accounting treatment of accounting estimates measured in interim financial statements when preparing subsequent interim financial statements and annual financial statements.

vi) Presentation

The Group separately presents the book value of insurance contract portfolio, which is an asset, the book value of the insurance contract portfolio, which is a liability, the reinsurance contract portfolio held, which is an asset, and the reinsurance contract portfolio held, which is a liability, respectively, in the consolidated statement of financial position. Furthermore, it distinguishes between insurance revenue and reinsurance service expenses, as well as insurance service expenses and reinsurance revenue, without offsetting them against each other in the statement of comprehensive income.

The Group includes the time value of money and the effects of financial risks, as well as their fluctuations, in insurance finance income (expenses). The Group has chosen an accounting policy to differentiate between insurance finance income (expenses) for the period as either recognized in the current income or in other comprehensive income. For insurance groups where changes in assumptions related to financial risks significantly impact policyholder benefits, the effective interest rate method is applied. For other insurance groups, the effective interest rate determined at initial recognition is used to calculate insurance finance income (expenses) recognized in the current period. In cases where the variable fee approach is applied to insurance groups holding underlying items, the amount recognized as insurance finance income (expenses) in the current period is determined to eliminate accounting mismatches with the underlying items and recognized in the current income.

vii) Accounting policies related to transitions

Under IFRS 17, insurance companies are required to identify, recognize, and measure the group of insurance contracts issued (using the retrospective approach) as if they had always applied IFRS 17 before the transition date. However, if this method is impractical, they may choose to apply the modified retrospective approach or the fair value approach. However, for the group of insurance contracts issued with certain direct participation features, even if they meet the criteria for applying the retrospective approach, the fair value approach may be applied.

The Group has applied the modified retrospective approach to the group of insurance contracts issued within three years prior to the transition date (January 1, 2022, the beginning of the annual reporting period preceding the initial application date of IFRS 17 '*Insurance Contracts*'), covering contracts issued from 2019 to 2021, as well as to the group of insurance contracts acquired through business combinations (date of business combination: January 1, 2019) applying the general model. For other group of insurance contracts

3. Material accounting policies (continued)

issued and reinsurance contracts held, the fair value approach has been adopted. Additionally, the Group adjusted the existing carrying amounts based on historical cost to the current fulfilment value assessment.

The modified retrospective approach aims to achieve results very close to those of fully retrospective application, utilizing reasonable and supportable information without excessive costs or efforts. The fair value approach involves evaluating the group of insurance contracts issued using fair value measurements, as per IFRS 13 *'Fair Value Measurement'*. When applying the fair value approach, items such as contractual service margins for remaining coverage are determined based on the difference between the fair value of the group of insurance contracts issued at the transition date and the fulfilment cash flows.

(u) Insurance contracts – policy applicable before January 1, 2023

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) Unearned 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

3. Material accounting policies (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

3. Material accounting policies (continued)

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.

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 IAS 39, 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, 2022, 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.

3. Material accounting policies (continued)

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 cancelation, the entire amount of the cancelation is amortized in the fiscal year to which the cancelation 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.

(v) 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.

ii) Fees and commission income

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.

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.

3. Material accounting policies (continued)

iii) Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established. Dividend income is categorized on the classification of equity instruments.

(w) 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. The consideration allocated to the points is recognized as a consideration to be paid to the customer and deducted from fees and commission income.

(x) Income tax

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 amount of deferred tax assets is reviewed at the end of each reporting period. The carrying amount 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.

Tax uncertainties arise from a claim of reassessment or refund of tax that the Group made, or tax investigation etc., due to complexity of transactions or the differences between the Group's tax policy and authority's interpretation. In accordance with IFRIC 23, the Group recognizes tax assets when anticipating tax refund on the tax paid due to tax authorities imposing, and tax liabilities when anticipating tax payment due to tax investigations, etc. In addition, the amount expected to be paid as a result of the tax investigation is recognized as the tax liability.

(y) 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

3. Material accounting policies (continued)

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.

(z) 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, 2023, and have not been early adopted by the Group. The Group did not early adopt the following new standards and amendments when preparing consolidated financial statements.

i) IAS 1 'Presentation of Financial Statements' amended—Classification of Liabilities as Current or Non-current and Borrowing covenants for Non-current liabilities

These amendments, issued in 2020 and 2022, clarify the requirements for the classification of liabilities as current or non-current and require disclosure of information about non-current liabilities that have future borrowing covenants with which they must comply. These amendments are scheduled to take effect from the first fiscal year beginning after January 1, 2024, and the Group does not expect these amendments to have a significant impact on the consolidated financial statements.

ii) IAS 7 'Cash Flow Statement' and IFRS 7 'Financial Instruments: Disclosures' Supplier Finance Agreement

These amendments require disclosure of notes on supplier finance arrangements to help users of consolidated financial statements understand the impact of supplier finance arrangements on the entity's debt, cash flow and degree of exposure to liquidity risk. These amendments will be applied from fiscal years beginning on or after January 1, 2024, and the Group does not expect this amendment to have a significant impact on the consolidated financial statements.

iii) The following new and amended standards are not expected to have a significant impact on the consolidated entity.

- Lease liabilities arising from sale and leaseback transactions (IFRS 16 '*Lease*')
- Crypto assets disclosure (IAS 1 '*Financial Statements Presentation*')

4. 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 amount 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 amount of its assets and liabilities. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is determined.

(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.

(e) Insurance contract assets (liabilities) and reinsurance contract assets (liabilities)

The Group calculates the present value of the future cash flows of the remaining benefit liabilities and incurred claims liabilities for measurement purposes. This involves estimating the neutral present value of

4. Significant estimates and judgments (continued)

future cash flows, considering the time value of money, adjusting for financial risks associated with future cash flows, and making risk adjustments for non-financial risks. The measurement of the present value of these cash flows is determined by estimating relevant market variables, assessing uncertainties regarding the amounts and timing of future cash flows, considering actuarial and economic assumptions, and other risks.

The Group calculates the profit earned during the period from the provision of insurance contract services based on the number of insurance units of the group of insurance contracts issued. The number of insurance units of the group of insurance contracts issued are determined by the quantitative units of insurance services provided under individual contracts and the expected duration.

5. Financial risk management

(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.

5. Financial risk management (continued)

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.

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

5. Financial risk management (continued)

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.

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 Dashboard is operated to derive abnormal symptoms through three-dimensional monitoring of major portfolios, increased risks, and external environmental changes 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 four levels of contingencies, namely, 'cautious', '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.

(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.

5. Financial risk management (continued)

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 Chief Risk Officer (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 Shinhan 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.

Shinhan 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 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.

5. Financial risk management (continued)

Shinhan Card's credit rating system is divided into ASS (Application Scoring System) and BSS (Behavior 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.

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

5. Financial risk management (continued)

whether credit risk of financial instruments has significantly increased after the initial recognitions is summarized as follows:

Corporate exposures	Retail exposures	Card exposures
Significant change in credit ratings	Significant change in credit ratings	Significant change in credit ratings
Continued past due more than 30 days	Continued past due more than 30 days	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 delinquent 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.
- As a result of applying the judgment criteria, there should be no excessively frequent movement between the 12-month expected credit loss accumulation target and the entire period expected credit loss accumulation target.

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

5. Financial risk management (continued)

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.

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

(In millions of won)

5. Financial risk management (continued)

reflected future forecast information through regression estimation. To reflect the economic uncertainty of domestic and international 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, 2023 and 2022, macroeconomic variables used by the Group are as follows for each scenario.

<December 31, 2022>

① Upside scenario

Major variables (*1)	Correlation between credit risks	2022.4Q (*2),(*3)	2023 (*2),(*3)			
			1Q	2Q	3Q	4Q
GDP growth rate (YoY %)	(-)	1.4	1.6	1.7	2.5	3.9
Private consumption index (YoY %)	(-)	3.6	4.9	2.8	2.1	3.6
Facility investment growth rate (YoY %)	(-)	6.6	1.5	2.0	(4.2)	5.3
Consumer price index growth rate (%)	(+)	5.3	5.0	4.0	3.4	3.0
Balance on current account (100 million dollars)	(-)	15.0	30.0	40.0	80.0	100.0
Government bond 3y yields (%)	—	3.9	3.7	4.0	4.0	4.0

② Central scenario

Major variables (*1)	Correlation between credit risks	2022.4Q (*2),(*3)	2023 (*2),(*3)			
			1Q	2Q	3Q	4Q
GDP growth rate (YoY %)	(-)	1.4	0.4	0.5	1.2	3.7
Private consumption index (YoY %)	(-)	3.6	3.8	1.5	0.6	2.8
Facility investment growth rate (YoY %)	(-)	6.6	0.8	1.0	(5.3)	4.6
Consumer price index growth rate (%)	(+)	5.3	5.3	4.4	3.8	3.4
Balance on current account (100 million dollars)	(-)	15.0	20.0	30.0	60.0	80.0
Government bond 3y yields (%)	—	3.9	4.0	4.2	4.2	4.2

③ Downside scenario

Major variables (*1)	Correlation between credit risks	2022.4Q (*2),(*3)	2023 (*2),(*3)			
			1Q	2Q	3Q	4Q
GDP growth rate (YoY %)	(-)	1.4	(0.4)	(0.5)	(0.1)	2.9
Private consumption index (YoY %)	(-)	3.6	2.9	0.3	(0.8)	1.9
Facility investment growth rate (YoY %)	(-)	6.6	0.2	0.3	(6.4)	3.4
Consumer price index growth rate (%)	(+)	5.3	5.7	4.8	4.4	3.8
Balance on current account (100 million dollars)	(-)	15.0	10.0	20.0	40.0	60.0
Government bond 3y yields (%)	—	3.9	4.3	4.6	4.6	4.6

(In millions of won)

5. Financial risk management (continued)

④ Worst scenario

Major variables (*1)	Correlation between credit risks	Economic Crisis for 1 year (*4)
GDP growth rate (YoY %)	(-)	(5.1)
Private consumption index (YoY %)	(-)	(11.9)
Facility investment growth rate (YoY %)	(-)	(38.6)
Consumer price index growth rate (%)	(+)	7.5
Balance on current account (100 million dollars)	(-)	401.1
Government bond 3y yields (%)	—	4.4

(*1) As a result of examining the correlation between each variable, Shinhan Bank applied the GDP growth rate and private consumption index increase rate, etc. as the major variables to reflect the final forward-looking information, while, Shinhan Card applied the GDP growth rate, facility investment change rate, and current account balance, etc. as the major variables. In addition to the table above, the Group has selected unemployment rate and KOSPI forecasts.
(*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.
(*4) Shinhan Bank and Jeju Bank reviewed and reflected the Worst scenario (during the foreign exchange crisis) in addition to the three scenarios of Upside, Central and Downside.

<December 31, 2023>

① Upside scenario

Major variables (*1)	Correlation between credit risks	2023.4Q (*2),(*3)	2024 (*2),(*3)			
			1Q	2Q	3Q	4Q
GDP growth rate (YoY %)	(-)	2.1	2.2	2.1	2.2	2.1
Private consumption index (YoY %)	(-)	1.8	1.7	2.3	2.5	2.4
Facility investment growth rate (YoY %)	(-)	(6.4)	(0.6)	(0.2)	4.0	5.0
Consumer price index growth rate (%)	(+)	3.2	2.6	2.4	2.1	1.8
Balance on current account (100 million dollars)	(-)	140.0	80.0	90.0	130.0	150.0
Government bond 3y yields (%)	—	3.7	3.6	3.6	3.3	3.1

② Central scenario

Major variables (*1)	Correlation between credit risks	2023.4Q (*2),(*3)	2024 (*2),(*3)			
			1Q	2Q	3Q	4Q
GDP growth rate (YoY %)	(-)	1.5	1.6	1.4	1.5	1.8
Private consumption index (YoY %)	(-)	0.9	0.7	1.2	1.4	2.0
Facility investment growth rate (YoY %)	(-)	(7.5)	(2.0)	(1.7)	2.4	3.9
Consumer price index growth rate (%)	(+)	3.4	2.8	2.8	2.5	2.1
Balance on current account (100 million dollars)	(-)	130.0	70.0	80.0	110.0	140.0
Government bond 3y yields (%)	—	3.7	3.6	3.6	3.5	3.3

(In millions of won)

5. Financial risk management (continued)

③ Downside scenario

Major variables (*1)	Correlation between credit risks	2023.4Q (*2),(*3)	2024 (*2),(*3)			
			1Q	2Q	3Q	4Q
GDP growth rate (YoY %)	(-)	1.1	1.1	0.8	0.9	1.2
Private consumption index (YoY %)	(-)	0.4	0.0	0.3	0.6	1.0
Facility investment growth rate (YoY %)	(-)	(8.3)	(3.8)	(4.0)	0.2	1.4
Consumer price index growth rate (%)	(+)	3.6	3.2	3.2	3.0	2.7
Balance on current account (100 million dollars)	(-)	120.0	60.0	70.0	100.0	120.0
Government bond 3y yields (%)	—	3.7	3.7	3.6	3.6	3.6

④ Worst scenario

Major variables (*1)	Correlation between credit risks	Economic Crisis for 1 year (*4)
GDP growth rate (YoY %)	(-)	(5.1)
Private consumption index (YoY %)	(-)	(11.9)
Facility investment growth rate (YoY %)	(-)	(38.6)
Consumer price index growth rate (%)	(+)	7.5
Balance on current account (100 million dollars)	(-)	401.1
Government bond 3y yields (%)	—	6.7

(*1) As a result of examining the correlation between each variable, Shinhan Bank applied the GDP growth rate and private consumption index increase rate, etc. as the major variables to reflect the final forward-looking information, while, Shinhan Card applied the private consumption rate and CPI increase rate, etc. as the major variables. In addition to the table above, the Group has selected unemployment rate and KOSPI forecasts.
(*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.
(*4) Shinhan Bank and Jeju Bank reviewed and reflected the Worst scenario (during the foreign exchange crisis) in addition to the three scenarios of Upside, Central and Downside.

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. Despite the economic contraction caused by the COVID-19 since 2020, 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. In addition, credit risk is managed through additional expected loss assessments for non-retail and retail SOHO loans of borrowers holding the relevant loans, extended maturity loans and estimated loss loans from financial support programs.

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, Downside and Worst scenarios, the sensitivity to the Group's provision for expected credit loss is not significant.

5. Financial risk management (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 amount 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.

(In millions of won)

5. Financial risk management (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 amount, 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, 2022 and 2023 is as follows:

	2022	2023
Due from banks and loans at amortized cost (*1),(*3):		
Banks	₩ 20,581,854	15,099,247
Retail	178,488,924	177,454,344
Government/Public sector/Central bank	15,534,834	21,981,065
Corporations	193,664,558	202,763,657
Card receivable	27,375,162	26,896,950
	435,645,332	444,195,263
Due from banks and loans at fair value through profit or loss (*3):		
Banks	135,214	238,740
Corporations	2,280,081	1,550,565
	2,415,295	1,789,305
Securities at fair value through profit or loss	55,235,273	65,575,798
Securities at fair value through other comprehensive income	83,796,575	88,637,000
Securities at amortized cost (*1)	33,371,198	35,686,487
Derivative assets	6,460,652	4,711,421
Other financial assets (*1),(*2)	21,826,601	26,880,554
Guarantee contracts	18,226,546	18,374,287
Loan commitments and other credit liabilities	205,488,825	212,078,870
	₩862,466,297	897,928,985

(*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).

(In millions of won)

5. Financial risk management (continued)

iii) The maximum amount of exposure to credit risk by type of collateral as of December 31, 2022 and 2023 is as follows:

	2022			
	12 months	Life time expected credit loss		
Classification	Expected credit loss	Not impaired	Impaired	Total
Guarantee	₩ 61,643,599	8,583,456	275,460	70,502,515
Deposits and Savings	2,814,723	287,890	4,348	3,106,961
Property and equipment	1,546,908	404,440	11,523	1,962,871
Real estate	136,345,418	17,439,371	317,213	154,102,002
Securities	2,325,294	243,734	159,040	2,728,068
Total	₩204,675,942	26,958,891	767,584	232,402,417

	2023			
	12 months	Life time expected credit loss		
Classification	Expected credit loss	Not impaired	Impaired	Total
Guarantee	₩ 57,461,539	10,231,324	479,278	68,172,141
Deposits and Savings	2,680,530	356,489	7,391	3,044,410
Property and equipment	1,610,021	470,284	10,269	2,090,574
Real estate	141,472,617	20,751,067	389,560	162,613,244
Securities	2,106,426	286,855	251,272	2,644,553
Others	11,500	—	—	11,500
Total	₩205,342,633	32,096,019	1,137,770	238,576,422

(In millions of won)

5. Financial risk management (continued)

iv) Impairment information by credit risk of financial assets

Details of impaired financial assets due to credit risk as of December 31, 2022 and 2023 are as follows:

	2022								
	12-month expected credit loss		Life time expected credit loss						
	Grade 1	Grade 2	Grade 1	Grade 2	Impaired	Total	Allowances	Net	Mitigation of credit risk due to collateral
Due from banks and loans at amortized cost:									
Banks	₩ 16,363,281	4,130,712	111,593	177	—	20,605,763	(23,909)	20,581,854	42,418
Retail	160,840,816	6,846,625	8,544,051	2,340,393	704,302	179,276,187	(787,263)	178,488,924	124,227,988
Government/Public sector/Central bank	14,454,878	1,071,236	15,755	557	—	15,542,426	(7,592)	15,534,834	9,000
Corporations	116,945,328	47,287,352	12,582,994	17,780,729	880,845	195,477,248	(1,812,690)	193,664,558	104,986,693
Card receivable	20,858,888	2,727,744	1,671,259	2,662,353	493,480	28,413,724	(1,038,562)	27,375,162	12,589
	329,463,191	62,063,669	22,925,652	22,784,209	2,078,627	439,315,348	(3,670,016)	435,645,332	229,278,688
Securities at fair value through other comprehensive income (*)	74,623,066	9,106,311	—	67,198	—	83,796,575	—	83,796,575	—
Securities at amortized cost	31,727,910	1,643,689	—	10,515	—	33,382,114	(10,916)	33,371,198	—
	₩435,814,167	72,813,669	22,925,652	22,861,922	2,078,627	556,494,037	(3,680,932)	552,813,105	229,278,688

(*) Credit loss allowance recognized as other comprehensive income of securities at fair value through other comprehensive income amounted to ₩40,614 million as of December 31, 2022.

(In millions of won)

5. Financial risk management (continued)

	2023								
	12-month expected credit loss		Life time expected credit loss						
	Grade 1	Grade 2	Grade 1	Grade 2	Impaired	Total	Allowances	Net	Mitigation of credit risk due to collateral
Due from banks and loans at amortized cost:									
Banks	₩ 12,465,770	2,260,226	392,061	80	—	15,118,137	(18,890)	15,099,247	39,768
Retail	158,067,855	6,429,281	8,934,566	3,839,919	1,054,827	178,326,448	(872,104)	177,454,344	122,490,514
Government/Public sector/ Central bank	20,226,305	1,680,151	82,000	2,952	—	21,991,408	(10,343)	21,981,065	2,500
Corporations	118,154,965	46,714,178	16,503,560	22,375,111	1,312,424	205,060,238	(2,296,581)	202,763,657	113,085,005
Card receivable	20,593,023	2,701,607	1,507,605	2,602,802	645,604	28,050,641	(1,153,691)	26,896,950	14,382
	329,507,918	59,785,443	27,419,792	28,820,864	3,012,855	448,546,872	(4,351,609)	444,195,263	235,632,169
Securities at fair value through other comprehensive income (*)	78,098,959	10,446,092	—	91,949	—	88,637,000	—	88,637,000	—
Securities at amortized cost	33,585,503	2,104,884	—	7,523	—	35,697,910	(11,423)	35,686,487	—
	₩441,192,380	72,336,419	27,419,792	28,920,336	3,012,855	572,881,782	(4,363,032)	568,518,750	235,632,169

(*) Credit loss allowance recognized as other comprehensive income of securities at fair value through other comprehensive income amounted to ₩42,477 million as of December 31, 2023.

(In millions of won)

5. Financial risk management (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, 2022 and 2023 are as follows:

	2022			
	Grade 1	Grade 2	Impaired	Total
Guarantee contracts:				
12-month expected credit loss	₩ 14,262,990	3,314,584	—	17,577,574
Life time expected credit loss	386,159	164,400	—	550,559
Impaired	—	—	98,413	98,413
	14,649,149	3,478,984	98,413	18,226,546
Loan commitment and other credit line				
12-month expected credit loss	178,765,686	17,418,916	—	196,184,602
Life time expected credit loss	6,287,658	3,011,715	—	9,299,373
Impaired	—	—	4,850	4,850
	185,053,344	20,430,631	4,850	205,488,825
	₩199,702,493	23,909,615	103,263	223,715,371

	2023			
	Grade 1	Grade 2	Impaired	Total
Guarantee contracts:				
12-month expected credit loss	₩ 15,112,974	2,578,086	—	17,691,060
Life time expected credit loss	513,229	168,287	—	681,516
Impaired	—	—	1,711	1,711
	15,626,203	2,746,373	1,711	18,374,287
Loan commitment and other credit line				
12-month expected credit loss	181,662,271	19,763,504	—	201,425,775
Life time expected credit loss	7,510,601	3,138,342	—	10,648,943
Impaired	—	—	4,152	4,152
	189,172,872	22,901,846	4,152	212,078,870
	₩204,799,075	25,648,219	5,863	230,453,157

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

(In millions of won)

5. Financial risk management (continued)

vii) Credit risk exposures per credit quality of derivative assets

Credit risk exposures per credit quality of derivative assets as of December 31, 2023 and 2022 are as follows:

	2022	2023
Grade 1	₩5,941,421	4,264,499
Grade 2	519,231	446,922
	₩6,460,652	4,711,421

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

(In millions of won)

5. Financial risk management (continued)

viii) Concentration by geographic location

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2022 and 2023 are as follows:

	2022								
Classification (*)	Korea	USA	UK	Japan	Germany	Vietnam	China	Other	Total
Due from banks and loans at amortized cost									
Banks	₩ 6,367,727	2,290,765	765,152	879,022	675,370	1,793,330	3,861,678	3,948,810	20,581,854
Retail	166,730,407	403,445	8,199	4,357,325	3,716	3,183,424	2,030,305	1,772,103	178,488,924
Government/Public sector/Central bank	11,305,005	915,306	—	1,404,163	426,747	345,843	441,551	696,219	15,534,834
Corporations	171,628,946	3,695,275	451,261	5,153,523	105,205	3,228,817	2,694,661	6,706,870	193,664,558
Card receivable	27,065,988	11,017	428	2,291	286	236,095	38,416	20,641	27,375,162
	383,098,073	7,315,808	1,225,040	11,796,324	1,211,324	8,787,509	9,066,611	13,144,643	435,645,332
Deposits and loans at FVTPL									
Banks	109,098	26,116	—	—	—	—	—	—	135,214
Corporations	1,510,976	285,107	82,172	17,829	—	—	—	383,997	2,280,081
	1,620,074	311,223	82,172	17,829	—	—	—	383,997	2,415,295
Securities measured at FVTPL	51,579,115	2,017,278	252,390	58,344	23,610	31,952	16,469	1,256,115	55,235,273
Securities at FVOCI	76,225,925	3,832,670	193,598	348,240	34,065	92,940	710,375	2,358,762	83,796,575
Securities at amortized cost	31,678,234	200,475	—	214,653	—	726,476	110,884	440,476	33,371,198
	544,201,421	13,677,454	1,753,200	12,435,390	1,268,999	9,638,877	9,904,339	17,583,993	610,463,673
Off-balance accounts									
Guarantees	16,426,498	118,951	23,481	47,805	44,203	329,904	1,015,543	220,161	18,226,546
Loan commitments and other liabilities related to credit	194,470,275	1,312,830	317,335	550,116	42,230	1,816,773	2,548,483	4,430,783	205,488,825
	₩210,896,773	1,431,781	340,816	597,921	86,433	2,146,677	3,564,026	4,650,944	223,715,371

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

(In millions of won)

5. Financial risk management (continued)

	2023								
Classification (*)	Korea	USA	UK	Japan	Germany	Vietnam	China	Other	Total
Due from banks and loans at amortized cost									
Banks	₩ 5,077,652	3,063,531	307,509	371,901	946,100	1,577,823	1,610,517	2,144,214	15,099,247
Retail	164,718,020	414,632	7,927	4,682,914	2,189	3,629,576	1,883,206	2,115,880	177,454,344
Government/Public sector/Central bank	17,922,312	455,682	2	1,360,853	222,960	304,743	341,837	1,372,676	21,981,065
Corporations	178,948,161	4,042,958	545,109	5,899,157	159,768	3,663,408	2,497,698	7,007,398	202,763,657
Card receivable	26,546,617	11,339	468	2,302	283	275,022	39,135	21,784	26,896,950
	393,212,762	7,988,142	861,015	12,317,127	1,331,300	9,450,572	6,372,393	12,661,952	444,195,263
Deposits and loans at FVTPL									
Banks	207,997	30,743	—	—	—	—	—	—	238,740
Corporations	1,050,333	254,682	—	15,439	32,370	—	—	197,741	1,550,565
	1,258,330	285,425	—	15,439	32,370	—	—	197,741	1,789,305
Securities measured at FVTPL	61,136,722	2,439,313	379,357	100,113	29,247	11,066	25,267	1,454,713	65,575,798
Securities at FVOCI	79,391,621	4,699,809	280,127	445,201	38,468	51,473	707,921	3,022,380	88,637,000
Securities at amortized cost	33,542,302	203,265	—	565,286	—	654,073	110,463	611,098	35,686,487
	568,541,737	15,615,954	1,520,499	13,443,166	1,431,385	10,167,184	7,216,044	17,947,884	635,883,853
Off-balance accounts									
Guarantees	16,993,719	155,883	7,607	55,086	15,639	197,031	595,236	354,086	18,374,287
Loan commitments and other liabilities related to credit	200,907,271	1,465,839	226,423	461,892	93,295	1,972,723	2,315,614	4,635,813	212,078,870
	₩217,900,990	1,621,722	234,030	516,978	108,934	2,169,754	2,910,850	4,989,899	230,453,157

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

(In millions of won)

5. 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, 2022 and 2023 is as follows:

	2022								
Classification (*)	Finance and insurance	Manufacturing	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	₩ 19,930,200	—	—	—	29,979	—	621,675	—	20,581,854
Retail	—	—	—	—	—	—	—	178,488,924	178,488,924
Government/Public sector/Central bank	15,422,401	—	—	1,296	—	—	111,137	—	15,534,834
Corporations	16,736,386	57,871,357	22,984,739	45,509,574	4,595,604	6,619,476	39,347,422	—	193,664,558
Card receivable	47,835	276,473	266,220	49,060	51,113	31,333	1,084,143	25,568,985	27,375,162
	52,136,822	58,147,830	23,250,959	45,559,930	4,676,696	6,650,809	41,164,377	204,057,909	435,645,332
Due from banks and loans at FVTPL									
Banks	26,115	—	—	69,533	—	—	39,566	—	135,214
Corporations	1,287,647	615,693	94,393	154,329	68,460	—	59,559	—	2,280,081
	1,313,762	615,693	94,393	223,862	68,460	—	99,125	—	2,415,295
Securities measured at FVTPL	29,833,691	2,071,169	1,018,407	1,044,165	264,582	89,394	20,913,865	—	55,235,273
Securities at FVOCI	29,352,584	3,077,810	698,295	1,494,691	1,772,839	38,704	47,361,652	—	83,796,575
Securities at amortized cost	10,508,828	9,931	—	278,757	293,930	—	22,279,752	—	33,371,198
	123,145,687	63,922,433	25,062,054	48,601,405	7,076,507	6,778,907	131,818,771	204,057,909	610,463,673
Off-balance accounts									
Guarantees	2,444,168	8,998,689	3,403,653	115,912	224,439	112,755	2,576,924	350,006	18,226,546
Loan commitments and other liabilities related to credit	17,871,585	28,414,045	10,535,492	4,106,282	2,275,112	462,976	15,682,906	126,140,427	205,488,825
	₩ 20,315,753	37,412,734	13,939,145	4,222,194	2,499,551	575,731	18,259,830	126,490,433	223,715,371

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

(In millions of won)

5. Financial risk management (continued)

	2023								
Classification (*)	Finance and insurance	Manufacturing	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	₩ 14,677,168	—	—	—	—	—	422,079	—	15,099,247
Retail	—	—	—	—	—	—	—	177,454,344	177,454,344
Government/Public sector/Central bank	21,767,450	—	—	—	—	—	213,615	—	21,981,065
Corporations	17,974,146	58,338,956	23,517,815	47,301,730	4,823,554	6,730,886	44,076,570	—	202,763,657
Card receivable	56,507	276,256	284,905	71,169	45,769	19,810	948,359	25,194,175	26,896,950
	54,475,271	58,615,212	23,802,720	47,372,899	4,869,323	6,750,696	45,660,623	202,648,519	444,195,263
Due from banks and loans at FVTPL									
Banks	30,743	—	—	49,526	99,043	—	59,428	—	238,740
Corporations	1,037,896	235,232	105,890	70,716	—	1,000	99,831	—	1,550,565
	1,068,639	235,232	105,890	120,242	99,043	1,000	159,259	—	1,789,305
Securities measured at FVTPL	35,228,859	3,211,188	1,175,495	1,308,223	98,864	68,630	24,484,539	—	65,575,798
Securities at FVOCI	30,283,670	2,934,740	734,170	1,698,290	1,774,505	31,055	51,180,570	—	88,637,000
Securities at amortized cost	11,514,420	9,961	—	354,906	284,080	—	23,523,120	—	35,686,487
	132,570,859	65,006,333	25,818,275	50,854,560	7,125,815	6,851,381	145,008,111	202,648,519	635,883,853
Off-balance accounts									
Guarantees	2,518,182	9,139,168	3,504,409	119,573	152,112	60,077	2,601,841	278,925	18,374,287
Loan commitments and other liabilities related to credit	17,773,113	32,356,393	10,328,099	4,715,541	2,471,645	428,695	17,788,097	126,217,287	212,078,870
	₩ 20,291,295	41,495,561	13,832,508	4,835,114	2,623,757	488,772	20,389,938	126,496,212	230,453,157

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

5. 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 all transactions for holding purposes such as short-term resale, profit seeking through short-term price fluctuations, risk-free arbitrage, and risk hedging. 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, and Shinhan Bank calculates the standard method market risk using its own model market risk calculation system. Shinhan Financial Investment uses its own market risk calculation system to calculate historical simulation VaR and the group market risk system to calculate standard method market risk.

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 risk of trading account products by applying market risk standard methods. The trading account calculates market risk if it is for holding purposes such as short-term resale, profit seeking through short-term price fluctuations, risk-free arbitrage, and risk hedging. The standard method is a risk calculation method proposed by Basel Board of Banking Supervisors (BCBS) of Bank for International Settlements (BIS), Korea has reflected the Basel 3 standards of market risk sector to the detailed regulations on supervision of bank business from FY23 and followed these regulations. The standard method of the Basel 3 standards is the method to calculate and add up sensitivity risk, bankruptcy risk, and residual risk. Sensitivity risk measures delta, vega, and coverage of general interest rates, credit spreads, stocks, general products, and foreign exchange. Delta refers to the change in product value due to changes in the price of the underlying asset, and vega refers to the change in product value due to changes in the volatility of the underlying asset. Coverage is defined as a loss that exceeds the delta risk in the event of an upward or downward shock to the underlying asset. Sensitivity risk is designed to measure both linear and non-linear risks of factors affecting value fluctuations regardless of the characteristics of the product. Default risk measures the discrete default risk of the underlying asset that cannot be captured in sensitivity risk. Complete offsetting between purchase and sale exposures of the same borrower is possible. Residual risk is

(In millions of won)

5. Financial risk management (continued)

a concept that calculates additional risk because sensitivity risk and default risk are not accurately measured when there is a special profit/loss structure or the underlying asset is special.

Trading position data is automatically interfaced into management system, and the system conducts VaR measurement and manages the limit. In addition, Shinhan Bank sets loss limit, sensitivity limit, investment limit, stress limit, etc. for Trading Department and desks, and monitors daily.

Shinhan Securities measures daily market risk by applying historical simulation VaR method of 99.9% confidence level-based VaR. It also measures market risk standard methods to ensure consistent market risk management at the group level. 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, Shinhan Securities sets and manages issuance and transaction limit, and stop-loss limit for each department.

Until the previous year, market risk was calculated using the standard method of the Basel 2 standards stipulated in <Appendix 3-2> of the detailed regulations on supervision of bank business. However, from the current year, the detailed regulations on supervision of bank business have been revised and the Group calculated market risk by using the standard method of the Basel 3 standards.

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, 2022 and 2023 based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, is as follows:

	2022			
	Average	Maximum	Minimum	December 31
Interest rate risk	₩ 485,531	526,936	447,425	447,425
Stock price risk	217,845	242,341	196,879	242,341
Foreign exchange risk	334,543	374,984	293,437	344,415
Commodity risk	11,624	14,309	9,213	9,213
Option volatility risk	64,208	71,811	43,374	70,770
	₩1,113,751	1,230,381	990,328	1,114,164

(In millions of won)

5. Financial risk management (continued)

	2023			
	Average	Maximum	Minimum	December 31
Sensitivity risk				
GIRR (*1)	₩ 269,253	284,978	253,527	276,940
CSR-Non-Securitisations (*2)	445,372	482,311	408,432	480,494
CSR-Securitisations (Non-CTP)	70,592	70,685	70,499	70,685
CSR-Non-Securitisations (CTP)	363	376	349	376
Stock	326,821	332,623	321,019	330,212
Foreign	423,765	449,030	398,499	449,030
Commodity	1,646	1,692	1,600	1,600
	₩1,537,812	1,621,695	1,453,925	1,609,337
Default risk				
Non-Securitisations	₩ 37,808	37,808	37,808	37,808
Securitisations (Excluding CTP)	162,599	162,599	162,599	162,599
Securitisations (CTP)	71	71	71	71
	₩ 200,478	200,478	200,478	200,478
Residual risk	7,654	7,654	7,654	7,654
	₩1,745,944	1,829,827	1,662,057	1,817,469

(*1) GIRR (General Interest Rate Risk) : General interest rate risk, a concept that measures the risk of loss due to changes in the risk-free interest rate. In general, if the maturity is long and the value changes fluctuates a lot due to interest rate changes, the risk value is calculated to be large.
(*2) CSR (Credit Spread Risk) : Credit spread risk, a concept that measures the risk of value fluctuations as credit spreads fluctuate independently of the risk-free interest rate for products with inherent credit risk.

i-3) Shinhan Bank

The details of the minimum, maximum, and average risk amount during the reporting period for trading positions of Shinhan Bank and the market risk regulatory capital based on the Basel 3 new standard method as of and for the years ended December 31, 2022 and 2023 are as follows:

	2022			
	Average	Maximum	Minimum	December 31
Interest rate risk	₩ 44,719	64,628	24,322	53,777
Stock price risk	20,303	24,879	13,443	21,659
Foreign exchange risk (*)	191,013	262,319	161,760	252,453
Option volatility risk	84	211	25	110
Commodity risk	13	193	—	27
Portfolio diversification effect	(33,760)	(77,335)	(10,872)	(62,957)
	₩222,372	274,895	188,678	265,069

(*) The amount includes trading positions and non-trading positions.

(In millions of won)

5. Financial risk management (continued)

	2023			
	Average	**Maximum**	**Minimum**	**December 31**
Sensitivity Risk				
GIRR (*1)	₩116,399	155,797	101,067	107,348
CSR-Non-Securitisations (*2)	154,644	165,117	142,492	153,034
CSR-Securitisations (Non-CTP)	28,170	34,370	21,625	26,187
Stock	43,875	47,598	30,750	30,750
Foreign	438,405	458,406	423,287	458,406
Commodity	142	292	—	119
	₩780,069	820,230	750,291	775,844
Default Risk				
Non-Securitisations	₩105,604	113,798	88,899	107,695
Securitisations (Excluding CTP)	59,721	64,795	55,054	59,549
	₩165,325	175,923	146,003	167,244
Residual Risk	2,063	2,175	1,719	1,719
	₩947,456	992,483	898,320	944,807

(*1) GIRR : General Interest Rate Risk
(*2) CSR : Credit Spread Risk

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, 2022 and 2023, based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, are as follows:

	2022			
	Average	**Maximum**	**Minimum**	**December 31**
Interest rate risk (*)	₩1,784	2,401	1,650	1,801

	2023			
	Average	**Maximum**	**Minimum**	**December 31**
Interest rate risk (*)	₩2,476	4,352	800	4,352

(*) Foreign subsidiaries are excluded from the calculation.

(In millions of won)

5. Financial risk management (continued)

i-5) Shinhan Securities

The VaR details for trading positions of Shinhan Securities as of and for the years ended December 31, 2022 and 2023 are as follows:

	2022			
	Average	Maximum	Minimum	December 31
Interest rate risk	₩ 30,003	44,131	17,123	39,578
Stock price risk	36,100	63,956	14,507	25,762
Foreign exchange risk	31,709	63,480	13,452	63,480
Option volatility risk	70,021	103,928	40,806	43,102
Portfolio diversification effect				(74,885)
	₩103,192	127,669	76,822	97,037

	2023			
	Average	Maximum	Minimum	December 31
Interest rate risk	₩52,524	77,443	22,515	32,186
Stock price risk	47,759	71,681	13,483	20,384
Foreign exchange risk	67,406	127,191	39,262	52,150
Option volatility risk	27,236	49,114	10,166	12,418
Portfolio diversification effect				(81,712)
	₩79,449	107,852	31,857	35,426

i-6) Shinhan Life Insurance

The VaR details for trading positions of Shinhan Life Insurance as of and for the years ended December 31, 2022 and 2023 are as follows:

	2022			
	Average	Maximum	Minimum	December 31
Interest rate risk	₩ 3,412	6,756	1,253	3,415
Stock price risk	9,441	11,034	6,206	9,505
Foreign exchange risk	15,620	28,463	4,470	28,463
Option volatility risk	179	494	11	494
	₩28,652	46,747	11,940	41,877

(*) The market risk exposure for performance dividend-type assets held is ₩5,061,839 million as of December 31, 2022, and the minimum guaranteed risk amount that could result in an impact on the Group calculated using the internal shock scenario method as of the end of the reporting period is ₩366,776 million as of December 31, 2022.

(In millions of won)

5. Financial risk management (continued)

	2023			
	Average	**Maximum**	**Minimum**	**December 31**
Interest rate risk	₩ 3,052	7,594	1,796	1,796
Stock price risk	8,623	10,798	7,183	7,522
Foreign exchange risk	64,946	78,793	51,695	52,394
Option volatility risk	955	1,692	420	1,233
	₩77,576	98,877	61,094	62,945

(*) The market risk exposure for performance dividend-type assets held is ₩5,346,730 million as of December 31, 2023, and the minimum guaranteed risk amount that could result in an impact on the Group calculated using the internal shock scenario method as of the end of the reporting period is ₩228,451 million as of December 31, 2023.

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 behavior models and diversifying interest rate shocks. The interest rate VaR scenario based IRRBB measures ① parallel up shock ② parallel down shock ③ steepener 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 EaR scenario measures the scenario value with the largest loss as interest rate risk. Under the existing BIS standard framework, ± 200bp 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 (e.g. (KRW) Parallel ± 300bp, Short Term

(In millions of won)

5. Financial risk management (continued)

± 400bp, Long Term ± 200bp, (USD) Parallel ± 200bp, Short Term ± 300bp, Long Term ± 150bp). 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.

The details of interest rate VaR and EaR for major subsidiaries for as of December 31, 2022 and 2023 are as follows:

ii-3) Shinhan Bank

	2022	2023
ΔEVE (*1)	₩1,046,136	1,185,973
ΔNII (*2)	599,941	394,996

ii-4) Shinhan Card

	2022	2023
ΔEVE (*1)	₩1,249,597	952,836
ΔNII (*2)	693,911	591,935

ii-5) Shinhan Securities

	2022	2023
ΔEVE (*1)	₩212,135	249,806
ΔNII (*2)	95,076	269,678

ii-6) Shinhan Life Insurance

	2022	2023
ΔEVE (*1)	₩2,353,230	4,434,253
ΔNII (*2)	62,923	35,901

(*1) ΔEVE 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) ΔNII 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.

5. Financial risk management (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.

(In millions of won)

5. Financial risk management (continued)

Foreign currency denominated assets and liabilities as of December 31, 2022 and 2023 are as follows:

	2022					
	USD	JPY	EUR	CNY	Other	Total
Assets:						
Cash and due from banks at amortized cost	₩ 6,944,183	2,071,895	266,891	715,471	4,891,175	14,889,615
Due from banks at FVTPL	26,116	—	—	—	—	26,116
Loans at FVTPL	291,678	—	239,520	—	—	531,198
Loan at amortized cost	29,077,790	10,608,558	1,735,218	5,021,722	10,639,672	57,082,960
Securities at FVTPL	5,020,483	5,963	661,762	425	406,292	6,094,925
Derivative assets	1,476,251	2,585	33,613	4,598	33,866	1,550,913
Securities at FVOCI	7,042,145	180,352	438,288	498,367	1,629,606	9,788,758
Securities at amortized cost	272,421	203,102	—	110,997	1,162,523	1,749,043
Other financial assets	3,485,071	597,067	563,313	344,126	1,551,874	6,541,451
	₩53,636,138	13,669,522	3,938,605	6,695,706	20,315,008	98,254,979
Liabilities:						
Deposits	₩25,719,297	11,812,723	1,633,007	5,035,481	11,769,661	55,970,169
Financial liabilities at FVTPL	10,038	—	—	—	422,006	432,044
Derivative liabilities	1,345,476	1,899	59,206	3,074	77,662	1,487,317
Borrowings	9,976,462	1,349,529	182,926	85,862	1,226,389	12,821,168
Debt securities issued	10,774,062	352,677	675,600	108,864	1,495,991	13,407,194
Financial liabilities designated at FVTPL	1,077,789	—	—	—	—	1,077,789
Other financial liabilities	4,287,930	259,683	621,770	889,138	1,525,377	7,583,898
	₩53,191,054	13,776,511	3,172,509	6,122,419	16,517,086	92,779,579
Net domestic and foreign currency exposure	₩ 445,084	(106,989)	766,096	573,287	3,797,922	5,475,400
Off-balance derivative exposure	3,801,144	718,660	(451,993)	(55,705)	(1,671,041)	2,341,065
Net foreign currency exposure	₩ 4,246,228	611,671	314,103	517,582	2,126,881	7,816,465

(In millions of won)

5. Financial risk management (continued)

	2023					
	USD	JPY	EUR	CNY	Other	Total
Assets:						
Cash and due from banks at amortized cost	₩10,473,766	2,318,380	140,319	654,444	3,975,017	17,561,926
Due from banks at FVTPL	30,743	—	—	—	—	30,743
Loans at FVTPL	385,844	—	114,389	—	—	500,233
Loan at amortized cost	23,694,171	11,663,301	1,556,746	4,018,660	12,182,861	53,115,739
Securities at FVTPL	5,765,741	8,255	761,046	5,230	545,306	7,085,578
Derivative assets	1,014,150	2,346	27,418	878	105,335	1,150,127
Securities at FVOCI	8,308,952	175,740	544,248	564,791	2,169,907	11,763,638
Securities at amortized cost	263,027	553,509	—	110,532	1,281,941	2,209,009
Other financial assets	5,971,194	637,612	831,019	441,906	979,795	8,861,526
	₩55,907,588	15,359,143	3,975,185	5,796,441	21,240,162	102,278,519
Liabilities:						
Deposits	₩22,790,616	14,562,435	1,535,925	4,152,363	12,428,069	55,469,408
Financial liabilities at FVTPL	362,642	—	—	—	422,861	785,503
Derivative liabilities	841,175	2	35,679	591	94,701	972,148
Borrowings	9,670,444	1,392,637	208,335	115,798	1,284,046	12,671,260
Debt securities issued	10,916,488	337,684	713,295	—	1,258,257	13,225,724
Financial liabilities designated at FVTPL	909,250	3,188	—	—	—	912,438
Other financial liabilities	6,844,891	183,500	769,928	777,986	805,002	9,381,307
	₩52,335,506	16,479,446	3,263,162	5,046,738	16,292,936	93,417,788
Net domestic and foreign currency exposure	₩ 3,572,082	(1,120,303)	712,023	749,703	4,947,226	8,860,731
Off-balance derivative exposure	808,139	1,716,328	(340,327)	(328,756)	(1,898,176)	(42,792)
Net foreign currency exposure	₩ 4,380,221	596,025	371,696	420,947	3,049,050	8,817,939

5. 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 particular, after the bankruptcy of Silicon Valley Bank, the Group have been strengthening its ability to respond to liquidity crises by conducting crisis situation analysis using bank run scenarios for banks and savings bank subsidiaries and establishing and inspecting emergency procurement plans accordingly.

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 ‘cautious’, ‘alert’, ‘imminent crisis’, and ‘crisis’ and risk for the real 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.

(In millions of won)

5. Financial risk management (continued)

The details of the composition of non-derivative financial instruments and derivative financial instruments by remaining period are as of December 31, 2022 and 2023 are as follows:

	2022 (*1)						
	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	₩ 25,535,924	1,038,410	530,121	1,812,917	158,893	1,111,663	30,187,928
Due from banks at fair value through profit or loss	—	—	—	—	—	26,116	26,116
Loans at fair value through profit or loss	424,585	858,019	58,705	141,706	735,426	329,636	2,548,077
Loans at amortized cost	40,128,332	50,154,981	62,225,328	95,147,376	134,775,595	83,422,609	465,854,221
Securities at fair value through profit or loss	42,309,917	135,169	460,708	522,176	4,242,650	11,413,859	59,084,479
Securities at fair value through other comprehensive income	53,852,989	1,725,111	589,944	1,194,842	9,096,740	19,025,169	85,484,795
Securities at amortized cost	479,464	1,820,022	1,164,164	4,908,796	22,790,254	6,385,745	37,548,445
Other financial assets	17,803,851	85,593	59,249	344,924	338,045	1,796,898	20,428,560
	₩180,535,062	55,817,305	65,088,219	104,072,737	172,137,603	123,511,695	701,162,621
Liabilities:							
Deposits (*2)	₩210,877,656	42,661,824	41,864,404	71,259,303	21,141,919	2,627,394	390,432,500
Financial liabilities at fair value through profit or loss	1,148,899	—	—	—	—	—	1,148,899
Borrowings	11,960,133	4,760,388	4,798,388	7,249,539	12,298,388	9,024,107	50,090,943
Debt securities issued	4,563,916	8,368,614	9,646,088	16,486,221	37,534,713	5,157,377	81,756,929
Financial liabilities designated at fair value through profit or loss	276,430	725,909	706,117	1,511,517	4,063,511	1,092,827	8,376,311
Investment contract liabilities	58,181	60,526	160,990	1,549,293	304,596	—	2,133,586
Other financial liabilities	27,603,371	104,887	132,284	286,956	1,037,388	113,755	29,278,641
	₩256,488,586	56,682,148	57,308,271	98,342,829	76,380,515	18,015,460	563,217,809
Off balance (*3):							
Guarantee contracts	₩ 18,226,546	—	—	—	—	—	18,226,546
Other liabilities related to loan commitments	205,488,825	—	—	—	—	—	205,488,825
	₩223,715,371	—	—	—	—	—	223,715,371
Derivatives	₩ (385,204)	8,916	(7,058)	(220,528)	(1,213,983)	(24,069)	(1,841,926)

(In millions of won)

5. Financial risk management (continued)

	2023 (*1)						
	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	₩ 31,107,629	734,193	83,972	159,377	189,601	2,560,084	34,834,856
Due from banks at fair value through profit or loss	—	—	—	—	—	30,743	30,743
Loans at fair value through profit or loss	308,740	421,193	85,467	9,739	923,364	76,062	1,824,565
Loans at amortized cost	37,692,048	50,813,677	65,503,264	96,981,341	130,306,477	101,012,508	482,309,315
Securities at fair value through profit or loss	38,919,131	1,642,951	682,000	559,767	7,258,255	20,304,519	69,366,623
Securities at fair value through other comprehensive income	42,256,944	445,463	539,255	2,336,017	14,033,768	30,785,721	90,397,168
Securities at amortized cost	899,355	3,258,092	1,964,229	4,323,906	21,357,255	7,573,653	39,376,490
Other financial assets	22,148,927	393,344	128,067	324,305	384,541	1,866,191	25,245,375
	₩173,332,774	57,708,913	68,986,254	104,694,452	174,453,261	164,209,481	743,385,135
Liabilities:							
Deposits (*2)	₩204,353,639	49,995,140	43,382,707	65,673,174	24,930,159	2,931,998	391,266,817
Financial liabilities at fair value through profit or loss	410,381	358	586	1,202	6,816	1,449,634	1,868,977
Borrowings	19,310,777	5,678,981	6,166,750	9,811,684	14,182,221	5,170,111	60,320,524
Debt securities issued	4,496,200	7,218,255	7,931,732	18,000,681	45,961,768	3,734,554	87,343,190
Financial liabilities designated at fair value through profit or loss	309,713	1,252,877	1,774,016	1,821,666	1,324,185	1,356,579	7,839,036
Investment contract liabilities	245,353	110,050	67,039	423,484	726,759	—	1,572,685
Other financial liabilities	39,957,559	219,656	394,997	252,445	1,637,763	808,731	43,271,151
	₩269,083,622	64,475,317	59,717,827	95,984,336	88,769,671	15,451,607	593,482,380
Off balance (*3):							
Guarantee contracts	₩ 18,374,287	—	—	—	—	—	18,374,287
Other liabilities related to loan commitments	212,078,870	—	—	—	—	—	212,078,870
	₩230,453,157	—	—	—	—	—	230,453,157
Derivatives	₩ 131,174	(101,655)	(335,841)	(104,002)	(1,657,294)	134,835	(1,932,783)

(*1) These amounts include cash flows of principal and interest on financial assets and financial liabilities.
(*2) Demand deposits amounting to ₩157,446,276 million and ₩151,177,041 million as of December 31, 2022 and 2023 are included in the 'Less than 1 month' category, respectively.
(*3) Though guarantees, loan agreements, and other credit offerings provided by the Group exist, if the counterparty requests a payment, the Group should fulfill the obligation immediately.

5. Financial risk management (continued)

(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.

(In millions of won)

5. Financial risk management (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, 2022 and 2023 are as follows:

	2022			
	Level 1	Level 2	Level 3 (*)	Total
Financial assets:				
Due from banks measured at FVTPL	₩ —	26,116	—	26,116
Loans at FVTPL (*1)	—	957,543	1,431,637	2,389,180
Securities at FVTPL:				
Debt securities and other securities (*2)	8,660,224	34,783,829	11,715,251	55,159,304
Equity securities	1,952,419	5,044	1,900,249	3,857,712
Gold/silver deposits	75,969	—	—	75,969
	10,688,612	34,788,873	13,615,500	59,092,985
Derivative assets:				
Trading	47,687	5,585,517	529,144	6,162,348
Hedging	—	298,304	—	298,304
	47,687	5,883,821	529,144	6,460,652
Securities measured at FVOCI:				
Debt securities	38,446,610	45,349,965	—	83,796,575
Equity securities	691,257	—	981,329	1,672,586
	39,137,867	45,349,965	981,329	85,469,161
	₩49,874,166	87,006,318	16,557,610	153,438,094
Financial liabilities:				
Financial liabilities measured at FVTPL:				
Securities sold	₩ 724,104	—	—	724,104
Gold/silver deposits	422,006	—	—	422,006
	1,146,110	—	—	1,146,110
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities (*2)	—	389,132	7,930,909	8,320,041
Debt securities issued	—	47,327	—	47,327
	—	436,459	7,930,909	8,367,368
Derivative liabilities:				
Trading	249,669	5,809,597	467,522	6,526,788
Hedging	—	838,068	343,759	1,181,827
	249,669	6,647,665	811,281	7,708,615
	₩ 1,395,779	7,084,124	8,742,190	17,222,093

(*1) Of the Financial assets at FVTPL invested by the Group, P-note's valuation of amount related to Lime Asset Management is ₩133.8 billion. As of December 31, 2022, in this regard, international disputes are under

5. Financial risk management (continued)

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: ₩221.7 billion and derivatives-combined securities: ₩221.7 billion) related to GEN2 Partners asset management were delayed in repurchase for the year ended December 31, 2022. 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) Shinhan Securities Co., Ltd.'s level 3 over-the-counter derivatives is recognized ₩75,925 million in financial assets measured at fair value through profit or loss, ₩7,930,909 million in financial liabilities designated at fair value through profit or loss, ₩526,868 million in derivative assets, and ₩468,028 million in derivative liabilities. The fair value of over-the-counter derivatives classified as level 3 above is measured using Shinhan Securities Co., Ltd.'s internal valuation model.

(In millions of won)

5. Financial risk management (continued)

	2023			
	Level 1	Level 2	Level 3 (*3)	Total
Financial assets:				
Due from banks measured at FVTPL	₩ —	30,743	—	30,743
Loans at FVTPL (*1)	—	515,564	1,242,998	1,758,562
Securities at FVTPL:				
Debt securities and other securities (*2)	11,248,555	39,736,457	14,487,080	65,472,092
Equity securities	2,253,651	—	1,597,810	3,851,461
Gold/silver deposits	103,706	—	—	103,706
	13,605,912	39,736,457	16,084,890	69,427,259
Derivative assets:				
Trading	117,929	3,709,058	632,213	4,459,200
Hedging	—	252,221	—	252,221
	117,929	3,961,279	632,213	4,711,421
Securities measured at FVOCI:				
Debt securities	39,111,078	49,525,922	—	88,637,000
Equity securities	725,796	—	949,183	1,674,979
	39,836,874	49,525,922	949,183	90,311,979
	₩53,560,715	93,769,965	18,909,284	166,239,964
Financial liabilities:				
Financial liabilities measured at FVTPL:				
Securities sold	₩ 1,449,634	—	—	1,449,634
Gold/silver deposits	419,343	—	—	419,343
	1,868,977	—	—	1,868,977
Financial liabilities designated at fair value through profit or loss:				
Derivatives-combined securities (*2)	—	816,643	6,725,252	7,541,895
Debt securities issued	—	254,832	—	254,832
	—	1,071,475	6,725,252	7,796,727
Derivative liabilities:				
Trading	46,578	3,369,771	783,587	4,199,936
Hedging	—	614,285	224,195	838,480
	46,578	3,984,056	1,007,782	5,038,416
	₩ 1,915,555	5,055,531	7,733,034	14,704,120

(*1) Of the Financial assets at FVTPL invested by the Group, P-note's valuation of amount related to Lime Asset Management is ₩92 billion. As of December 31, 2023, 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.

(In millions of won)

5. Financial risk management (continued)

(*2) Financial instruments (Beneficiary certificates: ₩143.5 billion and derivatives-combined securities: ₩143.5 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) Shinhan Securities Co., Ltd.'s level 3 over-the-counter derivatives is recognized ₩66,866 million in financial assets measured at fair value through profit or loss, ₩6,725,252 million in financial liabilities designated at fair value through profit or loss, ₩629,223 million in derivative assets, and ₩785,312 million in derivative liabilities. The fair value of over-the-counter derivatives classified as level 3 above is measured using Shinhan Securities Co., Ltd.'s internal valuation model.

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 amounts of financial instruments classified as Level 3 for the years ended December 31, 2022 and 2023 are as follows:

	2022				
	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	₩12,934,419	725,232	(7,622,525)	374,686	(182,749)
Recognized in total comprehensive income for the year:					
Recognized in profit (loss) for the year (*1)	(123,983)	—	633,415	(484,756)	(161,010)
Recognized in other comprehensive income (loss) for the year	(336)	(9,629)	(5,919)	—	—
	(124,319)	(9,629)	627,496	(484,756)	(161,010)
Purchase	5,779,999	276,636	—	190,380	—
Issue	—	—	(6,030,787)	—	—
Settlement	(3,486,410)	(10,910)	5,094,907	(18,763)	—
Transfer to level3 (*2)	173,636	—	—	—	—
Transfer from level3 (*2)	(230,188)	—	—	75	—
Ending balance	₩15,047,137	981,329	(7,930,909)	61,622	(343,759)

(In millions of won)

5. Financial risk management (continued)

	2023				
	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	₩15,047,137	981,329	(7,930,909)	61,622	(343,759)
Recognized in total comprehensive income for the year:					
Recognized in profit (loss) for the year (*1)	69,334	—	(244,146)	(15,540)	119,564
Recognized in other comprehensive income (loss) for the year	(532)	12,747	(1,907)	—	—
	68,802	12,747	(246,053)	(15,540)	119,564
Purchase	5,987,732	55,078	—	36,786	—
Issue	—	—	(6,343,080)	—	—
Settlement	(4,071,062)	(100,000)	7,794,790	(234,242)	—
Transfer to level3 (*2)	299,148	29	—	—	—
Transfer from level3 (*2)	(3,869)	—	—	—	—
Ending balance	₩17,327,888	949,183	(6,725,252)	(151,374)	(224,195)

(*1) Recognized profit or loss of the changes in carrying amount of financial instruments classified as Level 3 for the years ended December 31, 2022 and 2023 are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	2022	
	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	₩(608,739)	(607,708)
Net gain (loss) on financial liabilities designated at fair value through profit or loss	633,415	762,342
Net other operating expense	(161,010)	(161,010)
	₩(136,334)	(6,376)

(In millions of won)

5. Financial risk management (continued)

	2023	
	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	₩ 53,794	47,708
Net gain on financial liabilities designated at fair value through profit or loss	(244,146)	96,223
Net other operating expense	119,564	119,564
	₩ (70,788)	263,495

(*2) Movements between levels occur as the availability of observable market data for the financial instrument in question changes. The Group recognizes changes in levels at the end of the reporting period when the event or change in circumstances that gives rise to the movement between levels occurs.

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, 2022 and 2023 are as follows:

	2022		
Type of financial instrument	Valuation technique	Carrying value	Significant inputs
Assets			
Financial asset at fair value through profit or loss			
Debt securities	DCF, NAV, Option model (*)	₩35,767,488	Discount rate, interest rate, stock price and etc.
Equity securities	NAV	5,044	Price of underlying assets such as stocks, bonds, etc.
		35,772,532	
Derivative assets			
Trading	Option model (*), Implied forward interest rate, DCF	5,585,517	Discount rate, foreign exchange rate, volatility, stock price and commodity index, etc.
Hedging		298,304	
		5,883,821	
Securities at fair value through other comprehensive income			
Debt securities	DCF, Option model (*)	45,349,965	Interest rate, discount rate, etc.
		₩87,006,318	

(In millions of won)

5. Financial risk management (continued)

	2022		
Type of financial instrument	Valuation technique	Carrying value	Significant inputs
Liabilities			
Financial liabilities designated at fair value through profit or loss			
Debt securities issued	Option model, NAV (*)	47,327	Discount rate, volatility
Compound financial instruments		₩ 389,132	Price of underlying assets
		436,459	
Derivative liabilities			
Trading	Option model (*), Implied forward interest rate DCF	5,809,597	Discount rate, foreign exchange rate, volatility, stock price and commodity index, etc.
Hedging		838,068	
		6,647,665	
		₩7,084,124	

(*) Option models applied to measure fair value include the Black-Scholes model and Hull-White model, and methods such as Monte Carlo simulation are applied to some products depending on the product type.

	2023		
Type of financial instrument	Valuation technique	Carrying value	Significant inputs
Assets			
Financial asset at fair value through profit or loss			
Debt securities	DCF, NAV, Option model (*)	₩40,282,764	Discount rate, interest rate, stock price and etc.
		40,282,764	
Derivative assets			
Trading	Option model (*), Implied forward interest rate, DCF	3,709,058	Discount rate, foreign exchange rate, volatility, stock price and commodity index, etc.
Hedging		252,221	
		3,961,279	
Securities at fair value through other comprehensive income			
Debt securities	DCF, Option model (*)	49,525,922	Interest rate, discount rate, etc.
		₩93,769,965	

5. Financial risk management (continued)

Type of financial instrument	Valuation technique	Carrying value	Significant inputs
		2023	
Liabilities			
Financial liabilities designated at fair value through profit or loss			
Debt securities issued	Option model (*), NAV	254,832	Discount rate, volatility
Compound financial instruments		₩ 816,643	Underlying asset price
		1,071,475	
Derivative liabilities			
Trading	Option model (*), Forward interest rate, DCF	3,369,771	Discount rate, foreign exchange rate, volatility, stock price and commodity index, etc.
Hedging		614,285	
		3,984,056	
		₩ 5,055,531	

(*) Option models applied to measure fair value include the Black-Scholes model and Hull-White model, and methods such as Monte Carlo simulation are applied to some products depending on the product type.

(In millions of won)

5. Financial risk management (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, 2022 and 2023 are as follows:

	2022			
Type of financial instrument	Valuation technique	Carrying value (*2)	Significant unobservable inputs	Range
Financial assets				
Financial asset at fair value through profit or loss				
Debt securities	DCF, NAV, Option model (*1), Income approach	₩13,146,888	The volatility of the underlying asset, Discount rate, Correlations, Growth rate, and Liquidation Value	0.60%~68.10% 2.92%~38.87% 15.94%~90.00% 0.00% 0.00%
Equity securities	DCF, NAV, Option model (*1), Comparable company analysis, Transaction case price, Cost method	1,900,249	The volatility of the underlying asset, Discount rate and Correlations	20.50%~25.30% 5.59%~15.18% 11.90%~66.00%
		15,047,137		
Derivative assets				
Equity and foreign exchange related	Option model (*1)	54,541	The volatility of the underlying asset and Correlations	4.89%~84.40% 7.30%~72.30%
Interest rates related	Option model (*1)	51,025	The volatility of the underlying asset and Correlations	0.60%~1.10% 76.60%~78.90%
Credit and commodity related	Option model (*1)	423,578	The volatility of the underlying asset, Correlations and Hazard Rate	42.20%~55.90% 99.9% 1.20%~3.60%
		529,144		
Securities at fair value through other comprehensive income				
Equity securities	DCF, NAV, Option model (*1), Comparable company analysis	981,329	The volatility of the underlying asset, Discount rate, Growth rate and Interest rate volatility	28.62% 9.08%~19.14% 0.00%~2.00% 0.56%~11.42%
		₩16,557,610		
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Equity related	Option model (*1)	₩ 7,930,909	The volatility of the underlying asset and Correlations	0.20%~84.40% -44.20%~86.30%
Derivative liabilities				
Equity and foreign exchange related	Option model (*1)	13,841	The volatility of the underlying asset and Correlations	4.89%~84.40% -42.30%~87.60%
Interest rates related	Option model (*1)	642,123	The volatility of the underlying asset, Regression coefficient and Correlations	0.20%~1.10% 0.00%~1.46% 23.60%~90.34%
Credit and commodity related	Option model (*1)	155,317	The volatility of the underlying asset, Correlations and Hazard Rate	0.20%~45.70% 23.60%~78.90% 1.20%~2.90%
		811,281		
		₩ 8,742,190		

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

(In millions of won)

5. Financial risk management (continued)

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

	2023			
Type of financial instrument	Valuation technique	Carrying value (*2)	Significant unobservable inputs	Range
Financial assets				
Financial asset at fair value through profit or loss				
Debt securities	DCF, NAV, Option model (*1), Income approach	₩15,730,078	The volatility of the underlying asset, Discount rate, Correlations Growth rate, and Liquidation Value	1.00%~76.22% 2.44%~30.33% -11.62%~65.74% 0.00% 0.00%
Equity securities	DCF, NAV, Option model (*1), Comparable company analysis, Transaction case price, Cost method	1,597,810	The volatility of the underlying asset, Discount rate, Growth rate And Interest rate volatility	0.51%~51.57% 2.61%~31.73% 0.00% 0.51%~74.30%
		17,327,888		
Derivative assets				
Equity and foreign exchange related		97,403	The volatility of the underlying asset and Correlations	8.08%~63.37% -1.74%~69.79%
Interest rates related	Option model (*1)	60,919	The volatility of the underlying asset and Correlations	0.19%~0.68% 75.14%~77.30%
Credit and commodity related		473,891	The volatility of the underlying asset, Correlations and Hazard Rate	34.52%~41.77% 99.83%~99.95% 0.08%~3.60%
		632,213		
Securities at fair value through other comprehensive income				
Equity securities	DCF, NAV, Option model (*1), Comparable company analysis	949,183	The volatility of the underlying asset, Discount rate, Growth rate and Interest rate volatility	20.60%~27.84% 5.14%~20.90% -1.00%~1.00% 0.55%~60.71%
		₩18,909,284		

(In millions of won)

5. Financial risk management (continued)

Type of financial instrument	2023 Valuation technique	Carrying value (*2)	Significant unobservable inputs	Range
Financial liabilities				
Financial liabilities designated at fair value through profit or loss				
Equity related	Option model (*1)	₩6,725,252	The volatility of the underlying asset and Correlations	0.26%~81.98% -42.43%~84.71%
Derivative liabilities				
Equity and foreign exchange related		468,611	The volatility of the underlying asset and Correlations	7.58%~81.98% -42.43%~84.71%
Interest rates related	Option model (*1)	445,572	The volatility of the underlying asset, Regression coefficient and Correlations	0.19%~1.06% 0.00%~2.71% -38.52%~90.34%
Credit and commodity related		93,599	The volatility of the underlying asset, Correlations and Hazard Rate	0.26%~24.67% -11.62%~77.30% 0.08%~2.55%
		1,007,782		
		₩7,733,034		

(*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 amount is recognized as a reasonable approximation of fair value and the carrying amount is disclosed at fair value.

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, 2022 and 2023.

	2022 Favorable changes	2022 Unfavorable changes
Financial assets:		
Effects on profit or loss for the period (*1),(*2):		
Financial asset at fair value through profit or loss	₩ 57,763	(51,803)
Derivative assets	12,499	(11,465)
Securities at fair value through other comprehensive income (*2)	49,515	(40,860)
	₩119,777	(104,128)
Financial liabilities:		
Effects on profit or loss for the period (*1):		
Financial liabilities designated at fair value through profit or loss	₩ 57,121	(60,525)
Derivative liabilities	16,388	(16,908)
	₩ 73,509	(77,433)

(In millions of won)

5. Financial risk management (continued)

	2023	
	Favorable changes	Unfavorable changes
Financial assets:		
Effects on profit or loss for the period (*1),(*2):		
Financial asset at fair value through profit or loss	₩ 45,433	(42,214)
Derivative assets	19,994	(20,386)
Securities at fair value through other comprehensive income (*2)	44,286	(33,212)
	₩109,713	(95,812)
Financial liabilities:		
Effects on profit or loss for the period (*1):		
Financial liabilities designated at fair value through profit or loss	₩ 30,543	(29,790)
Derivative liabilities	27,561	(27,525)
	₩ 58,104	(57,315)

(*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset (-10~10%p) or correlations (-10~10%p), a significant unobservable input.
(*2) Fair value changes are calculated by increasing or decreasing the growth rate and discount rate, which are a significant unobservable input, from -1%p to 1%p.

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:

Type	Measurement methods of fair value
Cash and due from banks	The carrying amount 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 amount 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 amount 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.
Investment contract liabilities	The book value of retirement pension contract reserves as prescribed by the Insurance Business Act and Insurance Business Supervision Regulations was used as a proxy for fair value because of the difficulty of calculating reliable expected cash flows.

(In millions of won)

5. Financial risk management (continued)

Type	Measurement methods of fair value
Other financial assets and other financial liabilities	The carrying amount 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.

ii-2) The carrying amount and the fair value of financial instruments measured at amortized cost as of December 31, 2023 and 2022 are as follows:

	2022		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Deposits measured at amortized cost	₩ 27,746,360	27,660,501	32,455,701	32,338,446
Loans measured at amortized cost	407,898,972	404,855,790	411,739,562	414,024,035
Securities measured at amortized cost:				
Government bonds	21,523,230	20,215,099	22,787,609	22,182,130
Financial institution bonds	5,423,771	5,387,207	5,864,626	5,906,724
Corporation bonds	6,424,197	5,971,007	7,034,252	6,879,983
	33,371,198	31,573,313	35,686,487	34,968,837
Other financial assets	21,826,601	22,059,918	26,880,554	27,175,002
	₩490,843,131	486,149,522	506,762,304	508,506,320
Liabilities:				
Deposit liabilities:				
Demand deposits	₩157,446,276	157,446,276	151,177,041	151,177,041
Time deposits	196,265,911	195,886,583	202,106,686	202,405,752
Certificate of deposit	14,921,375	14,748,736	12,059,730	12,114,566
Issued bill deposit	6,631,858	6,631,276	7,614,701	7,614,012
CMA deposits	4,634,010	4,634,010	4,950,392	4,950,392
Others	3,088,864	3,088,542	3,604,114	3,604,031
	382,988,294	382,435,423	381,512,664	381,865,794
Borrowing debts:				
Call-money	1,276,301	1,276,301	2,195,849	2,195,849
Bills sold	15,057	15,006	11,252	11,208
Bonds sold under repurchase agreements	9,544,536	9,544,536	17,312,576	17,312,576
Borrowings	38,443,281	37,602,027	37,381,675	37,322,235
	49,279,175	48,437,870	56,901,352	56,841,868
Debts:				
Borrowings in Korean won	63,927,063	62,059,253	68,382,242	68,189,097
Borrowings in foreign currency	13,361,720	13,051,576	13,179,483	13,143,721
	77,288,783	75,110,829	81,561,725	81,332,818
Investment contract liabilities	2,133,586	2,133,586	1,572,685	1,572,685
Other financial liabilities	31,992,438	31,683,186	47,328,051	47,295,828
	₩543,682,276	539,800,894	568,876,477	568,908,993

(In millions of won)

5. Financial risk management (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, 2022 and 2023 are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Deposits measured at amortized cost	₩ 431,650	27,228,851	—	27,660,501
Loans measured at amortized cost	—	5,832,484	399,023,306	404,855,790
Securities measured at amortized cost:				
Government bonds	9,109,801	11,105,298	—	20,215,099
Financial institution bonds	1,898,457	3,488,750	—	5,387,207
Corporation bonds	—	5,971,007	—	5,971,007
	11,008,258	20,565,055	—	31,573,313
Other financial assets	—	12,598,487	9,461,431	22,059,918
	₩11,439,908	66,224,877	408,484,737	486,149,522
Liabilities:				
Deposit liabilities:				
Demand deposits	₩ —	157,446,276	—	157,446,276
Time deposits	—	—	195,886,583	195,886,583
Certificate of deposit	—	—	14,748,736	14,748,736
Issued bill deposit	—	—	6,631,276	6,631,276
CMA deposits	—	4,634,010	—	4,634,010
Other	—	3,035,338	53,204	3,088,542
	—	165,115,624	217,319,799	382,435,423
Borrowing debts:				
Call-money	—	1,276,301	—	1,276,301
Bills sold	—	—	15,006	15,006
Bonds sold under repurchase agreements	—	—	9,544,536	9,544,536
Borrowings	—	19,922	37,582,105	37,602,027
	—	1,296,223	47,141,647	48,437,870
Debts:				
Borrowings in won	—	31,665,994	30,393,259	62,059,253
Borrowings in foreign currency	—	9,625,410	3,426,166	13,051,576
	—	41,291,404	33,819,425	75,110,829
Investment contract liabilities	—	—	2,133,586	2,133,586
Other financial liabilities	—	8,921,782	22,761,404	31,683,186
	₩ —	216,625,033	323,175,861	539,800,894

(In millions of won)

5. Financial risk management (continued)

	2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Deposits measured at amortized cost	₩ 554,703	31,783,743	—	32,338,446
Loans measured at amortized cost	—	1,633,949	412,390,086	414,024,035
Securities measured at amortized cost:				
Government bonds	10,727,244	11,454,886	—	22,182,130
Financial institution bonds	2,005,877	3,900,847	—	5,906,724
Corporation bonds	—	6,879,983	—	6,879,983
	12,733,121	22,235,716	—	34,968,837
Other financial assets	—	16,393,625	10,781,377	27,175,002
	₩13,287,824	72,047,033	423,171,463	508,506,320
Liabilities:				
Deposit liabilities:				
Demand deposits	₩ —	151,177,041	—	151,177,041
Time deposits	—	—	202,405,752	202,405,752
Certificate of deposit	—	—	12,114,566	12,114,566
Issued bill deposit	—	—	7,614,012	7,614,012
CMA deposits	—	4,950,392	—	4,950,392
Other	—	3,565,491	38,540	3,604,031
	—	159,692,924	222,172,870	381,865,794
Borrowing debts:				
Call-money	—	2,195,849	—	2,195,849
Bills sold	—	—	11,208	11,208
Bonds sold under repurchase agreements	—	—	17,312,576	17,312,576
Borrowings	—	221,256	37,100,979	37,322,235
	—	2,417,105	54,424,763	56,841,868
Debts:				
Borrowings in won	—	36,388,349	31,800,748	68,189,097
Borrowings in foreign currency	—	10,456,332	2,687,389	13,143,721
	—	46,844,681	34,488,137	81,332,818
Investment contract liabilities	—	—	1,572,685	1,572,685
Other financial liabilities	—	20,658,155	26,637,673	47,295,828
	₩ —	229,612,865	339,296,128	568,908,993

(In millions of won)

5. Financial risk management (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, 2022 and 2023, are as follows:

	2022		
	Fair value(*)	Valuation technique	Inputs
Financial instruments classified as level 2 :			
Assets			
Due from banks measured at amortized cost	₩ 27,228,851	DCF	Discount rate
Loans measured at amortized cost	5,832,484	DCF	Discount rate, Credit spread and Prepayment rate
Securities measured at amortized cost	20,565,055	DCF	Discount rate
Other financial assets	12,598,487	DCF	Discount rate
Financial instruments classified as level 3 :			
Assets			
Loans measured at amortized cost	399,023,306	DCF	Discount rate, Credit spread and Prepayment rate
Other financial assets	9,461,431	DCF	Discount rate
	₩474,709,614		
Financial instruments classified as level 2 :			
Liabilities			
Deposits	₩165,115,624	DCF	Discount rate
Borrowings	1,296,223	DCF	Discount rate
Debt securities issued	41,291,404	DCF	Discount rate
Other financial liabilities	8,921,782	DCF	Discount rate
Financial instruments classified as level 3 :			
Liabilities			
Deposits	217,319,799	DCF	Discount rate
Borrowings	47,141,647	DCF	Discount rate
Debt securities issued	33,819,425	DCF	Discount rate, Regression coefficient and Correlations
Investment contract liabilities	2,133,586		
Other financial liabilities	22,761,404	DCF	Discount rate
	₩539,800,894		

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

(In millions of won)

5. Financial risk management (continued)

	2023		
	Fair value(*)	Valuation technique	Inputs
Financial instruments classified as level 2 :			
Assets			
Due from banks measured at amortized cost	₩ 31,783,743	DCF	Discount rate
Loans measured at amortized cost	1,633,949	DCF	Discount rate, Credit spread and Prepayment rate
Securities measured at amortized cost	22,235,716	DCF	Discount rate
Other financial assets	16,393,625	DCF	Discount rate
Financial instruments classified as level 3 :			
Assets			
Loans measured at amortized cost	412,390,086	DCF	Discount rate, Credit spread and Prepayment rate
Other financial assets	10,781,377	DCF	Discount rate
	₩495,218,496		
Financial instruments classified as level 2 :			
Liabilities			
Deposits	₩159,692,924	DCF	Discount rate
Borrowings	2,417,105	DCF	Discount rate
Debt securities issued	46,844,681	DCF	Discount rate
Other financial liabilities	20,658,155	DCF	Discount rate
Financial instruments classified as level 3 :			
Liabilities			
Deposits	222,172,870	DCF	Discount rate
Borrowings	54,424,763	DCF	Discount rate
Debt securities issued	34,488,137	DCF	Discount rate, Regression coefficient and Correlations
Investment contract liabilities	1,572,685	—	—
Other financial liabilities	26,637,673	DCF	Discount rate
	₩568,908,993		

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

iii) Changes in gains or losses on valuation at the transaction date for the years ended December 31, 2022 and 2023, are as follows:

	2022	2023
Beginning balance	₩(160,525)	(143,959)
New transactions	(88,769)	(48,548)
Recognized in profit for the year	105,335	110,760
Ending balance	₩(143,959)	(81,747)

(In millions of won)

5. Financial risk management (continued)

(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 5.(e) Measurement of fair value.

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

	2022				
	FVTPL	FVOCI	Amortized cost	Derivatives held for hedging	Total
Assets:					
Cash and due from banks at amortized cost	₩ —	—	30,050,840	—	30,050,840
Due from banks at fair value through profit or loss	26,116	—	—	—	26,116
Securities at fair value through profit or loss	59,092,985	—	—	—	59,092,985
Derivatives assets	6,162,348	—	—	298,304	6,460,652
Loans at fair value through profit or loss	2,389,180	—	—	—	2,389,180
Loans at amortized cost	—	—	407,898,972	—	407,898,972
Securities at fair value through other comprehensive income	—	85,469,161	—	—	85,469,161
Securities at amortized cost	—	—	33,371,198	—	33,371,198
Others	—	—	21,826,601	—	21,826,601
	₩67,670,629	85,469,161	493,147,611	298,304	646,585,705

(In millions of won)

5. Financial risk management (continued)

	2022				
	FVTPL	FVTPL liabilities designated	Financial liabilities measured at amortized cost	Derivatives held for hedging	Total
Liabilities:					
Deposits	₩ —	—	382,988,294	—	382,988,294
Financial liabilities at fair value through profit or loss	1,146,110	—	—	—	1,146,110
Financial liabilities designated at FVTPL	—	8,367,368	—	—	8,367,368
Derivatives liabilities	6,526,787	—	—	1,181,828	7,708,615
Borrowings	—	—	49,279,175	—	49,279,175
Debt securities issued	—	—	77,288,783	—	77,288,783
Investment contract liabilities	—	—	2,133,586	—	2,133,586
Others	—	—	31,992,438	—	31,992,438
	₩7,672,897	8,367,368	543,682,276	1,181,828	560,904,369

	2023				
	FVTPL	FVOCI	Amortized cost	Derivatives held for hedging	Total
Assets:					
Cash and due from banks at amortized cost	₩ —	—	34,629,251	—	34,629,251
Due from banks at fair value through profit or loss	30,743	—	—	—	30,743
Securities at fair value through profit or loss	69,427,259	—	—	—	69,427,259
Derivatives assets	4,459,200	—	—	252,221	4,711,421
Loans at fair value through profit or loss	1,758,562	—	—	—	1,758,562
Loans at amortized cost	—	—	411,739,562	—	411,739,562
Securities at fair value through other comprehensive income	—	90,311,979	—	—	90,311,979
Securities at amortized cost	—	—	35,686,487	—	35,686,487
Others	—	—	26,880,554	—	26,880,554
	₩75,675,764	90,311,979	508,935,854	252,221	675,175,818

(In millions of won)

5. Financial risk management (continued)

	2023				
	FVTPL	FVTPL liabilities designated	Financial liabilities measured at amortized cost	Derivatives held for hedging	Total
Liabilities:					
Deposits	₩ —	—	381,512,664	—	381,512,664
Financial liabilities at fair value through profit or loss	1,868,977	—	—	—	1,868,977
Financial liabilities designated at FVTPL	—	7,796,727	—	—	7,796,727
Derivatives liabilities	4,199,936	—	—	838,480	5,038,416
Borrowings	—	—	56,901,352	—	56,901,352
Debt securities issued	—	—	81,561,725	—	81,561,725
Investment contract liabilities	—	—	1,572,685	—	1,572,685
Others	—	—	47,328,051	—	47,328,051
	₩6,068,913	7,796,727	568,876,477	838,480	583,580,597

(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, 2022 and 2023:

	2022	2023
Transferred asset:		
Securities at FVTPL	₩7,461,978	11,042,486
Securities at FVOCI	1,335,548	1,286,990
Securities at amortized cost	258,579	3,622,838
	₩9,056,105	15,952,314
Associated liabilities:		
Bonds sold under repurchase agreements	₩9,544,536	17,312,576

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.

(In millions of won)

5. Financial risk management (continued)

Securities loaned as of December 31, 2022 and 2023 are as follows:

	2022	2023	Borrowers
Government bonds	₩12,876,660	15,340,768	Korea Securities Finance Corp., Korea Securities Depository, etc.
Financial institutions bonds	422,166	398,252	Korea Securities Finance Corp., Korea Securities Depository, etc.
Corporation bonds	210,258	221,435	BNP Paribas Securities Corp.
Equity securities	73,169	48,004	Meritz Securities co., Ltd., HI Investment & Securities co., Ltd., etc.
Beneficiary certificate	29,850	40,890	Korea Securities Depository
	₩13,612,103	16,049,349	

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, 2022 and 2023, the carrying amount of financial assets related to securitization transactions that have neither been transferred nor derecognized are ₩11,429,250 million and ₩10,950,727 million, respectively; the carrying amounts of related liabilities are ₩6,366,125 million and ₩6,634,887 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, 2022, and 2023.

(In millions of won)

5. 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, 2022 and 2023 are as follows:

	2022					
				Related amounts not set off in the statement of financial position		
	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	Financial instruments	Cash collateral received	Net amount
Assets:						
Derivatives (*1)	₩ 6,523,848	—	6,523,848	10,922,201	473,252	2,534,050
Other financial instruments (*1)	7,405,655	—	7,405,655			
Securities repurchased under repurchase agreements and bonds purchased under repurchase agreements (*2)	13,045,505	—	13,045,505	12,893,643	—	151,862
Securities loaned (*2)	4,584,247	—	4,584,247	4,584,247	—	—
Domestic exchange settlement debit (*3)	45,282,683	39,247,867	6,034,816	—	—	6,034,816
Receivables from disposal of securities (*4)	4,933,264	2,405,878	2,527,386	1,767,831	—	759,555
	₩81,775,202	41,653,745	40,121,457	30,167,922	473,252	9,480,283
Liabilities:						
Derivatives (*1),(*5)	₩15,801,774	—	15,801,774	11,227,001	1,000	10,772,103
Other financial instruments (*1)	6,198,330	—	6,198,330			
Bonds sold under repurchase agreements (*2)	9,544,536	—	9,544,536	8,931,247	—	613,289
Securities borrowed (*2)	724,104	—	724,104	724,104	—	—
Domestic exchange settlement pending (*3)	41,556,442	39,247,867	2,308,575	2,231,508	—	77,067
Payable from purchase of securities (*4)	4,854,358	2,405,878	2,448,480	1,768,821	—	679,659
	₩78,679,544	41,653,745	37,025,799	24,882,681	1,000	12,142,118

(*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.

5. Financial risk management (continued)

(*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, 2022, the total amount of financial liabilities includes ₩8,320,041 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 ₩432,228 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, 2022 is ₩1,934,547 million for transactions with the other party with collective offset contracts or similar arrangements.

(In millions of won)

5. Financial risk management (continued)

	2023					
	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: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral received	Net amount
Assets:						
Derivatives (*1)	₩ 4,706,696	—	4,706,696	14,428,984	448,025	2,042,058
Other financial instruments (*1)	12,212,371	—	12,212,371			
Securities repurchased under repurchase agreements and bonds purchased under repurchase agreements (*2)	19,200,694	—	19,200,694	18,814,022	—	386,672
Securities loaned (*2)	6,284,849	—	6,284,849	6,283,227	—	1,622
Domestic exchange settlement debit (*3)	47,791,602	42,766,815	5,024,787	—	—	5,024,787
Receivables from disposal of securities (*4)	7,421,808	3,734,544	3,687,264	3,006,017	—	681,247
	₩ 97,618,020	46,501,359	51,116,661	42,532,250	448,025	8,136,386
Liabilities:						
Derivatives (*1),(*5)	₩ 12,637,884	—	12,637,884	14,701,829	—	8,958,880
Other financial instruments (*1)	11,022,825	—	11,022,825			
Bonds sold under repurchase agreements (*2)	17,312,576	—	17,312,576	15,450,999	—	1,861,577
Securities borrowed (*2)	1,449,634	—	1,449,634	1,449,634	—	—
Domestic exchange settlement pending (*3)	52,004,974	42,766,815	9,238,159	9,151,927	—	86,232
Payable from purchase of securities (*4)	7,466,010	3,734,544	3,731,466	3,006,534	—	724,932
	₩101,893,903	46,501,359	55,392,544	43,760,923	—	11,631,621

(*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.

5. Financial risk management (continued)

(*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, 2023, the total amount of financial liabilities includes ₩7,541,895 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 ₩365,074 million are included in the related instruments not offset in the statement of financial position.

(i) Capital risk management

The criteria for capital adequacy to be complied with by the Group are 8.0%. 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, 2023, 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.

(In millions of won)

5. Financial risk management (continued)

The capital ratio of the Group based on Basel III is as of December 31, 2022 and 2023 are as follows:

	2022	2023
Capital :		
Tier I common equity capital	₩ 37,287,768	41,388,070
Additional tier 1 capital	5,979,604	5,118,817
Tier I capital	43,267,372	46,506,887
Tier II capital	3,714,400	3,685,637
Total capital (A)	₩ 46,981,772	50,192,524
Total risk-weighted assets (B)	₩291,542,598	314,180,698
Capital adequacy ratio (A/B)	16.11%	15.98%
Tier I capital adequacy ratio	14.84%	14.80%
Common stock ratio	12.79%	13.17%

(*) As of December 31, 2023, the Group maintains an appropriate capital adequacy ratio in accordance with the BIS capital regulation system. As of December 31, 2023, the capital adequacy ratio is the provisional value.

6. Insurance Risk

(a) Overview of the insurance risk – Shinhan Life Insurance Co., Ltd.

i) Overview of the insurance risk

i-1) Insurance risk

Insurance risk is the likelihood that insured events occur and the uncertainty of the total amount and timing of claims for the insured events occurred. The main risk covered by insurance contracts is the risk that the actual claim or benefit payment will exceed the accumulated insurance liability. This risk can occur for the following reasons:

① Frequency risk: a possibility that the number of occurrences of the insured event is different from the expected number

② Severity risk: a possibility that the cost of an incident may be different from the expected cost level

By experience, when there is more similar insurance or they are more diversified, the less likely it is that abnormal effects from some contracts will occur. Shinhan Life Insurance Co., Ltd. takes this into account when underwriting contracts and strives to form a sufficiently large and diversified group of contracts.

Insurance risk includes a lack of risk diversification and relates to geographical location and the nature of the policyholder as well as to the diversification of risk forms or sizes.

If the insurance contract covers death, a catastrophe affects the frequency the most and can affect the frequency of death earlier than expected due to a wide range of causes such as eating habits, smoking, and exercise habits, etc. And if the coverage is survival, medical technology and social conditions can increase the survival rate. The frequency may also be affected by excessive concentration in residential areas of policy holders.

6. Insurance Risk (continued)

Insurance accidents in life insurance include not only the death of the insured but also survival, disability and hospitalization.

Shinhan Life Insurance Co., Ltd. basically classifies the Shinhan Life Insurance Co., Ltd's insurance products into individual insurance and group insurance according to the policyholder. Group insurance means a contract under which the insured belongs to a group of a certain size or larger and in which the policyholder is the representative of the Group or organization. The group insurance can be divided into savings and protections. Protection insurance means insurance in which the sum of benefits paid for survival at the base age does not exceed the premium already paid; savings insurance is defined as insurance, except for protection insurance, in which the sum of benefits paid for survival exceeds the premium already paid. Individual insurance can be classified into death insurance in which the insured's death is insured, survival insurance in which the life is insured for a certain period of time, and endowment insurance in which life insurance and survival insurance are mixed.

Life insurance products can also be divided into guaranteed fixed rates, floating rates, interest accreted rate linked , and variable types by the applying term structures of interest types.

In the guaranteed fixed interest type, since the expected rate does not change from the time the policyholder enters into the contract to the end of the insurance period, Shinhan Life Insurance Co., Ltd assumes the interest rate risk if the asset management return rate or market interest rate is lower than the expected rate. Floating interest rate type divides the net insurance premium into the guaranteed portion and the reserve portion; the guaranteed portion is applied with the predetermined expected rate, and the reserve portion changes based on the reserve rate for policy reserve according to asset management return rate, which makes partial hedge to interest rate risk, but the Group assumes some interest rate risk from the changes of asset management return rate, etc. since the minimum reserve rate for policy reserve is predetermined.

Shinhan Life Insurance Co., Ltd uses acquisition strategies and reinsurance strategies to manage insurance risk of uncertainties of the total amount and timing of insurance claims paid due to insured events.

① Acceptance strategy

Acceptance strategy means diversifying the type of risk or the level of claims from that are accepted insurance policies. For example, Shinhan Life Insurance Co., Ltd can balance mortality and survival risks. In addition, the selection of policyholders through regular health check-ups is one of the major acceptance strategies.

② Reinsurance strategy

The risk of reinsurance contracts held to Shinhan Life Insurance Co., Ltd is based on the accepted insurance contracts, which can be the total amount of risk or risk per contract on a per capita basis or per contract basis. In principle, the reinsurance method provides the risk premium excess reinsurance, but other methods may be used within the scope of the relevant laws as required. The degree of reinsurance held by Shinhan Life Insurance Co., Ltd shall be determined by considering the Shinhan Life Insurance Co., Ltd's assets, contract conditions, risk level, and technology for selecting the contract.

Insurance risk can also be affected by the policyholder's right to terminate the contract or exercise annuity conversion rights to reduce or not pay the full premium. As a result, insurance risks may be affected by the policyholder's actions and decisions. Shinhan Life Insurance Co., Ltd's insurance risk can be estimated on the assumption that the policyholder is reasonable. For example, a person who is worse than a person in good health would have less intention of terminating insurance that covers death. These factors are also reflected in the assumptions about Shinhan Life Insurance Co., Ltd's insurance liabilities.

6. Insurance Risk (continued)

ii) Insurance risk management policy

ii -1) Measurement of Insurance Risk

Unlike other financial instruments, life insurance companies' insurance policies have the characteristics of long-term contracts, which can be exposed to insurance risk that may arise due to an increase in actual claim payments than the risk rate determined at the time of development of the product and interest rate risk that may arise due to differences in interest rates and maturities between insurance liabilities and asset management.

The purpose of the Shinhan Life Insurance Co., Ltd's risk management is to generate long-term stable growth and profits by proactively preventing and systematically managing the various risks that may arise in the course of management activities, reflecting these uncertain financial environments and the characteristics of life insurance products with long-term attributes.

Shinhan Life Insurance Co., Ltd divides insurance risks arising from life insurance contracts into six sub-risks: death risk, longevity risk, disability/disease risk, cancellation risk, operating expense risk, and catastrophe risk. The risk amount for each sub-risk is measured on assets and liabilities that may directly or indirectly cause loss to Shinhan Life Insurance Co., Ltd in the event of changes in actuarial assumptions, and is calculated based on the net asset value through the shock scenario method or risk coefficient method for each sub-risk.

The shock scenario method, one of the insurance risk measurement methods, is a method of calculating the amount of change in net asset value when applying a scenario in which the basic assumptions used for market valuation of assets or liabilities change. On the other hand, the risk coefficient method is a method that calculates the amount by multiplying a specific exposure by a specified risk coefficient, and is suitable for risk amounts that have short maturity or do not have large changes in net asset value during market valuation. In addition, Shinhan Life Insurance Co., Ltd calculates the life insurance risk amount considering the diversification effect by adding the risk amount calculated for each sub-risk, reflecting the correlation coefficient between the sub-risks.

ii -2) Insurance risk management organization and management method

Shinhan Life Insurance Co., Ltd measures the statutory minimum level of capital based on the life insurance risk amount and manages it within the allowable range. For this purpose, Shinhan Life Insurance Co., Ltd establishes basic principles of risk management and establishes and implements regulations and management systems to implement them. In addition, the Group supports decision-making related to various risks through the Risk Management Committee and risk management organization, 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 size, set acceptable limits, monitor them regularly to report to management, and efficiently control and manage risks in case they exceed their limits.

Management methods by risk type are as follows:

① Insurance risk management

Shinhan Life Insurance Co., Ltd. develops insurance products with proper profitability by setting the profitability guidelines from the time of product development, establishes and operates the acceptance policy to prevent reverse selection, running the claim-screening policy to make claim payments.

6. Insurance Risk (continued)

② Interest rate risk management

Shinhan Life Insurance Co., Ltd. is establishes a guideline and consider the market interest rate and asset management return rate to determine the published interest rate and expected interest rate within the guidelines. Shinhan Life Insurance Co., Ltd. also establishes the asset management strategy considering the interest rate level and maturity of liabilities; establishes a long-term target portfolio by comprehensively considering the risk level and rate of return of operating assets after analyzing the properties of long-term insurance liabilities, and sets a viable portfolio as a guideline every year to allocate and manage assets.

③ Liquidity risk management

Shinhan Life Insurance Co., Ltd. reviews and manages the amount of claims paid insurance and liquid assets periodically.

iii) Korean Insurance Capital Standard(K-ICS)

K-ICS is an equity capital system that precisely evaluates risk and financial soundness by evaluating the assets and liabilities of insurance companies to market so that they can be applied under the financial statements prepared in accordance with IFRS 17 on insurance contracts. To maintain consistency in mark-to-market valuation and ensure consistency with international capital regulations, the supervisory authorities introduced K-ICS based on mark-to-market valuation, which improves the quality of insurance companies' capital by calculating available and required capital in line with economic substance. This is a system designed to encourage improvement and strengthen risk management.

With the introduction of K-ICS, the supervisory authorities have established standards for preparing a financial position statement based on soundness supervision standards to separately calculate assets and liabilities that meet the purpose of supervision and at the same time substantially reflect the risks of insurance companies. In the K-ICS, the available capital, or solvency amount, is measured based on the basic capital and supplementary capital classified by the loss absorption capacity of the net asset amount in the statement of financial position based on soundness supervision standards evaluated at market price, and there are some restrictions on loss compensation. Supplementary capital, defined as having, can be reflected in the solvency amount up to 50% of the required capital. In addition, the required capital under the K-ICS, that is, the solvency standard amount, refers to the amount of potential losses that may occur in the insurance company over the next year. Specifically, the K-ICS divides the risks exposed due to insurance contract underwriting and asset management into five risks: life and long-term non-life insurance risk, general non-life insurance risk, market risk, credit risk, and operational risk. Under the 99.5% confidence level, the solvency standard amount is required to be measured by calculating the maximum loss that can occur over the next year using the shock scenario method.

Under the K-ICS, the risk-based capital ratio is calculated by dividing the solvency amount by the solvency standard amount. If the insurance company's solvency ratio is less than 100%, it indicates that the solvency standard amount measured by the potential loss amount cannot be covered with capital, which means that the insurance company's capital soundness has become poor, and the supervisory authority must comply with the Insurance Business Supervision Regulations. Accordingly, insurance companies with a solvency ratio of less than 100% are required to take timely corrective actions such as management improvement recommendations, management improvement requests, or management improvement orders. As such, the new solvency system is a system in which the supervisory authorities seek to protect policyholders by supervising the capital adequacy and risk management capabilities of insurance companies.

6. Insurance Risk (continued)

iv) Financial risks related to insurance contracts

Investment contracts that include insurance contracts and discretionary participation feature may be exposed to financial risks although it is an insurance liability, and the form of exposure is as follows:

① Credit risk

Credit risk refers to the risk of loss resulting from the borrower's failure to repay a loan or meet contractual obligations. Shinhan Life Insurance Co., Ltd.'s reinsurance assets are exposed to credit risk as assets that may incur losses if the reinsurer defaults at the time of receipt of the claims and receivables.

② Interest rate risk

Interest rate risk means the risk that arises when Shinhan Life Insurance Co., Ltd.'s financial position fluctuates unfavorably due to the effect of interest rates on assets and liabilities. Shinhan Life Insurance Co., Ltd. manages matched assets and liabilities for each portfolio to minimize the impact of mismatches between assets and liabilities caused by interest rate fluctuations, thus reducing the risk.

③ Liquidity risk

Liquidity risk refers to the risk that assets and liabilities are subject to inconsistency or failure to respond to unexpected cash outflows. Therefore, future cash outflows from investment contracts, including insurance liabilities which account for most of Shinhan Life Insurance Co., Ltd.'s liabilities and discretionary participation features, are factors used to determine the level of risk associated with Shinhan Life Insurance Co., Ltd.'s liquidity.

The purpose of Shinhan Life Insurance Co., Ltd.'s management of liquidity risk is to maintain sufficient liquidity to prepare for repayments arising from insurance contracts under normal circumstances or when market shocks occur. Shinhan Life Insurance Co., Ltd.'s main liquidity risk management methods are as follows:

- Regularly inspect and manage the amount of insurance payments and liquid assets
- Maintain and manage a portfolio comprised of assets that can be relatively easily liquidated in preparation for unexpected disruptions in financing.
- Monitoring liquidity ratios by running liquidity stress tests
- Establishment of asset liability management strategy considering insurance contract liability cash flow

④ Market risk

Market risk refers to the risk of loss arising when Shinhan Life Insurance Co., Ltd.'s financial position fluctuates unfavourably due to adverse price fluctuations such as stock prices and exchange rates. Shinhan Life Insurance Co., Ltd. carries out insurance contract transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Exposure to exchange rate fluctuations is managed through foreign exchange forward contracts and interest rate swaps between different currencies.

(In millions of won)

6. Insurance Risk (continued)

v) Concentration of Insurance Risk

① The concentration of insurance risks by region as of December 31, 2022 and 2023 are as follow:

	2022		
	Insurance Contract	Reinsurance Contract	Total
Domestic	₩36,002,250	181,799	36,184,049
International	1,528	—	1,528
	₩36,003,778	181,799	36,185,577

	2023		
	Insurance Contract	Reinsurance Contract	Total
Domestic	₩38,360,261	161,301	38,521,562
International	5,001	—	5,001
	₩38,365,262	161,301	38,526,563

② Market risk arising from insurance contracts

The amount of foreign currency insurance liabilities as of December 31, 2022 and 2023 are as follow:

	2022		2023	
	Foreign currency amount	KRW converted amount	Foreign currency amount	KRW converted amount
Foreign currency insurance contract liabilities:				
USD (thousand)	211,551	268,099	192,052	247,632
EUR (thousand)	105	141	124	177
VND (million)	28,455	1,528	94,010	5,001
		269,768		252,810

(In millions of won)

6. Insurance Risk (continued)

vi) Sensitivity to Insurance Risk

The impact of changes in major assumptions on insurance contract liabilities (assets) as of December 31, 2022 and 2023 are as follow:

2022

	Scenario (example)	Present value of expected cash flows: Before reflecting reinsurance effect	Present value of expected cash flows: After reflecting reinsurance effect
Base BEL		₩33,055,694	33,341,709
Sensitivity Results (Shock BEL - Base BEL)	Mortality rate increased by 3.27%	126,983	123,821
	Mortality rate decreased by 4.58%	25,181	25,016
	Risk of intestinal diseases (flat compensation) increased by 3.4%	581,288	552,636
	Cancellation rate increased by 9.16%	801,927	778,017
	Operating expense rate increased by 2.62% and Inflation rate increased by 0.26%p	155,945	155,945

2023

	Scenario (example)	Present value of expected cash flows: Before reflecting reinsurance effect	Present value of expected cash flows: After reflecting reinsurance effect
Base BEL		₩35,404,236	35,676,176
Sensitivity Results (Shock BEL - Base BEL)	Mortality rate increased by 3.27%	138,527	135,137
	Mortality rate decreased by 4.58%	29,693	27,888
	Risk of intestinal diseases (flat compensation) increased by 3.4%	599,816	563,325
	Cancellation rate increased by 9.16%	767,996	742,853
	Operating expense rate increased by 2.62% and Inflation rate increased by 0.26%p	162,860	162,860

vii) Credit risk arising from insurance contracts

The amount of the reinsurance contracts held, which is an asset according to risk level, as of December 31, 2022 and 2023 are as follow:

	2022		2023	
	Reinsurance residual coverage assets	Reinsurance incident assets	Reinsurance residual coverage assets	Reinsurance incident assets
AA+ ~ AA-	₩20,909	5,461	38,207	5,204

(In millions of won)

6. Insurance Risk (continued)

viii) Interest rate risk arising from insurance contracts

The impact of exposure to interest rate risk and interest rate changes on profit and loss and capital as of December 31, 2022 and 2023 are as follow:

① Interest rate risk exposure

	2022	2023
Exposure to financial products measured at fair value (*1)	₩44,054,707	46,683,984
Insurance contract exposure (*2)	34,441,623	36,763,725
Net exposure (financial products - insurance contracts)	₩ 9,613,084	9,920,259

(*1) It is the total amount of financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and derivative assets (liabilities).
(*2) It is the total amount excluding the contractual service margin from the remaining coverage elements of insurance contract liabilities and reinsurance contract assets (liabilities).

② Interest rate risk sensitivity

	2022		2023	
	Profit and loss effect	Capital effect	Profit and loss effect	Capital effect
100 bp Increase				
Insurance contract (*1)	₩ —	2,744,382	—	3,412,769
Reinsurance contract (*1)	—	19,258	—	15,543
Financial assets (*2)	(42,894)	(3,662,687)	(37,574)	(4,258,875)
100 bp Decrease				
Insurance contract (*1)	₩ —	(3,533,390)	—	(4,382,646)
Reinsurance contract (*1)	—	(22,266)	—	(17,723)
Financial assets (*2)	42,894	3,662,687	37,574	4,258,875

(*1) This is the impact on capital (before tax) due to changes in expected cash flows of insurance and reinsurance contracts, excluding variable annuities/savings.
(*2) Calculated for assets related to insurance contracts excluding variable annuities/savings. The profit and loss effect is the change in financial assets recognized at fair value through profit or loss, and the capital effect is the change in financial assets measured at fair value through other comprehensive income.

(In millions of won)

6. Insurance Risk (continued)

ix) Liquidity risk arising from insurance contracts

The maturity amount of undiscounted remaining contractual cash flows as of December 31, 2022 and 2023 are as follow. This amount does not include matters relating to remaining coverage liabilities (insurance contracts and reinsurance contracts) measured under the premium allocation approach.

	2022						
	Less than or equal to 1 year	1 ~ 2 years	2 ~ 3 years	3 ~ 4 years	4 ~ 5 years	More than 5 years	Total
Insurance contract							
General insurance:							
Cash Inflow	₩ 5,141,410	4,407,978	3,801,169	3,366,573	3,020,929	43,604,298	63,342,357
Cash Outflow	(5,813,798)	(4,776,599)	(4,596,433)	(4,019,170)	(4,022,887)	(128,609,565)	(151,838,452)
	(672,388)	(368,621)	(795,264)	(652,597)	(1,001,958)	(85,005,267)	(88,496,095)
Variable insurance:							
Cash Inflow	695,405	568,606	474,576	404,462	342,486	2,714,283	5,199,818
Cash Outflow	(955,446)	(865,504)	(787,418)	(739,126)	(679,610)	(10,192,545)	(14,219,649)
	(260,041)	(296,898)	(312,842)	(334,664)	(337,124)	(7,478,262)	(9,019,831)
	(932,429)	(665,519)	(1,108,106)	(987,261)	(1,339,082)	(92,483,529)	(97,515,926)
Reinsurance contract							
Cash Inflow	209,601	210,135	211,431	212,533	213,221	7,427,708	8,484,629
Cash Outflow	(230,689)	(230,889)	(231,351)	(232,019)	(231,403)	(7,769,737)	(8,926,088)
	(21,088)	(20,754)	(19,920)	(19,486)	(18,182)	(342,029)	(441,459)
Total (including variable insurance)	₩ (953,517)	(686,273)	(1,128,026)	(1,006,747)	(1,357,264)	(92,825,558)	(97,957,385)
Total (excluding variable insurance)	(693,476)	(389,375)	(815,184)	(672,083)	(1,020,140)	(85,347,296)	(88,937,554)

(In millions of won)

6. Insurance Risk (continued)

	2023						
	Less than or equal to 1 year	1 ~ 2 years	2 ~ 3 years	3 ~ 4 years	4 ~ 5 years	More than 5 years	Total
Insurance contract							
General insurance:							
Cash Inflow	₩ 5,120,022	4,408,374	3,892,580	3,500,316	3,073,794	51,775,416	71,770,502
Cash Outflow	(5,509,719)	(4,969,773)	(4,263,071)	(4,356,801)	(4,235,246)	(132,831,760)	(156,166,370)
	(389,697)	(561,399)	(370,491)	(856,485)	(1,161,452)	(81,056,344)	(84,395,868)
Variable insurance:							
Cash Inflow	582,036	485,566	412,870	350,176	297,209	3,160,998	5,288,855
Cash Outflow	(943,282)	(836,548)	(764,049)	(711,324)	(641,963)	(10,096,136)	(13,993,302)
	(361,246)	(350,982)	(351,179)	(361,148)	(344,754)	(6,935,138)	(8,704,447)
	(750,943)	(912,381)	(721,670)	(1,217,633)	(1,506,206)	(87,991,482)	(93,100,315)
Reinsurance contract							
Cash Inflow	203,944	204,852	204,904	204,760	205,383	7,421,755	8,445,598
Cash Outflow	(225,690)	(225,630)	(224,694)	(222,873)	(221,054)	(7,686,228)	(8,806,169)
	(21,746)	(20,778)	(19,790)	(18,113)	(15,671)	(264,473)	(360,571)
Total (including variable insurance)	₩ (772,689)	(933,159)	(741,460)	(1,235,746)	(1,521,877)	(88,255,955)	(93,460,886)
Total (excluding variable insurance)	(411,443)	(582,177)	(390,281)	(874,598)	(1,177,123)	(81,320,817)	(84,756,439)

As of December 31, 2022 and 2023, the amount to be paid upon request by the contractor of insurance contracts issued by Shinhan Life Insurance Co., Ltd. is ₩ 52,379,537 million and ₩ 52,560,005 million.

(b) Overview of the insurance risk – Shinhan EZ General Insurance CO., Ltd.

i) Overview of insurance risks

Insurance risk is defined as the risk that arises in connection with the underwriting of insurance contracts and payment of claims, which are the unique tasks of an insurance company, and is managed by dividing it into long-term non-life insurance risk and general non-life insurance risk. Long-term non-life insurance risk refers to the risk of loss due to risk factors that may arise in a long-term non-life insurance contract and is divided and measured into death risk, longevity risk, disability/disease risk, property/other risk, operating expense risk, project cost risk, and catastrophe risk. General non-life insurance risk refers to the risk of loss due to risk factors that may arise in general non-life insurance contracts, and is measured by dividing it into insurance price risk, reserve risk, and catastrophe risk.

① Long-term non-life insurance risk

Mortality risk and longevity risk refer to the risk of unexpected losses related to the death of the policyholder, and are measured by the risk of a decrease in net asset value due to changes in the mortality level. Disability/disease risk is the risk of unexpected losses related to the policyholder's disability or disease, and is measured as the risk of a decrease in net asset value due to changes in the risk level of disability/disease coverage. Property and other risks are the risk of unexpected losses related to property, costs, compensation, and other collateral, and are measured as the risk of a decrease in net asset value due to

6. Insurance Risk (continued)

changes in the risk level of property, costs, compensation, and other collateral. Cancellation risk refers to the risk of unexpected losses due to the policyholder's exercise of options, such as contract termination or early withdrawal, and is measured by the risk of a decrease in net asset value due to changes in the policyholder's option exercise rate or group termination of policyholders. Operating expense risk includes the risk arising from changes in spending due to inflation and the level of future costs related to insurance contract costs. Costs related to insurance contracts include all cost items except allowances. Catastrophe risk refers to the risk of potential loss due to extreme or exceptional risks (e.g. epidemic disease, major accident, etc.) that are not considered in the risk of death.

② General non-life insurance risk

Insurance price risk refers to the risk resulting from uncertainty related to the timing, frequency, and severity of future insured events. Reserve risk refers to the risk that the reserve liability accumulated to pay insurance claims for insurance events that have occurred in the relevant contract will not cover the insurance claims to be paid in the future. Catastrophe risk refers to the risk of potential loss due to extreme or exceptional risks (natural disasters, major accidents, major guarantees, etc.) that are not considered in insurance prices and reserve risks.

ii) Measurement and management of insurance risk

① Measurement of insurance risk

Shinhan EZ General Insurance Co., Ltd. measures general and long-term insurance risks through the solvency amount and the statutory solvency amount calculation criteria of Enforcement Rules of the Insurance Business Supervisory Regulations and operates related risk management policies.

② Insurance risk management organization and management method

Shinhan EZ General Insurance Co., Ltd. determines an insurance risk permissible limit every year, monitors compliance with the limit, and executes in accordance with predetermined countermeasures when the insurance risk exceeds the limit. In addition, underwriting guidelines, retention, and reinsurance strategies are established and operated so that risks can be retained at an appropriate level for each type of insurance.

③ Insurance payment progress

When estimating occurrences of accidents, Shinhan EZ General Insurance Co., Ltd. considers that the probability of occurrence and scale of occurrence of future experience may be more unfavorable than the assumptions reflected in risk adjustment. In general, uncertainty related to insurance claims and costs due to an insured event is greatest when the accident is in its early stages, and as the year of the accident progresses, the uncertainty of the final claims and costs decreases.

④ Sensitivity to insurance risk

Shinhan EZ General Insurance Co., Ltd. manages insurance risks through sensitivity analysis based on cancellation rates, loss ratios, and operating expense rates that are judged to have a significant impact on the amount, timing, and uncertainty of the insurer's future cash flows.

⑤ Liquidity risk arising from insurance contracts

Liquidity risk arising from insurance contracts may result in the inability to respond to payment demands due to inconsistencies in the operation of funds and the procurement period and amount, or incur losses due to the procurement of high-interest funds or unfavorable sales of held assets to resolve fund shortages. It means there is a risk. Shinhan EZ General Insurance Co., Ltd. monitors liquidity ratios to manage liquidity risk.

(In millions of won)

6. Insurance Risk (continued)

⑥ Credit risk arising from insurance contracts

Credit risk arising from an insurance contract refers to the possibility of economic loss that may occur if the reinsurer, the counterparty to the transaction, is unable to fulfil its obligations specified in the contract due to default or deterioration of credit rating. Shinhan EZ General Insurance Co., Ltd. Transacts as a reinsurer with high-quality insurance companies that have been given a rating of BBB- or higher by S&P or an equivalent rating through strict internal review.

⑦ Interest rate risk arising from insurance contracts

Interest rate risk exposed to Shinhan EZ General Insurance Co., Ltd.'s insurance contracts is the risk of unexpected losses arising from changes in net interest income or net asset value depending on changes in interest rates. The consolidated entity manages this to minimize unexpected losses arising from interest rate changes.

7. Investment in subsidiaries

(a) The summarized financial information of the controlling company and the Group's major subsidiaries as of December 31, 2022 and 2023 is as follows:

	2022			2023		
Investees (*1)(*2)	**Asset balance**	**Liability balance**	**Equity balance**	**Asset balance**	**Liability balance**	**Equity balance**
Shinhan Financial Group (separate)	₩ 37,456,314	10,779,765	26,676,549	37,289,554	11,190,413	26,099,141
Shinhan Bank	491,981,392	460,814,132	31,167,260	508,497,276	474,966,063	33,531,213
Shinhan Card Co., Ltd.	43,050,321	35,591,567	7,458,754	43,420,162	35,365,175	8,054,987
Shinhan Securities Co., Ltd.	43,821,578	38,479,027	5,342,551	52,497,500	47,131,211	5,366,289
Shinhan Life Insurance Co., Ltd.	56,501,131	48,380,592	8,120,539	58,641,345	50,218,211	8,423,134
Shinhan Capital Co., Ltd.	13,035,892	11,048,996	1,986,896	13,018,880	10,791,281	2,227,599
Jeju Bank	7,320,304	6,798,450	521,854	7,162,714	6,626,863	535,851
Shinhan Asset Management Co., Ltd.	319,511	88,519	230,992	409,246	134,030	275,216
SHC Management Co., Ltd.	9,746	—	9,746	10,051	—	10,051
Shinhan DS	107,366	59,833	47,533	137,141	85,417	51,724
Shinhan Savings Bank	3,043,506	2,723,713	319,793	3,046,110	2,696,597	349,513
Shinhan Asset Trust Co., Ltd.	435,815	110,981	324,834	463,445	85,555	377,890
Shinhan Fund Partners Co., Ltd (*3)	94,725	10,147	84,578	110,849	20,136	90,713
Shinhan REITs Management Co., Ltd.	58,610	5,559	53,051	72,018	9,522	62,496
Shinhan AI Co., Ltd.	41,431	2,264	39,167	35,674	940	34,734
Shinhan Venture Investment Co., Ltd.	140,310	63,309	77,001	171,783	90,515	81,268
Shinhan EZ General Insurance Co., Ltd.	220,808	84,190	136,618	261,204	131,875	129,329

(*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 AITAS Co., Ltd. has changed its name to Shinhan Fund Partners Co., Ltd. on April 3, 2023.

(In millions of won)

7. 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, 2022 and 2023 are as follows:

	2021			2022			2023		
Investees (*1)(*2)	**Operating Revenue**	**Net Income (*3)**	**Comprehensive Income (*3)**	**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	1,806,604	1,249,251	1,251,294	2,160,092	1,671,011	1,669,579
Shinhan Bank	23,540,347	2,494,894	2,396,829	35,514,460	3,045,732	2,394,238	37,459,678	3,067,991	3,707,829
Shinhan Card Co., Ltd.	4,359,627	676,297	710,090	4,761,181	644,555	671,113	5,378,610	621,908	583,014
Shinhan Securities Co., Ltd.	7,592,350	320,662	366,000	10,548,842	412,339	427,451	9,947,400	100,840	128,378
Shinhan Life Insurance Co., Ltd.	7,079,569	174,811	(162,161)	6,377,305	449,392	(143,049)	6,451,715	472,395	475,656
Orange Life Insurance Co., Ltd.	2,112,353	216,826	(96,157)	—	—	—	—	—	—
Shinhan Capital Co., Ltd.	783,890	274,855	275,760	922,592	303,276	307,988	1,204,941	304,024	298,609
Jeju Bank	204,543	18,446	11,739	275,582	22,820	11,657	371,210	5,101	20,189
Shinhan Credit Information Co., Ltd. (*4)	42,417	1,936	2,079	20,705	1,029	1,450	—	—	—
Shinhan Alternative Investment Management Inc.	28,010	9,163	9,163	—	—	—	—	—	—
Shinhan Asset Management Co., Ltd.	107,598	32,152	32,066	174,242	37,064	36,892	171,145	51,272	51,225
SHC Management Co., Ltd.	—	(7)	(7)	—	110	110	—	305	305
Shinhan DS	244,445	4,100	5,653	279,453	6,835	7,739	322,895	7,954	4,191
Shinhan Savings Bank	163,643	30,310	30,037	241,013	38,384	37,884	273,630	29,943	29,724
Shinhan Asset Trust Co., Ltd.	144,971	75,823	75,972	152,563	73,654	74,236	148,980	53,430	53,055
Shinhan Fund Partners Co., Ltd. (*5)	53,005	9,816	9,816	55,270	9,500	9,500	62,674	12,193	12,193
Shinhan REITs Management Co., Ltd.	16,440	8,481	8,469	11,433	540	609	21,512	9,485	9,446
Shinhan AI Co., Ltd.	12,106	478	455	10,668	(2,217)	(2,301)	8,727	(4,596)	(4,432)
Shinhan Venture Investment Co., Ltd.	32,134	15,929	15,750	19,839	1,526	1,418	28,209	4,441	4,266
Shinhan EZ General Insurance Co., Ltd. (*6)	—	—	—	10,228	(5,438)	(5,062)	43,747	(7,778)	(7,289)

(*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) On July 28, 2022, the Company disposed 100% of shares to Shinhan Card Co., Ltd. The amount as of December 31, 2022 is revenue, net income (loss) and total comprehensive income before the disposal of Shinhan Card Co., Ltd.
(*5) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners Co., Ltd. on April 3, 2023.
(*6) For the acquired company, the amount is from the consolidated statements of comprehensive income for the period after the acquisition point.

7. Investment in subsidiaries (continued)

(c) Change in the scope of consolidation

Change in consolidated subsidiaries for the years ended December 31, 2021 and 2022 are as follows:

	2021	
	Company	**Description**
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.

	2022	
	Company	**Description**
Included	Shinhan EZ General Insurance Co., Ltd.	Newly acquired subsidiary
Excluded	Shinhan Alternative Investment Management Inc.	Extinguished due to merger with Shinhan Asset Management 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.

8. Operating segments

(a) Segment information

The general descriptions by operating segments as of December 31, 2023 are as follows:

Segment	Description
Banking	Credit to customers, lending to and receiving deposits from customers, and its accompanying work
Credit card	Sales of credit cards, cash services, card loan services, installment financing, lease and its accompanying work
Securities	Securities trading, consignment trading, underwriting and its accompanying work
Insurance (*)	Life insurance business, Non-Life insurance business and its accompanying work
Credit	Facility rental, new technology business financing, others and its 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

(*) Until the previous year, the Group had disclosed related information using the life insurance sales segment as a reporting segment. However, as the internal reporting method for the chief operating decision maker was changed to the insurance industry standard, from the current period, the life insurance and non-life insurance sales segment has been disclosed. The segments are integrated and redefined as the insurance segment and announced. Accordingly, the reporting segment information for the previous year was restated.

(In millions of won)

8. Operating segments (continued)

(b) The following tables provide information of income and expense for each operating segment for the years ended December 31, 2021, 2022 and 2023:

	2021							
	Banking	Credit card	Securities	Life insurance	Credit	Others	Consolidation adjustment	Total
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 (expense)	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

	2022							
	Banking	Credit card	Securities	Insurance	Credit	Others	Consolidation adjustment	Total
Net interest income	₩ 8,358,526	1,798,005	428,420	(124,453)	260,011	153,214	(276,870)	10,596,853
Net fees and commission income	801,109	702,392	484,632	(4,348)	30,587	398,854	316	2,413,542
Reversal of (provision for) allowance for credit loss	(621,690)	(560,264)	546	(16,459)	(19,803)	(72,857)	(1,286)	(1,291,813)
General and administrative expenses	(3,761,767)	(777,496)	(690,539)	(166,255)	(80,320)	(390,419)	222,636	(5,644,160)
Other income (expense), net	(715,837)	(283,011)	(102,084)	850,708	158,560	84,214	(161,408)	(168,858)
Operating income (expense)	4,060,341	879,626	120,975	539,193	349,035	173,006	(216,612)	5,905,564
Equity method income (loss)	22,301	7,115	70,270	4,221	54,937	(735)	(36,412)	121,697
Income tax expense	1,030,445	227,769	145,301	83,514	98,468	35,006	(9,391)	1,611,112
Profit for the year	₩ 2,974,716	738,391	412,339	439,850	303,275	142,872	(255,929)	4,755,514
Controlling interest	₩ 2,973,996	735,204	412,496	439,850	303,275	142,872	(342,050)	4,665,643
Non-controlling interests	720	3,187	(157)	—	—	—	86,121	89,871

(In millions of won)

8. Operating segments (continued)

	2023							
	Banking	**Credit card**	**Securities**	**Insurance**	**Credit**	**Others**	**Consolidation adjustment**	**Total**
Net interest income	₩ 8,548,138	1,895,298	443,676	(198,785)	248,804	125,238	(244,447)	10,817,922
Net fees and commission income	748,044	968,665	500,441	(3,210)	17,463	391,122	24,681	2,647,206
Provision for allowance for credit loss	(914,848)	(883,956)	(152,146)	(16,116)	(177,912)	(99,203)	(322)	(2,244,503)
General and administrative expenses	(3,876,485)	(778,564)	(720,835)	(218,820)	(80,106)	(403,395)	182,868	(5,895,337)
Other income (expense), net	(495,331)	(267,959)	181,927	1,087,789	335,205	327,511	(393,580)	775,562
Operating income (expense)	4,009,518	933,484	253,063	650,858	343,454	341,273	(430,800)	6,100,850
Equity method income (loss)	8,556	(2,831)	93	(302)	66,918	664	51,990	125,088
Income tax expense	936,472	218,332	36,239	167,417	89,849	81,695	(43,044)	1,486,960
Profit for the year	₩ 2,969,829	725,171	100,840	464,617	304,024	243,928	(330,409)	4,478,000
Controlling interest	₩ 2,969,519	723,845	100,915	464,617	304,024	243,928	(438,813)	4,368,035
Non-controlling interests	310	1,326	(75)	—	—	—	108,404	109,965

(c) Interest gains and losses from segment external customers and cross-sector interest gains and losses for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021							
	Banking	**Credit card**	**Securities**	**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	—
	₩ 6,738,165	1,799,153	517,296	1,620,266	231,679	68,991	(206,225)	10,769,325

	2022							
	Banking	**Credit card**	**Securities**	**Insurance**	**Credit**	**Others**	**Consolidation adjustment (*)**	**Total**
Net interest income from:								
External customers (*)	₩ 8,366,892	1,857,351	442,554	(127,840)	269,230	71,561	(282,895)	10,596,853
Internal transactions	(8,366)	(59,346)	(14,134)	3,387	(9,219)	81,653	6,025	—
	₩ 8,358,526	1,798,005	428,420	(124,453)	260,011	153,214	(276,870)	10,596,853

	2023							
	Banking	**Credit card**	**Securities**	**Insurance**	**Credit**	**Others**	**Consolidation adjustment (*)**	**Total**
Net interest income from:								
External customers (*)	₩ 8,557,545	1,961,035	449,835	(208,812)	265,943	36,700	(244,324)	10,817,922
Internal transactions	(9,407)	(65,737)	(6,159)	10,027	(17,139)	88,538	(123)	—
	₩ 8,548,138	1,895,298	443,676	(198,785)	248,804	125,238	(244,447)	10,817,922

(*) 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.

(In millions of won)

8. 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, 2022 and 2023 are as follows:

2021	Banking	Credit card	Securities	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	—
	₩818,426	634,716	601,793	170,781	28,812	415,212	5,257	2,674,997

2022	Banking	Credit card	Securities	Insurance	Credit	Others	Consolidation adjustment	Total
Net fees and commission income from:								
External customers	₩844,894	734,900	494,829	8,648	26,737	303,534	—	2,413,542
Internal transactions	(43,785)	(32,508)	(10,197)	(12,996)	3,850	95,320	316	—
	₩801,109	702,392	484,632	(4,348)	30,587	398,854	316	2,413,542

2023	Banking	Credit card	Securities	Insurance	Credit	Others	Consolidation adjustment	Total
Net fees and commission income from:								
External customers	₩794,021	1,019,262	507,109	2,151	14,917	309,746	—	2,647,206
Internal transactions	(45,977)	(50,597)	(6,668)	(5,361)	2,546	81,376	24,681	—
	₩748,044	968,665	500,441	(3,210)	17,463	391,122	24,681	2,647,206

(In millions of won)

8. 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, 2022 and 2023.

	2021	2022	2023
Domestic	₩5,404,278	5,064,891	5,088,487
Overseas	547,818	840,673	1,012,363
	₩5,952,096	5,905,564	6,100,850

The following table provides information of non-current assets by geographical area as of December 31, 2022 and 2023.

	2022	2023
Domestic	₩ 9,825,529	10,142,257
Overseas	356,512	305,799
	₩10,182,041	10,448,056

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

(In millions of won)

9. Cash and due from banks at amortized cost

(a) Cash and due from banks at amortized cost as of December 31, 2022 and 2023 are as follows:

	2022	2023
Cash	₩ 2,304,480	2,173,550
	2,304,480	2,173,550
Deposits denominated in Korean won:		
Reserve deposits	8,647,429	10,909,697
Time deposits	2,275,832	1,450,123
Certificate of deposit	—	14,446
Other	2,975,453	3,042,525
	13,898,714	15,416,791
Deposits denominated in foreign currency:		
Deposits	8,516,315	12,117,199
Time deposits	3,153,208	3,000,279
Other	2,197,326	1,942,571
	13,866,849	17,060,049
Allowance for credit losses	(19,203)	(21,139)
	₩30,050,840	34,629,251

(b) Restricted due from banks in accordance with Related Regulation or Acts as of December 31, 2022 and 2023 are as follows:

	2022	2023	Related Regulations or Acts
Deposits denominated in Korean won:			
Reserve deposits	₩ 8,647,429	10,909,697	Article 55 of the Bank of Korea Act
Other	2,216,899	1,633,297	Article 74 of the Capital Markets and Financial Investment Business Act, etc.
	10,864,328	12,542,994	
Deposits denominated in foreign currency	2,975,849	7,148,169	Articles of the Bank of Korea Act, New York State Banking Act, derivatives related, etc.
	₩13,840,177	19,691,163	

(In millions of won)

10. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as of December 31, 2022 and 2023 are as follows:

	2022	2023
Debt instruments:		
Governments	₩ 5,961,610	6,392,302
Financial institutions	11,788,689	12,590,217
Corporations	7,826,772	10,949,245
Stocks with put option	359,795	651,045
Equity investment with put option	3,185,222	5,019,107
Beneficiary certificates	13,782,117	14,489,698
Commercial papers	4,939,927	8,631,502
CMA	3,850,613	3,473,984
Others (*)	3,464,559	3,274,992
	55,159,304	65,472,092
Equity instruments:		
Stocks	3,739,343	3,732,637
Equity investment	38,515	8,093
Others	79,854	110,731
	3,857,712	3,851,461
	₩59,017,016	69,323,553
Other:		
Loans at FVTPL	₩ 2,389,180	1,758,562
Due from banks at fair value	26,116	30,743
Gold/silver deposits	75,969	103,706
	₩61,508,281	71,216,564

(*) As of December 31, 2022 and 2023, restricted reserve for claims of customers' deposits (trusts) are ₩1,705,724 million and ₩ 1,841,473 million, respectively.

(In millions of won)

11. Derivatives

(a) The notional amounts of derivatives outstanding as of December 31, 2022 and 2023 are as follows:

	2022	2023
Foreign currency related:		
Over the counter:		
Currency forwards	₩129,544,881	142,779,721
Currency swaps	40,539,223	45,159,344
Currency options	1,327,752	1,265,326
	171,411,856	189,204,391
Exchange traded:		
Currency futures	1,325,660	2,189,413
	172,737,516	191,393,804
Interest rates related:		
Over the counter:		
Interest rate forwards and swaps	37,170,647	41,950,711
Interest rate options	226,924	516,577
	37,397,571	42,467,288
Exchange traded:		
Interest rate futures	2,924,135	3,943,763
Interest rate swaps (*)	94,803,271	94,186,140
	97,727,406	98,129,903
	135,124,977	140,597,191
Credit related:		
Over the counter:		
Credit swaps	5,155,334	4,178,441
Equity related:		
Over the counter:		
Equity swaps and forwards	4,008,263	4,100,836
Equity options	878,122	3,552,337
	4,886,385	7,653,173
Exchange traded:		
Equity futures	3,317,515	2,764,186
Equity options	1,444,098	240,603
	4,761,613	3,004,789
	9,647,998	10,657,962
Commodity related:		
Over the counter:		
Commodity swaps and forwards	898,332	1,034,225
Commodity options	8,000	8,000
	906,332	1,042,225
Exchange traded:		
Commodity futures and options	75,770	93,004
	982,102	1,135,229

(In millions of won)

11. Derivatives (continued)

	2022	2023
Hedge:		
Currency forwards	1,249,589	2,142,233
Currency swaps	4,677,553	4,448,030
Interest rate forwards and swaps	16,475,525	12,469,580
	22,402,667	19,059,843
	₩346,050,594	367,022,470

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

(b) Fair values of derivative instruments as of December 31, 2022 and 2023 are as follows:

	2022		2023	
	Assets	Liabilities	Assets	Liabilities
Foreign currency related:				
Over the counter:				
Currency forwards	₩3,089,759	2,838,793	1,558,662	1,402,185
Currency swaps	1,625,286	1,807,229	1,431,614	1,206,156
Currency options	14,776	13,603	13,128	13,065
	4,729,821	4,659,625	3,003,404	2,621,406
Exchange traded:				
Currency futures	19	928	30	1,102
	4,729,840	4,660,553	3,003,434	2,622,508
Interest rates related:				
Over the counter:				
Interest rate forwards and swaps	772,513	1,062,772	683,814	902,989
Interest rate options	5,169	1,983	4,011	17,038
	777,682	1,064,755	687,825	920,027
Exchange traded:				
Interest rate futures	2,555	972	2,253	11,757
	780,237	1,065,727	690,078	931,784
Credit related:				
Over the counter:				
Credit swaps	423,966	19,235	473,582	10,366
Equity related:				
Over the counter:				
Equity swap and forwards	169,504	393,810	166,010	350,768
Equity options	2,704	1,139	7,137	165,834
	172,208	394,949	173,147	516,602
Exchange traded:				
Equity futures	31,051	101,622	66,356	16,346
Equity options	11,414	145,895	47,167	16,735
	42,465	247,517	113,523	33,081
	214,673	642,466	286,670	549,683

(In millions of won)

11. Derivatives (continued)

	2022 Assets	2022 Liabilities	2023 Assets	2023 Liabilities
Commodity related:				
Over the counter:				
Commodity swaps and forwards	10,983	136,701	3,314	84,957
Commodity options	—	1,517	—	—
	10,983	138,218	3,314	84,957
Exchange traded:				
Commodity futures and options	2,649	589	2,122	638
	13,632	138,807	5,436	85,595
Hedge:				
Currency forwards	23,143	37,757	21,580	34,492
Currency swaps	158,297	75,070	111,024	99,093
Interest rate forwards and swaps	116,864	1,069,000	119,617	704,895
	298,304	1,181,827	252,221	838,480
	₩6,460,652	7,708,615	4,711,421	5,038,416

(c) Gain or loss on valuation of derivatives for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Foreign currency related:			
Over the counter			
Currency forwards	₩ 268,310	44,245	36,890
Currency swaps	(201,500)	(144,318)	135,712
Currency options	2,007	4,247	1,355
	68,817	(95,826)	173,957
Exchange traded			
Currency futures	(199)	17,972	(955)
	68,618	(77,854)	173,002
Interest rates related:			
Over the counter			
Interest rate forwards and swaps	(142,703)	(173,277)	181,987
Interest rate options	792	285	(2,886)
	(141,911)	(172,992)	179,101
Exchange traded			
Interest rate futures and others	(4)	1,026	(9,511)
	(141,915)	(171,966)	169,590
Credit related:			
Over the counter			
Credit swaps	192,729	(25,562)	53,042

(In millions of won)

11. Derivatives (continued)

	2021	2022	2023
Equity related:			
Over the counter			
Equity swap and forwards	(176,430)	(192,888)	(19,934)
Equity options	3,307	3,360	(159,324)
	(173,123)	(189,528)	(179,258)
Exchange traded			
Equity futures	(19,408)	(69,200)	50,009
Equity options	32,555	(27,932)	(13,929)
	13,147	(97,132)	36,080
	(159,976)	(286,660)	(143,178)
Commodity related:			
Over the counter			
Commodity swaps and forwards	(19,097)	(148,591)	37,027
Commodity options	(4,956)	5,840	1,516
	(24,053)	(142,751)	38,543
Exchange traded			
Commodity futures	469	2,058	1,484
	(23,584)	(140,693)	40,027
Hedge	(203,563)	(743,542)	327,016
	₩(267,691)	(1,446,277)	619,499

(d) Gains and losses related to hedge

i) Gains and losses on fair value hedged items and hedging instruments attributable to the hedged ineffectiveness for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021		
	Gains and losses on fair value hedges (hedged items)	**Gains and losses on fair value hedges (hedging instruments)**	**Hedge ineffectiveness recognized in profit or loss (*2)**
Fair value hedges:			
Interest rate risk (*1)	₩273,219	(281,649)	(8,430)
Foreign exchange risk (*1)	26,547	(32,829)	(6,282)
	₩299,766	(314,478)	(14,712)

	2022		
	Gains and losses on fair value hedges (hedged items)	**Gains and losses on fair value hedges (hedging instruments)**	**Hedge ineffectiveness recognized in profit or loss (*2)**
Fair value hedges:			
Interest rate risk (*1)	₩697,330	(728,397)	(31,067)
Foreign exchange risk (*1)	20,748	(22,056)	(1,308)
Stock price volatility risk	(4,762)	3,411	(1,351)
	₩713,316	(747,042)	(33,726)

(In millions of won)

11. Derivatives (continued)

	2023		
	Gains and losses on fair value hedges (hedged items)	Gains and losses on fair value hedges (hedging instruments)	Hedge ineffectiveness recognized in profit or loss (*2)
Fair value hedges:			
Interest rate risk (*1)	₩(271,425)	282,835	11,410
Foreign exchange risk (*1)	4,102	(5,264)	(1,162)
	₩(267,323)	277,571	10,248

(*1) The related account categories are presented as interest rate swap assets / liabilities and currency swap assets / liabilities.
(*2) The hedge ineffectiveness is the difference between gains and losses on hedged items and hedging instruments.

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:

	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)	—
	₩(44,594)	(66,931)	33,263

	2022		
	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)	₩ (132,203)	(47,854)	(65)
Foreign exchange risk (*1)	29,322	(54,969)	122,893
Discontinuation of cash flow hedges	—	—	9,270
Hedge of net investments:			
Foreign exchange risk (*1)	(25,793)	(4,096)	—
	₩(128,674)	(106,919)	132,098

(In millions of won)

11. Derivatives (continued)

	2023		
	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)	₩ 99,268	(512)	(1,760)
Foreign exchange risk (*1)	(10,294)	(7,069)	(25,698)
Discontinuation of cash flow hedges	(5,531)	—	14,659
Hedge of net investments:			
Foreign exchange risk (*1)	(3,903)	3,673	—
	₩ 79,540	(3,908)	(12,799)

(*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) The hedge ineffectiveness is the difference between gains and losses on hedged items and hedging instruments.

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

i) Hedging purpose and strategy

The Group transacts with derivative financial instruments to hedge its interest rate risk, currency risk and stock price fluctuation 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, foreign exchange rates and stock price of the Korean won structured notes, foreign currency generated financial debentures, Korean won structured deposits, foreign currency investment receivables and beneficiary securities in foreign currency; and cash flow hedge accounting for forward interest rate, interest rate swaps, forward currency and currency swaps to hedge cash flow risk due to interest rates and foreign exchange rates of the Korean won debt, foreign currency debt, foreign currency structured deposits, the Korean won bonds and 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, 2022 and 2023 are as follows:

	2022						
	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:	₩5,338,313	3,023,185	612,113	2,114,152	819,140	4,568,622	16,475,525
Average price condition (*1)	0.72%	0.82%	2.53%	1.52%	1.48%	0.68%	0.94%
Average hedge ratio:	100%	100%	100%	100%	100%	100%	100%
Exchange risk: (*2)							
Nominal values:	2,593,585	654,211	1,092,271	1,931,313	901,597	41,207	7,214,184
Average hedge ratio:	100%	100%	100%	100%	100%	—	100%

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

(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,195.32, JPY/KRW 10.13, EUR/KRW 1,336.97, GBP/KRW 1,484.42, AUD/KRW 812.44, CAD/KRW 948.79, SGD/KRW 859.87, CNY/KRW 190.96, SEK/KRW 125.49.

(In millions of won)

11. Derivatives (continued)

	2023						
	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:	₩3,038,263	609,182	2,143,914	804,873	1,935,599	3,937,749	12,469,580
Average price condition (*1)	0.82%	3.02%	1.64%	1.65%	1.37%	0.74%	1.18%
Average hedge ratio:	100%	100%	100%	100%	100%	100%	100%
Exchange risk: (*2)							
Nominal values:	1,871,327	1,335,798	2,139,371	974,113	1,687,341	49,109	8,057,059
Average hedge ratio:	100%	100%	100%	100%	100%	100%	100%

(*1) Interest rate swaps consist of 3M CD, USD SOFR, 3M Euribor, and 3M AUD Bond.
(*2) The average exchange rates of net investment hedge instruments are USD/KRW 1,235.14, JPY/KRW 9.46, EUR/KRW 1,358.46, GBP/KRW 1,547.81, AUD/KRW 865.53, CAD/KRW 921.27, CNY/KRW 177.98, SEK/KRW 126.18.

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

	2022			
	Nominal amount	Carrying amount of asset (*)	Carrying amount of liability (*)	Changes in fair value in the period
Fair value hedges				
Interest rate swap	₩13,530,243	77,757	895,005	(740,190)
Currency forward	113,126	4,038	635	1,780
Cash flow hedges				
Interest rate swap	2,945,282	39,107	173,995	(126,075)
Currency swap	4,677,553	158,297	75,070	117,401
Currency forward	883,003	15,708	35,976	(3,136)
Hedge of net investments in foreign operations				
Currency forward	253,460	3,397	1,146	(773)
Borrowings	1,287,039	—	1,282,361	(29,116)

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

(In millions of won)

11. Derivatives (continued)

	2023			
	Nominal amount	Carrying amount of asset (*)	Carrying amount of liability (*)	Changes in fair value in the period
Fair value hedges				
Interest rate forward and swap	₩10,112,789	65,787	614,219	246,594
Currency forward	308,117	2,949	791	(327)
Cash flow hedges				
Interest rate swap	2,356,791	53,830	90,676	99,442
Currency swap	4,448,030	111,024	99,093	(21,649)
Currency forward	1,150,734	12,593	30,925	2,170
Hedge of net investments in foreign operations				
Currency forward	683,382	6,038	2,776	4,537
Borrowings	1,466,795	—	1,462,329	(4,767)

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

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

	2022						
	Carrying amount of assets (*)	Carrying amount of liabilities (*)	Assets of Cumulative fair value hedge adjustment	Liabilities of Cumulative fair value hedge adjustment	Changes of fair value in the year	Cash flow hedge reserve	Foreign currency translation reserves
Fair value hedges							
Interest rate risk Borrowings and others	₩ 505,668	12,711,595	69,687	(861,128)	708,439	—	—
Foreign exchange risk Securities in foreign currency	205,470	—	—	—	(4,002)	—	—
Cash flow hedges							
Interest rate risk Debentures in won and debentures in foreign currency	475,027	1,689,360	—	—	31,830	(58,956)	—
Foreign exchange risk Debentures in foreign currency and loans in foreign currency	2,821,186	2,843,059	—	—	55,548	(12,232)	—
Hedge of net investments in foreign operations							
Foreign exchange risk Net assets in foreign operation	—	—	—	—	25,793	—	(40,834)

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

(In millions of won)

11. Derivatives (continued)

	2023						
	Carrying amount of assets (*)	**Carrying amount of liabilities (*)**	**Assets of Cumulative fair value hedge adjustment**	**Liabilities of Cumulative fair value hedge adjustment**	**Changes of fair value in the year**	**Cash flow hedge reserve**	**Foreign currency translation reserves**
Fair value hedges							
Interest rate risk Borrowings and others	₩ 685,340	9,224,390	41,643	(579,315)	(240,965)	—	—
Foreign exchange risk Securities in foreign currency	544,706	—	—	—	1,313	—	—
Cash flow hedges							
Interest rate risk Debentures in won and debentures in foreign currency	641,750	1,029,542	—	—	(11,068)	26,648	—
Foreign exchange risk Debentures in foreign currency and loans in foreign currency	2,490,098	2,342,230	—	—	69,784	(17,812)	—
Hedge of net investments in foreign operations							
Foreign exchange risk Net assets in foreign operation	—	—	—	—	3,903	—	(36,931)

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

(f) Hedge relationships affected by an interest rate index reform

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 index reform. The exception assumes that the interest rate indicators for the hedged item and hedging instruments do not change due to the effect of the interest rate index reform 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 KRW CD interest rate will be replaced by a KOFR (Korea Overnight Financing Repo Rate). The Group has assumed that in this hedging relationship, the spread changed on the basis of KOFR would be similar to the spread included in the interest rate swap and forward used as the hedging instrument after LIBOR rate is suspended. The Group does not assume any changes in other conditions.

(In millions of won)

12. 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, 2022 and 2023 are as follows:

	2022	2023
Securities at FVOCI:		
Debt securities:		
Government bonds	₩ 40,995,316	44,418,450
Financial institutions bonds	20,539,199	21,303,402
Corporate bonds and others	22,262,060	22,915,148
	83,796,575	88,637,000
Equity securities (*):		
Stocks	1,475,153	1,527,182
Equity investments	3,833	2,153
Others	193,600	145,644
	1,672,586	1,674,979
	85,469,161	90,311,979
Securities at amortized cost:		
Debt securities:		
Government bonds	21,523,230	22,787,609
Financial institutions bonds	5,423,771	5,864,626
Corporate bonds and others	6,424,197	7,034,252
	33,371,198	35,686,487
	₩118,840,359	125,998,466

(*) The Group designated the equity securities as securities at FVOCI as the regulation requires the Group to hold, etc.

(In millions of won)

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

(b) Changes in carrying amount of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2022 and 2023 are as follows:

	2022					
	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 balance	₩89,595,577	152,786	89,748,363	26,139,316	36,290	26,175,606
Transfer (from) to 12-month expected credit loss	61,740	(61,740)	—	18,544	(18,544)	—
Transfer (from) to life time expected credit loss	(23,619)	23,619	—	—	—	—
Net increase and decrease (*)	(5,929,126)	(47,467)	(5,976,593)	7,213,739	(7,231)	7,206,508
Business combination	24,805	—	24,805	—	—	—
Ending balance	₩83,729,377	67,198	83,796,575	33,371,599	10,515	33,382,114

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

	2023					
	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 balance	₩83,729,377	67,198	83,796,575	33,371,599	10,515	33,382,114
Transfer (from) to 12-month expected credit loss	18,873	(18,873)	—	—	—	—
Transfer (from) to life time expected credit loss	(47,209)	47,209	—	—	—	—
Net increase and decrease (*)	4,844,010	(3,585)	4,840,425	2,318,788	(2,992)	2,315,796
Ending balance	₩88,545,051	91,949	88,637,000	35,690,387	7,523	35,697,910

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

(In millions of won)

12. 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, 2022 and 2023 are as follows:

	2022					
	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 balance	₩45,648	603	46,251	10,201	463	10,664
Transfer (from) to 12-month expected credit loss	166	(166)	—	203	(203)	—
Transfer (from) to life time expected credit loss	(20)	20	—	—	—	—
Provision (Reversal)	(4,658)	(355)	(5,013)	632	(94)	538
Disposal and others (*)	(635)	11	(624)	(277)	(9)	(286)
Ending balance	₩40,501	113	40,614	10,759	157	10,916

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

	2023					
	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 balance	₩40,501	113	40,614	10,759	157	10,916
Transfer (from) to 12-month expected credit loss	14	(14)	—	—	—	—
Transfer (from) to life time expected credit loss	(111)	111	—	—	—	—
Provision (Reversal)	1,573	698	2,271	(113)	(23)	(136)
Disposal and others (*)	(409)	1	(408)	637	6	643
Ending balance	₩41,568	909	42,477	11,283	140	11,423

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

(In millions of won)

12. 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, 2022 and 2023 are as follows:

	2022	2023
Gain on disposal of securities at FVOCI	₩ 26,427	50,793
Loss on disposal of securities at FVOCI	(187,850)	(180,368)
Gain on disposal of securities at amortized cost (*)	4	358
Loss on disposal of securities at amortized cost (*)	(64)	(107)
	₩(161,483)	(129,324)

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

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

i) The Group recognizes dividends, amounting to ₩32,700 million and ₩ 60,139 million, related to equity securities at fair value through other comprehensive income for the years ended December 31, 2022 and 2023, respectively.

ii) The details of disposal of equity securities designated at fair value through other comprehensive income for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
	Stocks acquired by investment conversion	
Fair value at the date of disposal	₩48,525	156,872
Cumulative net gain (loss) at the time of disposal	2,943	(4,152)

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

(In millions of won)

13. Loans at amortized cost, etc.

(a) Loans at amortized cost for configuration by customer as of December 31, 2022 and 2023 are as follows:

	2022	2023
Retail loans	₩155,365,004	155,103,825
Corporate loans (*)	216,004,850	224,916,377
Public and other loans	3,788,040	4,427,500
Loans between banks	7,428,874	3,049,239
Credit card receivables	28,459,691	28,090,168
	411,046,459	415,587,109
Discount	(21,879)	(23,063)
Deferred loan origination costs	525,205	505,986
	411,549,785	416,070,032
Less: Allowance for credit loss	(3,650,813)	(4,330,470)
	₩407,898,972	411,739,562

(*) Included loans for solo proprietor business, etc.

(In millions of won)

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

(b) Changes in carrying amount of loans at amortized cost, etc. as of December 31, 2022 and 2023 are as follows:

i) Loans at amortized cost

	2022												
	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	Total
Beginning balance	₩145,927,405	8,149,050	451,228	170,489,366	28,830,615	930,549	21,346,418	4,166,803	457,582	6,542,444	668,657	17,751	387,977,868
Transfer (from) to 12 months expected credit losses	3,399,814	(3,390,943)	(8,871)	7,620,344	(7,612,945)	(7,399)	431,252	(430,915)	(337)	55,766	(55,766)	—	—
Transfer (from) to lifetime expected credit losses	(4,240,767)	4,275,492	(34,725)	(11,480,879)	11,491,902	(11,023)	(764,938)	765,279	(341)	(52,028)	52,030	(2)	—
Transfer (from) to credit- impaired financial assets	(252,730)	(154,510)	407,240	(222,960)	(489,488)	712,448	(115,976)	(160,843)	276,819	(18)	(12)	30	—
Net increase and decrease (*1)	1,907,714	(385,941)	127,858	16,841,069	(164,160)	(267,984)	2,689,877	(6,713)	352,143	3,821,009	767	181	24,915,820
Charge off (*2)	—	—	(263,962)	—	—	(249,453)	—	—	(592,386)	—	—	(1,121)	(1,106,922)
Disposal	—	(1,151)	(78,428)	(17,000)	(1,333)	(136,419)	—	—	—	—	—	(2,748)	(237,079)
Business combination	—	—	—	—	—	—	—	—	—	98	—	—	98
Ending balance	₩146,741,436	8,491,997	600,340	183,229,940	32,054,591	970,719	23,586,633	4,333,611	493,480	10,367,271	665,676	14,091	411,549,785

(*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, 2022.

(In millions of won)

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

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

	2022			
	12 month expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩48,154,690	104,650	79,094	48,338,434
Transfer (from) to 12 month expected credit losses	16,401	(16,309)	(92)	—
Transfer (from) to lifetime expected credit losses	(23,870)	23,985	(115)	—
Transfer (from) to credit- impaired financial assets	(10,008)	(3,654)	13,662	—
Net increase and decrease (*)	1,482,975	57,051	21,722	1,561,748
Charge off	—	—	(25,636)	(25,636)
Disposal	—	—	(1,123)	(1,123)
Business combination	80,943	—	—	80,943
Ending balance	₩49,701,131	165,723	87,512	49,954,366

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

(In millions of won)

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

i) Loans at amortized cost

	2023												
	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	Total
Beginning balance	₩146,741,436	8,491,997	600,340	183,229,940	32,054,591	970,719	23,586,633	4,333,611	493,480	10,367,271	665,676	14,091	411,549,785
Transfer (from) to 12 months expected credit losses	3,684,473	(3,671,574)	(12,899)	6,312,378	(6,310,771)	(1,607)	59,586	(59,510)	(76)	51,588	(51,588)	—	—
Transfer (from) to lifetime expected credit losses	(6,347,880)	6,382,499	(34,619)	(14,969,646)	14,984,213	(14,567)	(72,489)	72,551	(62)	(154,268)	154,268	—	—
Transfer (from) to credit- impaired financial assets	(462,894)	(266,533)	729,427	(511,906)	(476,684)	988,590	(19,349)	(10,202)	29,551	(476)	(6,139)	6,615	—
Net increase and decrease (*1)	1,826,622	(1,544,703)	148,463	7,797,722	1,502,116	449,944	(259,750)	(226,043)	928,319	(3,819,606)	65,262	8,018	6,876,364
Charge off (*2)	—	—	(489,511)	—	—	(352,324)	—	—	(805,454)	—	—	(2,127)	(1,649,416)
Disposal	—	(1,477)	(147,151)	(56,032)	(7,325)	(491,911)	—	—	(155)	—	(500)	(2,150)	(706,701)
Ending balance	₩145,441,757	9,390,209	794,050	181,802,456	41,746,140	1,548,844	23,294,631	4,110,407	645,603	6,444,509	826,979	24,447	416,070,032

(*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 ₩9,964,573 million, which is written off as of December 31, 2023.

(In millions of won)

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

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

	2023			
	12 month expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩49,701,131	165,723	87,512	49,954,366
Transfer (from) to 12 month expected credit losses	23,476	(23,305)	(171)	—
Transfer (from) to lifetime expected credit losses	(96,073)	96,096	(23)	—
Transfer (from) to credit- impaired financial assets	(9,110)	(40,985)	50,095	—
Net increase and decrease (*)	9,789,697	48,392	60,859	9,898,948
Charge off	—	—	(28,665)	(28,665)
Disposal	—	(5)	(1,819)	(1,824)
Ending balance	₩59,409,121	245,916	167,788	59,822,825

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

(In millions of won)

13. 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, 2022 and 2023 are as follows:

i) Loans at amortized cost

	2022												
	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	₩174,005	90,412	188,769	531,427	742,252	520,261	204,711	401,077	289,232	10,195	9,258	5,494	3,167,093
Transfer (from) to 12 months expected credit losses	17,016	(16,023)	(993)	92,555	(90,661)	(1,894)	24,579	(24,471)	(108)	403	(403)	—	—
Transfer (from) to lifetime expected credit losses	(9,449)	26,014	(16,565)	(62,583)	64,821	(2,238)	(14,752)	14,892	(140)	(122)	122	—	—
Transfer (from) to credit- impaired financial assets	(4,702)	(9,103)	13,805	(1,461)	(66,033)	67,494	(1,094)	(2,041)	3,135	(1)	(5)	6	—
Provision (reversal)	96,230	84,402	244,290	(14,918)	159,287	103,935	101,644	254,090	209,353	3,405	246	2,387	1,244,351
Charge off	—	—	(263,962)	—	—	(249,453)	—	—	(592,386)	—	—	(1,121)	(1,106,922)
Amortization of discount	—	—	(5,923)	—	—	(13,189)	—	—	7,307	—	—	—	(11,805)
Disposal	—	(28)	(22,676)	—	(5)	(10,723)	—	—	—	—	—	(217)	(33,649)
Collection	—	—	108,666	—	—	55,441	—	—	217,407	—	—	145	381,659
Others (*)	(8,264)	(10,584)	19,119	15,187	30,896	17,605	(103,976)	(172,074)	222,175	2	—	—	10,086
Ending balance	₩264,836	165,090	264,530	560,207	840,557	487,239	211,112	471,473	355,975	13,882	9,218	6,694	3,650,813

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

(In millions of won)

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

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

	2022			
	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩183,968	8,008	70,043	262,019
Transfer (from) to 12 months expected credit losses	315	(274)	(41)	—
Transfer (from) to lifetime expected credit losses	(740)	765	(25)	—
Transfer (from) to credit- impaired financial assets	(75)	(1,267)	1,342	—
Provision	2,327	3,278	27,226	32,831
Charge off	—	—	(25,636)	(25,636)
Disposal	—	—	(61)	(61)
Collection	—	—	2,502	2,502
Others (*)	110,519	(70)	(729)	109,720
Business combination	32	—	—	32
Ending balance	₩296,346	10,440	74,621	381,407

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

(In millions of won)

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

i) Loans at amortized cost

	2023												
	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	₩264,836	165,090	264,530	560,207	840,557	487,239	211,112	471,473	355,975	13,882	9,218	6,694	3,650,813
Transfer (from) to 12 months expected credit losses	25,984	(24,982)	(1,002)	92,347	(92,254)	(93)	23,474	(23,422)	(52)	213	(213)	—	—
Transfer (from) to lifetime expected credit losses	(28,336)	44,543	(16,207)	(69,404)	74,346	(4,942)	(18,412)	18,557	(145)	(305)	305	—	—
Transfer (from) to credit- impaired financial assets	(13,823)	(32,129)	45,952	(7,456)	(47,157)	54,613	(2,023)	(3,402)	5,425	(7)	(25)	32	—
Provision (reversal)	(4,029)	56,164	429,789	225,719	223,266	456,854	15,525	(3,720)	711,724	(348)	1,095	2,403	2,114,442
Charge off	—	—	(489,511)	—	—	(352,324)	—	—	(805,454)	—	—	(2,127)	(1,649,416)
Amortization of discount	—	—	(12,327)	—	—	(25,929)	—	—	7,344	—	—	—	(30,912)
Disposal	—	(177)	(40,297)	(36)	(240)	(56,118)	—	—	(155)	—	(9)	(115)	(97,147)
Collection	—	—	101,653	—	—	69,674	—	—	186,715	—	—	451	358,493
Others (*)	(1,366)	(1,147)	611	(12,327)	(4,173)	(487)	610	1,362	1,177	(63)	—	—	(15,803)
Ending balance	₩243,266	207,362	283,191	789,050	994,345	628,487	230,286	460,848	462,554	13,372	10,371	7,338	4,330,470

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

(In millions of won)

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

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

	2023			
	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩296,346	10,440	74,621	381,407
Transfer (from) to 12 months expected credit losses	364	(299)	(65)	—
Transfer (from) to lifetime expected credit losses	(40,026)	40,041	(15)	—
Transfer (from) to credit- impaired financial assets	(228)	(37,000)	37,228	—
Provision	44,035	2,326	44,409	90,770
Charge off	—	—	(28,665)	(28,665)
Disposal	—	—	(178)	(178)
Collection	—	—	2,198	2,198
Others (*)	32,460	142	8,435	41,037
Ending balance	₩332,951	15,650	137,968	486,569

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

(d) Changes in deferred loan origination costs for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	₩ 541,932	525,205
Loan origination	208,517	231,007
Amortization, etc.	(225,244)	(250,226)
Ending balance	₩ 525,205	505,986

(In millions of won)

14. Property and equipment

(a) Details of property and equipment as of December 31, 2022 and 2023 are as follows:

	2022			
	Acquisition cost	Accumulated depreciation	Accumulated Impairment	Carrying amount
Land	₩2,101,176	—	—	2,101,176
Buildings	1,165,468	(455,617)	(7,594)	702,257
Other assets	2,424,987	(1,836,533)	—	588,454
Right-of-use assets	1,208,728	(589,518)	—	619,210
	₩6,900,359	(2,881,668)	(7,594)	4,011,097

	2023			
	Acquisition cost	Accumulated depreciation	Accumulated Impairment	Carrying amount
Land	₩2,043,119	—	—	2,043,119
Buildings	1,307,424	(508,171)	(9,002)	790,251
Other assets	2,410,101	(1,877,642)	—	532,459
Right-of-use assets	1,378,027	(771,552)	—	606,475
	₩7,138,671	(3,157,365)	(9,002)	3,972,304

(In millions of won)

14. Property and equipment (continued)

(b) Changes in property and equipment for the years ended December 31, 2022 and 2023 are as follows:

	2022				
	Land	Buildings	Others	Right-of-use assets	Total
Beginning balance	₩2,173,134	756,486	508,417	608,127	4,046,164
Acquisition (*1)	631	49,220	257,662	369,153	676,666
Disposal	(13,173)	(1,124)	(4,212)	(75,563)	(94,072)
Depreciation (*2)	—	(49,935)	(186,307)	(287,886)	(524,128)
Amounts transferred from(to) investment property	2,892	(12,446)	—	—	(9,554)
Amounts transferred from(to) intangible assets	—	—	6,916	—	6,916
Amounts transferred from(to) non-current assets held for sale (*3)	(62,288)	(39,469)	—	—	(101,757)
Amounts transferred from(to) operating lease assets	—	—	214	—	214
Effects of foreign currency adjustments	(20)	(475)	4,877	4,328	8,710
Business combination	—	—	887	1,051	1,938
Ending balance	₩2,101,176	702,257	588,454	619,210	4,011,097

(*1) During 2022, ₩33,983 million transferred from assets-under-construction is included.
(*2) Included in general administrative expense, other operating income (expense) and insurance service expense of the consolidated statements of comprehensive income.
(*3) Includes buildings, land, etc.

(In millions of won)

14. Property and equipment (continued)

	December 31, 2023				
	Land	Buildings	Others	Right-of-use assets	Total
Beginning balance	₩2,101,176	702,257	588,454	619,210	4,011,097
Acquisition (*1)	1,480	105,761	146,405	370,724	624,370
Disposal	(741)	(1,501)	(3,546)	(71,052)	(76,840)
Depreciation (*2)	—	(54,486)	(202,124)	(313,755)	(570,365)
Asset impairment	—	(1,409)	—	—	(1,409)
Amounts transferred from(to) investment property	(57,226)	40,548	—	—	(16,678)
Amounts transferred from(to) intangible assets	—	—	1,550	—	1,550
Amounts transferred from(to) non-current assets held for sale (*3)	(1,688)	(754)	—	—	(2,442)
Amounts transferred from(to) operating lease assets	—	—	221	—	221
Effects of foreign currency adjustments	118	(165)	1,499	1,348	2,800
Ending balance	₩2,043,119	790,251	532,459	606,475	3,972,304

(*1) During 2023, ₩82,179 million transferred from assets-under-construction is included.
(*2) Included in general administrative expense, other operating income (expense) and insurance service expense of the consolidated statements of comprehensive income.
(*3) Includes buildings, land, etc.

(c) Insured assets and liability insurance as of December 31, 2023 are as follows:

	2023		
Type of insurance	Insured assets and objects	Amount covered	Insurance company
Comprehensive insurance for financial institutions	Cash (including ATM)	31,500	Samsung Fire & Marine Insurance Co., Ltd., etc.
Comprehensive Property insurance	Property Total Risk, Machine Risk, General Liability Collateral	1,422,152	Samsung Fire & Marine Insurance Co., Ltd., etc.
Fire insurance	Business property and real estate	52,086	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.
Burglary insurance	Cash and securities	60,000	Samsung Fire & Marine Insurance Co., Ltd., etc.
Others	Personal information liability insurance, etc.	56,244	Samsung Fire & Marine Insurance Co., Ltd., etc.

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

(In millions of won)

15. Intangible assets

(a) Details of intangible assets as of December 31, 2022 and 2023 are as follows:

	2022	2023
Goodwill	₩4,683,902	4,677,204
Software	263,341	259,233
Development cost	454,284	464,638
Others	406,309	816,871
	₩5,807,836	6,217,946

(b) Changes in intangible assets for the years ended December 31, 2022 and 2023 are as follows:

	2022				
	Goodwill	Software	Development cost	Others	Total
Beginning balance	₩4,670,134	192,582	229,148	552,918	5,644,782
Acquisition	—	143,766	332,826	211,511	688,103
Business combination	—	1,472	2,638	315	4,425
Disposal and write-off	—	(253)	(434)	(236,881)	(237,568)
Amounts transferred from(to) property and equipment	—	—	(6,337)	(579)	(6,916)
Impairment (*1)	(2,258)	—	(702)	198	(2,762)
Amortization (*2)	—	(74,916)	(102,849)	(120,844)	(298,609)
Effects of changes in foreign exchange rate	16,026	690	(6)	(329)	16,381
Ending balance	₩4,683,902	263,341	454,284	406,309	5,807,836

(*1) Goodwill impairment incurred from the cash-generating unit of security sector at PT Shinhan Sekuritas Indonesia. As a result of the impairment test for goodwill of PT Shinhan Sekuritas Indonesia, the Group recognized an impairment loss amounting to ₩2,258 million for the carrying amount exceeding the recoverable amount of the CGU. This is due to the decrease in recoverable amounts (₩1,569 million decrease comparing to the previous year) due to continuing high price index and domestic foreign economic turndown mainly from the prolongation of the Ukraine crisis, global high interest rates, etc. The amount of impairment loss recognized is included in the non-operating expenses, of the consolidated statement of comprehensive income.

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

(In millions of won)

15. Intangible assets (continued)

	2023				
	Goodwill	Software	Development cost	Others	Total
Beginning balance	₩4,683,902	263,341	454,284	406,309	5,807,836
Acquisition	—	90,051	133,709	605,225	828,985
Disposal and write-off	—	(3,901)	(3,560)	(6,793)	(14,254)
Amounts transferred from(to) property and equipment	—	—	(1,550)	—	(1,550)
Impairment (*1)	(5,402)	(4,006)	(1,001)	(273)	(10,682)
Amortization (*2)	—	(91,894)	(131,043)	(168,583)	(391,520)
Effects of changes in foreign exchange rate	(1,296)	5,642	13,799	(19,014)	(869)
Ending balance	₩4,677,204	259,233	464,638	816,871	6,217,946

(*1) Goodwill impairment incurred from the cash-generating unit of security sector at PT Shinhan Sekuritas Indonesia and life insurance sector at Shinhan Financial Plus Co., Ltd. As a result of the impairment test for goodwill of PT Shinhan Sekuritas Indonesia, the Group recognized an impairment loss amounting to ₩ 1,842 million for the carrying amount exceeding the recoverable amount of the CGU. This is due to the decrease in recoverable amounts (₩ 2,934 million decrease comparing to the previous year) due to continuing high price index and domestic foreign economic turndown mainly from the prolongation of the Ukraine crisis, global high interest rates, etc. In addition, as a result of the impairment test for goodwill of Shinhan Financial Plus Co., Ltd., the Group recognized an impairment loss amounting to ₩ 3,560 million for the carrying amount exceeding the recoverable amount of the CGU. This is due to the decrease in recoverable amounts (₩ 9,750 million decrease comparing to the previous year) due to the underperformance from the cash-generating unit and the reflection of the future outlook. The amount of impairment loss recognized is included in the non-operating expenses, of the consolidated statement of comprehensive income.

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

(In millions of won)

15. Intangible assets (continued)

(c) Goodwill

i) Goodwill allocated in the Group's CGUs as of December 31, 2022 and 2023 is as follows:

	2022	2023
Banking	₩ 768,766	768,468
Credit card	2,892,610	2,891,498
Securities	2,993	1,265
Life insurance	853,798	850,238
Others	165,735	165,735
	₩4,683,902	4,677,204

ii) Changes in goodwill for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	₩4,670,134	4,683,902
Impairment losses	(2,258)	(5,402)
Others (*)	16,026	(1,296)
Ending balance	₩4,683,902	4,677,204

(*) Other changes are due to effects of changes in foreign exchange rate.

iii) Goodwill impairment test

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

- Explanation on evaluation method

The discounted cash flow method (DCF) is applied when evaluating the recoverable amounts based on value in use, considering the characteristics of each unit or group of CGU. However, the CGU of life insurance applied an actuarial enterprise valuation methodology based on probabilistically expected cash flows in consideration of the characteristics of the insurance business.

- Projection period

When evaluating the value in use, 5.5 years of cash flow estimates are used in projection and the value thereafter is reflected as terminal value. However, 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.

(In millions of won)

15. Intangible assets (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. However, for the life insurance CGU, since its cost of risk is reflected at future cash flows, the current discount rates based on the interest rate term structure of risk-free government bonds that reflects only the time value of money was applied.

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

	Discount rate before tax(%)	Terminal growth rate(%)
Banking	9.6 ~ 16.1	0.0 ~ 2.0
Credit card	11.5 ~ 16.6	1.0 ~ 2.0
Securities	15.5 ~ 16.9	2
Others	11.1 ~ 13.1	1

In case of the life insurance CGU, a term structure discount rate of 4.34% to 4.80% was applied for each future period corresponding to future cash flows for 99 years.

iv) Key assumptions

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

	2023	2024	2025	2026	2027	2028
CPI growth (%)	3.0	1.4	1.8	1.5	1.4	1.4
Private consumption growth (%)	1.9	2.4	2.6	2.5	2.8	2.8
Real GDP growth (%)	1.3	2.5	2.7	2.7	2.9	2.9

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

	Key assumptions
Consumer price index growth rate (Bank of Korea) (%)	2.00
Risk-based confidence level (%)	99.50

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

	Amount
Total recoverable amount	₩58,700,974
Total carrying amount (*)	52,013,046
	₩ 6,687,928

(*) It is the carrying amount after reflecting the impairment loss in the securities and life insurance sector.

(In millions of won)

16. Investments in associates

(a) Investments in associates as of December 31, 2022 and 2023 are as follows:

Investees	Country	Reporting date	Ownership (%) 2022	Ownership (%) 2023
BNP Paribas Cardif Life Insurance (*1),(*7)	Korea	September 30	14.99	14.99
Partners 4th Growth Investment Fund (*4)	Korea	—	25.00	25.00
KTB Newlake Global Healthcare PEF (*5)	Korea	—	20.57	7.36
Shinhan-Neoplux Energy Newbiz Fund	Korea	December 31	31.66	31.66
Shinhan-Albatross tech investment Fund (*1)	Korea	November 30	50.00	50.00
KCGI-SingA330-A Private Special Asset Investment Trust	Korea	December 31	23.89	23.89
VOGO Debt Strategy Qualified IV Private	Korea	December 31	20.00	20.00
Shinhan-Midas Donga Secondary Fund	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 (*7)	Korea	December 31	14.15	14.15
Kiwoom Milestone Professional Private Real Estate Trust 19	Korea	December 31	50.00	50.00
Shinhan Global Healthcare Fund 1 (*7)	Korea	December 31	4.41	4.41
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
Hermes Private Investment Equity Fund (*4)	Korea	—	29.17	29.17
KDBC-Midas Dong-A Global contents Fund	Korea	December 31	23.26	23.26
Shinhan-Nvestor Liquidity Solution Fund	Korea	December 31	24.92	24.92
Shinhan AIM FoF Fund 1-A	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 (*4)	Korea	—	27.91	27.91
Genesis No.1 Private Equity Fund (*5)	Korea	—	22.80	—
Korea Omega Project Fund III	Korea	December 31	23.53	23.53
Genesis North America Power Company No.1 PEF	Korea	December 31	39.11	43.84
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	Korea	December 31	23.33	23.33
KOREA FINANCE SECURITY CO., LTD (*1),(*7)	Korea	September 30	14.91	14.91
MIEL CO.,LTD. (*2)	Korea	December 31	28.77	28.77
AIP Transportation Specialized Privately Placed Fund Trust #1	Korea	December 31	35.73	35.73
Kiwoom-Shinhan Innovation Fund I	Korea	December 31	50.00	50.00
Midas Asset Global CRE Debt Private Fund No.6	Korea	December 31	41.16	40.10
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

(In millions of won)

16. Investments in associates (continued)

Investees	Country	Reporting date	Ownership (%) 2022	Ownership (%) 2023
Jarvis Memorial Private Investment Trust 1 (*5)	Korea	—	99.01	—
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37 (*6)	Korea	December 31	60.00	60.00
Milestone Private Real Estate Fund 3	Korea	December 31	32.06	32.06
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
T&F 2019 bearing Private Equity Fund Specializing in Start-up and Venture Business (*4)	Korea	—	28.25	28.25
FuturePlay-Shinhan Tech Innovation Fund 1	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),(*7)	Korea	September 30	9.00	9.00
Goduck Gangil1 PFV Co., Ltd. (*1),(*7)	Korea	September 30	1.04	1.04
SBC PFV Co., Ltd. (*1),(*8)	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 (*4)	Korea	—	33.00	33.00
SH BNCT Professional Investment Type Private Special Asset Investment Trust (*9)	Korea	December 31	72.50	72.50
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24 (*6)	Korea	December 31	52.28	52.28
Sparklabs-Shinhan Opportunity Fund 1	Korea	December 31	49.50	49.50
BNW Tech-Innovation Private Equity Fund (*4)	Korea	—	29.85	29.85
IGIS Real-estate Private Investment Trust No.33	Korea	December 31	40.86	40.86
WWG Global Real Estate Investment Trust no.4 (*5)	Korea	—	29.55	—
Goduck Gangil10 PFV Co., Ltd. (*1),(*7)	Korea	September 30	19.90	19.90
Fidelis Global Private Real Estate Trust No.2 (*6)	Korea	December 31	79.70	79.63
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	Korea	December 31	28.70	28.70
Shinhan Healthcare Fund 2 (*7)	Korea	December 31	13.68	13.68
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 (*6)	Korea	December 31	71.43	71.43

(In millions of won)

16. Investments in associates (continued)

Investees	Country	Reporting date	Ownership (%) 2022	Ownership (%) 2023
Korea Omega-Shinhan Project Fund I	Korea	December 31	50.00	50.00
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 (*5)	Korea	—	64.41	—
NH-Amundi US Infrastructure Private Fund2	Korea	December 31	25.91	25.91
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
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 (*6)	Korea	December 31	70.14	70.14
JR AMC Hungary Budapest Office Fund 16	Korea	December 31	32.57	32.57
EDNCENTRAL Co., Ltd. (*7)	Korea	December 31	13.47	13.47
Future-Creation Neoplux Venture Capital Fund (*3)	Korea	December 31	16.25	16.25
Gyeonggi-Neoplux Superman Fund	Korea	December 31	21.76	21.76
NewWave 6th Fund	Korea	December 31	30.00	30.00
Neoplux No.3 Private Equity Fund (*3)	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	22.22
AION ELFIS PROFESSIONAL PRIVATE 1 (*5)	Korea	—	20.00	—
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business (*5)	Korea	—	29.68	—
Neoplux Market-Frontier Secondary Fund (*3)	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
KIAMCO Vietnam Solar Special Asset Private Investment Trust	Korea	December 31	50.00	50.00
SHINHAN-NEO Core Industrial Technology Fund	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	28.97	28.78
Eum Private Equity Fund No.7	Korea	December 31	21.00	21.00
Kiwoom Hero No.4 Private Equity Fund	Korea	December 31	21.05	21.05
Vogo Canister Professional Trust Private Fund I	Korea	December 31	36.27	36.74
SW-S Fund (*5)	Korea	—	30.30	—
CL Buyout 1st PEF (*5)	Korea	—	21.43	—

(In millions of won)

16. Investments in associates (continued)

Investees	Country	Reporting date	Ownership (%)	
			2022	2023
Timefolio The Venture-V second	Korea	December 31	20.73	20.73
Newlake Growth Capital Partners2 PEF (*4)	Korea	—	29.91	29.91
Shinhan Smilegate Global PEF I (*7)	Korea	December 31	14.21	14.21
Genesis Eco No.1 PEF	Korea	December 31	29.00	29.00
SHINHAN-NEO Market-Frontier 2nd Fund	Korea	December 31	42.70	42.70
NH-Synergy Core Industrial New Technology Fund	Korea	December 31	36.93	36.93
J& Moorim Jade Investment Fund	Korea	December 31	24.89	24.89
Helios-KDBC Digital Contents 1st	Korea	December 31	23.26	23.26
Ulmus SHC innovation investment fund	Korea	December 31	24.04	24.04
Mirae Asset Partners X Private Equity Fund (*4)	Korea	—	35.71	35.71
T Core Industrial Technology 1st Venture PEF	Korea	December 31	31.47	31.47
Curious Finale Corporate Recovery Private Equity Fund (*5)	Korea	—	27.78	—
Fine Value POST IPO No.5 Private Equity Fund	Korea	December 31	40.00	40.00
TI First Property Private Investment Trust 1	Korea	December 31	40.00	40.00
MPLUS Professional Private Real Estate Fund 25	Korea	December 31	41.67	41.67
IBKC Global Contents Investment Fund	Korea	December 31	24.39	24.39
Premier Luminous Private Equity Fund (*5)	Korea	—	25.12	—
Hanyang-Meritz 1 Fund	Korea	December 31	22.58	22.58
Kiwoom-Shinhan Innovation Fund 2	Korea	December 31	42.86	42.86
ETRI Holdings-Shinhan 1st Unicorn Fund	Korea	December 31	50.00	50.00
Maple Mobility Fund (*4)	Korea	—	20.18	20.18
SJ ESG Innovative Growth Fund	Korea	December 31	28.57	28.57
AVES 1st Corporate Recovery Private Equity Fund (*6)	Korea	December 31	76.19	76.19
JS Shinhan Private Equity Fund (*3)	Korea	December 31	3.85	3.85
NH Kyobo AI Solution Investment Fund (*5)	Korea	—	26.09	—
Daishin Newgen New Technology Investment Fund 1st (*6)	Korea	December 31	50.60	50.60
META ESG Private Equity Fund I	Korea	December 31	27.40	27.40
SWFV FUND-1 (*5)	Korea	—	40.25	—
PHAROS DK FUND	Korea	December 31	24.14	24.24
Shinhan VC tomorrow venture fund 1	Korea	December 31	39.62	39.62
Highland 2021-8 Fund (*5)	Korea	—	32.67	—
H-IOTA Fund	Korea	December 31	24.81	24.81
Stonebridge-Shinhan Unicorn Secondary Fund	Korea	December 31	17.57	26.01
Tres-Yujin Trust	Korea	December 31	50.00	50.00
Shinhan-Time mezzanine blind Fund	Korea	December 31	50.00	50.00
Capstone REITs No.26	Korea	December 31	50.00	50.00
JB Incheon-Bucheon REITS No.54	Korea	December 31	39.31	39.31
Hankook Smart Real Asset Investment Trust No.3	Korea	December 31	33.33	33.33
JB Hwaseong-Hadong REITs No.53	Korea	December 31	31.03	31.03
KB Oaktree Trust No.3	Korea	December 31	33.33	33.33

(In millions of won)

16. Investments in associates (continued)

Investees	Country	Reporting date	Ownership (%) 2022	Ownership (%) 2023
Daehan No.36 Office Asset Management Company	Korea	December 31	48.05	48.05
Rhinos Premier Mezzanine Private Investment Fund No.1	Korea	December 31	27.93	27.93
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	Korea	December 31	29.73	29.73
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	Korea	December 31	24.85	24.85
SKS-Yozma Fund No.1	Korea	December 31	29.85	29.85
IBKC-METIS Global Contents Investment Fund (*5)	Korea	—	36.36	—
Keistone Unicorn Private Equity Fund (*4)	Korea	—	28.00	28.00
KB Distribution Private Real Estate 3-1	Korea	December 31	37.50	37.50
Pacific Private Investment Trust No.49-1 (*6)	Korea	December 31	79.28	79.28
KIWOOM Real estate private placement fund for normal investors No. 31 (*6)	Korea	December 31	60.00	60.00
RIFA Real estate private placement fund for normal investoes No. 51	Korea	December 31	40.00	40.00
Fivetree general private equity fund No.15	Korea	December 31	49.98	49.98
Shinhan-Kunicorn first Fund	Korea	December 31	38.31	38.31
Harvest Fund No.3 (*4)	Korea	—	44.67	44.67
Shinhan-Quantum Startup Fund	Korea	December 31	49.18	49.18
Shinhan Simone Fund I	Korea	December 31	38.46	38.46
Korea Investment develop seed Trust No.1	Korea	December 31	40.00	40.00
Tiger Green alpha Trust No.29 (*6)	Korea	December 31	95.24	95.24
STIC ALT Global II Private Equity Fund	Korea	December 31	21.74	21.74
NH-Brain EV Fund	Korea	December 31	25.00	25.00
DDI LVC Master Real Estate Investment Trust Co., Ltd. (*1),(*7)	Korea	September 30	15.00	15.00
Leverent-Frontier 4th Venture PEF	Korea	December 31	23.89	23.89
Find-Green New Deal 2nd Equity Fund	Korea	December 31	22.57	22.57
ShinhanFitrin 1st Technology Business Investment Association (*3)	Korea	December 31	16.17	16.17
PARATUS No.3 Private Equity Fund (*4)	Korea	—	25.64	25.64
Golden Route 2nd Startup Venture Specialized Private Equity Fund (*4)	Korea	—	22.73	22.73
Koramco Private Real Estate Fund 143	Korea	December 31	30.30	30.30
Korea Investment Top Mezzanine Private Real Esate Trust No.1	Korea	December 31	22.22	22.22
LB YoungNam Logistics Private Trust No.40	Korea	December 31	25.00	25.00
Shinhan-Cognitive Start-up Fund L.P.	Korea	December 31	32.74	32.77
IGEN2022 No.1 private Equity Fund (*4)	Korea	—	27.95	27.95
Cornerstone J&M Fund I	Korea	December 31	26.67	26.67
Logisvalley Shinhan REIT Co., Ltd. (*1)	Korea	September 30	20.27	20.27

(In millions of won)

16. Investments in associates (continued)

Investees	Country	Reporting date	Ownership (%)	
			2022	2023
DA Value-Honest New Technology Investment Fund 1	Korea	December 31	23.66	23.66
KDB Investment Global Healthcare Private Equity Fund I (*4)	Korea	—	24.14	24.14
Shinhan-Ji and Tec Smart Innovation Fund	Korea	December 31	50.00	50.00
Shinhan-Gene and New Normal First Mover Venture Investment Equity Fund 1st	Korea	December 31	50.00	50.00
Korea Investment Green Newdeal Infra Trust No.1	Korea	December 31	27.97	27.97
BTS 2nd Private Equity Fund (*1)	Korea	November 30	26.00	26.00
Shinhan Global Active REIT Co.Ltd	Korea	December 31	20.37	20.37
NH-J&-IBKC Label Technology Fund	Korea	December 31	27.81	27.81
Hanyang Time Mezzanine Fund	Korea	December 31	28.57	28.57
IMM Global Venture Opportunity, LP(*5)	Korea	—	35.50	—
Shinhan-isquare Venture PEF 1	Korea	December 31	40.00	40.00
Capstone Develop Frontier Trust	Korea	December 31	21.43	21.43
Nextrade Co., Ltd. (*7)	Korea	December 31	8.00	8.00
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1 (*10)	Korea	—	26.90	62.84
SH 1.5years Maturity Investment Type Security Investment Trust No.2	Korea	December 31	29.00	29.10
Eventus-IBKC LIB Fund	Korea	December 31	21.88	21.88
NH-Daishin-Kyobo healthcare 1 Fund (*4)	Korea	—	25.00	25.00
IBKC-Behigh Fund 1st	Korea	December 31	29.73	29.73
Nautic Green Innovation ESG Co-investment No.1 Private Equity Fund (*4)	Korea	—	24.10	24.10
ON No.1 Private Equity Fund	Korea	December 31	28.57	28.57
Digital New Deal Kappa Private Equity Fund	Korea	December 31	30.12	24.75
IBKCJS New Technology Fund No.1	Korea	December 31	—	29.41
DS-Shinhan-JBWoori New Media New Technology Investment Fund No.1	Korea	December 31	—	20.83
VOGO Debt Strategy General Private Real Estate Investment Trust No. 18	Korea	December 31	—	28.57
Koramco IPO LEITS Mezzanine General Private Investment Trust No. 38 (*6)	Korea	December 31	—	75.00
TogetherKorea Private Investment Trust No. 6 (*6)	Korea	December 31	—	99.98
TogetherKorea Private Investment Trust No. 7 (*6)	Korea	December 31	—	99.98
Kiwoom Core Industrial Technology Investment Fund No.3	Korea	December 31	—	34.75
Penture K-Content Investment Fund	Korea	December 31	—	21.96
2023 Shinhan-JB Woori-Daeshin Listed Companies New Technology Fund	Korea	December 31	—	30.00

(In millions of won)

16. Investments in associates (continued)

Investees	Country	Reporting date	Ownership (%) 2022	Ownership (%) 2023
Hana Alternative Investment Kosmes PCBO General PEF No. 1	Korea	December 31	—	37.04
Shinhan-timefolio Bio Development Investment Fund	Korea	December 31	—	48.39
Shinhan M&A-ESG Fund	Korea	December 31	—	23.33
Shinhan SM Office Value Add – Outsource Management Real Estate Investment Co., Ltd. –	Korea	December 31	—	28.43
KDBC meta-enter New Technology investment fund	Korea	December 31	—	27.89
Shinhan Time Secondary Blind New Technology Investment Trust	Korea	December 31	—	47.50
Shinhan DS Secondary Investment Fund	Korea	December 31	—	40.00
Shinhan-openwater pre-IPO Investment Trust 1	Korea	December 31	—	50.00
Shinhan-Eco Venture Fund 2nd	Korea	December 31	—	40.00
Heungkuk-Shinhan the 1st Visionary Technology Investment Trust no. 1	Korea	December 31	—	40.00
Hantoo Shinhan Lake K-beauty Technology Investment Trust	Korea	December 31	—	22.96
Shinhan HB Wellness 1st Investment Trust	Korea	December 31	—	48.54
Korea real Asset Fund No.3	Korea	December 31	—	28.57
Igis Yongsan Office General PE Real Estate Inv. Trust No. 518	Korea	December 31	—	31.49
Samsung-dunamu Innovative IT Technology Investment Trust No. 1	Korea	December 31	—	22.99
Time Robotics New Technology Investment Trust	Korea	December 31	—	29.86
Ascent-welcome Tehcnology Investment Trust No.2	Korea	December 31	—	27.65
Igis General PE Real Estate Investment Trust 517-1 (*6)	Korea	December 31	—	96.30
Consus Osansegyo No.2	Korea	December 31	—	50.00
Mastern General Private Real Estate Investment Trust No.189(Type 1 Beneficiary Securities)	Korea	December 31	—	32.69
Shinhan AIM Private Fund of Fund 9-B	Korea	December 31	—	25.00
Shinhan General Private Real Estate Investment Trust No.3	Korea	December 31	—	20.75
NH Absolute Project L General Private Investment Trust	Korea	December 31	—	26.03
Paros Kosdaq Venture General Private Investment Trust No. 5 (*6)	Korea	December 31	—	66.65
Happy Pet Life Care New Technology Investment Association No.2	Korea	December 31	—	30.00
Shinhan-Soo Secondary Investment Association (*6)	Korea	December 31	—	77.61

(In millions of won)

16. Investments in associates (continued)

(*1) The most recent financial statements available are used for the equity method since the financial statements as of December 31, 2023 are not available. Significant trades and events occurred within the period are properly reflected.
(*2) In the course of the rehabilitation process, the shares were acquired through 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, 2023. Also, it has been reclassified into the investments in associates.
(*3) As a managing partner, the Group has a significant influence over the investees.
(*4) 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.
(*5) Excluded from the investments in associates due to full or partial disposal of shares, or loss of significant influence.
(*6) 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.
(*7) 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.
(*8) The rate of Group's voting rights is 4.65%.
(*9) 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.
(*10) For the year ended December 31, 2023, it is incorporated into the consolidation target as the Group held control due to increased equity ratio.

(b) Changes in investments in associates for the years ended December 31, 2022 and 2023 are as follows:

	2022					
Investees	**Beginning balance**	**Investment and dividend**	**Equity method income (loss)**	**Change in other comprehensive income**	**Impairment loss**	**Ending balance**
BNP Paribas Cardif Life Insurance	₩ 44,022	—	(1,774)	(12,079)	—	30,169
Songrim Partners	—	—	—	—	—	—
Partners 4th Growth Investment Fund	13,033	(1,714)	6,917	(4,694)	—	13,542
KTB Newlake Global Healthcare PEF	9,412	(5,832)	729	—	—	4,309
Shinhan-Neoplux Energy Newbiz Fund	16,032	(391)	5,196	—	—	20,837
Shinhan-Albatross tech investment Fund	10,389	(1,800)	3,792	(128)	—	12,253
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	—	676	34	—	3,522	4,232
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	—	1,471	—	—	255	1,726

(In millions of won)

16. Investments in associates (continued)

Investees	2022 Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
VOGO Debt Strategy Qualified IV Private	₩ 7,179	(1,433)	339	—	—	6,085
Shinhan -Midas Dong-A Secondary Fund	3,951	(1,025)	1,505	—	—	4,431
ShinHan – Soo Young Entrepreneur Investment Fund No.1	4,226	—	188	—	—	4,414
Shinhan Praxis K-Growth Global Private Equity Fund	7,761	(8,512)	4,442	—	—	3,691
Kiwoom Milestone Professional Private Real Estate Trust 19	5,253	—	(150)	—	(1,142)	3,961
AIP EURO Green Private Real Estate Trust No.3	29,703	(29,008)	(695)	—	—	—
Shinhan Global Healthcare Fund 1 (*1)	—	—	—	—	—	—
KB NA Hickory Private Special Asset Fund	34,376	(1,545)	1,508	—	—	34,339
Koramco Europe Core Private Placement Real Estate Fund No.2-2	19,492	(464)	208	—	—	19,236
Shinhan EZ General Insurance Co., Ltd. (*2)	3,354	(3,181)	(182)	9	—	—
Hermes Private Investment Equity Fund	9,782	—	(4,220)	—	—	5,562
KDBC-Midas Dong-A Global contents Fund	2,955	—	1,322	—	—	4,277
Shinhan-Nvestor Liquidity Solution Fund	5,338	700	400	—	—	6,438
Shinhan AIM FoF Fund 1-A	9,156	51	903	—	—	10,110
IGIS Global Credit Fund 150-1	5,402	(1,267)	557	—	—	4,692
Partner One Value up I Private Equity Fund	7,891	—	(2,747)	—	—	5,144
Genesis No.1 Private Equity Fund	55,533	408	3,983	—	—	59,924
Korea Omega Project Fund III	4,290	—	(616)	—	—	3,674
Soo Delivery Platform Growth Fund	5,873	(6,093)	220	—	—	—
Genesis North America Power Company No.1 PEF	13,736	(12,629)	7,011	—	—	8,118
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	41,549	12,056	(10,361)	—	—	43,244
MIEL CO., LTD. (*1)	—	—	—	—	—	—
AIP Transportation Specialized Privately Placed Fund Trust #1	34,688	5,527	4,606	—	—	44,821

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
E&Healthcare Investment Fund No.6	₩ 6,866	(3,190)	(3,079)	—	—	597
One Shinhan Global Fund 1	3,773	—	(1,183)	—	(642)	1,948
Kiwoom-Shinhan Innovation Fund I	11,731	(1,500)	(790)	—	—	9,441
Daishin-K&T New Technology Investment Fund	7,991	(7,430)	(561)	—	—	—
Midas Asset Global CRE Debt Private Fund No.6	48,305	5,873	2,851	—	—	57,029
Samchully Midstream Private Placement Special Asset Fund 5-4	27,471	5,033	(1,880)	—	—	30,624
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	25,204	(912)	200	—	—	24,492
NH-Amundi Global Infrastructure Trust 14	18,301	1,714	960	—	—	20,975
Jarvis Memorial Private Investment Trust 1	10,109	(700)	377	—	—	9,786
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	33,153	(22)	226	—	—	33,357
Milestone Private Real Estate Fund 3	18,544	(201)	728	—	—	19,071
Nomura-Rifa Private Real Estate Investment Trust 31	7,902	(607)	69	—	—	7,364
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	10,236	(5,292)	(1,975)	—	—	2,969
T&F 2019 bearing Private Equity Fund Specializing in Start-up and Venture Business	2,864	—	367	—	—	3,231
Cape IT Fund No.3	10,065	(10,580)	515	—	—	—
FuturePlay-Shinhan Tech Innovation Fund 1	7,149	—	(233)	—	—	6,916
Stonebridge Corporate 1st Fund	2,964	—	658	—	—	3,622
Vogo Realty Partners Private Real Estate Fund V	10,766	(638)	787	—	—	10,915
Korea Credit Bureau	7,695	—	(2,656)	—	—	5,039
Goduck Gangil1 PFV Co., Ltd.	—	—	60	—	—	60
SBC PFV Co., Ltd.	29,586	—	(1,118)	—	—	28,468
NH-amundi global infra private fund 16	52,008	(15,362)	19,565	—	—	56,211
IMM Global Private Equity Fund	118,615	19,045	9,724	—	—	147,384

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
HANA Alternative Eastate Professional Private122	₩ 29,489	(28,570)	(919)	—	—	—
SH Corporate Professional Investment Type Private Security Investment Trust No.7	49,899	(50,540)	641	—	—	—
SH BNCT Professional Investment Type Private Special Asset Investment Trust	282,199	(24,838)	5,691	—	—	263,052
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	28,312	(6,937)	1,308	—	—	22,683
Sparklabs-Shinhan Opportunity Fund 1	4,640	(826)	817	—	—	4,631
BNW Tech-Innovation Private Equity Fund	5,881	—	(48)	—	—	5,833
IGIS Real-estate Private Investment Trust No.33	13,884	(715)	1,383	—	—	14,552
WWG Global Real Estate Investment Trust no.4	10,644	(659)	346	—	—	10,331
Goduck Gangil10 PFV Co., Ltd.	—	—	3,236	—	—	3,236
Fidelis Global Private Real Estate Trust No.2	19,773	2,183	(11)	—	—	21,945
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	49,217	(5,640)	4,850	—	—	48,427
Shinhan Global Healthcare Fund 2 (*1)	—	—	—	—	—	—
Pebblestone CGV Private Real Estate Trust No.1	13,710	(13,971)	261	—	—	—
SH Corporate Professional Investment Type Private Security Investment Trust No.45	173,955	(173,955)	—	—	—	—
Shinhan AIM Real Estate Fund No.2	23,275	3,346	(1,378)	—	—	25,243
Shinhan AIM Real Estate Fund No.1	44,312	(2,176)	2,506	—	—	44,642
SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust	32,948	(915)	594	—	—	32,627
SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust	20,550	6	(1,260)	—	—	19,296

(In millions of won)

16. Investments in associates (continued)

Investees	2022 Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	₩ 18,855	5,114	629	—	—	24,598
Korea Omega-Shinhan Project Fund I	7,244	2,000	778	—	—	10,022
ST-Bonanja Food tech	3,359	(621)	(107)	—	—	2,631
Samsung SRA Real Estate Professional Private 45[FoFs]	12,880	5,279	3,491	—	—	21,650
IBK Global New Renewable Energy Special Asset Professional Private2	31,887	(2,516)	4,041	—	—	33,412
VS Cornerstone Fund	3,410	—	(75)	—	—	3,335
Aone Mezzanine Opportunity Professional Private	9,540	(5,084)	553	—	—	5,009
NH-Amundi US Infrastructure Private Fund2	27,024	2,446	2,471	—	—	31,941
KB Distribution Private Real Estate1	30,694	(30,694)	—	—	—	—
SH Japan Photovoltaic Private Special Asset Investment Trust No.2	13,016	(7,291)	607	—	—	6,332
Kakao-Shinhan 1st TNYT Fund	14,497	—	6,833	—	—	21,330
IMM Special Situation 1-2 PRIVATE EQUITY FUND	11,593	(8,690)	(300)	—	—	2,603
Pacific Private Placement Real Estate Fund No.40	11,598	(748)	772	—	—	11,622
Mastern Private Real Estate Loan Fund No.2	7,491	(1,359)	255	—	—	6,387
LB Scotland Amazon Fulfillment Center Fund 29	31,268	(2,189)	558	—	—	29,637
JR AMC Hungary Budapest Office Fund 16	12,140	(821)	1,138	—	—	12,457
EDNCENTRAL Co., Ltd. (*1)	—	—	—	—	—	—
Future-Creation Neoplux Venture Capital Fund	3,017	—	1,234	—	—	4,251
Gyeonggi-Neoplux Superman Fund	7,878	(1,195)	(1,216)	—	—	5,467
NewWave 6th Fund	14,455	—	(915)	—	—	13,540
KTC-NP Growth Champ 2011-2 Private Equity Fund	3,990	(2,490)	(293)	—	—	1,207
Neoplux No.3 Private Equity Fund	22,601	(2)	(2,145)	—	—	20,454
PCC Amberstone Private Equity Fund I	22,790	(2,509)	(1,496)	—	—	18,785

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	**Beginning balance**	**Investment and dividend**	**Equity method income (loss)**	**Change in other comprehensive income**	**Impairment loss**	**Ending balance**
KIAMCO POWERLOAN TRUST 4th	₩45,301	(2,305)	528	—	—	43,524
Mastern Opportunity Seeking Real Estate Fund II	21,317	(6,457)	(150)	—	—	14,710
AION ELFIS PROFESSIONAL PRIVATE 1	4,422	232	(1,088)	—	—	3,566
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	4,360	(1,732)	3,081	—	—	5,709
Neoplux Market-Frontier Secondary Fund	11,313	(653)	3,300	—	—	13,960
Harvest Private Equity Fund II	3,481	(159)	(183)	—	—	3,139
Synergy Green New Deal 1st New Technology Business Investment Fund	9,684	(146)	1,094	—	—	10,632
KAIM Real-estate Private Investment Trust 20	5,048	(4,176)	315	—	—	1,187
KIAMCO Vietnam Solar Special Asset Private Investment Trust	7,527	(2,019)	1,219	—	—	6,727
Daishin New Technology Investment Fund 5th	4,439	(844)	(1,165)	—	—	2,430
CSQUARE SNIPER PROFESSIONAL PRIVATE 10	3,247	(3,806)	559	—	—	—
Acurus Hyundai Investment Partners New Technology	4,714	(3,979)	(735)	—	—	—
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1	63,944	(60,279)	—	(3,665)	—	—
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2	63,944	(60,279)	—	(3,665)	—	—
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	14,778	(14,778)	—	—	—	—
SHINHAN-NEO Core Industrial Technology Fund	5,691	3,960	(242)	—	—	9,409
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	27,243	(2,559)	340	—	—	25,024
SIMONE Mezzanine Fund No.3	3,054	4	(41)	—	—	3,017
Eum Private Equity Fund No.7	7,873	(86)	1,383	—	—	9,170

(In millions of won)

16. Investments in associates (continued)

Investees	2022					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund	₩ 7,594	(4,870)	(2,724)	—	—	—
Kiwoom Hero No.4 Private Equity Fund	4,305	—	(788)	—	—	3,517
Vogo Canister Professional Trust Private Fund I	41,072	2,103	3,154	—	—	46,329
SW-S Fund	6,724	—	524	—	—	7,248
CL Buyout 1st PEF	13,791	273	(1,222)	—	—	12,842
Timefolio The Venture-V second	4,572	—	(476)	—	—	4,096
Newlake Growth Capital Partners2 PEF	12,921	(177)	(248)	—	—	12,496
Shinhan Smilegate Global PEF I	3,336	(1,828)	2,263	—	—	3,771
Fount Professional Investors Private Investment Trust No.3	5,197	(5,197)	—	—	—	—
Genesis Eco No.1 PEF	11,130	195	93	—	—	11,418
SHINHAN-NEO Market-Frontier 2nd Fund	24,606	8,540	1,274	—	—	34,420
NH-Synergy Core Industrial New Technology Fund	6,437	—	(60)	—	—	6,377
J& Moorim Jade Investment Fund	5,540	(385)	279	—	—	5,434
Helios-KDBC Digital Contents 1st	1,695	1,720	(59)	—	—	3,356
Ulmus SHC innovation investment fund	5,192	—	(306)	—	—	4,886
Mirae Asset Partners X Private Equity Fund	7,858	—	(66)	—	—	7,792
T Core Industrial Technology 1st Venture PEF	4,535	—	(6)	—	—	4,529
Curious Finale Corporate Recovery Private Equity Fund	3,690	(245)	146	—	—	3,591
TI First Property Private Investment Trust 1	3,055	(101)	173	—	—	3,127
MPLUS Professional Private Real Estate Fund 25	3,290	655	286	—	—	4,231
IBKC Global Contents Investment Fund	4,943	—	(391)	—	—	4,552
Nautic Smart No.6 Private Equity Fund	3,974	(3,752)	956	—	—	1,178
Premier Luminous Private Equity Fund	6,991	(2,314)	4,289	—	—	8,966
Hanyang-Meritz 1 Fund	3,483	—	(17)	—	—	3,466

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
KNT 2nd PRIVATE EQUITY FUND	₩ 4,157	(3,000)	(207)	—	—	950
Kiwoom-Shinhan Innovation Fund 2	2,677	9,000	(406)	—	—	11,271
Maple Mobility Fund	8,683	91	8,085	—	—	16,859
SJ ESG Innovative Growth Fund	2,998	—	1,199	—	—	4,197
AVES 1st Corporate Recovery Private Equity Fund	4,736	—	321	—	—	5,057
JS Shinhan Private Equity Fund	5,037	—	(84)	—	—	4,953
NH Kyobo AI Solution Investment Fund	2,973	—	315	—	—	3,288
Daishin Newgen New Technology Investment Fund 1st	12,169	(2,277)	(4,188)	—	—	5,704
META ESG Private Equity Fund I	5,677	—	180	—	—	5,857
SWFV FUND-1	9,646	—	(518)	—	—	9,128
PHAROS DK FUND	3,949	—	(114)	—	—	3,835
Shinhan VC tomorrow venture fund 1	9,042	18,226	(342)	—	—	26,926
Highland 2021-8 Fund	4,899	—	(73)	—	—	4,826
H-IOTA Fund	9,728	(88)	(17)	—	—	9,623
Stonebridge-Shinhan Unicorn Secondary Fund	2,074	4,160	(152)	—	—	6,082
Tres-Yujin Trust	9,995	(546)	555	—	—	10,004
Shinhan-Time mezzanine blind Fund	14,942	—	(1,630)	—	—	13,312
Capstone REITs No.26	4,395	(300)	(243)	—	—	3,852
JB Incheon-Bucheon REITS No.54	4,999	—	(10)	—	—	4,989
Hankook Smart Real Asset Investment Trust No.3	4,342	2,195	456	—	—	6,993
JB Hwaseong-Hadong REITs No.53	4,999	—	(8)	—	—	4,991
KB Oaktree Trust No.3	3,159	5,376	70	—	—	8,605
Daehan No.36 Office Asset Management Company	21,500	(635)	1,193	—	—	22,058
Rhinos Premier Mezzanine Private Investment Fund No.1	3,005	—	(132)	—	—	2,873
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	19,903	35,762	1,669	—	—	57,334
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	40,105	(795)	1,261	—	—	40,571
SKS-Yozma Fund No.1	5,945	—	654	—	—	6,599
IBKC-METIS Global Contents Investment Fund	4,000	—	550	—	—	4,550

(In millions of won)

16. Investments in associates (continued)

Investees	2022 Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
Keistone Unicorn Private Equity Fund	₩ 6,300	—	(51)	—	—	6,249
KB Distribution Private Real Estate 3-1	—	24,000	2,651	—	—	26,651
Pacific Private Investment Trust No.49-1	—	28,000	641	—	—	28,641
KIWOOM Real estate private placement fund for normal investors No. 31	—	8,474	84	—	—	8,558
RIFA Real estate private placement fund for normal investoes No. 51	—	5,650	76	—	—	5,726
Fivetree general private equity fund No.15	—	11,995	286	—	—	12,281
Shinhan-Kunicorn first Fund	—	10,000	(169)	—	—	9,831
Harvest Fund No.3	—	13,000	2,854	—	—	15,854
Shinhan Simone Fund I	—	5,000	(204)	—	—	4,796
Korea Investment develop seed Trust No.1	—	9,562	680	—	—	10,242
Tiger Green alpha Trust No.29	—	26,180	626	—	—	26,806
STIC ALT Global II Private Equity Fund	—	10,000	(141)	—	—	9,859
NH-Brain EV Fund	—	13,000	(1,408)	—	—	11,592
DDI LVC Master Real Estate Investment Trust Co., Ltd.	—	6,625	(220)	—	—	6,405
Find-Green New Deal 2nd Equity Fund	—	4,549	(41)	—	—	4,508
ShinhanFitrin 1st Technology Business Investment Association	—	4,850	(413)	—	—	4,437
PARATUS No.3 Private Equity Fund	—	5,000	(64)	—	—	4,936
Golden Route 2nd Startup Venture Specialized Private Equity Fund	—	3,000	3	—	—	3,003
Koramco Private Real Estate Fund 143	—	3,030	—	—	—	3,030
Korea Investment Top Mezzanine Private Real Estate Trust No.1	—	8,884	1,001	—	—	9,885
LB YoungNam Logistics Private Trust No.40	—	9,706	42	—	—	9,748
Shinhan-Cognitive Start-up Fund L.P.	—	9,200	753	—	—	9,953
IGEN2022 No.1 private Equity Fund	—	8,280	765	—	—	9,045
Cornerstone J&M Fund I	—	3,600	(39)	—	—	3,561
Logisvalley Shinhan REIT Co., Ltd.	—	3,880	(60)	(16)	—	3,804

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
KDB Investment Global Healthcare Private Equity Fund I	₩ —	35,000	(532)	—	—	34,468
Korea Investment Green Newdeal Infra Trust No.1	—	5,734	(20)	—	—	5,714
BTS 2nd Private Equity Fund	—	3,934	(162)	—	—	3,772
Shinhan Global Active REIT Co.Ltd.	—	19,900	(678)	—	—	19,222
NH-J&-IBKC Label Technology Fund	—	9,976	(110)	—	—	9,866
IMM Global Venture Opportunity, LP	—	3,115	—	—	—	3,115
Capstone Develop Frontier Trust	—	6,857	—	—	—	6,857
Nextrade Co., Ltd.	—	9,700	—	—	—	9,700
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1	—	3,000	11	—	—	3,011
SH 1.5years Maturity Investment Type Security Investment Trust No.2	—	4,600	1	—	—	4,601
Eventus-IBKC LIB Fund	—	7,000	(965)	—	—	6,035
NH-Daishin-Kyobo healthcare 1 Fund	—	4,000	(52)	—	—	3,948
IBKC-Behigh Fund 1st	—	3,300	(32)	—	—	3,268
Nautic Green Innovation ESG Co-investment No.1 Private Equity Fund	—	4,000	(44)	—	—	3,956
ON No.1 Private Equity Fund	—	6,000	(638)	—	—	5,362
Digital New Deal Kappa Private Equity Fund	—	5,000	(54)	—	—	4,946
Others	170,811	50,920	12,090	—	(3,598)	230,223
	₩ 2,913,745	(105,125)	121,697	(24,238)	(1,605)	2,904,474

(*1) The Group has stopped recognizing its equity method income or loss due to the carrying amount of ‘0’ resulting from the investees’ cumulative loss.
(*2) For the year ended December 31, 2022, it is incorporated into the consolidation target as the Group held control due to increased equity ratio and BNP Paribas Cardif General Insurance, Ltd. has changed its name to Shinhan EZ General Insurance Co., Ltd.

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
BNP Paribas Cardif Life Insurance	₩ 30,169	—	920	8,183	—	39,272
Partners 4th Growth Investment Fund	13,542	(13,542)	—	—	—	—
KTB Newlake Global Healthcare PEF	4,309	(3,954)	(355)	—	—	—
Shinhan-Neoplux Energy Newbiz Fund	20,837	—	1,521	—	—	22,358
Shinhan-Albatross tech investment Fund	12,253	(1,500)	4,618	128	—	15,499
KCGI-SingA330-A Private Special Asset Investment Trust	4,232	—	377	—	—	4,609
VOGO Debt Strategy Qualified IV Private	6,085	50	397	—	—	6,532
Shinhan -Midas Dong-A Secondary Fund	4,431	—	(130)	—	—	4,301
ShinHan – Soo Young Entrepreneur Investment Fund No.1	4,414	(864)	1,312	—	—	4,862
Shinhan Praxis K-Growth Global Private Equity Fund	3,691	—	1	—	—	3,692
Kiwoom Milestone Professional Private Real Estate Trust 19 (*1)	3,961	—	(136)	—	(3,825)	—
Shinhan Global Healthcare Fund 1 (*1)	—	—	—	—	—	—
KB NA Hickory Private Special Asset Fund	34,339	(11,436)	1,193	—	—	24,096
Koramco Europe Core Private Placement Real Estate Fund No.2-2	19,236	(919)	482	—	—	18,799
Hermes Private Investment Equity Fund	5,562	(5,562)	—	—	—	—
KDBC-Midas Dong-A Global contents Fund	4,277	—	11	—	—	4,288
Shinhan-Nvestor Liquidity Solution Fund	6,438	(265)	(85)	—	—	6,088
Shinhan AIM FoF Fund 1-A	10,110	(1,653)	1,178	—	—	9,635
IGIS Global Credit Fund 150-1	4,692	(803)	397	—	—	4,286
Partner One Value up I Private Equity Fund	5,144	(5,144)	—	—	—	—
Genesis No.1 Private Equity Fund	59,924	(59,916)	(8)	—	—	—
Korea Omega Project Fund III	3,674	—	22	—	—	3,696
Genesis North America Power Company No.1 PEF	8,118	(4,384)	2,624	—	—	6,358

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	₩ 43,244	(10,595)	8,115	—	—	40,764
KOREA FINANCE SECURITY CO., LTD	2,411	—	(169)	1,003	—	3,245
MIEL CO., LTD. (*1)	—	—	—	—	—	—
AIP Transportation Specialized Privately Placed Fund Trust #1	44,821	782	769	—	—	46,372
Kiwoom-Shinhan Innovation Fund I	9,441	(1,425)	(162)	—	—	7,854
Midas Asset Global CRE Debt Private Fund No.6	57,029	(8,663)	6,515	—	—	54,881
Samchully Midstream Private Placement Special Asset Fund 5-4	30,624	795	1,744	—	—	33,163
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	24,492	(18,264)	1,026	—	—	7,254
NH-Amundi Global Infrastructure Trust 14	20,975	(3,086)	839	—	—	18,728
Jarvis Memorial Private Investment Trust 1	9,786	(10,642)	856	—	—	—
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	33,357	(683)	2,591	—	—	35,265
Milestone Private Real Estate Fund 3	19,071	563	(2,019)	—	—	17,615
Nomura-Rifa Private Real Estate Investment Trust 31	7,364	—	(475)	—	—	6,889
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	2,969	(2,675)	2,844	—	—	3,138
T&F 2019 bearing Private Equity Fund Specializing in Start-up and Venture Business	3,231	(3,231)	—	—	—	—
FuturePlay-Shinhan Tech Innovation Fund 1	6,916	—	931	—	—	7,847
Stonebridge Corporate 1st Fund	3,622	—	520	—	—	4,142
Vogo Realty Partners Private Real Estate Fund V	10,915	(378)	255	—	—	10,792
Korea Credit Bureau	5,039	(90)	1,789	—	—	6,738
Goduck Gangil1 PFV Co., Ltd.	60	—	120	—	—	180
SBC PFV Co., Ltd.	28,468	3,750	(1,444)	—	—	30,774

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	**Beginning balance**	**Investment and dividend**	**Equity method income (loss)**	**Change in other comprehensive income**	**Impairment loss**	**Ending balance**
NH-amundi global infra private fund 16	₩ 56,211	(1,299)	(4,260)	—	—	50,652
IMM Global Private Equity Fund	147,384	(147,384)	—	—	—	—
SH BNCT Professional Investment Type Private Special Asset Investment Trust	263,052	(32,093)	13,813	—	—	244,772
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	22,683	(5,882)	1,309	—	—	18,110
Sparklabs-Shinhan Opportunity Fund 1	4,631	(1,137)	420	—	—	3,914
BNW Tech-Innovation Private Equity Fund	5,833	(5,833)	—	—	—	—
IGIS Real-estate Private Investment Trust No.33	14,552	(360)	1,079	—	—	15,271
WWG Global Real Estate Investment Trust no.4	10,331	(10,795)	464	—	—	—
Goduck Gangil10 PFV Co., Ltd.	3,236	—	1,845	—	—	5,081
Fidelis Global Private Real Estate Trust No.2	21,945	—	(9,925)	—	(11,469)	551
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	48,427	(5,864)	6,056	—	—	48,619
Shinhan Global Healthcare Fund 2 (*1)	—	—	—	—	—	—
Shinhan AIM Real Estate Fund No.2	25,243	—	1,435	—	—	26,678
Shinhan AIM Real Estate Fund No.1	44,642	6,586	645	—	—	51,873
SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust	32,627	(916)	3,070	—	—	34,781
SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust	19,296	3	754	—	—	20,053
SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	24,598	(7,618)	536	—	—	17,516
Korea Omega-Shinhan Project Fund I	10,022	—	1,608	—	—	11,630
Samsung SRA Real Estate Professional Private 45[FoFs]	21,650	8,487	1,295	—	—	31,432

(In millions of won)

16. Investments in associates (continued)

Investees	2023 Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
IBK Global New Renewable Energy Special Asset Professional Private2	₩ 33,412	(2,303)	1,187	—	—	32,296
VS Cornerstone Fund	3,335	—	(55)	—	—	3,280
Aone Mezzanine Opportunity Professional Private	5,009	(5,072)	63	—	—	—
NH-Amundi US Infrastructure Private Fund2	31,941	(4,395)	2,179	—	—	29,725
SH Japan Photovoltaic Private Special Asset Investment Trust No.2	6,332	(4,360)	341	—	—	2,313
Kakao-Shinhan 1st TNYT Fund	21,330	—	(1,464)	—	—	19,866
Pacific Private Placement Real Estate Fund No.40	11,622	(748)	750	—	—	11,624
Mastern Private Real Estate Loan Fund No.2	6,387	(3,679)	332	—	—	3,040
LB Scotland Amazon Fulfillment Center Fund 29	29,637	(1,753)	3,044	—	—	30,928
JR AMC Hungary Budapest Office Fund 16	12,457	(773)	1,003	—	—	12,687
EDNCENTRAL Co., Ltd. (*1)	—	—	—	—	—	—
Future-Creation Neoplux Venture Capital Fund	4,251	(889)	(682)	—	—	2,680
Gyeonggi-Neoplux Superman Fund	5,467	—	(411)	—	—	5,056
NewWave 6th Fund	13,540	—	176	—	—	13,716
Neoplux No.3 Private Equity Fund	20,454	(4)	(1,469)	—	—	18,981
PCC Amberstone Private Equity Fund I	18,785	(2,425)	898	—	—	17,258
KIAMCO POWERLOAN TRUST 4th	43,524	(2,306)	3,881	—	—	45,099
Mastern Opportunity Seeking Real Estate Fund II	14,710	(4,029)	2,454	—	—	13,135
AION ELFIS PROFESSIONAL PRIVATE 1	3,566	(3,376)	(190)	—	—	—
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	5,709	(7,843)	2,134	—	—	—
Neoplux Market-Frontier Secondary Fund	13,960	(3,673)	140	—	—	10,427
Harvest Private Equity Fund II	3,139	(26)	(135)	—	—	2,978
Synergy Green New Deal 1st New Technology Business Investment Fund	10,632	(145)	(172)	—	—	10,315

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
KIAMCO Vietnam Solar Special Asset Private Investment Trust	₩ 6,727	(220)	329	—	—	6,836
SHINHAN-NEO Core Industrial Technology Fund	9,409	—	4,207	—	—	13,616
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	25,024	(2,542)	874	—	—	23,356
SIMONE Mezzanine Fund No.3	3,017	(1,965)	150	—	—	1,202
Eum Private Equity Fund No.7	9,170	—	(4)	—	—	9,166
Kiwoom Hero No.4 Private Equity Fund	3,517	—	(75)	—	—	3,442
Vogo Canister Professional Trust Private Fund I	46,329	(3,075)	2,617	—	—	45,871
SW-S Fund	7,248	(11,177)	3,929	—	—	—
CL Buyout 1st PEF	12,842	(20,216)	7,374	—	—	—
Timefolio The Venture-V second	4,096	—	1,705	—	—	5,801
Newlake Growth Capital Partners2 PEF	12,496	(12,496)	—	—	—	—
Shinhan Smilegate Global PEF I	3,771	—	30	—	—	3,801
Genesis Eco No.1 PEF	11,418	—	(199)	—	—	11,219
SHINHAN-NEO Market-Frontier 2nd Fund	34,420	4,270	(6,020)	—	—	32,670
NH-Synergy Core Industrial New Technology Fund	6,377	—	62	—	—	6,439
J& Moorim Jade Investment Fund	5,434	(787)	273	—	—	4,920
Helios-KDBC Digital Contents 1st	3,356	(1,457)	357	—	—	2,256
Ulmus SHC innovation investment fund	4,886	—	657	—	—	5,543
Mirae Asset Partners X Private Equity Fund	7,792	(7,792)	—	—	—	—
T Core Industrial Technology 1st Venture PEF	4,529	—	(275)	—	—	4,254
Curious Finale Corporate Recovery Private Equity Fund	3,591	(3,636)	45	—	—	—
Fine Value POST IPO No.5 Private Equity Fund	2,270	—	1,496	—	—	3,766
TI First Property Private Investment Trust 1	3,127	(203)	178	—	—	3,102
MPLUS Professional Private Real Estate Fund 25	4,231	—	(1,873)	—	—	2,358

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
IBKC Global Contents Investment Fund	₩ 4,552	—	149	—	—	4,701
Premier Luminous Private Equity Fund	8,966	(12,439)	3,473	—	—	—
Hanyang-Meritz 1 Fund	3,466	(689)	204	—	—	2,981
Kiwoom-Shinhan Innovation Fund 2	11,271	(4,434)	2,328	—	—	9,165
ETRI Holdings-Shinhan 1st Unicorn Fund	1,895	1,500	(100)	—	—	3,295
Maple Mobility Fund	16,859	(16,859)	—	—	—	—
SJ ESG Innovative Growth Fund	4,197	—	1	—	—	4,198
AVES 1st Corporate Recovery Private Equity Fund	5,057	—	(289)	—	—	4,768
JS Shinhan Private Equity Fund	4,953	—	(20)	—	—	4,933
NH Kyobo AI Solution Investment Fund	3,288	(4,138)	850	—	—	—
Daishin Newgen New Technology Investment Fund 1st	5,704	—	378	—	—	6,082
META ESG Private Equity Fund I	5,857	—	(86)	—	—	5,771
SWFV FUND-1	9,128	(9,433)	305	—	—	—
PHAROS DK FUND	3,835	(1,413)	40	—	—	2,462
Shinhan VC tomorrow venture fund 1	26,926	18,258	26	—	—	45,210
Highland 2021-8 Fund	4,826	(5,366)	540	—	—	—
H-IOTA Fund	9,623	(239)	140	—	—	9,524
Stonebridge-Shinhan Unicorn Secondary Fund	6,082	2,924	(1,579)	—	—	7,427
Tres-Yujin Trust	10,004	—	355	—	—	10,359
Shinhan-Time mezzanine blind Fund	13,312	—	809	—	—	14,121
Capstone REITs No.26	3,852	(300)	2,198	—	—	5,750
JB Incheon-Bucheon REITS No.54	4,989	—	(11)	—	—	4,978
Hankook Smart Real Asset Investment Trust No.3	6,993	—	675	—	—	7,668
JB Hwaseong-Hadong REITs No.53	4,991	—	(8)	—	—	4,983
KB Oaktree Trust No.3	8,605	(771)	834	—	—	8,668
Daehan No.36 Office Asset Management Company	22,058	—	424	—	—	22,482
Rhinos Premier Mezzanine Private Investment Fund No.1	2,873	—	183	—	—	3,056
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	57,334	3,369	2,066	—	—	62,769

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	₩ 40,571	36	827	—	—	41,434
SKS-Yozma Fund No.1	6,599	(4,140)	996	—	—	3,455
IBKC-METIS Global Contents Investment Fund	4,550	(3,921)	(629)	—	—	—
Keistone Unicorn Private Equity Fund	6,249	(6,249)	—	—	—	—
KB Distribution Private Real Estate 3-1	26,651	—	(675)	—	—	25,976
Pacific Private Investment Trust No.49-1	28,641	—	(1,264)	—	—	27,377
KIWOOM Real estate private placement fund for normal investors No. 31	8,558	(518)	518	—	—	8,558
RIFA Real estate private placement fund for normal investoes No. 51	5,726	(340)	345	—	—	5,731
Fivetree general private equity fund No.15	12,281	(489)	780	—	—	12,572
Shinhan-Kunicorn first Fund	9,831	—	(205)	—	—	9,626
Harvest Fund No.3	15,854	(15,854)	—	—	—	—
Shinhan-Quantum Startup Fund	1,119	3,000	(133)	—	—	3,986
Shinhan Simone Fund I	4,796	—	41	—	—	4,837
Korea Investment develop seed Trust No.1	10,242	(901)	191	—	—	9,532
Tiger Green alpha Trust No.29	26,806	(588)	2,355	—	—	28,573
STIC ALT Global II Private Equity Fund	9,859	(218)	(137)	—	—	9,504
NH-Brain EV Fund	11,592	—	(467)	—	—	11,125
DDI LVC Master Real Estate Investment Trust Co., Ltd.	6,405	450	(272)	—	—	6,583
Leverent-Frontier 4th Venture PEF	2,964	—	330	—	—	3,294
Find-Green New Deal 2nd Equity Fund	4,508	—	(43)	—	—	4,465
ShinhanFitrin 1st Technology Business Investment Association	4,437	—	82	—	—	4,519
PARATUS No.3 Private Equity Fund	4,936	(4,936)	—	—	—	—
Golden Route 2nd Startup Venture Specialized Private Equity Fund	3,003	(3,003)	—	—	—	—
Koramco Private Real Estate Fund 143	3,030	3,636	1	—	—	6,667
Korea Investment Top Mezzanine Private Real Esate Trust No.1	9,885	(1,169)	1,300	—	—	10,016

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
LB YoungNam Logistics Private Trust No.40	₩ 9,748	(600)	634	—	—	9,782
Shinhan-Cognitive Start-up Fund L.P.	9,953	(5,052)	428	—	—	5,329
IGEN2022 No.1 private Equity Fund	9,045	(9,045)	—	—	—	—
Cornerstone J&M Fund I	3,561	—	(73)	—	—	3,488
Logisvalley Shinhan REIT Co., Ltd.	3,804	—	(206)	—	—	3,598
DA Value-Honest New Technology Investment Fund 1	2,663	(1,145)	2,581	—	—	4,099
KDB Investment Global Healthcare Private Equity Fund I	34,468	(34,468)	—	—	—	—
Shinhan-Ji and Tec Smart Innovation Fund	2,587	7,800	(410)	—	—	9,977
Shinhan-Gene and New Normal First Mover Venture Investment Equity Fund 1st	1,776	5,400	(208)	—	—	6,968
Korea Investment Green Newdeal Infra Trust No.1	5,714	4,537	6	—	—	10,257
BTS 2nd Private Equity Fund	3,772	2,860	(290)	—	—	6,342
Shinhan Global Active REIT Co.Ltd.	19,222	(69)	(156)	—	—	18,997
NH-J&-IBKC Label Technology Fund	9,866	—	(119)	—	—	9,747
Hanyang Time Mezzanine Fund	3,000	—	12	—	—	3,012
IMM Global Venture Opportunity, LP	3,115	(3,115)	—	—	—	—
Shinhan-isquare Venture PEF 1	497	4,000	(211)	—	—	4,286
Capstone Develop Frontier Trust	6,857	(565)	1,255	—	—	7,547
Nextrade Co., Ltd.	9,700	—	—	—	—	9,700
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1 (*2)	3,011	(3,011)	—	—	—	—
SH 1.5years Maturity Investment Type Security Investment Trust No.2	4,601	—	234	—	—	4,835
Eventus-IBKC LIB Fund	6,035	—	597	—	—	6,632
NH-Daishin-Kyobo healthcare 1 Fund	3,948	(3,948)	—	—	—	—
IBKC-Behigh Fund 1st	3,268	—	(49)	—	—	3,219
Nautic Green Innovation ESG Co-investment No.1 Private Equity Fund	3,956	(3,956)	—	—	—	—
ON No.1 Private Equity Fund	5,362	—	(41)	—	—	5,321

(In millions of won)

16. Investments in associates (continued)

Investees	2023 Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
Digital New Deal Kappa Private Equity Fund	₩ 4,946	—	(101)	—	—	4,845
IBKCJS New Technology Fund No.1	—	5,000	1,130	—	—	6,130
DS-Shinhan-JBWoori New Media New Technology Investment Fund No.1	—	10,000	(197)	—	—	9,803
VOGO Debt Strategy General Private Real Estate Investment Trust No. 18	—	11,014	999	—	—	12,013
Koramco IPO LEITS Mezzanine General Private Investment Trust No. 38	—	3,000	171	—	—	3,171
TogetherKorea Private Investment Trust No. 6	—	5,122	148	—	—	5,270
TogetherKorea Private Investment Trust No. 7	—	5,122	148	—	—	5,270
Kiwoom Core Industrial Technology Investment Fund No.3	—	4,000	180	—	—	4,180
Penture K-Content Investment Fund	—	6,000	(378)	—	—	5,622
2023 Shinhan-JB Woori-Daeshin Listed Companies New Technology Fund	—	7,838	131	—	—	7,969
Hana Alternative Investment Kosmes PCBO General PEF No. 1	—	4,740	367	—	—	5,107
Shinhan-timefolio Bio Development Investment Fund	—	6,000	(73)	—	—	5,927
Shinhan M&A-ESG Fund	—	4,354	(185)	—	—	4,169
Shinhan SM Office Value Add – Outsource Management Real Estate Investment Co., Ltd. –	—	9,565	1,009	—	—	10,574
KDBC meta-enter New Technology investment fund	—	7,000	(60)	—	—	6,940
Shinhan Time Secondary Blind New Technology Investment Trust	—	4,750	4	—	—	4,754
Shinhan DS Secondary Investment Fund	—	1,815	5,662	—	—	7,477
Shinhan-openwater pre-IPO Investment Trust 1	—	5,000	(27)	—	—	4,973
Shinhan-Eco Venture Fund 2nd	—	3,650	(40)	—	—	3,610
Heungkuk-Shinhan the1st Visionary Technology Investment Trust no. 1	—	3,200	(46)	—	—	3,154

(In millions of won)

16. Investments in associates (continued)

	2023						
Investees		**Beginning balance**	**Investment and dividend**	**Equity method income (loss)**	**Change in other comprehensive income**	**Impairment loss**	**Ending balance**
Hantoo Shinhan Lake K-beauty Technology Investment Trust	₩	—	10,000	(31)	—	—	9,969
Shinhan HB Wellness 1st Investment Trust		—	5,000	(8)	—	—	4,992
Korea real Asset Fund No.3		—	9,370	(55)	—	—	9,315
Igis Yongsan Office General PE Real Estate Inv. Trust No. 518		—	23,900	(769)	—	—	23,131
Samsung-dunamu Innovative IT Technology Investment Trust No. 1		—	4,000	536	—	—	4,536
Time Robotics New Technology Investment Trust		—	4,000	(34)	—	—	3,966
Ascent-welcome Tehcnology Investment Trust No.2		—	9,000	(229)	—	—	8,771
Igis General PE Real Estate Investment Trust 517-1		—	52,000	(264)	—	—	51,736
Consus Osansegyo No.2		—	8,000	104	—	—	8,104
Mastern General Private Real Estate Investment Trust No.189 (Type 1 Beneficiary Securities)		—	8,500	(678)	—	—	7,822
Shinhan AIM Private Fund of Fund 9-B		—	23,036	982	—	—	24,018
Shinhan General Private Real Estate Investment Trust No.3		—	7,721	117	—	—	7,838
NH Absolute Project L General Private Investment Trust		—	4,488	405	—	—	4,893
Paros Kosdaq Venture General Private Investment Trust No. 5		—	6,000	(6)	—	—	5,994
Happy Pet Life Care New Technology Investment Association No.2		—	3,000	456	—	—	3,456
Shinhan-Soo Secondary Investment Association		—	5,250	(1)	—	—	5,249
Others		225,498	(39,576)	4,942	424	(289)	190,999
	₩	2,904,474	(331,686)	125,088	9,738	(15,583)	2,692,031

(*1) The Group has stopped recognizing its equity method income or loss due to the carrying amount of '0' resulting from the investees' cumulative loss.
(*2) For the year ended December 31, 2023 it is incorporated into the consolidation target as the Group held control due to increased equity ratio.

(In millions of won)

16. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2022 and 2023 are as follows:

	2022						
Investees		Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
BNP Paribas Cardif Life Insurance	₩	2,528,558	2,327,352	47,631	(11,901)	(80,527)	(92,428)
Partners 4th Growth Investment Fund		54,661	496	14,432	27,663	(18,774)	8,889
KTB Newlake Global Healthcare PEF		21,000	55	3,091	2,996	—	2,996
Shinhan-Neoplux Energy Newbiz Fund		66,792	978	3,371	21,618	—	21,618
Shinhan-Albatross tech investment Fund		24,870	363	1,469	10,429	(383)	10,046
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund		17,718	2	14,888	14,888	—	14,888
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund		8,569	6	1,267	1,265	—	1,265
VOGO Debt Strategy Qualified IV Private		30,440	20	3,963	1,691	—	1,691
Shinhan -Midas Dong-A Secondary Fund		8,863	—	3,749	3,011	—	3,011
ShinHan – Soo Young Entrepreneur Investment Fund No.1		18,660	269	1,056	784	—	784
Shinhan Praxis K-Growth Global Private Equity Fund		26,086	4	32,477	31,394	—	31,394
Kiwoom Milestone Professional Private Real Estate Trust 19		46,585	38,663	2,605	(2,584)	—	(2,584)
Shinhan Global Healthcare Fund 1		40	4,558	—	(1,406)	—	(1,406)
KB NA Hickory Private Special Asset Fund		91,617	45	17,394	8,543	—	8,543
Koramco Europe Core Private Placement Real Estate Fund No.2-2		45,492	1,798	7,431	574	—	574
Hermes Private Investment Equity Fund		19,078	7	—	(14,465)	—	(14,465)
KDBC-Midas Dong-A Global contents Fund		18,412	19	7,110	5,689	—	5,689
Shinhan-Nvestor Liquidity Solution Fund		26,085	249	2,297	1,607	—	1,607
Shinhan AIM FoF Fund 1-A		40,471	27	16,497	3,617	—	3,617
IGIS Global Credit Fund 150-1		18,779	14	5,436	2,223	—	2,223

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	**Asset**	**Liability**	**Operating revenue**	**Net profit (loss)**	**Other comprehensive income (loss)**	**Total comprehensive income (loss)**
Partner One Value up I Private Equity Fund	₩ 18,496	68	1,281	(9,798)	—	(9,798)
Genesis No.1 Private Equity Fund	262,825	2	19,226	17,898	—	17,898
Korea Omega Project Fund III	15,610	—	—	(2,624)	—	(2,624)
Genesis North America Power Company No.1 PEF	20,898	138	20,864	20,155	—	20,155
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	185,777	444	—	(44,452)	—	(44,452)
MIEL CO., LTD.	422	565	36	(1)	—	(1)
AIP Transportation Specialized Privately Placed Fund Trust #1	125,545	86	7,398	(3,978)	—	(3,978)
E&Healthcare Investment Fund No.6	2,839	—	3,243	(14,623)	—	(14,623)
One Shinhan Global Fund 1	9,575	80	—	(6,263)	—	(6,263)
Kiwoom-Shinhan Innovation Fund I	19,130	249	1,545	(1,581)	—	(1,581)
Midas Asset Global CRE Debt Private Fund No.6	139,200	662	10,515	6,925	—	6,925
Samchully Midstream Private Placement Special Asset Fund 5-4	71,399	47	16,238	(4,512)	—	(4,512)
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	122,479	23	4,534	1,007	—	1,007
NH-Amundi Global Infrastructure Trust 14	69,933	14	14,823	3,201	—	3,201
Jarvis Memorial Private Investment Trust 1	9,887	4	384	380	—	380
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	55,618	20	15,784	379	—	379
Milestone Private Real Estate Fund 3	59,697	212	1,865	(4,045)	—	(4,045)
Nomura-Rifa Private Real Estate Investment Trust 31	95,314	71,795	13,708	108	—	108
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	13,967	6	2,226	(9,585)	—	(9,585)
T&F 2019 bearing Private Equity Fund Specializing in Start-up and Venture Business	11,446	6	1,527	1,333	—	1,333
FuturePlay-Shinhan Tech Innovation Fund 1	13,832	—	2	(465)	—	(465)
Stonebridge Corporate 1st Fund	8,211	—	1,575	1,493	—	1,493

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Vogo Realty Partners Private Real Estate Fund V	₩ 50,529	83	3,851	3,637	—	3,637
Korea Credit Bureau	144,765	88,766	141,445	(29,498)	—	(29,498)
Goduck Gangil1 PFV Co., Ltd.	212,608	206,893	187,295	21,478	—	21,478
SBC PFV Co., Ltd.	424,242	290,391	—	(4,471)	—	(4,471)
NH-amundi global infra private fund 16	112,489	66	32,982	22,026	—	22,026
IMM Global Private Equity Fund	451,407	4,821	25,234	(48,679)	—	(48,679)
SH BNCT Professional Investment Type Private Special Asset Investment Trust	362,896	66	10,788	(18,077)	—	(18,077)
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	43,941	552	25,185	2,665	—	2,665
Sparklabs-Shinhan Opportunity Fund 1	9,356	—	1,951	1,652	—	1,652
BNW Tech-Innovation Private Equity Fund	20,303	763	92	(161)	—	(161)
IGIS Real-estate Private Investment Trust No.33	89,582	53,964	5,202	3,387	—	3,387
WWG Global Real Estate Investment Trust no.4	34,970	11	4,402	1,169	—	1,169
Goduck Gangil10 PFV Co., Ltd.	179,923	163,660	210,961	24,625	—	24,625
Fidelis Global Private Real Estate Trust No.2	30,217	32	—	(821)	—	(821)
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	169,704	969	17,932	13,514	—	13,514
Shinhan Global Healthcare Fund 2	32	192	1	(75)	—	(75)
Shinhan AIM Real Estate Fund No.2	84,946	806	10,262	(4,595)	—	(4,595)
Shinhan AIM Real Estate Fund No.1	239,734	27,259	15,006	11,925	—	11,925
SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust	148,236	75	4,456	2,688	—	2,688
SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust	66,408	301	655	(4,315)	—	(4,315)
SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	34,479	42	4,149	2,310	—	2,310

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
Korea Omega-Shinhan Project Fund I	₩ 20,043	—	1,776	1,555	—	1,555
ST-Bonanja Food tech	6,775	—	202	(275)	—	(275)
Samsung SRA Real Estate Professional Private 45	93,284	7,161	5,721	(7,106)	—	(7,106)
IBK Global New Renewable Energy Special Asset Professional Private2	115,311	41	8,791	8,504	—	8,504
VS Cornerstone Fund	8,098	—	1	(131)	—	(131)
Aone Mezzanine Opportunity Professional Private	8,006	229	992	729	—	729
NH-Amundi US Infrastructure Private Fund2	123,363	72	32,302	9,571	—	9,571
SH Japan Photovoltaic Private Special Asset Investment Trust No.2	21,202	99	6,709	2,901	—	2,901
Kakao-Shinhan 1st TNYT Fund	44,003	134	14,778	14,054	—	14,054
IMM Special Situation 1-2 PRIVATE EQUITY FUND	13,058	39	6,499	(1,494)	—	(1,494)
Pacific Private Placement Real Estate Fund No.40	145,569	98,572	4,155	3,122	—	3,122
Mastern Private Real Estate Loan Fund No.2	19,200	175	919	759	—	759
LB Scotland Amazon Fulfillment Center Fund 29	42,291	39	2,226	795	—	795
JR AMC Hungary Budapest Office Fund 16	38,247	—	3,493	3,493	—	3,493
EDNCENTRAL Co., Ltd.	114,856	138,293	1,193	(9,338)	—	(9,338)
Future-Creation Neoplux Venture Capital Fund	30,109	3,949	13,584	7,591	—	7,591
Gyeonggi-Neoplux Superman Fund	25,739	623	12,768	(5,587)	—	(5,587)
NewWave 6th Fund	45,981	849	2,167	(3,053)	—	(3,053)
KTC-NP Growth Champ 2011-2 Private Equity Fund	27,070	5,349	463	(5,288)	—	(5,288)
Neoplux No.3 Private Equity Fund	207,723	3,194	10,686	(21,454)	—	(21,454)
PCC Amberstone Private Equity Fund I	89,577	2,892	9,177	(10,097)	—	(10,097)
KIAMCO POWERLOAN TRUST 4th	91,908	24	5,024	1,117	—	1,117
Mastern Opportunity Seeking Real Estate Fund II	73,584	40	13,201	(2,950)	—	(2,950)
AION ELFIS PROFESSIONAL PRIVATE 1	17,833	2	395	(4,280)	—	(4,280)
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	19,257	22	10,655	10,381	—	10,381

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
Neoplux Market-Frontier Secondary Fund	₩ 71,633	904	29,131	16,720	—	16,720
Harvest Private Equity Fund II	14,387	157	119	(831)	—	(831)
Synergy Green New Deal 1st New Technology Business Investment Fund	37,743	—	4,283	3,883	—	3,883
KAIM Real-estate Private Investment Trust 20	3,089	—	820	820	—	820
KIAMCO Vietnam Solar Special Asset Private Investment Trust	13,473	18	5,271	2,438	—	2,438
Daishin New Technology Investment Fund 5th	10,384	15	227	107	—	107
SHINHAN-NEO Core Industrial Technology Fund	19,037	124	136	(486)	—	(486)
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	83,453	36	3,580	1,158	—	1,158
SIMONE Mezzanine Fund No.3	10,427	8	120	(129)	—	(129)
Eum Private Equity Fund No.7	43,679	6	7,116	6,587	—	6,587
Kiwoom Hero No.4 Private Equity Fund	16,731	26	399	191	(3,936)	(3,745)
Vogo Canister Professional Trust Private Fund I	127,808	61	22,709	8,743	—	8,743
SW-S Fund	23,919	—	1,978	1,728	—	1,728
CL Buyout 1st PEF	60,144	214	1	(5,704)	—	(5,704)
Timefolio The Venture-V second	19,764	—	—	(2,296)	—	(2,296)
Newlake Growth Capital Partners2 PEF	42,358	592	—	(829)	—	(829)
Shinhan Smilegate Global PEF I	28,792	—	6,610	6,118	—	6,118
Genesis Eco No.1 PEF	39,363	4	657	1,400	—	1,400
SHINHAN-NEO Market-Frontier 2nd Fund	81,123	513	8,166	2,985	—	2,985
NH-Synergy Core Industrial New Technology Fund	17,269	—	—	100	—	100
J& Moorim Jade Investment Fund	21,837	1	1,134	969	—	969
Helios-KDBC Digital Contents 1st	14,518	87	3,529	3,272	—	3,272
Ulmus SHC innovation investment fund	20,326	—	1	(1,275)	—	(1,275)
Mirae Asset Partners X Private Equity Fund	21,850	33	2	(185)	—	(185)

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
T Core Industrial Technology 1st Venture PEF	₩ 14,405	12	208	(20)	—	(20)
Curious Finale Corporate Recovery Private Equity Fund	12,986	61	946	522	—	522
TI First Property Private Investment Trust 1	7,817	—	432	432	—	432
MPLUS Professional Private Real Estate Fund 25	12,395	2,242	686	686	—	686
IBKC Global Contents Investment Fund	18,739	78	—	(1,603)	—	(1,603)
Nautic Smart No.6 Private Equity Fund	3,212	91	2,718	2,531	—	2,531
Premier Luminous Private Equity Fund	35,763	63	10,762	10,534	—	10,534
Hanyang-Meritz 1 Fund	15,348	—	41	(74)	—	(74)
KNT 2nd PRIVATE EQUITY FUND	5,182	5	6,186	5,983	—	5,983
Kiwoom-Shinhan Innovation Fund 2	26,475	176	16	(947)	—	(947)
Maple Mobility Fund	83,540	1	40,442	40,066	—	40,066
SJ ESG Innovative Growth Fund	14,689	—	4,319	4,195	—	4,195
AVES 1st Corporate Recovery Private Equity Fund	6,641	3	431	422	—	422
JS Shinhan Private Equity Fund	128,728	1	12	(2,098)	—	(2,098)
NH Kyobo AI Solution Investment Fund	12,601	—	2,182	2,002	—	2,002
Daishin Newgen New Technology Investment Fund 1st	11,298	25	184	38	(8,314)	(8,276)
META ESG Private Equity Fund I	21,380	—	2	(341)	—	(341)
SWFV FUND-1	22,678	—	—	(1,287)	—	(1,287)
PHAROS DK FUND	15,918	32	—	(403)	—	(403)
Shinhan VC tomorrow venture fund 1	68,808	850	2,775	(645)	—	(645)
Highland 2021-8 Fund	14,924	154	—	(228)	—	(228)
H-IOTA Fund	38,933	149	356	(64)	—	(64)
Stonebridge-Shinhan Unicorn Secondary Fund	34,621	—	3	(866)	—	(866)
Tres-Yujin Trust	20,010	3	1,114	1,111	—	1,111
Shinhan-Time mezzanine blind Fund	26,625	—	42	(3,260)	—	(3,260)
Capstone REITs No.26	16,709	9,006	—	(486)	—	(486)
JB Incheon-Bucheon REITS No.54	12,695	5	2	(26)	—	(26)
Hankook Smart Real Asset Investment Trust No.3	21,085	105	1,408	1,368	—	1,368
JB Hwaseong-Hadong REITs No.53	16,090	6	2	(27)	—	(27)
KB Oaktree Trust No.3	25,822	8	3,266	210	—	210

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
Daehan No.36 Office Asset Management Company	₩141,037	96,073	5,231	2,047	—	2,047
Rhinos Premier Mezzanine Private Investment Fund No.1	2,880	7	1,137	1,073	—	1,073
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	192,904	53	11,005	5,638	—	5,638
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	163,349	82	5,679	5,076	—	5,076
SKS-Yozma Fund No.1	22,110	—	2,505	2,196	—	2,196
IBKC-METIS Global Contents Investment Fund	12,513	—	1	1,513	—	1,513
Keistone Unicorn Private Equity Fund	22,318	—	—	(176)	—	(176)
KB Distribution Private Real Estate 3-1	71,093	24	85	14	—	14
Pacific Private Investment Trust No.49-1	36,126	—	—	(23)	—	(23)
KIWOOM Real estate private placement fund for normal investors No. 31	14,278	14	435	260	—	260
RIFA Real estate private placement fund for normal investoes No. 51	14,343	28	218	170	—	170
Fivetree general private equity fund No.15	24,606	33	2,003	1,920	—	1,920
Shinhan-Kunicorn first Fund	25,658	—	10	(442)	—	(442)
Harvest Fund No.3	35,577	89	6,855	6,388	—	6,388
Shinhan Simone Fund I	12,468	—	24	(532)	—	(532)
Korea Investment develop seed Trust No.1	26,334	730	1,806	1,702	—	1,702
Tiger Green alpha Trust No.29	28,200	54	1,431	658	—	658
STIC ALT Global II Private Equity Fund	45,480	130	2	(649)	—	(649)
NH-Brain EV Fund	46,369	—	2	(5,631)	—	(5,631)
DDI LVC Master Real Estate Investment Trust Co., Ltd.	42,665	43	—	(1,466)	—	(1,466)
Find-Green New Deal 2nd Equity Fund	19,969	—	26	(181)	—	(181)
ShinhanFitrin 1st Technology Business Investment Association	27,520	76	1	(2,556)	—	(2,556)
PARATUS No.3 Private Equity Fund	19,372	123	—	(250)	—	(250)

(In millions of won)

16. Investments in associates (continued)

Investees	2022 Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Golden Route 2nd Startup Venture Specialized Private Equity Fund	₩ 13,272	58	73	14	—	14
Koramco Private Real Estate Fund 143	10,006	6	4	—	—	—
Korea Investment Top Mezzanine Private Real Esate Trust No.1	45,126	649	4,554	4,499	—	4,499
LB YoungNam Logistics Private Trust No.40	39,001	9	191	169	—	169
Shinhan-Cognitive Start-up Fund L.P.	30,744	386	899	384	—	384
IGEN2022 No.1 private Equity Fund	32,483	122	3,166	2,737	—	2,737
Cornerstone J&M Fund I	13,355	2	1	(147)	—	(147)
Logisvalley Shinhan REIT Co., Ltd.	79,248	55,619	1,000	(296)	—	(296)
KDB Investment Global Healthcare Private Equity Fund I	143,070	276	—	(2,206)	—	(2,206)
Korea Investment Green Newdeal Infra Trust No.1	20,438	7	—	(70)	—	(70)
BTS 2nd Private Equity Fund	15,018	513	1	(625)	—	(625)
Shinhan Global Active REIT Co.Ltd.	192,742	98,372	—	(1,703)	—	(1,703)
NH-J&-IBKC Label Technology Fund	35,481	4	2	(123)	—	(123)
IMM Global Venture Opportunity, LP	8,775	—	—	—	—	—
Capstone Develop Frontier Trust	32,000	—	—	—	—	—
Nextrade Co., Ltd.	141,561	140	—	(2,323)	—	(2,323)
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1	11,196	2	72	49	—	49
SH 1.5years Maturity Investment Type Security Investment Trust No.2	15,865	—	4	4	—	4
Eventus-IBKC LIB Fund	27,617	27	6	(4,409)	—	(4,409)
NH-Daishin-Kyobo healthcare 1 Fund	15,792	—	17	(208)	—	(208)
IBKC-Behigh Fund 1st	10,992	—	1	(108)	—	(108)
Nautic Green Innovation ESG Co-investment No.1 Private Equity Fund	16,569	150	1	(181)	—	(181)
ON No.1 Private Equity Fund	18,767	—	—	(2,233)	—	(2,233)
Digital New Deal Kappa Private Equity Fund	16,569	149	1	(180)	—	(180)

(*) 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.

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
BNP Paribas Cardif Life Insurance	₩2,937,652	2,675,629	49,330	(17,674)	54,555	36,881
Shinhan-Neoplux Energy Newbiz Fund	72,503	1,883	10,434	4,802	—	4,802
Shinhan-Albatross tech investment Fund	31,296	295	10,919	9,109	383	9,492
KCGI-SingA330-A Private Special Asset Investment Trust	19,299	1	1,579	1,578	—	1,578
VOGO Debt Strategy Qualified IV Private	32,674	15	4,003	1,987	—	1,987
Shinhan -Midas Dong-A Secondary Fund	8,603	—	—	(259)	—	(259)
ShinHan – Soo Young Entrepreneur Investment Fund No.1	20,511	252	5,702	5,467	—	5,467
Shinhan Praxis K-Growth Global Private Equity Fund	26,097	1	5	2	—	2
Kiwoom Milestone Professional Private Real Estate Trust 19	—	38,867	756	(311)	—	(311)
Shinhan Global Healthcare Fund 1	39	3,507	—	(1)	—	(1)
KB NA Hickory Private Special Asset Fund	64,327	70	4,636	(9,995)	—	(9,995)
Koramco Europe Core Private Placement Real Estate Fund No.2-2	44,606	1,899	1,255	(2,601)	—	(2,601)
KDBC-Midas Dong-A Global contents Fund	18,500	62	71	45	—	45
Shinhan-Nvestor Liquidity Solution Fund	24,720	289	173	(342)	—	(342)
Shinhan AIM FoF Fund 1-A	38,571	29	12,279	4,713	—	4,713
IGIS Global Credit Fund 150-1	17,155	12	2,224	1,586	—	1,586
Korea Omega Project Fund III	15,709	—	148	95	—	95
Genesis North America Power Company No.1 PEF	15,989	1,487	2,904	2,523	—	2,523
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	174,702	—	42,498	34,779	—	34,779
KOREA FINANCE SECURITY CO., LTD	36,392	14,629	48,995	(1,136)	—	(1,136)
MIEL CO., LTD.	422	565	36	—	—	—
AIP Transportation Specialized Privately Placed Fund Trust #1	130,174	373	4,237	(38,058)	—	(38,058)
Kiwoom-Shinhan Innovation Fund I	16,081	373	1,531	(325)	—	(325)

(In millions of won)

16. Investments in associates (continued)

Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
	2023					
Midas Asset Global CRE Debt Private Fund No.6	₩ 138,202	1,352	18,827	15,828	—	15,828
Samchully Midstream Private Placement Special Asset Fund 5-4	77,296	28	15,914	4,186	—	4,186
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	36,283	10	5,351	5,130	—	5,130
NH-Amundi Global Infrastructure Trust 14	62,431	2	10,567	2,796	—	2,796
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	58,814	38	12,899	4,319	—	4,319
Milestone Private Real Estate Fund 3	54,945	—	5,117	(7,989)	—	(7,989)
Nomura-Rifa Private Real Estate Investment Trust 31	93,950	71,946	1,882	(192)	—	(192)
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	14,760	6	17,929	13,371	—	13,371
FuturePlay-Shinhan Tech Innovation Fund 1	15,922	227	2,392	1,861	—	1,861
Stonebridge Corporate 1st Fund	9,390	—	1,262	1,179	—	1,179
Vogo Realty Partners Private Real Estate Fund V	49,968	86	4,879	1,179	—	1,179
Korea Credit Bureau	129,155	54,287	160,189	19,880	—	19,880
Goduck Gangil1 PFV Co., Ltd.	209,615	192,311	340,451	11,493	—	11,493
SBC PFV Co., Ltd.	472,860	309,802	—	(5,733)	—	(5,733)
NH-amundi global infra private fund 16	102,499	1,195	291	(10,397)	—	(10,397)
SH BNCT Professional Investment Type Private Special Asset Investment Trust	337,617	—	32,744	19,052	—	19,052
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	35,359	716	29,833	2,504	—	2,504
Sparklabs-Shinhan Opportunity Fund 1	7,916	9	1,834	848	—	848
IGIS Real-estate Private Investment Trust No.33	91,806	54,428	15,927	2,642	—	2,642
Goduck Gangil10 PFV Co., Ltd.	129,399	103,864	158,905	9,272	—	9,272
Fidelis Global Private Real Estate Trust No.2	745	52	—	(9)	—	(9)

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	₩ 170,567	1,159	1,097	37	—	37
Shinhan Global Healthcare Fund 2	31	183	1	(2)	—	(2)
Shinhan AIM Real Estate Fund No.2	90,066	1,140	19,579	4,783	—	4,783
Shinhan AIM Real Estate Fund No.1	247,193	296	89,979	3,070	—	3,070
SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust	158,010	55	18,673	13,942	—	13,942
SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust	69,059	361	2,753	2,583	—	2,583
SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	24,554	31	2,926	750	—	750
Korea Omega-Shinhan Project Fund I	23,261	—	3,356	3,216	—	3,216
Samsung SRA Real Estate Professional Private 45	128,943	3,215	13	(44)	—	(44)
IBK Global New Renewable Energy Special Asset Professional Private2	111,460	36	16,458	(9,724)	—	(9,724)
VS Cornerstone Fund	8,094	127	—	(133)	—	(133)
NH-Amundi US Infrastructure Private Fund2	114,783	45	60,166	8,411	—	8,411
SH Japan Photovoltaic Private Special Asset Investment Trust No.2	7,797	85	9,439	1,137	—	1,137
Kakao-Shinhan 1st TNYT Fund	40,992	134	77	(3,012)	—	(3,012)
Pacific Private Placement Real Estate Fund No.40	145,871	98,869	4,152	3,031	—	3,031
Mastern Private Real Estate Loan Fund No.2	9,081	24	1,049	989	—	989
LB Scotland Amazon Fulfillment Center Fund 29	44,187	93	7,071	4,339	—	4,339
JR AMC Hungary Budapest Office Fund 16	40,697	1,742	8,394	3,081	—	3,081

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
EDNCENTRAL Co., Ltd.	₩ 120,947	163,105	657	(18,592)	—	(18,592)
Future-Creation Neoplux Venture Capital Fund	20,097	3,601	6,093	(4,198)	—	(4,198)
Gyeonggi-Neoplux Superman Fund	24,409	1,174	2,874	(1,889)	—	(1,889)
NewWave 6th Fund	46,704	984	5,322	585	—	585
Neoplux No.3 Private Equity Fund	195,669	5,877	24,125	(14,695)	—	(14,695)
PCC Amberstone Private Equity Fund I	82,150	2,509	13,537	4,144	—	4,144
KIAMCO POWERLOAN TRUST 4th	95,224	15	8,657	8,193	—	8,193
Mastern Opportunity Seeking Real Estate Fund II	59,113	—	11,061	11,043	—	11,043
Neoplux Market-Frontier Secondary Fund	53,425	597	17,711	708	—	708
Harvest Private Equity Fund II	13,718	217	119	(613)	—	(613)
Synergy Green New Deal 1st New Technology Business Investment Fund	36,618	—	764	(610)	—	(610)
KIAMCO Vietnam Solar Special Asset Private Investment Trust	13,693	21	2,644	658	—	658
SHINHAN-NEO Core Industrial Technology Fund	27,494	123	8,970	8,456	—	8,456
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	77,888	34	3,376	2,913	—	2,913
SIMONE Mezzanine Fund No.3	4,179	3	2,625	521	—	521
Eum Private Equity Fund No.7	43,658	6	632	(19)	—	(19)
Kiwoom Hero No.4 Private Equity Fund	16,580	228	356	(356)	—	(356)
Vogo Canister Professional Trust Private Fund I	249,535	124,697	19,630	7,122	—	7,122
Timefolio The Venture-V second	28,125	135	8,764	8,226	—	8,226
Shinhan Smilegate Global PEF I	30,053	3,305	14	(477)	—	(477)
Genesis Eco No.1 PEF	38,676	—	1	(686)	—	(686)
SHINHAN-NEO Market-Frontier 2nd Fund	78,108	1,596	4,660	(14,099)	—	(14,099)
NH-Synergy Core Industrial New Technology Fund	17,437	—	1,813	168	—	168
J& Moorim Jade Investment Fund	19,829	57	1,054	1,097	—	1,097
Helios-KDBC Digital Contents 1st	9,785	85	19	1,535	—	1,535
Ulmus SHC innovation investment fund	23,060	—	2,967	2,734	—	2,734

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
T Core Industrial Technology 1st Venture PEF	₩ 13,541	22	216	(874)	—	(874)
Fine Value POST IPO No.5 Private Equity Fund	9,441	26	3,921	3,740	—	3,740
TI First Property Private Investment Trust 1	7,773	17	1,353	445	—	445
MPLUS Professional Private Real Estate Fund 25	11,946	6,286	—	(4,495)	—	(4,495)
IBKC Global Contents Investment Fund	19,634	359	1,127	611	—	611
Hanyang-Meritz 1 Fund	13,202	—	1,093	903	—	903
Kiwoom-Shinhan Innovation Fund 2	21,555	170	5,952	5,431	—	5,431
ETRI Holdings-Shinhan 1st Unicorn Fund	6,590	—	6	(199)	—	(199)
SJ ESG Innovative Growth Fund	14,693	—	127	4	—	4
AVES 1st Corporate Recovery Private Equity Fund	6,331	72	—	(380)	—	(380)
JS Shinhan Private Equity Fund	123,099	—	8	(1,470)	—	(1,470)
Daishin Newgen New Technology Investment Fund 1st	12,044	25	907	747	—	747
META ESG Private Equity Fund I	21,063	—	31	(314)	—	(314)
PHAROS DK FUND	10,179	21	838	165	—	165
Shinhan VC tomorrow venture fund 1	114,834	730	3,462	147	—	147
H-IOTA Fund	38,721	338	966	564	—	564
Stonebridge-Shinhan Unicorn Secondary Fund	28,551	—	3	(6,069)	—	(6,069)
Tres-Yujin Trust	20,820	102	712	710	—	710
Shinhan-Time mezzanine blind Fund	28,243	—	2,237	1,617	—	1,617
Capstone REITs No.26	46,661	35,161	9,371	4,395	—	4,395
JB Incheon-Bucheon REITS No.54	12,667	5	—	(27)	—	(27)
Hankook Smart Real Asset Investment Trust No.3	23,032	26	2,052	2,026	—	2,026
JB Hwaseong-Hadong REITs No.53	16,065	5	1	(27)	—	(27)
KB Oaktree Trust No.3	26,012	8	6,097	2,502	—	2,502
Daehan No.36 Office Asset Management Company	153,846	107,055	6,232	882	—	882
Rhinos Premier Mezzanine Private Investment Fund No.1	10,965	20	98	83	—	83

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	₩ 211,192	59	11,320	6,949	—	6,949
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	166,822	84	8,934	3,328	—	3,328
SKS-Yozma Fund No.1	12,315	740	4,529	3,337	—	3,337
KB Distribution Private Real Estate 3-1	69,558	289	67	42	—	42
Pacific Private Investment Trust No.49-1	40,024	5,491	—	(437)	—	(437)
KIWOOM Real estate private placement fund for normal investors No. 31	14,278	14	—	(16)	—	(16)
RIFA Real estate private placement fund for normal investoes No. 51	14,358	29	1	(16)	—	(16)
Fivetree general private equity fund No.15	25,184	29	817	788	—	788
Shinhan-Kunicorn first Fund	25,126	—	9	(534)	—	(534)
Shinhan-Quantum Startup Fund	8,105	—	40	(270)	—	(270)
Shinhan Simone Fund I	12,582	4	311	107	—	107
Korea Investment develop seed Trust No.1	24,168	338	582	478	—	478
Tiger Green alpha Trust No.29	30,054	51	2,634	2,473	—	2,473
STIC ALT Global II Private Equity Fund	43,848	130	5	(630)	—	(630)
NH-Brain EV Fund	44,499	—	4	(1,868)	—	(1,868)
DDI LVC Master Real Estate Investment Trust Co., Ltd.	43,817	8	—	(1,809)	—	(1,809)
Leverent-Frontier 4th Venture PEF	13,792	—	1,530	1,380	—	1,380
Find-Green New Deal 2nd Equity Fund	19,779	—	2	(190)	—	(190)
ShinhanFitrin 1st Technology Business Investment Association	28,025	73	3,160	2,758	—	2,758
Koramco Private Real Estate Fund 143	22,026	23	11	2	—	2
Korea Investment Top Mezzanine Private Real Esate Trust No.1	45,815	740	5,900	5,849	—	5,849
LB YoungNam Logistics Private Trust No.40	39,139	10	2,561	2,538	—	2,538
Shinhan-Cognitive Start-up Fund L.P.	16,518	254	2,557	2,197	—	2,197
Cornerstone J&M Fund I	13,129	47	3	(274)	—	(274)

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehen-sive income (loss)	Total comprehen-sive income (loss)
Logisvalley Shinhan REIT Co., Ltd.	₩ 78,925	56,307	4,840	(1,017)	—	(1,017)
DA Value-Honest New Technology Investment Fund 1	17,329	—	10,911	10,910	—	10,910
Shinhan-Ji and Tec Smart Innovation Fund	19,954	—	21	(820)	—	(820)
Shinhan-Gene and New Normal First Mover Venture Investment Equity Fund 1st	14,318	382	6	(416)	—	(416)
Korea Investment Green Newdeal Infra Trust No.1	36,689	21	52	21	—	21
BTS 2nd Private Equity Fund	25,136	742	101	(1,116)	—	(1,116)
Shinhan Global Active REIT Co.Ltd.	191,211	97,944	—	(766)	—	(766)
NH-J&-IBKC Label Technology Fund	35,347	294	13	(428)	—	(428)
Hanyang Time Mezzanine Fund	10,543	—	127	43	—	43
Shinhan-isquare Venture PEF 1	10,741	25	3	(528)	—	(528)
Capstone Develop Frontier Trust	35,305	83	5,942	5,859	—	5,859
Nextrade Co., Ltd.	140,424	19,174	6,626	(8,432)	—	(8,432)
SH 1.5years Maturity Investment Type Security Investment Trust No.2	17,814	1,200	908	798	—	798
Eventus-IBKC LIB Fund	30,326	8	3,215	2,729	—	2,729
IBKC-Behigh Fund 1st	10,829	—	31	(165)	—	(165)
ON No.1 Private Equity Fund	18,625	—	125	(144)	—	(144)
Digital New Deal Kappa Private Equity Fund	19,576	—	1	(408)	—	(408)
IBKCJS New Technology Fund No.1	20,842	—	4,123	3,842	—	3,842
DS-Shinhan-JBWoori New Media New Technology Investment Fund No.1	47,055	—	3	(945)	—	(945)
VOGO Debt Strategy General Private Real Estate Investment Trust No. 18	42,082	35	5,917	3,496	—	3,496
Koramco IPO LEITS Mezzanine General Private Investment Trust No. 38	4,248	19	247	228	—	228
TogetherKorea Private Investment Trust No. 6	5,273	1	223	218	—	218
TogetherKorea Private Investment Trust No. 7	5,273	1	223	218	—	218

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Kiwoom Core Industrial Technology Investment Fund No.3	₩ 12,058	29	592	518	—	518
Penture K-Content Investment Fund	25,938	338	196	(1,721)	—	(1,721)
2023 Shinhan-JB Woori-Daeshin Listed Companies New Technology Fund	26,684	121	785	438	—	438
Hana Alternative Investment Kosmes PCBO General PEF No. 1	13,806	15	1,007	992	—	992
Shinhan-timefolio Bio Development Investment Fund	12,420	170	23	(150)	—	(150)
Shinhan M&A-ESG Fund	18,154	285	31	(791)	—	(791)
Shinhan SM Office Value Add – Outsource Management Real Estate Investment Co., Ltd. –	37,231	41	3,710	3,548	—	3,548
KDBC meta-enter New Technology investment fund	24,889	2	—	(215)	—	(215)
Shinhan Time Secondary Blind New Technology Investment Trust	10,009	—	50	9	—	9
Shinhan DS Secondary Investment Fund	18,709	15	14,179	14,156	—	14,156
Shinhan-openwater pre-IPO Investment Trust 1	9,947	—	2	(55)	—	(55)
Shinhan-Eco Venture Fund 2nd	9,067	42	1	(100)	—	(100)
Heungkuk-Shinhan the1st Visionary Technology Investment Trust no. 1	7,885	—	65	(115)	—	(115)
Hantoo Shinhan Lake K-beauty Technology Investment Trust	43,417	—	1	(133)	—	(133)
Shinhan HB Wellness 1st Investment Trust	10,285	—	17	(17)	—	(17)
Korea real Asset Fund No.3	32,625	20	170	(193)	—	(193)
Igis Yongsan Office General PE Real Estate Inv. Trust No. 518	278,662	205,204	3,943	(650)	—	(650)
Samsung-dunamu Innovative IT Technology Investment Trust No. 1	20,175	444	2,875	2,331	—	2,331
Time Robotics New Technology Investment Trust	13,284	—	—	(114)	—	(114)

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	**Asset**	**Liability**	**Operating revenue**	**Net profit (loss)**	**Other comprehensive income (loss)**	**Total comprehensive income (loss)**
Ascent-welcome Tehcnology Investment Trust No.2	₩ 31,722	—	2	(828)	—	(828)
Igis General PE Real Estate Investment Trust 517-1	54,015	289	—	(274)	—	(274)
Consus Osansegyo No.2	16,209	—	24	22	—	22
Mastern General Private Real Estate Investment Trust No.189 (Type 1 Beneficiary Securities)	123,657	99,729	1,285	(2,073)	—	(2,073)
Shinhan AIM Private Fund of Fund 9-B	96,124	51	9,992	3,928	—	3,928
Shinhan General Private Real Estate Investment Trust No.3	38,175	410	591	564	—	564
NH Absolute Project L General Private Investment Trust	18,863	65	7	1,556	—	1,556
Paros Kosdaq Venture General Private Investment Trust No. 5	8,998	3	5	(9)	—	(9)
Happy Pet Life Care New Technology Investment Association No.2	11,868	347	1,868	1,520	—	1,520
Shinhan-Soo Secondary Investment Association	6,764	—	—	(1)	—	(1)

(*) 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.

(d) Reconciliation of the financial information to the carrying amount of its interests in the associates as of December 31, 2022 and 2023 are as follows:

	2022					
Investees	**Net assets (a)**	**Ownership (%) (b)**	**Interests in the net assets (a)*(b)**	**Intra-group transactions**	**Others**	**Carrying amount**
BNP Paribas Cardif Life Insurance	₩201,205	15	30,161	8	—	30,169
Partners 4th Growth Investment Fund	54,165	25	13,542	—	—	13,542
KTB Newlake Global Healthcare PEF	20,945	21	4,309	—	—	4,309
Shinhan-Neoplux Energy Newbiz Fund	65,814	32	20,837	—	—	20,837
Shinhan-Albatross tech investment Fund	24,507	50	12,253	—	—	12,253
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	17,716	24	4,232	—	—	4,232
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	8,563	20	1,726	—	—	1,726
VOGO Debt Strategy Qualified IV Private	30,420	20	6,085	—	—	6,085
Shinhan -Midas Dong-A Secondary Fund	8,863	50	4,431	—	—	4,431

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
ShinHan – Soo Young Entrepreneur Investment Fund No.1	₩ 18,391	24	4,414	—	—	4,414
Shinhan Praxis K-Growth Global Private Equity Fund	26,082	14	3,691	—	—	3,691
Kiwoom Milestone Professional Private Real Estate Trust 19	7,922	50	3,961	—	—	3,961
Shinhan Global Healthcare Fund 1 (*2)	(4,518)	4	(199)	—	199	—
KB NA Hickory Private Special Asset Fund	91,572	38	34,339	—	—	34,339
Koramco Europe Core Private Placement Real Estate Fund No.2-2	43,694	44	19,236	—	—	19,236
Hermes Private Investment Equity Fund	19,071	29	5,562	—	—	5,562
KDBC-Midas Dong-A Global contents Fund	18,393	23	4,277	—	—	4,277
Shinhan-Nvestor Liquidity Solution Fund	25,836	25	6,438	—	—	6,438
Shinhan AIM FoF Fund 1-A	40,444	25	10,110	—	—	10,110
IGIS Global Credit Fund 150-1	18,765	25	4,692	—	—	4,692
Partner One Value up I Private Equity Fund	18,428	28	5,144	—	—	5,144
Genesis No.1 Private Equity Fund	262,823	23	59,924	—	—	59,924
Korea Omega Project Fund III	15,610	24	3,674	—	—	3,674
Genesis North America Power Company No.1 PEF	20,760	39	8,118	—	—	8,118
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	185,333	23	43,244	—	—	43,244
MIEL CO., LTD. (*2)	(143)	29	(41)	—	41	—
AIP Transportation Specialized Privately Placed Fund Trust #1	125,459	36	44,821	—	—	44,821
E&Healthcare Investment Fund No.6	2,839	21	597	—	—	597
One Shinhan Global Fund 1	9,495	21	1,948	—	—	1,948
Kiwoom-Shinhan Innovation Fund I	18,881	50	9,441	—	—	9,441
Midas Asset Global CRE Debt Private Fund No.6	138,538	41	57,029	—	—	57,029
Samchully Midstream Private Placement Special Asset Fund 5-4	71,352	43	30,624	—	—	30,624
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	122,456	20	24,492	—	—	24,492
NH-Amundi Global Infrastructure Trust 14	69,919	30	20,975	—	—	20,975
Jarvis Memorial Private Investment Trust 1	9,883	99	9,786	—	—	9,786
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	55,598	60	33,357	—	—	33,357
Milestone Private Real Estate Fund 3	59,485	32	19,071	—	—	19,071

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
Nomura-Rifa Private Real Estate Investment Trust 31	₩ 23,519	31	7,364	—	—	7,364
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	13,961	21	2,969	—	—	2,969
T&F 2019 bearing Private Equity Fund Specializing in Start-up and Venture Business	11,440	28	3,231	—	—	3,231
FuturePlay-Shinhan Tech Innovation Fund 1	13,832	50	6,916	—	—	6,916
Stonebridge Corporate 1st Fund	8,211	44	3,622	—	—	3,622
Vogo Realty Partners Private Real Estate Fund V	50,446	22	10,915	—	—	10,915
Korea Credit Bureau	55,999	9	5,039	—	—	5,039
Goduck Gangil1 PFV Co., Ltd.	5,715	1	60	—	—	60
SBC PFV Co., Ltd. (*3)	133,851	25	33,463	—	(4,995)	28,468
NH-amundi global infra private fund 16	112,423	50	56,211	—	—	56,211
IMM Global Private Equity Fund	446,586	33	147,384	—	—	147,384
SH BNCT Professional Investment Type Private Special Asset Investment Trust	362,830	73	263,052	—	—	263,052
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	43,389	52	22,683	—	—	22,683
Sparklabs-Shinhan Opportunity Fund 1	9,356	50	4,631	—	—	4,631
BNW Tech-Innovation Private Equity Fund	19,540	30	5,833	—	—	5,833
IGIS Real-estate Private Investment Trust No.33	35,618	41	14,552	—	—	14,552
WWG Global Real Estate Investment Trust no.4	34,959	30	10,331	—	—	10,331
Goduck Gangil10 PFV Co., Ltd.	16,263	20	3,236	—	—	3,236
Fidelis Global Private Real Estate Trust No.2 (*1)	30,185	80	24,055	—	(2,110)	21,945
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	168,735	29	48,427	—	—	48,427
Shinhan Healthcare Fund 2	(160)	14	(22)	—	22	—
Shinhan AIM Real Estate Fund No.2	84,140	30	25,243	—	—	25,243
Shinhan AIM Real Estate Fund No.1	212,475	21	44,642	—	—	44,642
SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust	148,161	22	32,627	—	—	32,627
SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust	66,107	29	19,296	—	—	19,296

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	₩ 34,437	71	24,598	—	—	24,598
Korea Omega-Shinhan Project Fund I	20,043	50	10,022	—	—	10,022
ST-Bonanja Food tech	6,775	39	2,631	—	—	2,631
Samsung SRA Real Estate Professional Private 45 (*1)	86,123	25	21,531	—	119	21,650
IBK Global New Renewable Energy Special Asset Professional Private2	115,270	29	33,412	—	—	33,412
VS Cornerstone Fund	8,098	41	3,335	—	—	3,335
Aone Mezzanine Opportunity Professional Private	7,777	64	5,009	—	—	5,009
NH-Amundi US Infrastructure Private Fund2	123,291	26	31,941	—	—	31,941
SH Japan Photovoltaic Private Special Asset Investment Trust No.2	21,103	30	6,332	—	—	6,332
Kakao-Shinhan 1st TNYT Fund	43,869	49	21,330	—	—	21,330
IMM Special Situation 1-2 PRIVATE EQUITY FUND	13,019	20	2,603	—	—	2,603
Pacific Private Placement Real Estate Fund No.40	46,997	25	11,622	—	—	11,622
Mastern Private Real Estate Loan Fund No.2	19,025	34	6,387	—	—	6,387
LB Scotland Amazon Fulfillment Center Fund 29	42,252	70	29,637	—	—	29,637
JR AMC Hungary Budapest Office Fund 16	38,247	33	12,457	—	—	12,457
EDNCENTRAL Co., Ltd. (*2)	(23,437)	13	(3,156)	—	3,156	—
Future-Creation Neoplux Venture Capital Fund	26,160	16	4,251	—	—	4,251
Gyeonggi-Neoplux Superman Fund	25,116	22	5,467	—	—	5,467
NewWave 6th Fund	45,132	30	13,540	—	—	13,540
KTC-NP Growth Champ 2011-2 Private Equity Fund	21,721	6	1,207	—	—	1,207
Neoplux No.3 Private Equity Fund	204,529	10	20,454	—	—	20,454
PCC Amberstone Private Equity Fund I	86,685	22	18,785	—	—	18,785
KIAMCO POWERLOAN TRUST 4th	91,884	47	43,524	—	—	43,524
Mastern Opportunity Seeking Real Estate Fund II	73,544	20	14,710	—	—	14,710
AION ELFIS PROFESSIONAL PRIVATE 1	17,831	20	3,566	—	—	3,566
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	19,235	30	5,709	—	—	5,709
Neoplux Market-Frontier Secondary Fund	70,729	20	13,960	—	—	13,960
Harvest Private Equity Fund II	14,230	22	3,139	—	—	3,139
Synergy Green New Deal 1st New Technology Business Investment Fund	37,743	28	10,632	—	—	10,632

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
KAIM Real-estate Private Investment Trust 20	₩ 3,089	38	1,187	—	—	1,187
KIAMCO Vietnam Solar Special Asset Private Investment Trust	13,455	50	6,727	—	—	6,727
Daishin New Technology Investment Fund 5th	10,369	23	2,430	—	—	2,430
SHINHAN-NEO Core Industrial Technology Fund	18,913	50	9,409	—	—	9,409
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	83,417	30	25,024	—	—	25,024
SIMONE Mezzanine Fund No.3	10,419	29	3,017	—	—	3,017
Eum Private Equity Fund No.7	43,673	21	9,170	—	—	9,170
Kiwoom Hero No.4 Private Equity Fund	16,705	21	3,517	—	—	3,517
Vogo Canister Professional Trust Private Fund I	127,747	36	46,329	—	—	46,329
SW-S Fund	23,919	30	7,248	—	—	7,248
CL Buyout 1st PEF	59,930	21	12,842	—	—	12,842
Timefolio The Venture-V second	19,764	21	4,096	—	—	4,096
Newlake Growth Capital Partners2 PEF	41,766	30	12,496	—	—	12,496
Shinhan Smilegate Global PEF I (*1)	28,792	14	4,091	—	(320)	3,771
Genesis Eco No.1 PEF	39,359	29	11,418	—	—	11,418
SHINHAN-NEO Market-Frontier 2nd Fund	80,610	43	34,420	—	—	34,420
NH-Synergy Core Industrial New Technology Fund	17,269	37	6,377	—	—	6,377
J& Moorim Jade Investment Fund	21,836	25	5,434	—	—	5,434
Helios-KDBC Digital Contents 1st	14,431	23	3,356	—	—	3,356
Ulmus SHC innovation investment fund	20,326	24	4,886	—	—	4,886
Mirae Asset Partners X Private Equity Fund	21,817	36	7,792	—	—	7,792
T Core Industrial Technology 1st Venture PEF	14,393	31	4,529	—	—	4,529
Curious Finale Corporate Recovery Private Equity Fund	12,925	28	3,591	—	—	3,591
TI First Property Private Investment Trust 1	7,817	40	3,127	—	—	3,127
MPLUS Professional Private Real Estate Fund 25	10,153	42	4,231	—	—	4,231
IBKC Global Contents Investment Fund	18,661	24	4,552	—	—	4,552
Nautic Smart No.6 Private Equity Fund	3,121	38	1,178	—	—	1,178
Premier Luminous Private Equity Fund	35,700	25	8,966	—	—	8,966
Hanyang-Meritz 1 Fund	15,348	23	3,466	—	—	3,466
KNT 2nd PRIVATE EQUITY FUND (*1)	5,177	22	1,124	—	(174)	950
Kiwoom-Shinhan Innovation Fund 2	26,299	43	11,271	—	—	11,271
Maple Mobility Fund	83,539	20	16,859	—	—	16,859
SJ ESG Innovative Growth Fund	14,689	29	4,197	—	—	4,197

(In millions of won)

16. Investments in associates (continued)

Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
	2022					
AVES 1st Corporate Recovery Private Equity Fund	₩ 6,638	76	5,057	—	—	5,057
JS Shinhan Private Equity Fund	128,727	4	4,953	—	—	4,953
NH Kyobo AI Solution Investment Fund	12,601	26	3,288	—	—	3,288
Daishin Newgen New Technology Investment Fund 1st	11,273	51	5,704	—	—	5,704
META ESG Private Equity Fund I	21,380	27	5,857	—	—	5,857
SWFV FUND-1	22,678	40	9,128	—	—	9,128
PHAROS DK FUND	15,886	24	3,835	—	—	3,835
Shinhan VC tomorrow venture fund 1	67,958	40	26,926	—	—	26,926
Highland 2021-8 Fund	14,770	33	4,826	—	—	4,826
H-IOTA Fund	38,784	25	9,623	—	—	9,623
Stonebridge-Shinhan Unicorn Secondary Fund	34,621	18	6,082	—	—	6,082
Tres-Yujin Trust	20,007	50	10,004	—	—	10,004
Shinhan-Time mezzanine blind Fund	26,625	50	13,312	—	—	13,312
Capstone REITs No.26	7,703	50	3,852	—	—	3,852
JB Incheon-Bucheon REITS No.54	12,690	39	4,989	—	—	4,989
Hankook Smart Real Asset Investment Trust No.3	20,980	33	6,993	—	—	6,993
JB Hwaseong-Hadong REITs No.53	16,084	31	4,991	—	—	4,991
KB Oaktree Trust No.3	25,814	33	8,605	—	—	8,605
Daehan No.36 Office Asset Management Company (*1)	44,964	48	21,604	—	454	22,058
Rhinos Premier Mezzanine Private Investment Fund No.1 (*1)	2,873	28	802	—	2,071	2,873
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	192,851	30	57,334	—	—	57,334
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	163,267	25	40,571	—	—	40,571
SKS-Yozma Fund No.1	22,110	30	6,599	—	—	6,599
IBKC-METIS Global Contents Investment Fund	12,513	36	4,550	—	—	4,550
Keistone Unicorn Private Equity Fund	22,318	28	6,249	—	—	6,249
KB Distribution Private Real Estate 3-1	71,069	38	26,651	—	—	26,651
Pacific Private Investment Trust No.49-1	36,126	79	28,641	—	—	28,641
KIWOOM Real estate private placement fund for normal investors No. 31	14,264	60	8,558	—	—	8,558
RIFA Real estate private placement fund for normal investoes No. 51	14,315	40	5,726	—	—	5,726
Fivetree general private equity fund No.15	24,573	50	12,281	—	—	12,281

(In millions of won)

16. Investments in associates (continued)

	2022					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
Shinhan-Kunicorn first Fund	₩ 25,658	38	9,831	—	—	9,831
Harvest Fund No.3	35,488	45	15,854	—	—	15,854
Shinhan Simone Fund I	12,468	38	4,796	—	—	4,796
Korea Investment develop seed Trust No.1	25,604	40	10,242	—	—	10,242
Tiger Green alpha Trust No.29	28,146	95	26,806	—	—	26,806
STIC ALT Global II Private Equity Fund	45,350	22	9,859	—	—	9,859
NH-Brain EV Fund	46,369	25	11,592	—	—	11,592
DDI LVC Master Real Estate Investment Trust Co., Ltd. (*1)	42,622	15	6,393	—	12	6,405
Find-Green New Deal 2nd Equity Fund	19,969	23	4,508	—	—	4,508
ShinhanFitrin 1st Technology Business Investment Association	27,444	16	4,437	—	—	4,437
PARATUS No.3 Private Equity Fund	19,249	26	4,936	—	—	4,936
Golden Route 2nd Startup Venture Specialized Private Equity Fund	13,214	23	3,003	—	—	3,003
Koramco Private Real Estate Fund 143	10,000	30	3,030	—	—	3,030
Korea Investment Top Mezzanine Private Real Esate Trust No.1	44,477	22	9,885	—	—	9,885
LB YoungNam Logistics Private Trust No.40	38,992	25	9,748	—	—	9,748
Shinhan-Cognitive Start-up Fund L.P. (*1)	30,358	33	9,939	—	14	9,953
IGEN2022 No.1 private Equity Fund	32,361	28	9,045	—	—	9,045
Cornerstone J&M Fund I	13,353	27	3,561	—	—	3,561
Logisvalley Shinhan REIT Co., Ltd. (*1)	23,629	20	4,790	—	(986)	3,804
KDB Investment Global Healthcare Private Equity Fund I	142,794	24	34,468	—	—	34,468
Korea Investment Green Newdeal Infra Trust No.1	20,431	28	5,714	—	—	5,714
BTS 2nd Private Equity Fund	14,505	26	3,772	—	—	3,772
Shinhan Global Active REIT Co.Ltd.	94,370	20	19,222	—	—	19,222
NH-J&-IBKC Label Technology Fund	35,477	28	9,866	—	—	9,866
IMM Global Venture Opportunity, LP	8,775	36	3,115	—	—	3,115
Capstone Develop Frontier Trust	32,000	21	6,857	—	—	6,857
Nextrade Co., Ltd. (*1)	141,421	8	11,314	—	(1,614)	9,700
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1	11,194	27	3,011	—	—	3,011
SH 1.5years Maturity Investment Type Security Investment Trust No.2	15,865	29	4,601	—	—	4,601
Eventus-IBKC LIB Fund	27,590	22	6,035	—	—	6,035

(In millions of won)

16. Investments in associates (continued)

Investees	2022 Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
NH-Daishin-Kyobo healthcare 1 Fund	₩ 15,792	25	3,948	—	—	3,948
IBKC-Behigh Fund 1st	10,992	30	3,268	—	—	3,268
Nautic Green Innovation ESG Co-investment No.1 Private Equity Fund	16,419	24	3,956	—	—	3,956
ON No.1 Private Equity Fund	18,767	29	5,362	—	—	5,362
Digital New Deal Kappa Private Equity Fund	16,420	30	4,946	—	—	4,946
Others	797,590	—	228,801	—	1,422	230,223
	₩9,416,618	—	2,907,155	8	(2,689)	2,904,474

(*1) Others represents the adjustments of fair value when acquired.
(*2) Others are the amount of fair value adjustments that occurred at the time of acquisition and accumulated losses that were not recognized due to the suspension of equity method recognition as the investment account balance became "0" due to the accumulation of losses for the current period.
(*3) Others are the unrecognized equity method for preferred stocks without voting rights issued by the investee.

Investees	2023 Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
BNP Paribas Cardif Life Insurance	₩262,022	15	39,277	(5)	—	39,272
Shinhan-Neoplux Energy Newbiz Fund	70,619	32	22,358	—	—	22,358
Shinhan-Albatross tech investment Fund	31,000	50	15,499	—	—	15,499
KCGI-SingA330-A Private Special Asset Investment Trust	19,297	24	4,609	—	—	4,609
VOGO Debt Strategy Qualified IV Private	32,658	20	6,532	—	—	6,532
Shinhan -Midas Dong-A Secondary Fund	8,602	50	4,301	—	—	4,301
ShinHan – Soo Young Entrepreneur Investment Fund No.1	20,258	24	4,862	—	—	4,862
Shinhan Praxis K-Growth Global Private Equity Fund	26,095	14	3,692	—	—	3,692
Kiwoom Milestone Professional Private Real Estate Trust 19 (*2)	(38,868)	50	(19,434)	—	19,434	—
Shinhan Global Healthcare Fund 1 (*2)	(3,469)	4	(153)	—	153	—
KB NA Hickory Private Special Asset Fund	64,256	38	24,096	—	—	24,096
Koramco Europe Core Private Placement Real Estate Fund No.2-2	42,706	44	18,799	—	—	18,799
KDBC-Midas Dong-A Global contents Fund	18,437	23	4,288	—	—	4,288
Shinhan-Nvestor Liquidity Solution Fund	24,430	25	6,088	—	—	6,088

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	**Net assets (a)**	**Ownership (%) (b)**	**Interests in the net assets (a)*(b)**	**Intra-group transactions**	**Others**	**Carrying amount**
Shinhan AIM FoF Fund 1-A	₩ 38,541	25	9,635	—	—	9,635
IGIS Global Credit Fund 150-1	17,142	25	4,286	—	—	4,286
Korea Omega Project Fund III	15,708	24	3,696	—	—	3,696
Genesis North America Power Company No.1 PEF	14,501	44	6,358	—	—	6,358
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	174,701	23	40,764	—	—	40,764
KOREA FINANCE SECURITY CO., LTD	21,762	15	3,245	—	—	3,245
MIEL CO., LTD. (*2)	(144)	29	(41)	—	41	—
AIP Transportation Specialized Privately Placed Fund Trust #1	129,800	36	46,372	—	—	46,372
Kiwoom-Shinhan Innovation Fund I	15,707	50	7,854	—	—	7,854
Midas Asset Global CRE Debt Private Fund No.6	136,849	40	54,881	—	—	54,881
Samchully Midstream Private Placement Special Asset Fund 5-4	77,267	43	33,163	—	—	33,163
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	36,272	20	7,254	—	—	7,254
NH-Amundi Global Infrastructure Trust 14	62,428	30	18,728	—	—	18,728
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	58,775	60	35,265	—	—	35,265
Milestone Private Real Estate Fund 3	54,944	32	17,615	—	—	17,615
Nomura-Rifa Private Real Estate Investment Trust 31	22,003	31	6,889	—	—	6,889
SH Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	14,753	21	3,138	—	—	3,138
FuturePlay-Shinhan Tech Innovation Fund 1	15,694	50	7,847	—	—	7,847
Stonebridge Corporate 1st Fund	9,389	44	4,142	—	—	4,142
Vogo Realty Partners Private Real Estate Fund V	49,881	22	10,792	—	—	10,792
Korea Credit Bureau	74,867	9	6,738	—	—	6,738
Goduck Gangil1 PFV Co., Ltd.	17,303	1	180	—	—	180
SBC PFV Co., Ltd. (*3)	163,057	25	40,764	—	(9,990)	30,774
NH-amundi global infra private fund 16	101,303	50	50,652	—	—	50,652
SH BNCT Professional Investment Type Private Special Asset Investment Trust	337,616	73	244,772	—	—	244,772
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	34,642	52	18,110	—	—	18,110
Sparklabs-Shinhan Opportunity Fund 1	7,906	50	3,914	—	—	3,914

(In millions of won)

16. Investments in associates (continued)

Investees	2023 Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
IGIS Real-estate Private Investment Trust No.33	₩ 37,377	41	15,271	—	—	15,271
Goduck Gangil10 PFV Co., Ltd.	25,534	20	5,081	—	—	5,081
Fidelis Global Private Real Estate Trust No.2	692	80	551	—	—	551
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	169,407	29	48,619	—	—	48,619
Shinhan Healthcare Fund 2	(153)	14	(21)	—	21	—
Shinhan AIM Real Estate Fund No.2	88,925	30	26,678	—	—	26,678
Shinhan AIM Real Estate Fund No.1	246,896	21	51,873	—	—	51,873
SH Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust	157,954	22	34,781	—	—	34,781
SH Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust	68,697	29	20,053	—	—	20,053
SH Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	24,522	71	17,516	—	—	17,516
Korea Omega-Shinhan Project Fund I	23,260	50	11,630	—	—	11,630
Samsung SRA Real Estate Professional Private 45	125,727	25	31,432	—	—	31,432
IBK Global New Renewable Energy Special Asset Professional Private2	111,423	29	32,296	—	—	32,296
VS Cornerstone Fund	7,966	41	3,280	—	—	3,280
NH-Amundi US Infrastructure Private Fund2	114,737	26	29,725	—	—	29,725
SH Japan Photovoltaic Private Special Asset Investment Trust No.2	7,711	30	2,313	—	—	2,313
Kakao-Shinhan 1st TNYT Fund	40,857	49	19,866	—	—	19,866
Pacific Private Placement Real Estate Fund No.40	47,001	25	11,624	—	—	11,624
Mastern Private Real Estate Loan Fund No.2	9,056	34	3,040	—	—	3,040
LB Scotland Amazon Fulfillment Center Fund 29	44,093	70	30,928	—	—	30,928
JR AMC Hungary Budapest Office Fund 16	38,954	33	12,687	—	—	12,687
EDNCENTRAL Co., Ltd. (*2)	(42,159)	13	-5,677	—	5,677	—
Future-Creation Neoplux Venture Capital Fund	16,495	16	2,680	—	—	2,680
Gyeonggi-Neoplux Superman Fund	23,234	22	5,056	—	—	5,056
NewWave 6th Fund	45,719	30	13,716	—	—	13,716
Neoplux No.3 Private Equity Fund	189,791	10	18,981	—	—	18,981
PCC Amberstone Private Equity Fund I	79,640	22	17,258	—	—	17,258
KIAMCO POWERLOAN TRUST 4th	95,208	47	45,099	—	—	45,099

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
Mastern Opportunity Seeking Real Estate Fund II	₩ 59,112	22	13,135	—	—	13,135
Neoplux Market-Frontier Secondary Fund	52,827	20	10,427	—	—	10,427
Harvest Private Equity Fund II	13,500	22	2,978	—	—	2,978
Synergy Green New Deal 1st New Technology Business Investment Fund	36,617	28	10,315	—	—	10,315
KIAMCO Vietnam Solar Special Asset Private Investment Trust	13,671	50	6,836	—	—	6,836
SHINHAN-NEO Core Industrial Technology Fund	27,370	50	13,616	—	—	13,616
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	77,853	30	23,356	—	—	23,356
SIMONE Mezzanine Fund No.3	4,175	29	1,202	—	—	1,202
Eum Private Equity Fund No.7	43,651	21	9,166	—	—	9,166
Kiwoom Hero No.4 Private Equity Fund	16,351	21	3,442	—	—	3,442
Vogo Canister Professional Trust Private Fund I	124,837	37	45,871	—	—	45,871
Timefolio The Venture-V second	27,989	21	5,801	—	—	5,801
Shinhan Smilegate Global PEF I	26,747	14	3,801	—	—	3,801
Genesis Eco No.1 PEF	38,675	29	11,219	—	—	11,219
SHINHAN-NEO Market-Frontier 2nd Fund	76,511	43	32,670	—	—	32,670
NH-Synergy Core Industrial New Technology Fund	17,436	37	6,439	—	—	6,439
J& Moorim Jade Investment Fund	19,771	25	4,920	—	—	4,920
Helios-KDBC Digital Contents 1st	9,699	23	2,256	—	—	2,256
Ulmus SHC innovation investment fund	23,059	24	5,543	—	—	5,543
T Core Industrial Technology 1st Venture PEF	13,518	31	4,254	—	—	4,254
Fine Value POST IPO No.5 Private Equity Fund	9,414	40	3,766	—	—	3,766
TI First Property Private Investment Trust 1	7,755	40	3,102	—	—	3,102
MPLUS Professional Private Real Estate Fund 25	5,659	42	2,358	—	—	2,358
IBKC Global Contents Investment Fund	19,274	24	4,701	—	—	4,701
Hanyang-Meritz 1 Fund	13,201	23	2,981	—	—	2,981
Kiwoom-Shinhan Innovation Fund 2	21,384	43	9,165	—	—	9,165
ETRI Holdings-Shinhan 1st Unicorn Fund	6,589	50	3,295	—	—	3,295
SJ ESG Innovative Growth Fund	14,692	29	4,198	—	—	4,198
AVES 1st Corporate Recovery Private Equity Fund	6,258	76	4,768	—	—	4,768
JS Shinhan Private Equity Fund	128,130	4	4,933	—	—	4,933

(In millions of won)

16. Investments in associates (continued)

	2023					
Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
Daishin Newgen New Technology Investment Fund 1st	₩ 12,018	51	6,082	—	—	6,082
META ESG Private Equity Fund I	21,062	27	5,771	—	—	5,771
PHAROS DK FUND	10,157	24	2,462	—	—	2,462
Shinhan VC tomorrow venture fund 1	114,103	40	45,210	—	—	45,210
H-IOTA Fund	38,382	25	9,524	—	—	9,524
Stonebridge-Shinhan Unicorn Secondary Fund	28,550	26	7,427	—	—	7,427
Tres-Yujin Trust	20,717	50	10,359	—	—	10,359
Shinhan-Time mezzanine blind Fund	28,242	50	14,121	—	—	14,121
Capstone REITs No.26	11,499	50	5,750	—	—	5,750
JB Incheon-Bucheon REITS No.54	12,661	39	4,978	—	—	4,978
Hankook Smart Real Asset Investment Trust No.3	23,005	33	7,668	—	—	7,668
JB Hwaseong-Hadong REITs No.53	16,059	31	4,983	—	—	4,983
KB Oaktree Trust No.3	26,003	33	8,668	—	—	8,668
Daehan No.36 Office Asset Management Company	46,790	48	22,482	—	—	22,482
Rhinos Premier Mezzanine Private Investment Fund No.1	10,944	28	3,056	—	—	3,056
SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2	211,132	30	62,769	—	—	62,769
Shinhan JigaeNamsan Road Private Special Asset Investment Trust	166,737	25	41,434	—	—	41,434
SKS-Yozma Fund No.1	11,574	30	3,455	—	—	3,455
KB Distribution Private Real Estate 3-1	69,268	38	25,976	—	—	25,976
Pacific Private Investment Trust No.49-1	34,532	79	27,377	—	—	27,377
KIWOOM Real estate private placement fund for normal investors No. 31	14,263	60	8,558	—	—	8,558
RIFA Real estate private placement fund for normal investoes No. 51	14,328	40	5,731	—	—	5,731
Fivetree general private equity fund No.15	25,154	50	12,572	—	—	12,572
Shinhan-Kunicorn first Fund	25,125	38	9,626	—	—	9,626
Shinhan-Quantum Startup Fund	8,104	49	3,986	—	—	3,986
Shinhan Simone Fund I	12,577	38	4,837	—	—	4,837
Korea Investment develop seed Trust No.1	23,829	40	9,532	—	—	9,532
Tiger Green alpha Trust No.29	30,002	95	28,573	—	—	28,573
STIC ALT Global II Private Equity Fund	43,717	22	9,504	—	—	9,504
NH-Brain EV Fund	44,498	25	11,125	—	—	11,125
DDI LVC Master Real Estate Investment Trust Co., Ltd. (*1)	43,808	15	6,571	—	12	6,583
Leverent-Frontier 4th Venture PEF	13,791	24	3,294	—	—	3,294
Find-Green New Deal 2nd Equity Fund	19,778	23	4,465	—	—	4,465

(In millions of won)

16. Investments in associates (continued)

Investees	Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
	2023					
ShinhanFitrin 1st Technology Business Investment Association	₩ 27,951	16	4,519	—	—	4,519
Koramco Private Real Estate Fund 143	22,002	30	6,667	—	—	6,667
Korea Investment Top Mezzanine Private Real Esate Trust No.1	45,074	22	10,016	—	—	10,016
LB YoungNam Logistics Private Trust No.40	39,128	25	9,782	—	—	9,782
Shinhan-Cognitive Start-up Fund L.P.	16,263	33	5,329	—	—	5,329
Cornerstone J&M Fund I	13,081	27	3,488	—	—	3,488
Logisvalley Shinhan REIT Co., Ltd. (*1)	22,617	20	4,584	—	(986)	3,598
DA Value-Honest New Technology Investment Fund 1	17,328	24	4,099	—	—	4,099
Shinhan-Ji and Tec Smart Innovation Fund	19,953	50	9,977	—	—	9,977
Shinhan-Gene and New Normal First Mover Venture Investment Equity Fund 1st	13,935	50	6,968	—	—	6,968
Korea Investment Green Newdeal Infra Trust No.1	36,667	28	10,257	—	—	10,257
BTS 2nd Private Equity Fund	24,393	26	6,342	—	—	6,342
Shinhan Global Active REIT Co.Ltd.	93,266	20	18,997	—	—	18,997
NH-J&-IBKC Label Technology Fund	35,052	28	9,747	—	—	9,747
Hanyang Time Mezzanine Fund	10,542	29	3,012	—	—	3,012
Shinhan-isquare Venture PEF 1	10,715	40	4,286	—	—	4,286
Capstone Develop Frontier Trust	35,221	21	7,547	—	—	7,547
Nextrade Co., Ltd.	121,249	8	9,700	—	—	9,700
SH 1.5years Maturity Investment Type Security Investment Trust No.2	16,613	29	4,835	—	—	4,835
Eventus-IBKC LIB Fund	30,317	22	6,632	—	—	6,632
IBKC-Behigh Fund 1st	10,828	30	3,219	—	—	3,219
ON No.1 Private Equity Fund	18,624	29	5,321	—	—	5,321
Digital New Deal Kappa Private Equity Fund	19,575	25	4,845	—	—	4,845
IBKCJS New Technology Fund No.1	20,841	29	6,130	—	—	6,130
DS-Shinhan-JBWoori New Media New Technology Investment Fund No.1	47,054	21	9,803	—	—	9,803
VOGO Debt Strategy General Private Real Estate Investment Trust No. 18	42,046	29	12,013	—	—	12,013
Koramco IPO LEITS Mezzanine General Private Investment Trust No. 38	4,228	75	3,171	—	—	3,171
TogetherKorea Private Investment Trust No. 6	5,271	100	5,270	—	—	5,270
TogetherKorea Private Investment Trust No. 7	5,271	100	5,270	—	—	5,270
Kiwoom Core Industrial Technology Investment Fund No.3	12,028	35	4,180	—	—	4,180
Penture K-Content Investment Fund	25,599	22	5,622	—	—	5,622

(In millions of won)

16. Investments in associates (continued)

Investees	2023 Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
2023 Shinhan-JB Woori-Daeshin Listed Companies New Technology Fund	₩ 26,562	30	7,969	—	—	7,969
Hana Alternative Investment Kosmes PCBO General PEF No. 1	13,790	37	5,107	—	—	5,107
Shinhan-timefolio Bio Development Investment Fund	12,249	48	5,927	—	—	5,927
Shinhan M&A-ESG Fund	17,868	23	4,169	—	—	4,169
Shinhan SM Office Value Add – Outsource Management Real Estate Investment Co., Ltd. –	37,189	28	10,574	—	—	10,574
KDBC meta-enter New Technology investment fund	24,886	28	6,940	—	—	6,940
Shinhan Time Secondary Blind New Technology Investment Trust	10,008	48	4,754	—	—	4,754
Shinhan DS Secondary Investment Fund	18,693	40	7,477	—	—	7,477
Shinhan-openwater pre-IPO Investment Trust 1	9,946	50	4,973	—	—	4,973
Shinhan-Eco Venture Fund 2nd	9,024	40	3,610	—	—	3,610
Heungkuk-Shinhan the1st Visionary Technology Investment Trust no. 1	7,884	40	3,154	—	—	3,154
Hantoo Shinhan Lake K-beauty Technology Investment Trust	43,416	23	9,969	—	—	9,969
Shinhan HB Wellness 1st Investment Trust	10,284	49	4,992	—	—	4,992
Korea real Asset Fund No.3	32,604	29	9,315	—	—	9,315
Igis Yongsan Office General PE Real Estate Inv. Trust No. 518	73,457	31	23,131	—	—	23,131
Samsung-dunamu Innovative IT Technology Investment Trust No. 1	19,730	23	4,536	—	—	4,536
Time Robotics New Technology Investment Trust	13,283	30	3,966	—	—	3,966
Ascent-welcome Tehcnology Investment Trust No.2	31,721	28	8,771	—	—	8,771
Igis General PE Real Estate Investment Trust 517-1	53,725	96	51,736	—	—	51,736
Consus Osansegyo No.2	16,208	50	8,104	—	—	8,104
Mastern General Private Real Estate Investment Trust No.189 (Type 1 Beneficiary Securities)	23,927	33	7,822	—	—	7,822
Shinhan AIM Private Fund of Fund 9-B	96,072	25	24,018	—	—	24,018
Shinhan General Private Real Estate Investment Trust No.3	37,764	21	7,838	—	—	7,838
NH Absolute Project L General Private Investment Trust	18,797	26	4,893	—	—	4,893

(In millions of won)

16. Investments in associates (continued)

Investees	2023 Net assets (a)	Ownership (%) (b)	Interests in the net assets (a)*(b)	Intra-group transactions	Others	Carrying amount
Paros Kosdaq Venture General Private Investment Trust No. 5	₩ 8,994	67	5,994	—	—	5,994
Happy Pet Life Care New Technology Investment Association No.2	11,521	30	3,456	—	—	3,456
Shinhan-Soo Secondary Investment Association	6,764	78	5,249	—	—	5,249
Others	673,313	—	190,851	—	148	190,999
	₩8,484,787	—	2,677,526	(5)	14,510	2,692,031

(*1) Others represents the adjustments of fair value when acquired.
(*2) Others are the amount of fair value adjustments that occurred at the time of acquisition and accumulated losses that were not recognized due to the suspension of equity method recognition as the investment account balance became “0” due to the accumulation of losses for the current period.
(*3) Others are the unrecognized equity method for preferred stocks without voting rights issued by the investee.

(e) The unrecognized equity method losses as of and for the years ended December 31, 2022 and 2023 are as follows:

Investees	2022 Unrecognized equity method losses	Cumulative unrecognized equity method losses
MSTEEL co.Ltd.	₩ (371)	(371)
MIEL CO., LTD.	—	(41)
Shinhan Global Healthcare Fund 1	(61)	(214)
Shinhan Global Healthcare Fund 2	(82)	(96)
EDNCENTRAL Co., Ltd.	(504)	(998)
	₩(1,018)	(1,720)

Investees	2023 Unrecognized equity method losses	Cumulative unrecognized equity method losses
MIEL CO., LTD.	₩ —	(41)
Shinhan Global Healthcare Fund 1	61	(153)
Shinhan Global Healthcare Fund 2	75	(21)
EDNCENTRAL Co., Ltd.	(4,679)	(5,677)
Kiwoom Milestone Professional Private Real Estate Trust 19	(19,433)	(19,433)
	₩(23,976)	(25,325)

(In millions of won)

17. Investment properties

(a) Investment properties as of December 31, 2022 and 2023 are as follows:

	2022	2023
Acquisition cost	₩ 513,986	410,475
Accumulated depreciation	(150,878)	(152,669)
Carrying amount	₩ 363,108	257,806

(b) Changes in investment properties for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	₩ 675,391	363,108
Acquisition	10,090	5,479
Disposal	(230,148)	(106,344)
Depreciation	(18,115)	(15,058)
Amounts transferred from (to) property and equipment	9,554	16,678
Amounts transferred from(to) assets held for sale (*)	(83,664)	(6,057)
Ending balance	₩ 363,108	257,806

(*) Comprise buildings and land, etc.

(c) Income and expenses on investment property for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Rental income	₩35,887	33,366	24,472
Direct operating expenses for investment properties that generated rental income	12,033	16,980	12,905

(d) The fair value of investment property as of December 31, 2022 and 2023 is as follows:

	2022	2023
Land and buildings (*)	₩1,063,031	1,044,491

(*) 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.

(In millions of won)

18. Other assets

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

	2022	2023
Accounts receivable	₩11,489,203	17,048,595
Domestic exchange settlement debit	6,034,816	5,024,787
Guarantee deposits	1,016,748	1,002,119
Discounted present value	(51,864)	(52,660)
Accrued income	3,289,481	3,908,205
Prepaid expense	784,630	304,161
Provisional payments	378,993	405,201
Sundry assets	96,190	98,104
Advance payments	288,466	408,857
Leased assets	1,932,791	2,078,742
Others	173,864	165,163
Allowances for credit loss of other assets	(362,204)	(465,430)
	₩25,071,114	29,925,844

19. Leases

(a) Gross investment and present value of minimum lease payment of finance lease as of December 31, 2022 and 2023 are as follows:

	2022		
	Gross investment	Unrealized interest income	Present value of minimum lease payment
Not later than 1 year	₩ 654,159	82,286	571,873
1 ~ 2 years	477,216	55,860	421,356
2 ~ 3 years	379,998	36,353	343,645
3 ~ 4 years	312,014	20,816	291,198
4 ~ 5 years	250,568	7,415	243,153
Later than 5 years	1,682	4	1,678
	₩2,075,637	202,734	1,872,903

(*) Interest income on finance lease receivables recognized for the year ended December 31, 2022 is ₩64,679 million.

(In millions of won)

19. Leases (continued)

	2023		
	Gross investment	Unrealized interest income	Present value of minimum lease payment
Not later than 1 year	₩ 898,235	95,269	802,966
1 ~ 2 years	458,736	28,398	430,338
2 ~ 3 years	359,893	19,220	340,673
3 ~ 4 years	324,331	6,155	318,176
4 ~ 5 years	155,615	6,399	149,216
Later than 5 years	1,411	3	1,408
	₩2,198,221	155,444	2,042,777

(*) Interest income on finance lease receivables recognized for the year ended December 31, 2023 is ₩108,514 million.

(b) Minimum lease payment receivable schedule for lease contracts of the Group as lessor as of December 31, 2022 and 2023 are as follows:

i) Finance lease

	2022		
	Minimum lease payment	Present value adjustment	Present value of minimum lease payment
Not later than 1 year	₩ 654,159	82,286	571,873
1 ~ 2 years	477,216	55,860	421,356
2 ~ 3 years	379,998	36,353	343,645
3 ~ 4 years	312,014	20,816	291,198
4 ~ 5 years	250,568	7,415	243,153
Later than 5 years	1,682	4	1,678
	₩2,075,637	202,734	1,872,903

	2023		
	Minimum lease payment	Present value adjustment	Present value of minimum lease payment
Not later than 1 year	₩ 898,235	95,269	802,966
1 ~ 2 years	458,736	28,398	430,338
2 ~ 3 years	359,893	19,220	340,673
3 ~ 4 years	324,331	6,155	318,176
4 ~ 5 years	155,615	6,399	149,216
Later than 5 years	1,411	3	1,408
	₩2,198,221	155,444	2,042,777

(In millions of won)

19. Leases (continued)

ii) Operating lease

	Minimum lease payment	
	2022	2023
Not later than 1 year	₩ 513,245	576,017
1 ~ 2 years	439,678	460,075
2 ~ 3 years	322,125	320,463
3 ~ 4 years	189,375	177,914
4 ~ 5 years	72,000	55,548
Later than 5 years	6,997	453
	₩1,543,420	1,590,470

(c) Changes in operating lease assets for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	₩1,393,738	1,930,503
Acquisition	1,017,137	762,996
Disposal	(128,950)	(171,192)
Depreciation	(351,208)	(445,006)
Amounts transferred from (to) property and equipment	(214)	(221)
Ending balance	₩1,930,503	2,077,080

(d) The details of the right-of-use assets by the lessee's underlying asset type as of December 31, 2022 and 2023 are as follows:

	2022		
	Acquisition cost	Accumulated depreciation	Carrying amount
Real estate	₩1,124,151	(538,076)	586,075
Vehicle	51,644	(29,317)	22,327
Others	32,933	(22,125)	10,808
	₩1,208,728	(589,518)	619,210

	2023		
	Acquisition cost	Accumulated depreciation	Carrying amount
Real estate	₩1,282,462	(715,521)	566,941
Vehicle	57,534	(29,117)	28,417
Others	38,031	(26,914)	11,117
	₩1,378,027	(771,552)	606,475

(In millions of won)

19. Leases (continued)

(e) The details of the changes in the right-of-use assets for the years ended December 31, 2022 and 2023 are as follows:

	2022			
	Real estate	Vehicle	Others	Total
Beginning balance	₩ 574,041	21,849	12,237	608,127
Acquisition	350,328	14,834	3,991	369,153
Disposal	(72,323)	(2,404)	(836)	(75,563)
Depreciation (*)	(271,299)	(12,004)	(4,583)	(287,886)
Effects of foreign currency movements	4,277	52	(1)	4,328
Business combination	1,051	—	—	1,051
Ending balance	₩ 586,075	22,327	10,808	619,210

	2023			
	Real estate	Vehicle	Others	Total
Beginning balance	₩ 586,075	22,327	10,808	619,210
Acquisition	340,809	23,039	6,876	370,724
Disposal	(66,392)	(3,388)	(1,272)	(71,052)
Depreciation (*)	(294,895)	(13,565)	(5,295)	(313,755)
Effects of foreign currency movements	1,344	4	—	1,348
Ending balance	₩ 566,941	28,417	11,117	606,475

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

(f) The details of the maturity of the lease liability as of December 31, 2022 and 2023 are as follows:

	2022						
	1 month or less	1 month ~ 3 months or less	3 months ~ 6 months or less	6 months ~ 1 year or less	1 year ~ 5 years or less	More than 5 years	Total
Real estate	₩26,601	34,980	48,209	84,706	315,267	74,190	583,953
Vehicle	4,999	1,851	2,543	4,566	13,910	92	27,961
Others	463	588	1,151	2,219	6,994	10	11,425
	₩32,063	37,419	51,903	91,491	336,171	74,292	623,339

	2023						
	1 month or less	1 month ~ 3 months or less	3 months ~ 6 months or less	6 months ~ 1 year or less	1 year ~ 5 years or less	More than 5 years	Total
Real estate	₩35,167	36,612	51,621	83,202	305,694	54,961	567,257
Vehicle	6,908	1,705	2,380	5,559	18,333	434	35,319
Others	639	658	1,223	2,438	6,380	—	11,338
	₩42,714	38,975	55,224	91,199	330,407	55,395	613,914

(*) 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.

(In millions of won)

19. Leases (continued)

(g) The lease payments for low-value assets and short-term leases for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Low-value assets	₩6,888	7,016
Short-term lease (*)	268	1,841
Total	₩7,156	8,857

(*) The payments for leases with terms less than 1 month are included.

20. Pledged assets

(a) Assets pledged as collateral as of December 31, 2022 and 2023 are as follows:

	2022	2023	Reasons for collateral
Loans at fair value through profit or loss	₩ —	49,902	Pledge for borrowing transaction
Loans at amortized cost	—	124,420	Pledge for borrowing transaction
Securities:			
Securities at FVTPL	12,714,420	18,525,421	Customer RP, etc.
Securities at FVOCI	9,383,156	12,164,955	Borrowings, Settlement security for Bank of Korea, Borrowing securities, etc.
Securities at amortized cost	14,913,535	17,659,715	Borrowings, Settlement security for Bank of Korea, Customer RP, etc.
	37,011,111	48,350,091	
Deposits at amortized cost	1,883,725	1,500,246	Borrowings, etc.
Property and Equipment (real estate)	29,288	5,039	Establishing the right to collateral security, etc.
	₩38,924,124	50,029,698	

(*) The carrying amounts of assets pledged that the pledgees have the right to sell or re-pledge regardless of the Group's default as of December 31, 2022 and 2023 are ₩9,754,980 million and ₩16,345,580 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, 2022 and 2023 are as follows:

	2022		2023	
	The fair value of assets received as collateral	The fair value of collateral sold or re-provided as collateral	The fair value of assets received as collateral	The fair value of collateral sold or re-provided as collateral
Securities	₩3,750,199	—	14,372,408	—

(In millions of won)

21. Deposits

Deposits as of December 31, 2022 and 2023 are as follows:

	2022	2023
Demand deposits:		
Korean won	₩132,604,867	128,035,326
Foreign currencies	24,841,409	23,141,715
	157,446,276	151,177,041
Time deposits:		
Korean won	171,355,724	175,191,964
Foreign currencies	24,910,187	26,914,722
	196,265,911	202,106,686
Certificates of deposits	14,921,375	12,059,730
Discount note deposits	6,631,858	7,614,701
CMA	4,634,010	4,950,392
Others	3,088,864	3,604,114
	₩382,988,294	381,512,664

22. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of December 31, 2022 and 2023 are as follows:

	2022	2023
Securities sold:		
Stocks	₩ 278,341	628,225
Bonds	438,689	477,626
Others	7,074	343,783
	724,104	1,449,634
Gold/silver deposits	422,006	419,343
	₩1,146,110	1,868,977

23. 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, 2022 and 2023 are as follows:

	2022	2023	Reason for designation
Equity-linked securities sold	₩5,437,434	5,610,256	Compound financial instrument
Securities sold with embedded derivatives	2,882,607	1,931,639	
Debt securities issued	47,327	254,832	Fair value measurement and management
	₩8,367,368	7,796,727	

(*) The Group designated the financial liabilities at the initial recognition (or subsequently) in accordance with paragraph 6.7.1 of IFRS 9 as financial liabilities at fair value through profit or loss.

(In millions of won)

23. Financial liabilities designated at fair value through profit or loss (continued)

Maximum credit risk exposure of the financial liabilities designated at fair value through profit or loss amounts to ₩7,796,727 million as of December 31, 2023. Increase in values of the liability due to credit risk changes is ₩4,011 million for the year ended December 31, 2023 and the accumulated changes in values are ₩(-)5,278 million as of December 31, 2023.

(b) The difference between the carrying amount 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, 2022 and 2023 are as follows:

	2022	2023
Expiration payment	₩7,733,506	7,519,962
Carrying amount	8,367,368	7,796,727
Difference from carrying amount	₩ (633,862)	(276,765)

24. Borrowings

Borrowings as of December 31, 2022 and 2023 are as follows:

	2022		2023	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Borrowings denominated in Korean won:				
Borrowings from Bank of Korea	0.25~1.75	₩ 5,100,325	2.00~2.00	₩ 2,562,162
Others	0.00~7.60	23,091,971	0.00~7.83	25,077,825
		28,192,296		27,639,987
Borrowings denominated in foreign currencies:				
Overdraft due from banks	0.00~0.30	48,072	0.00~0.00	34,072
Borrowings from banks	0.15~21.20	7,811,701	0.00~14.85	7,331,197
Others	0.00~22.65	2,397,605	0.00~17.50	2,674,834
		10,257,378		10,040,103
Call money	0.05~6.30	1,276,301	0.02~5.88	2,195,849
Bill of sale	0.00~3.95	15,057	0.00~3.65	11,252
Bonds sold under repurchase agreements	0.00~6.80	9,544,536	0.00~6.74	17,312,576
Deferred origination costs		(6,393)		(298,415)
		₩49,279,175		₩56,901,352

(In millions of won)

25. Debt securities issued

Debt securities issued as of December 31, 2022 and 2023 are as follows:

	2022		2023	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Debt securities issued in Korean won:				
Debt securities issued	0.05~9.00	₩61,038,481	0.00~7.70	₩65,801,744
Subordinated debt securities issued	2.20~4.17	3,275,225	2.20~5.20	2,860,105
Gain on fair value hedges	—	(348,700)	—	(225,750)
Discount on debt securities issued	—	(37,943)	—	(53,857)
		63,927,063		68,382,242
Debt securities issued in foreign currencies:				
Debt securities issued	0.25~7.59	9,586,831	0.25~7.36	9,697,265
Subordinated debt securities issued	3.34~5.10	4,145,264	3.34~5.00	3,768,942
Gain on fair value hedges	—	(324,901)	—	(240,483)
Discount on debt securities issued	—	(45,474)	—	(46,241)
		13,361,720		13,179,483
		₩77,288,783		₩81,561,725

26. 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, 2022 and 2023 are as follows:

	2022	2023
Present value of defined benefit obligations	₩ 1,934,643	2,219,490
Fair value of plan assets	(2,376,817)	(2,266,248)
Recognized liabilities(assets) for defined benefit obligations (*)	₩ (442,174)	(46,758)

(*) The asset for defined benefit obligation of ₩442,174 million as of December 31, 2022 is the net defined benefit assets of ₩456,838 million less the net defined benefit liabilities of ₩14,664 million. In addition, the asset for defined benefit obligation of ₩46,758 million as of December 31, 2023 is the net defined benefit assets of ₩114,378 million less the net defined benefit liabilities of ₩67,620 million

(In millions of won)

26. Defined benefit plans (continued)

(b) Changes in the present value of defined benefit obligation and plan assets for the years ended December 31, 2022 and 2023 are as follows:

	2022		
	Defined benefit obligation	Plan assets	Net defined benefit liabilities (assets)
Beginning balance	₩2,205,869	(2,296,685)	(90,816)
Included in profit or loss:			
Current service cost	170,772	—	170,772
Past service cost	8,330	—	8,330
Net interest expense (income)	72,307	(78,823)	(6,516)
Settlement loss (gain)	(466)	—	(466)
	250,943	(78,823)	172,120
Included in other comprehensive income:			
Remeasurement loss (gain) :			
- Actuarial losses (gains) arising from:			
Demographic assumptions	(938)	—	(938)
Financial assumptions	(419,764)	—	(419,764)
Experience adjustment	35,758	—	35,758
- Return on plan assets excluding interest income	—	36,725	36,725
	(384,944)	36,725	(348,219)
Other:			
Benefits paid by the plan	(138,290)	145,130	6,840
Contributions paid into the plan	—	(183,164)	(183,164)
Changes in the scope of consolidation	1,507	—	1,507
Effect of changes in foreign exchange rates	(442)	—	(442)
	(137,225)	(38,034)	(175,259)
Ending balance	₩1,934,643	(2,376,817)	(442,174)

(In millions of won)

26. Defined benefit plans (continued)

	2023		
	Defined benefit obligation	Plan assets	Net defined benefit liabilities (assets)
Beginning balance	₩1,934,643	(2,376,817)	(442,174)
Included in profit or loss:			
Current service cost	143,259	—	143,259
Past service cost	92	—	92
Net interest expense (income)	104,546	(138,254)	(33,708)
Settlement loss (gain)	7,633	5	7,638
	255,530	(138,249)	117,281
Included in other comprehensive income:			
Remeasurement loss:			
- Actuarial losses arising from:			
Demographic assumptions	106,072	—	106,072
Financial assumptions	123,204	1,723	124,927
Experience adjustment	5,925	—	5,925
- Return on plan assets excluding interest income	195	34,233	34,428
	235,396	35,956	271,352
Other:			
Benefits paid by the plan	(207,515)	295,185	87,670
Contributions paid into the plan	(13)	(82,323)	(82,336)
Changes in the scope of consolidation	93	—	93
Effect of changes in foreign exchange rates	1,356	—	1,356
	(206,079)	212,862	6,783
Ending balance	₩2,219,490	(2,266,248)	(46,758)

(*) Profit and loss related to defined benefit plans are all included in the general administrative expense.

(c) The composition of plan assets as of December 31, 2022 and 2023 are as follows:

	2022	2023
Plan assets comprise:		
Debt securities	₩ 31,140	5,002
Due from banks	2,115,397	2,044,101
Others	230,280	217,145
	₩2,376,817	2,266,248

(In millions of won)

26. Defined benefit plans (continued)

(d) Actuarial assumptions as of December 31, 2022 and 2023 are as follows:

	2022	2023	Description
Discount rate	5.05%~5.93%	4.00%~5.20%	AA0 corporate bond yields
Future salary increase rate	2.00%~7.00% + Upgrade rate	0.00%~7.00% + Upgrade rate	Average for 5 years
Weighted average maturity	6.7 years~ 10.9 years	1.00 years~ 11.50 years	

(e) Sensitivity analysis

As of December 31, 2022 and 2023, 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.

	2022	
	Defined benefit obligation	
	Increase	Decrease
Discount rate (1%p movement)	₩(154,651)	168,565
Future salary increase rate (1%p movement)	172,716	(160,649)

	2023	
	Defined benefit obligation	
	Increase	Decrease
Discount rate (1%p movement)	₩(190,760)	205,916
Future salary increase rate (1%p movement)	209,531	(196,909)

(f) The Group's estimated contribution is ₩162,769 million as of December 31, 2024.

27. Provisions

(a) Provisions as of December 31, 2022 and 2023 are as follows:

	2022	2023
Asset retirement obligations	₩ 91,571	99,927
Expected loss related to litigation	29,238	31,371
Unused credit commitments	317,590	355,591
Guarantee contracts issued	83,411	63,161
Financial guarantee contracts issued	55,828	39,998
Non-financial guarantee contracts issued	27,583	23,163
Others (*)	744,504	819,616
	₩1,266,314	1,369,666

(*) As of December 31, 2022 and 2023, the Group recognizes a provision of ₩574,013 million and ₩360,137 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, etc. As of

(In millions of won)

27. Provisions (continued)

December 31, 2023, the Group recognizes a provision of ₩293,824 million for vulnerable groups such as self-employed people, small business owners and institutions supporting vulnerable groups, etc. in accordance with the "Banking financial support plan for people's livelihood".

(b) Changes in provision for unused credit commitments and financial guarantee contracts issued for the years ended December 31, 2022 and 2023 are as follows:

	2022						
	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	Total
Beginning balance	₩150,573	147,511	1,924	48,607	6,709	28	355,352
Transfer (from) to 12 months expected credit loss	68,226	(67,945)	(281)	2,680	(2,680)	—	—
Transfer (from) to life time expected credit loss	(10,794)	10,842	(48)	(3,715)	3,715	—	—
Transfer (from) to impaired financial asset	(316)	(1,274)	1,590	—	—	—	—
Provided (reversed)	(30,016)	50,733	(1,155)	(972)	537	5	19,132
Change in foreign exchange rate	(2,068)	131	—	910	118	—	(909)
Others (*)	(43)	—	—	603	(712)	(5)	(157)
Ending balance	₩175,562	139,998	2,030	48,113	7,687	28	373,418

(*) Others include effects of the provision from the new financial guarantee contracts measured at fair value, and the expired contracts, the change of discount rate and others.

	2023						
	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	Total
Beginning balance	₩175,562	139,998	2,030	48,113	7,687	28	373,418
Transfer (from) to 12 months expected credit loss	65,058	(64,897)	(161)	3,921	(3,921)	—	—
Transfer (from) to life time expected credit loss	(13,466)	13,502	(36)	(7,659)	7,659	—	—
Transfer (from) to impaired financial asset	(609)	(1,953)	2,562	(530)	—	530	—
Provided (reversed)	(20,883)	42,506	15,327	150	70	(14)	37,156
Change in foreign exchange rate	1,025	26	—	294	92	1	1,438
Others (*)	—	—	—	(12,287)	(3,997)	(139)	(16,423)
Ending balance	₩206,687	129,182	19,722	32,002	7,590	406	395,589

(*) Others include effects of the provision from the new financial guarantee contracts measured at fair value, and the expired contracts, the change of discount rate and others.

(In millions of won)

27. Provisions (continued)

(c) Changes in provisions for the years ended December 31, 2022 and 2023 are as follows:

	2022				
	Asset retirement	Litigation	Guarantee	Others	Total
Beginning balance	₩ 82,123	9,693	26,578	693,110	811,504
Provision(reversal)	27,474	20,733	(410)	127,460	175,257
Provision used	(25,228)	(779)	—	(75,355)	(101,362)
Change in foreign exchange rate	4	—	1,352	315	1,671
Others (*)	7,090	(409)	63	(1,026)	5,718
Business combination	108	—	—	—	108
Ending balance	₩ 91,571	29,238	27,583	744,504	892,896

	2023				
	Asset retirement	Litigation	Guarantee	Others	Total
Beginning balance	₩91,571	29,238	27,583	744,504	892,896
Provision(reversal)	4,771	2,266	(4,856)	516,735	518,916
Provision used	(5,157)	(193)	—	(446,545)	(451,895)
Change in foreign exchange rate	—	—	412	1,127	1,539
Others (*)	8,742	60	24	3,795	12,621
Ending balance	₩99,927	31,371	23,163	819,616	974,077

(*) Others include increase in provisions based on the present value, the effect of changes in discount rate over the period and others.

(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, 2022 and 2023 are as follows:

	2022	2023
Outstanding guarantees and acceptances	₩12,154,088	12,503,445
Contingent guarantees and acceptances	4,565,829	4,337,751
ABS and ABCP purchase commitments	1,496,604	1,533,047
Endorsed bill	10,025	44
	₩18,226,546	18,374,287
Allowance for loss on guarantees and acceptances	₩ 83,411	63,161
Ratio	0.46%	0.34

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts

(a) The details of insurance contract liabilities as of December 31, 2022 and 2023 are as follow:

2022

	Life insurance						Non-life insurance			
	Death	Health	Pension Savings	Variable	Etc.	Complex	Long-term	General	Car	Total
Insurance contract assets	₩ —	—	—	—	—	—	—	—	—	—
Insurance contract liabilities (*)	14,562,428	4,989,899	21,137,691	5,124,028	1,528	—	3,376	85,672	1,767	45,906,389
Net insurance contract liabilities (assets) total	14,562,428	4,989,899	21,137,691	5,124,028	1,528	—	3,376	85,672	1,767	45,906,389
Reinsurance contract assets	—	—	—	—	—	59,018	—	29,754	—	88,772
Reinsurance contract liabilities	(24,661)	(38,109)	—	—	—	—	—	(33)	—	(62,803)
Total net reinsurance contract assets (liabilities)	₩ (24,661)	(38,109)	—	—	—	59,018	—	29,721	—	25,969

2023

	Life insurance						Non-life insurance			
	Death	Health	Pension Savings	Variable	Etc.	Complex	Long-term	General	Car	Total
Insurance contract assets	₩ —	—	—	—	—	—	(444)	(10,210)	—	(10,654)
Insurance contract liabilities (*)	16,895,075	5,347,357	20,536,870	5,445,493	5,001	—	—	102,921	1,515	48,334,232
Net insurance contract liabilities (assets) total	16,895,075	5,347,357	20,536,870	5,445,493	5,001	—	(444)	92,711	1,515	48,323,578
Reinsurance contract assets	—	—	—	—	—	62,815	—	25,538	—	88,353
Reinsurance contract liabilities	(27,046)	(66,075)	—	—	—	—	(41)	(78)	—	(93,240)
Total net reinsurance contract assets (liabilities)	₩ (27,046)	(66,075)	—	—	—	62,815	(41)	25,460	—	(4,887)

(*) As of December 31, 2022 and 2023 contractor's share adjustment amount is excluded ₩(-) 1,616 million and ₩(-) 1,024 million, respectively.

(b) The assumptions and calculation basis for the current estimates of future cash flows applied to the holding contract as of December 31, 2022 and 2023 are as follow:

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

	Assumption value (%)			
	2022	**2023**	**Transition point**	**Basis for calculation**
Life insurance:				
Cancellation rate	0.00~78.00	0.00~73.78	0.00~78.00	The ratio of the cancellation contract amount to the maintenance contract amount by payment category, product group, interest rate category, channel, and elapsed period calculated based on the last 5 years of experience statistics.
Loss rate	9.00~ 771.00	17.00 ~ 756.00	11.00 ~ 833.00	- Other than general mortality: Ratio of accident insurance premium to on-level risk insurance premium by risk coverage and elapsed period based on the last five years of experience statistics - General mortality: Ratio of actual mortality rate to expected mortality rate by risk coverage and elapsed period based on empirical statistics from the past five years
Operating expense rate	—	—	—	Based on the Group's experience statistics for the past one year or more, the business plan (budget) that reflects the future operating expense policy is used as basic statistics to calculate proportional unit costs such as conversion results, planner fees, number of new/existing contracts, new/continuing insurance premiums, and reserves.
Discount rate	4.38 ~ 5.17	3.75 ~ 4.80	1.55 ~ 4.95	Interest rate term structure based on Financial Supervisory Service disclosure standards
Risk adjustment confidence level for non-financial risks	75.00	75.00	75.00	Under the assumption that the probability distribution of the present value of future cash flows at each reporting time follows a normal distribution, the portion where the 75% percentile exceeds the probability-weighted average of the present value of future cash flows is calculated as risk adjustment.

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

	Assumption value (%)			
	2022	2023	Transition point	Basis for calculation
Non-life insurance:				
Cancellation rate	General: 5.10~38.90	General: 0.54~38.56	General: 0.10~39.60	General: Calculated as the ratio of the number of canceled and effective contracts compared to the number of contracts with experience from July 2017 to June 2023
	Long-term: 10.50~25.50	Long-term: 1.60~25.25	Long-term: 7.00~26.00	Long-term: Calculated as the ratio of the number of canceled and effective contracts compared to the number of contracts with experience from October 2017 to June 2023 * In case of long-term new products, application assumptions are used during product development due to lack of experience statistics of the consolidated entity.
Loss rate	General: 48.80~100.00	General: 24.47~112.27	General: 13.60~158.30	General: Calculated as the ratio of incurred losses to experienced risk insurance premiums from July 2016 to June 2023
	Long-term: 44.10~171.50	Long-term: 40.99~187.70	Long-term: 33.60~137.70	Long-term: Calculated as the ratio of incurred losses to experienced risk insurance premiums from October 2017 to June 2023 * In case of long-term new products, application assumptions are used during product development due to lack of experience statistics of the Group.

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

	Assumption value (%)			
	2022	**2023**	**Transition point**	**Basis for calculation**
Operating expense rate	Contract conclusion cost: Variable cost (%) 4.99~13.16 Fixed cost (won) 921~3,769	Contract conclusion cost: Variable cost (%) 11.73~2170.24 Fixed cost (won) 44,653~68,795	Contract conclusion cost: Variable cost (%) 6.02~10.96 Fixed cost (won) 902~1,896	Using the Group's experience statistics for the year immediately preceding the calculation (October 2022 - September 2023), the operating expense unit price was subdivided by workload and type of work on a portfolio basis, and calculated by applying the variable cost/fixed ratio according to the operating expense allocation standard.
	Contract maintenance cost: Variable cost (%) 4.7~21.19 Fixed cost (won) 0~2,004	Contract maintenance cost: Variable cost (%) 31.73~36.37 Fixed cost (won) 2,220~2,538	Contract maintenance cost: Variable cost (%) 2.4~22.56 Fixed cost (won) 0~1,655	Contract conclusion cost - Variable cost: Distribution of contract variable cost compared to imported insurance premium
	Damage investigation cost (%) 8.38~26.9	Damage investigation cost (%) 11.65~14.30	Damage investigation cost (%) 20.7~30.7	- Fixed cost: Fixed cost distribution for contract conclusion compared to the number of new contracts
				Contract maintenance cost - Variable cost: Variable cost allocation for contract maintenance compared to earned insurance premiums - Fixed cost: Fixed cost allocation for contract maintenance compared to the number of contracts held
				Damage investigation cost: Amount of damage investigation cost allocated to the amount of damage incurred *In case of long-term new products, application assumptions are used during product development due to lack of experience statistics of the consolidated entity
Discount rate	4.71~4.95	4.55~4.80	1.546~4.95	Interest rate term structure based on Financial Supervisory Service disclosure standards
Risk adjustment confidence level for non-financial risks	75.00	75.00	75.00	Under the assumption that the probability distribution of the present value of future cash flows at each reporting time follows a normal distribution, the portion where the 75% percentile exceeds the probability-weighted average of the present value of future cash flows is calculated as risk adjustment.

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(c) The details of changes in the remaining coverage elements and occurrence elements of net insurance contract liabilities that did not apply the premium distribution for the years ended December 31, 2022 and 2023 are as follows:

		2022			
		Remaining coverage elements			
		Excluding loss factors	Loss factor	Accident factors that occur	Total
Beginning balance	Insurance contract assets	₩ —	—	—	—
	Insurance contract liabilities	50,883,599	984,570	1,861,002	53,729,171
	Net insurance contract liabilities	50,883,599	984,570	1,861,002	53,729,171
Insurance income	Retroactive modification method	(1,653,048)	—	—	(1,653,048)
	fair value law	(945,620)	—	—	(945,620)
	Etc.	(132,798)	—	—	(132,798)
		(2,731,466)	—	—	(2,731,466)
Insurance service expenses	Accrued insurance premiums and other incurred insurance service expenses	165	—	1,478,369	1,478,534
	Changes in incident fulfillment cash flow	—	—	(37,104)	(37,104)
	Costs related to onerous contracts	—	(7,810)	—	(7,810)
	Amortization of insurance acquisition Cash flows	214,103	—	—	214,103
	Etc.	15,772	(14,929)	—	843
		230,040	(22,739)	1,441,265	1,648,566
Investment factors and insurance premium refund		(5,790,725)	—	5,790,725	—
Insurance finance income and expenses	Current profit or loss	785,938	19,074	58,382	863,394
	Other comprehensive income	(6,290,667)	(101,576)	(4,093)	(6,396,336)
		₩ (5,504,729)	(82,502)	54,289	(5,532,942)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2022			
		Remaining coverage elements			
		Excluding loss factors	Loss factor	Accident factors that occur	Total
Cash flow for the period	Insurance premium received	₩ 6,875,883	—	—	6,875,883
	Insurance acquisition cash flow payment	(841,325)	—	—	(841,325)
	Payment of insurance benefits and other insurance service expenses	5,221	—	(1,463,750)	(1,458,529)
	Receipt (payment) of investment elements and refund of insurance premiums	—	—	(5,873,670)	(5,873,670)
		6,039,779	—	(7,337,420)	(1,297,641)
Business combination		2,058	849	167	3,074
Other increase/decrease		63	(63)	—	—
Ending balance	Insurance contract assets	—	—	—	—
	Insurance contract liabilities	43,128,619	880,115	1,810,028	45,818,762
	Net insurance contract liabilities	₩43,128,619	880,115	1,810,028	45,818,762

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023			
		Remaining coverage elements		Accident factors that occur	Total
		Excluding loss factors	Loss factor		
Beginning balance	Insurance contract assets	₩ —	—	—	—
	Insurance contract liabilities	43,128,619	880,115	1,810,028	45,818,762
	Net insurance contract liabilities	43,128,619	880,115	1,810,028	45,818,762
Insurance income	Retroactive modification method	(1,484,047)	—	—	(1,484,047)
	Fair value method	(958,369)	—	—	(958,369)
	Etc.	(417,542)	—	—	(417,542)
		(2,859,958)	—	—	(2,859,958)
Insurance service expenses	Accrued insurance premiums and other incurred insurance service expenses	—	—	1,513,580	1,513,580
	Changes in incident fulfillment cash flow	—	—	11,468	11,468
	Costs related to onerous contracts	—	(35,360)	—	(35,360)
	Amortization of insurance acquisition cash flows	262,280	—	—	262,280
	Etc.	(21,048)	(16,548)	—	(37,596)
		241,232	(51,908)	1,525,048	1,714,372
Investment factors and insurance premium refund		(5,281,435)	—	5,281,435	—
Insurance finance income and expenses	Current profit or loss	2,134,312	21,300	62,861	2,218,473
	Other comprehensive income	2,924,797	35,025	1,172	2,960,994
		₩ 5,059,109	56,325	64,033	5,179,467

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023			
		Remaining coverage elements		Accident factors that occur	Total
		Excluding loss factors	Loss factor		
Cash flow for the period	Insurance premium received	₩ 6,209,129	—	—	6,209,129
	Insurance acquisition cash flow payment	(979,176)	—	—	(979,176)
	Payment of insurance benefits and other insurance service expenses	(715)	—	(1,497,502)	(1,498,217)
	Receipt (payment) of investment elements and refund of insurance premiums	—	—	(5,355,137)	(5,355,137)
		5,229,238	—	(6,852,639)	(1,623,401)
Other increase/decrease		269	(490)	101	(120)
Ending balance	Insurance contract assets	(493)	—	49	(444)
	Insurance contract liabilities	45,517,567	884,042	1,827,957	48,229,566
	Net insurance contract liabilities	₩45,517,074	884,042	1,828,006	48,229,122

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(d) The changes in the remaining coverage elements and occurrence elements of net insurance contract liabilities applying the premium allocation approach for the years ended December 31, 2022 and 2023 are as follow:

		2022				
		Remaining coverage elements		Accident factors that occur		
		Excluding loss factors	Loss factor	Present value estimate of future cash flows	Risk adjustment for non-financial risks	Total
Beginning balance	Insurance contract assets	₩ —	—	—	—	—
	Insurance contract liabilities	219	—	348	23	590
	Net insurance contract liabilities	219	—	348	23	590
Insurance income		(10,264)	—	—	—	(10,264)
Insurance service expenses	Accrued insurance premiums and other incurred insurance service expenses	8,187	—	3,903	5	12,095
	Changes in incident fulfillment cash flow	—	—	1,257	225	1,482
	Costs related to onerous contracts	(178)	2,364	—	—	2,186
	Amortization of insurance acquisition Cash flows	3,541	—	—	—	3,541
	Etc.	—	—	—	—	—
		11,550	2,364	5,160	230	19,304
Investment factors and insurance premium refund		(2)	—	2	—	—
Insurance finance income and expenses	Current profit or loss	618	—	(5)	—	613
	Other comprehensive income	—	—	(1)	—	(1)
		618	—	(6)	—	612
Cash flow for the period	Insurance premium received	31,741	—	—	—	31,741
	Insurance acquisition cash flow payment	(8,488)	—	—	—	(8,488)
	Payment of insurance benefits and other insurance service expenses	(7,396)	—	(3,514)	—	(10,910)
	Receipt (payment) of investment elements and refund of insurance premiums	—	—	(2)	—	(2)
		15,857	—	(3,516)	—	12,341
Business Combination		60,687	775	3,384	198	65,044
Ending balance	Insurance contract assets	—	—	—	—	—
	Insurance contract liabilities	78,665	3,139	5,372	451	87,627
	Net insurance contract liabilities	₩ 78,665	3,139	5,372	451	87,627

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023				
		Remaining coverage elements		Accident factors that occur		
		Excluding loss factors	Loss factor	Present value estimate of future cash flows	Risk adjustment for non-financial risks	Total
Beginning balance	Insurance contract assets	₩ —	—	—	—	—
	Insurance contract liabilities	78,665	3,139	5,372	451	87,627
	Net insurance contract liabilities	78,665	3,139	5,372	451	87,627
Insurance income		(39,641)	—	—	—	(39,641)
Insurance service expenses	Accrued insurance premiums and other incurred insurance service expenses	33	—	29,966	1,093	31,092
	Changes in incident fulfillment cash flow	—	—	(2,669)	(684)	(3,353)
	Costs related to onerous contracts	23	2,449	—	—	2,472
	Amortization of insurance acquisition Cash flows	4,126	—	—	—	4,126
	Etc.	—	—	70	—	70
		4,182	2,449	27,367	409	34,407
Investment factors and insurance premium refund		(9)	—	9	—	—
Insurance finance income and expenses	Current profit or loss	2,412	—	67	10	2,489
	Other comprehensive income	—	—	23	2	25
		2,412	—	90	12	2,514
Cash flow for the period	Insurance premium received	46,680	—	—	—	46,680
	Insurance acquisition cash flow payment	(12,751)	—	—	—	(12,751)
	Payment of insurance benefits and other insurance service expenses	—	—	(22,643)	—	(22,643)
	Receipt (payment) of investment elements and refund of insurance premiums	—	—	288	—	288
		33,929	—	(22,355)	—	11,574
Other increase/decrease		(1,684)	(770)	307	122	(2,025)
Ending balance	Insurance contract assets	(10,670)	3	450	7	(10,210)
	Insurance contract liabilities	88,524	4,815	10,340	987	104,666
	Net insurance contract liabilities	₩ 77,854	4,818	10,790	994	94,456

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(e) Changes by measurement element in net insurance contract liabilities without applying the premium allocation approach for the years ended December 31, 2022 and 2023 are as follow:

		2022						
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Contractual service margin				Total
				Retrospective method	Fair value method	Etc.	Sub-total	
Beginning balance	Insurance contract assets	₩ —	—	—	—	—	—	—
	Insurance contract liabilities	42,860,167	1,273,126	7,528,543	2,067,335	—	9,595,878	53,729,171
	Net insurance contract liabilities	42,860,167	1,273,126	7,528,543	2,067,335	—	9,595,878	53,729,171
Changes related to future services	Change in contractual service margin adjustment estimate	(46,515)	7,259	(370,905)	434,892	(24,732)	39,255	(1)
	Change in unadjusted estimate of contractual service margin	(75,617)	(808)	—	—	—	—	(76,425)
	Initial recognition effect of new contracts for the current period	(792,097)	106,962	—	—	753,751	753,751	68,616
		(914,229)	113,413	(370,905)	434,892	729,019	793,006	(7,810)
Changes related to current service	Contractual service margin amortization	—	—	(632,727)	(218,251)	(50,830)	(901,808)	(901,808)
	Risk-adjusted change	—	(109,301)	—	—	—	—	(109,301)
	Experience adjustment	(26,844)	—	(33)	—	—	(33)	(26,877)
		(26,844)	(109,301)	(632,760)	(218,251)	(50,830)	(901,841)	(1,037,986)
Changes related to past services	Adjustment of accident factors	(27,113)	(9,991)	—	—	—	—	(37,104)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2022						
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Contractual service margin				Total
				Retrospective method	Fair value method	Etc.	Sub-total	
Insurance finance income and expenses	Current profit or loss	₩ 501,746	36,907	240,829	67,170	16,742	324,741	863,394
	Other comprehensive income	(6,243,862)	(152,474)	—	—	—	—	(6,396,336)
		(5,742,116)	(115,567)	240,829	67,170	16,742	324,741	(5,532,942)
Cash flow for the period	Insurance premium received	6,875,883	—	—	—	—	—	6,875,883
	Insurance acquisition cash flow payment	(841,325)	—	—	—	—	—	(841,325)
	Payment of insurance benefits and other insurance service expenses	(1,458,529)	—	—	—	—	—	(1,458,529)
	Receipt (payment) of investment elements and refund of insurance premiums	(5,873,670)	—	—	—	—	—	(5,873,670)
		(1,297,641)	—	—	—	—	—	(1,297,641)
Business Combination		(633)	88	13	—	3,606	3,619	3,074
Ending balance	Insurance contract assets	—	—	—	—	—	—	—
	Insurance contract liabilities	34,851,591	1,151,768	6,765,720	2,351,146	698,537	9,815,403	45,818,762
	Net insurance contract liabilities	₩34,851,591	1,151,768	6,765,720	2,351,146	698,537	9,815,403	45,818,762

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023						
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Contractual service margin: Retrospective method	Contractual service margin: Fair value method	Contractual service margin: Etc.	Contractual service margin: Sub-total	Total
Beginning balance	Insurance contract assets	₩ —	—	—	—	—	—	—
	Insurance contract liabilities	34,851,591	1,151,768	6,765,720	2,351,146	698,537	9,815,403	45,818,762
	Net insurance contract liabilities	34,851,591	1,151,768	6,765,720	2,351,146	698,537	9,815,403	45,818,762
Changes related to future services	Change in contractual service margin adjustment estimate	350,007	(84,549)	(659,780)	570,862	(176,540)	(265,458)	—
	Change in unadjusted estimate of contractual service margin	(46,697)	(4,196)	—	—	(158)	(158)	(51,051)
	Initial recognition effect of new contracts for the current period	(991,607)	105,353	—	—	901,945	901,945	15,691
		(688,297)	16,608	(659,780)	570,862	725,247	636,329	(35,360)
Changes related to current service	Contractual service margin amortization	—	—	(536,399)	(215,795)	(162,449)	(914,643)	(914,643)
	Risk-adjusted change	—	(101,902)	—	—	—	—	(101,902)
	Experience adjustment	(105,141)	(8)	—	—	—	—	(105,149)
		(105,141)	(101,910)	(536,399)	(215,795)	(162,449)	(914,643)	(1,121,694)
Changes related to past services	Adjustment of accident factors	21,880	(10,412)	—	—	—	—	11,468

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023						
				Contractual service margin				
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Retrospective method	Fair value method	Etc.	Sub-total	Total
Insurance finance income and expenses	Current profit or loss	₩ 1,848,652	42,200	203,297	76,583	47,741	327,621	2,218,473
	Other comprehensive income	2,907,587	53,407	—	—	—	—	2,960,994
		4,756,239	95,607	203,297	76,583	47,741	327,621	5,179,467
Cash flow for the period	Insurance premium received	6,209,129	—	—	—	—	—	6,209,129
	Insurance acquisition cash flow payment	(979,176)	—	—	—	—	—	(979,176)
	Payment of insurance benefits and other insurance service expenses	(1,498,217)	—	—	—	—	—	(1,498,217)
	Receipt (payment) of investment elements and refund of insurance premiums	(5,355,137)	—	—	—	—	—	(5,355,137)
		(1,623,401)	—	—	—	—	—	(1,623,401)
Other increase/decrease		(117)	(3)	—	—	—	—	(120)
Ending balance	Insurance contract assets	(743)	124	—	—	175	175	(444)
	Insurance contract liabilities	37,213,497	1,151,534	5,772,838	2,782,796	1,308,901	9,864,535	48,229,566
	Net insurance contract liabilities	₩37,212,754	1,151,658	5,772,838	2,782,796	1,309,076	9,864,710	48,229,122

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(f) Details of insurance contracts that did not apply the premium allocation approach recognized for the first time for the years ended December 31, 2022 and 2023 are as follow:

2022

		Present value estimate of future cash outflows					
		Other than insurance acquisition cash flow amount	Insurance acquisition cash flow amount	Present value estimate of future cash inflows	Risk adjustment for non-financial risks	Contractual service margin	Total
Contract recognized for the first time in the period	Except for loss burden contract set	₩2,314,596	783,758	(3,948,951)	96,846	753,751	—
	Loss burden contract set	705,278	120,272	(767,050)	10,116	—	68,616
		₩3,019,874	904,030	(4,716,001)	106,962	753,751	68,616

2023

		Present value estimate of future cash outflows					
		Other than insurance acquisition cash flow amount	Insurance acquisition cash flow amount	Present value estimate of future cash inflows	Risk adjustment for non-financial risks	Contractual service margin	Total
Contract recognized for the first time in the period	Except for loss burden contract set	₩2,790,412	975,895	(4,766,973)	98,721	901,945	—
	Loss burden contract set	154,524	63,685	(209,150)	6,632	—	15,691
		₩2,944,936	1,039,580	(4,976,123)	105,353	901,945	15,691

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(g) The amount expected to be recognized in profit or loss in the future as contractual service margin for insurance contracts that do not apply the premium distribution approach as of December 31, 2022 and 2023 are as follow:

	2022					
	Less than 1 year	1~2 years	2~5 years	5~10 years	More than 10 years	Total
Contractual Service Margin	₩834,346	738,947	1,820,472	2,179,243	4,242,395	9,815,403

	2023					
	Less than 1 year	1~2 years	2~5 years	5~10 years	More than 10 years	Total
Contractual Service Margin	₩867,208	759,132	1,851,145	2,185,854	4,201,371	9,864,710

(h) The composition details and fair value amounts of basic items of insurance contracts with direct participation characteristics as of December 31, 2022 and 2023 are as follow:

(*)	2022	2023
Cash and amortized cost measurement deposits	₩ 381,923	322,933
Financial assets measured at fair value through profit or loss	3,831,526	3,934,491
Amortized cost loan receivables	44,319	66,790
derivatives	(961)	674
Etc.	79,950	81,468
	₩4,336,757	4,406,356

(*) As of December 31, 2022 and 2023, the book value of financial assets (liabilities) of variable insurance is ₩5,695,788 million and ₩5,940,453 million.

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(i) The details of changes in the remaining coverage elements and occurrence elements of reinsurance contract assets (liabilities) for which the premium distribution approach was not applied for the years ended December 31, 2022 and 2023 are as follow:

		2022			
		Remaining coverage elements			
		Excluding loss factors	Loss factor	Accident factors that occur	Total
Beginning balance	Reinsurance contract assets	₩ —	—	—	—
	Reinsurance contract liabilities	(372,952)	31,824	59,364	(281,764)
	Net reinsurance contract assets (liabilities)	(372,952)	31,824	59,364	(281,764)
Reinsurance revenue	Accrued reinsurance amount	—	—	66,383	66,383
	Changes in incident fulfillment cash flow	—	—	(25,677)	(25,677)
	Etc.	—	(5,724)	—	(5,724)
		—	(5,724)	40,706	34,982
Reinsurance service expense	Fair value method	(53,430)	—	—	(53,430)
	Etc.	(8,898)	—	—	(8,898)
		(62,328)	—	—	(62,328)
Recovery of investment elements and reinsurance premiums		(146,377)	—	146,377	—
Reinsurance finance income and expense	Current profit or loss	(1,852)	73	600	(1,179)
	Other comprehensive income	45,085	1,725	(490)	46,320
		₩ 43,233	1,798	110	45,141

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2022			
		Remaining coverage elements			
		Excluding loss recovery factors	Loss recovery factor	Accident factors that occur	Total
Cash flow for the period	Reinsurance premium paid	₩ 440,630	—	—	440,630
	Recovery of reinsurance proceeds and other reinsurance profits	—	—	(35,130)	(35,130)
	Receipt of investment elements and recovery of reinsurance premiums	—	—	(145,284)	(145,284)
		440,630	—	(180,414)	260,216
Ending balance	Reinsurance contract assets	8,453	5,236	45,328	59,017
	Reinsurance contract liabilities	(106,247)	22,662	20,815	(62,770)
	Net reinsurance contract assets (liabilities)	₩ (97,794)	27,898	66,143	(3,753)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023			
		Remaining coverage elements			
		Excluding loss factors	Loss factor	Accident factors that occur	Total
Beginning balance	Reinsurance contract assets	₩ 8,453	5,236	45,328	59,017
	Reinsurance contract liabilities	(106,247)	22,662	20,815	(62,770)
	Net reinsurance contract assets (liabilities)	(97,794)	27,898	66,143	(3,753)
Reinsurance revenue	Accrued reinsurance amount	—	—	72,651	72,651
	Changes in incident fulfillment cash flow	—	—	(32,100)	(32,100)
	Etc.	(1)	(115)	—	(116)
		(1)	(115)	40,551	40,435
Reinsurance service expense	Fair value method	(52,637)	—	—	(52,637)
	Etc.	(19,767)	318	—	(19,449)
		(72,404)	318	—	(72,086)
Recovery of investment elements and reinsurance premiums		(152,684)	—	152,684	—
Reinsurance finance income and expense	Current profit or loss	(2,156)	29	1,263	(864)
	Other comprehensive income	(28,793)	384	116	(28,293)
		₩ (30,949)	413	1,379	(29,157)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023			
		Remaining coverage elements			
		Excluding loss recovery factors	Loss recovery factor	Accident factors that occur	Total
Cash flow for the period	Reinsurance premium paid	₩ 229,319	—	—	229,319
	Recovery of reinsurance proceeds and other reinsurance profits	—	—	(43,405)	(43,405)
	Receipt of investment elements and recovery of reinsurance premiums	—	—	(152,052)	(152,052)
		229,319	—	(195,457)	33,862
Other increase/decrease		745	(347)	(47)	351
Ending balance	Reinsurance contract assets	19,436	5,055	38,323	62,814
	Reinsurance contract liabilities	(143,204)	23,112	26,930	(93,162)
	Net reinsurance contract assets (liabilities)	₩(123,768)	28,167	65,253	(30,348)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(j) Details of changes in the remaining coverage elements and occurrence elements of reinsurance contract assets (liabilities) applying the premium distribution approach for the years ended December 31, 2022 and 2023 are as follow:

		2022				
		Remaining coverage elements		Accident factors that occur		
		Excluding loss recovery factors	Loss recovery factor	Present value estimate of future cash flows	Risk adjustment for non-financial risks	Total
Beginning balance	Reinsurance contract assets	₩ —	—	—	—	—
	Reinsurance contract liabilities	—	—	—	—	—
	Net reinsurance contract assets (liabilities)	—	—	—	—	—
Reinsurance revenue	Accrued reinsurance amount	—	—	614	(8)	606
	Changes in incident fulfillment cash flow	—	(65)	667	84	686
	Etc.	—	—	—	—	—
		—	(65)	1,281	76	1,292
Reinsurance service expense		(1,582)	—	—	—	(1,582)
Recovery of investment elements and reinsurance premiums		—	—	—	—	—
Reinsurance finance income and expense	Current profit or loss	255	—	(6)	—	249
	Other comprehensive income	—	—	—	—	—
		255	—	(6)	—	249
Cash flow for the period	Reinsurance premium paid	14,052	—	—	—	14,052
	Recovery of reinsurance proceeds and other reinsurance profits	—	—	(447)	—	(447)
	Receipt of investment elements and recovery of reinsurance premiums	—	—	—	—	—
		14,052	—	(447)	—	13,605
Business Combination		14,176	140	1,798	44	16,158
Ending balance	Reinsurance contract assets	26,901	75	2,659	120	29,755
	Reinsurance contract liabilities	—	—	(33)	—	(33)
	Net reinsurance contract assets (liabilities)	₩26,901	75	2,626	120	29,722

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023				
		Remaining coverage elements		Accident factors that occur		
		Excluding loss recovery factors	Loss recovery factor	Present value estimate of future cash flows	Risk adjustment for non-financial risks	Total
Beginning balance	Reinsurance contract assets	₩ 26,901	75	2,659	120	29,755
	Reinsurance contract liabilities	—	—	(33)	—	(33)
	Net reinsurance contract assets (liabilities)	26,901	75	2,626	120	29,722
Reinsurance revenue	Accrued reinsurance amount	—	—	2,813	79	2,892
	Changes in incident fulfillment cash flow	—	1,194	318	(71)	1,441
	Etc.	217	—	—	—	217
		217	1,194	3,131	8	4,550
Reinsurance service expense		(10,104)	—	—	—	(10,104)
Recovery of investment elements and reinsurance premiums		—	—	—	—	—
Reinsurance finance income and expense	Current profit or loss	915	—	27	3	945
	Other comprehensive income	—	—	9	1	10
		915	—	36	4	955
Cash flow for the period	Reinsurance premium paid	3,716	—	—	—	3,716
	Recovery of reinsurance proceeds and other reinsurance profits	—	—	(1,079)	—	(1,079)
	Receipt of investment elements and recovery of reinsurance premiums	—	—	—	—	—
		3,716	—	(1,079)	—	2,637
Other increase/decrease		(1,733)	(49)	(489)	(28)	(2,299)
Ending balance	Reinsurance contract assets	19,971	1,220	4,244	104	25,539
	Reinsurance contract liabilities	(59)	—	(19)	—	(78)
	Net reinsurance contract assets (liabilities)	₩ 19,912	1,220	4,225	104	25,461

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(k) Changes by measurement element in reinsurance contract assets (liabilities) for which the premium distribution approach was not applied for the years ended December 31, 2022 and 2023 are as follow:

		2022					
				Contractual service margin			
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Fair value method	Etc.	Sub-total	Total
Beginning balance	Reinsurance contract assets	₩ —	—	—	—	—	—
	Reinsurance contract liabilities	(421,703)	42,240	97,699	—	97,699	(281,764)
	Net reinsurance contract assets (liabilities)	(421,703)	42,240	97,699	—	97,699	(281,764)
Changes related to future services	Change in contractual service margin adjustment estimate	(34,424)	3,218	26,001	468	26,469	(4,737)
	Initial recognition effect of new contracts for the current period	(68,578)	6,142	—	64,486	64,486	2,050
		(103,002)	9,360	26,001	64,954	90,955	(2,687)
Changes related to current service	Contractual service margin amortization	—	—	(11,589)	(4,433)	(16,022)	(16,022)
	Risk-adjusted change	—	(2,445)	—	—	—	(2,445)
	Experience adjustment	19,485	—	—	—	—	19,485
		19,485	(2,445)	(11,589)	(4,433)	(16,022)	1,018
Changes related to past services	Adjustment of accident factors	₩ (24,999)	(678)	—	—	—	(25,677)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2022					
				Contractual service margin			
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Fair value method	Etc.	Sub-total	Total
Reinsurance finance income and expense	Current profit or loss	₩ (8,125)	1,533	3,210	2,203	5,413	(1,179)
	Other comprehensive income	56,938	(10,618)	—	—	—	46,320
		48,813	(9,085)	3,210	2,203	5,413	45,141
Cash flow for the period	Reinsurance premium paid	440,630	—	—	—	—	440,630
	Recovery of reinsurance proceeds and other reinsurance profits	(35,130)	—	—	—	—	(35,130)
	Receipt of investment elements and refund of insurance premiums	(145,284)	—	—	—	—	(145,284)
		260,216	—	—	—	—	260,216
Ending balance	Reinsurance contract assets	(52,365)	16,522	47,211	47,649	94,860	59,017
	Reinsurance contract liabilities	(168,825)	22,870	68,110	15,075	83,185	(62,770)
	Net reinsurance contract assets (liabilities)	₩(221,190)	39,392	115,321	62,724	178,045	(3,753)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023					
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Contractual service margin: Fair value method	Contractual service margin: Etc.	Contractual service margin: Sub-total	Total
Beginning balance	Reinsurance contract assets	₩ (52,365)	16,522	47,211	47,649	94,860	59,017
	Reinsurance contract liabilities	(168,825)	22,870	68,110	15,075	83,185	(62,770)
	Net reinsurance contract assets (liabilities)	(221,190)	39,392	115,321	62,724	178,045	(3,753)
Changes related to future services	Change in contractual service margin adjustment estimate	42,958	4,630	(71,099)	24,721	(46,378)	1,210
	Initial recognition effect of new contracts for the current period	(10,008)	1,254	—	8,924	8,924	170
		32,950	5,884	(71,099)	33,645	(37,454)	1,380
Changes related to current service	Contractual service margin amortization	—	—	(8,120)	(7,269)	(15,389)	(15,389)
	Risk-adjusted change	—	(2,485)	—	—	—	(2,485)
	Experience adjustment	16,943	—	—	—	—	16,943
		16,943	(2,485)	(8,120)	(7,269)	(15,389)	(931)
Changes related to past services	Adjustment of accident factors	₩ (31,062)	(1,038)	—	—	—	(32,100)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023					
				Contractual service margin			
		Present value estimate of future cash flows	Risk adjustment for non-financial risks	Fair value method	Etc.	Sub-total	Total
Reinsurance finance income and expense	Current profit or loss	₩ (8,686)	1,711	3,188	2,923	6,111	(864)
	Other comprehensive income	(31,987)	3,694	—	—	—	(28,293)
		(40,673)	5,405	3,188	2,923	6,111	(29,157)
Cash flow for the period	Reinsurance premium paid	229,319	—	—	—	—	229,319
	Recovery of reinsurance proceeds and other reinsurance profits	(43,405)	—	—	—	—	(43,405)
	Receipt of investment elements and refund of insurance premiums	(152,052)	—	—	—	—	(152,052)
		33,862	—	—	—	—	33,862
Other increase/decrease		351	—	—	—	—	351
Ending balance	Reinsurance contract assets	(26,683)	18,538	15,224	55,735	70,959	62,814
	Reinsurance contract liabilities	(182,136)	28,620	24,066	36,288	60,354	(93,162)
	Net reinsurance contract assets (liabilities)	₩(208,819)	47,158	39,290	92,023	131,313	(30,348)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(l) Details of reinsurance contracts that did not apply the premium allocation approach recognized for the first time for the years ended December 31, 2022 and 2023 are as follow:

2022

		Present value estimate of future cash outflows					
		Other than insurance acquisition cash flow amount	Insurance acquisition cash flow amount	Present value estimate of future cash inflows	Risk adjustment for non-financial risks	Contractual service margin	Total
Contract recognized for the first time in the period	Except for net profit contract set	₩443,000	—	(371,957)	(5,557)	(65,860)	(374)
	Net profit contract set	24,043	—	(26,508)	(585)	1,374	(1,676)
		₩467,043	—	(398,465)	(6,142)	(64,486)	(2,050)

2023

		Present value estimate of future cash outflows					
		Other than insurance acquisition cash flow amount	Insurance acquisition cash flow amount	Present value estimate of future cash inflows	Risk adjustment for non-financial risks	Contractual service margin	Total
Contract recognized for the first time in the period	Except for net profit contract set	₩71,470	—	(61,101)	(1,104)	(9,307)	(42)
	Net profit contract set	6,322	—	(6,683)	(150)	383	(128)
		₩77,792	—	(67,784)	(1,254)	(8,924)	(170)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(m) The amount of contractual service margin for reinsurance contracts that do not apply the premium allocation approach as of December 31, 2022 and 2023 is expected to be recognized in profit or loss in the future as follows:

	2022					
	Less than 1 year	1~2 years	2~5 years	5~10 years	More than 10 years	Total
Reinsurance contract assets	₩ (7,364)	(6,682)	(16,987)	(21,143)	(42,684)	(94,860)
Reinsurance contract liabilities	(7,487)	(6,495)	(15,387)	(17,968)	(35,848)	(83,185)
	₩(14,851)	(13,177)	(32,374)	(39,111)	(78,532)	(178,045)

	2023					
	Less than 1 year	1~2 years	2~5 years	5~10 years	More than 10 years	Total
Reinsurance contract assets	₩ (5,256)	(4,777)	(12,166)	(15,305)	(33,455)	(70,959)
Reinsurance contract liabilities	(5,692)	(4,947)	(11,507)	(12,251)	(25,957)	(60,354)
	₩(10,948)	(9,724)	(23,673)	(27,556)	(59,412)	(131,313)

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

(n) Details of insurance profits and losses for the years ended December 31, 2022 and 2023 are as follows:

		2022			
		Retroactive modification method	Fair value method	Etc.	Total
Unapplied premium allocation approach	Expected insurance premiums and other expected insurance service expenses	₩ 772,251	690,905	28,087	1,491,243
	Risk-adjusted change amount	71,839	36,260	12,115	120,214
	Contractual service margin amortization	632,727	218,251	50,830	901,808
	Recovery of insurance acquisition cash flows	169,488	216	44,399	214,103
	Etc. (*)	6,743	(12)	(2,633)	4,098
		1,653,048	945,620	132,798	2,731,466
Premium allocation approach		9,915	—	349	10,264
Insurance revenue subtotal		1,662,963	945,620	133,147	2,741,730
Unapplied premium allocation approach	Accrued insurance premiums and other incurred insurance service expenses	790,309	647,065	41,160	1,478,534
	Changes in incident fulfillment cash flow	(425)	(36,823)	144	(37,104)
	Costs related to onerous contracts	(69,089)	(5,444)	66,723	(7,810)
	Amortization of insurance acquisition cash flows	169,488	216	44,399	214,103
	Etc. (*)	21,764	2,691	(23,612)	843
		912,047	607,705	128,814	1,648,566
Premium allocation approach		18,450	—	854	19,304
Insurance service expenses subtotal		₩ 930,497	607,705	129,668	1,667,870

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2022			
		Retroactive modification method	Fair value method	Etc.	Total
Unapplied premium allocation approach	Accrued reinsurance amount	₩ —	62,436	3,947	66,383
	Changes in incident fulfillment cash flow	—	(26,236)	559	(25,677)
	Etc. (*)	—	(7,804)	2,080	(5,724)
		—	28,396	6,586	34,982
Premium allocation approach		1,292	—	—	1,292
Reinsurance revenue subtotal		1,292	28,396	6,586	36,274
Unapplied premium allocation approach	Expected reinsurance amount	—	39,103	1,949	41,052
	Risk-adjusted change amount	—	3,242	270	3,512
	Contractual service margin amortization	—	11,589	4,433	16,022
	Etc. (*)	—	(504)	2,246	1,742
		—	53,430	8,898	62,328
Premium allocation approach		1,582	—	—	1,582
Reinsurance service expenses subtotal		1,582	53,430	8,898	63,910
		₩732,176	312,881	1,167	1,046,224

(*) Include amounts allocated to loss components, etc.

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023			
		Retroactive modification method	Fair value method	Etc.	Total
Unapplied premium allocation approach	Expected insurance premiums and other expected insurance service expenses	₩ 776,917	706,136	90,916	1,573,969
	Risk-adjusted change amount	55,712	36,036	24,797	116,545
	Contractual service margin amortization	536,399	215,795	162,449	914,643
	Recovery of insurance acquisition cash flows	133,781	337	128,162	262,280
	Etc. (*)	(18,762)	65	11,218	(7,479)
		1,484,047	958,369	417,542	2,859,958
Premium allocation approach		29,504	—	10,137	39,641
Insurance revenue subtotal		1,513,551	958,369	427,679	2,899,599
Unapplied premium allocation approach	Accrued insurance premiums and other incurred insurance service expenses	794,824	644,118	74,638	1,513,580
	Changes in incident fulfillment cash flow	(5,104)	14,944	1,628	11,468
	Costs related to onerous contracts	(74,960)	8,286	31,314	(35,360)
	Amortization of insurance acquisition cash flows	133,868	337	128,075	262,280
	Etc. (*)	(10,235)	1,451	(28,812)	(37,596)
		838,393	669,136	206,843	1,714,372
Premium allocation approach		37,657	—	(3,250)	34,407
Insurance service expenses subtotal		₩ 876,050	669,136	203,593	1,748,779

(In millions of won)

28. Liability under insurance contracts and reinsurance contracts (continued)

		2023			
		Retroactive modification method	Fair value method	Etc.	Total
Unapplied premium allocation approach	Accrued reinsurance amount	₩ 27	67,051	5,573	72,651
	Changes in incident fulfillment cash flow	2	(29,952)	(2,150)	(32,100)
	Etc. (*)	(1)	(2,021)	1,906	(116)
		28	35,078	5,329	40,435
Premium allocation approach		4,550	—	—	4,550
Reinsurance revenue subtotal		4,578	35,078	5,329	44,985
Unapplied premium allocation approach	Expected reinsurance amount	—	41,537	7,324	48,861
	Risk-adjusted change amount	—	3,227	626	3,853
	Contractual service margin amortization	—	8,120	7,269	15,389
	Etc. (*)	—	(247)	4,230	3,983
		—	52,637	19,449	72,086
Premium allocation approach		5,375	—	4,729	10,104
Reinsurance service expense subtotal		5,375	52,637	24,178	82,190
		₩636,704	271,674	205,237	1,113,615

(*) Include amounts allocated to loss components, etc.

(In millions of won)

29. Insurance finance income and expense

Details of insurance finance income and expense for the years ended December 31, 2022 and 2023 are as follow:

			December 31, 2022						
			Life insurance			Non-life insurance			
			General	Variable	Retirement	Long-term	General	Car	Total
Insurance finance income	Insurance contract	Exchange rate fluctuation effect	₩ 2,364	—	—	—	—	—	2,364
		Discount rate change effect	—	—	—	27	10	—	37
		Etc.	21,162	827,377	—	—	—	—	848,539
			23,526	827,377	—	27	10	—	850,940
Insurance finance expenses	Insurance contract	Exchange rate fluctuation effect	25,870	—	—	—	—	—	25,870
		Etc.	219	16,881	—	—	—		17,100
			26,089	16,881	—	—	—	—	42,970
	Reinsurance contract	Exchange rate fluctuation effect	—	—	—	—	6	—	6
			26,089	16,881	—	—	6	—	42,976
Total insurance finance income and expense recognized in current profit or loss			(2,563)	810,496	—	27	4	—	807,964
Insurance finance income and expense recognized as other comprehensive income (*)			6,330,587	65,750	—	—	—	—	6,396,337
Reinsurance finance income and expense recognized in other comprehensive income (*)			46,320	—	—	—	—	—	46,320
Total insurance finance income and expense recognized in profit or loss and other comprehensive income			₩6,374,344	876,246	—	27	4	—	7,250,621

(*) Finance income and expense recognized as other comprehensive income are before deducting corporate tax effects.

(In millions of won)

29. Insurance finance income and expense (continued)

			2023						
			Life insurance			Non-life insurance			
			General	Variable	Retirement	Long-term	General	Car	Total
Insurance finance income	Insurance contract	Exchange rate fluctuation effect	₩ 13,656	—	—	—	—	—	13,656
		Discount rate change effect	—	—	—	—	—	—	—
		Etc.	38,384	91,062	—	—	—	—	129,446
			52,040	91,062	—	—	—	—	143,102
	Reinsurance contract	Discount rate change effect	—	—	—	—	-38	—	-38
			52,040	91,062	—	—	-38	—	143,064
Insurance finance expenses	Insurance contract	Exchange rate fluctuation effect	19,345	—	—	—	—	—	19,345
		Discount rate change effect	—	—	—	—	—	—	—
		Etc.	935	638,881	—	—	—	—	639,816
			20,280	638,881	—	—	—	—	659,161
Total insurance finance income and expense recognized in current profit or loss			31,760	(547,819)	—	—	(38)	—	(516,097)
Insurance finance income and expense recognized as other comprehensive income (*)			(2,970,845)	9,841	—	(15)	—	—	(2,961,019)
Reinsurance finance income and expense recognized in other comprehensive income (*)			(28,276)	—	—	(7)	—	—	(28,283)
Total insurance finance income and expense recognized in profit or loss and other comprehensive income			₩(2,967,361)	(537,978)	—	(22)	(38)	—	(3,505,399)

(*) Finance income and expense recognized as other comprehensive income are before deducting corporate tax effects.

(In millions of won)

30. Investment contract liabilities

Details of investment contract liabilities as of December 31, 2022 and 2023 are as follow:

	2022	2023
Financial liabilities measured at amortized cost (*)	₩2,133,586	1,572,685

(*) This is retirement pension policyholder reserve.

31. Other liabilities

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

	2022	2023
Lease liabilities (*)	₩ 623,339	613,914
Accounts payable	12,343,884	18,917,257
Accrued expenses	4,418,363	5,877,135
Dividend payable	34,698	8,809
Advance received	186,134	168,940
Unearned income	448,094	492,886
Withholding value-added tax and other taxes	751,695	876,814
Securities deposit received	2,451,521	2,552,266
Foreign exchange settlement pending	359,422	302,322
Domestic exchange settlement pending	2,308,574	9,238,159
Payable from trust account	6,579,457	6,537,565
Due to agencies	718,082	801,976
Deposits for subscription	18,931	30,729
Sundry liabilities	2,149,160	2,394,202
Others	42,824	45,221
Present value discount	(97,703)	(135,855)
	₩33,336,475	48,722,340

(*) As of December 31, 2022 and 2023, the Group accounts for the lease liabilities as other liabilities. For the year ended December 31, 2022, the amount of variable lease payments that are not included in the measurement of lease liabilities is ₩12,337 million, cash outflows from leases are ₩279,406 million, and interest expense on lease liabilities is ₩13,379 million. For the year ended December 31, 2023, the amount of variable lease payments that are not included in the measurement of lease liabilities is ₩23,272 million, cash outflows from leases are ₩293,240 million, and interest expense on lease liabilities is ₩18,855 million.

(In millions of won)

32. Equity

(a) Equity as of December 31, 2022 and 2023 are as follows:

	2022	2023
Capital stock:		
Common stock (*1)	₩ 2,608,176	2,695,586
Preferred stock (*1)	361,465	274,055
	2,969,641	2,969,641
Hybrid bond	4,196,968	4,001,731
Capital surplus:		
Share premium	11,352,819	11,352,744
Others	742,224	742,224
	12,095,043	12,094,968
Capital adjustments	(582,859)	(658,664)
Accumulated other comprehensive income, net of tax:		
Loss on financial assets at fair value through other comprehensive income	(6,669,931)	(3,503,542)
Equity in other comprehensive loss of associates	(8,126)	(970)
Foreign currency translation adjustments for foreign operations	(112,283)	(118,517)
Net loss from cash flow hedges	(96,388)	(35,108)
Remeasurement of net defined benefit liabilities (assets)	(91,993)	(292,328)
Changes in own credit risk on financial liabilities designated under fair value option	(5,155)	(3,884)
Net finance income on insurance contract assets (liabilities)	5,039,081	2,866,623
Net finance income on reinsurance contract assets (liabilities)	34,045	13,273
	(1,910,750)	(1,074,453)
Retained earnings (*2),(*3),(*4)	33,963,799	36,387,314
Non-controlling interest (*5),(*6)	2,691,716	2,601,328
	₩53,423,558	56,321,865

(*1) Convertible preferred shares of 17,482,000 that were issued on May 1, 2019 have been converted into common shares at a 1:1 ratio on May 1, 2023.

(*2) As of December 31, 2022 and 2023, profits reserved by the Group in accordance with Article 53 of the Financial Holding Companies Act amounted to ₩2,573,435 million and ₩2,698,360 million, respectively.

(*3) As of December 31, 2022 and 2023, the regulatory reserves for loan losses the Group appropriated in retained earnings are ₩18,524 million and ₩21,078 million, respectively.

(*4) As of December 31, 2023, profit dividends within retained earnings of subsidiaries of the Group restricted in accordance with laws, etc. are amounted to ₩7,543,306 million.

(*5) As of December 31, 2022 and 2023, the total amounts of hybrid bonds that Shinhan Bank, Jeju Bank, Shinhan Capital Co,.Ltd. and Shinhan Life Insurance Co., Ltd. issued are ₩2,537,569 million and

(In millions of won)

32. Equity (continued)

₩2,437,561 million, respectively, and are recognized as non-controlling interests. And, for the years ended December 31, 2022 and 2023, the amounts of dividends paid for the hybrid bonds of Shinhan Bank, Jeju Bank, Shinhan Capital Co,.Ltd. and Shinhan Life Insurance Co., Ltd. ₩81,262 million and ₩106,715 million, respectively, are allocated to profit attributed to non-controlling interest.

(*6) During the year ended December 31, 2022, non-controlling interests decreased by ₩89,912 million due to the acquisition of remaining shares by Shinhan Asset Trust Co., Ltd., and non-controlling interests increased by ₩19,454 million due to paid-in capital increase of Shinhan EZ General Insurance Co., Ltd.

(b) Capital stock

i) Capital stock of the Group as of December 31, 2022 and 2023 are as follows:

	2022		2023	
Number of authorized shares		1,000,000,000		1,000,000,000
Types of stock	Common stocks	Preferred stocks	Common stocks	Preferred stocks
Par value per share in won	₩ 5,000	5,000	5,000	—
Number of issued common stocks	508,784,869	17,482,000	512,759,471	—
Capital stock (*)	₩ 2,608,176	361,465	2,695,586	274,055

(*) Due to profit retirement, the capital is different from the total face value of issued stocks.

(ii) The details of changes in the number of common shares outstanding as of December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	516,593,202	508,778,517
Increase	—	17,482,000
Decrease	(7,814,685)	(13,507,398)
Ending balance	508,778,517	512,753,119

(iii) The details of convertible preferred stock as of December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	17,482,000	17,482,000
Decrease (*)	—	(17,482,000)
Ending balance	17,482,000	—

(*) Convertible preferred shares of 17,482,000 that were issued on May 1, 2019 have been converted into common shares at a 1:1 ratio on May 1, 2023.

(In millions of won)

32. Equity (continued)

(c) Hybrid bonds

Hybrid bonds classified as other equity instruments as of December 31, 2022 and 2023 are as follows:

	Issue date	Maturity date	Interest rate (%)	2022	2023
KRW	June 25, 2015	June 25, 2045	4.38	₩ 199,455	199,455
	September 15, 2017	Perpetual bond	4.25	89,783	89,783
	April 13, 2018	Perpetual bond	—	134,678	—
	April 13, 2018	Perpetual bond	4.56	14,955	14,955
	August 29, 2018	Perpetual bond	—	398,679	—
	June 28, 2019	Perpetual bond	3.27	199,476	199,476
	September 17, 2020	Perpetual bond	3.12	448,699	448,699
	March 16, 2021	Perpetual bond	2.94	429,009	429,009
	March 16, 2021	Perpetual bond	3.30	169,581	169,581
	January 25, 2022	Perpetual bond	3.90	560,438	560,438
	January 25, 2022	Perpetual bond	4.00	37,853	37,853
	August 26, 2022	Perpetual bond	4.93	343,026	343,026
	August 26, 2022	Perpetual bond	5.15	55,803	55,803
	January 30, 2023	Perpetual bond	5.14	—	398,831
	July 13, 2023	Perpetual bond	5.40	—	498,815
USD	August 13, 2018	Perpetual bond	—	559,526	—
	May 12, 2021	Perpetual bond	2.88	556,007	556,007
				₩4,196,968	4,001,731

(*) For the year ended December 31, 2023, the deduction for capital related to hybrid bonds issued is ₩2,354 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 or change them to perpetual bonds.

(d) Capital adjustments

(i) Changes in capital adjustments for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	₩(664,429)	(582,859)
Acquisition of treasury stocks	(300,000)	(485,947)
Disposal and retirement of treasury stocks	300,000	485,947
The acquisition commitment amount for subsidiaries' remaining shares	86,711	—
Repayments of hybrid bonds	(317)	(102,350)
Other transactions with owners	(4,824)	26,545
Ending balance	₩(582,859)	(658,664)

(In millions of won)

32. Equity (continued)

(ii) Details of treasury stock acquisition for the years ended December 31, 2022 and 2023 are as follows:

	2022		2023	
	The number of share	Carrying amount	The number of share	Carrying amount
Beginning balance	6,352	₩ 227	6,352	₩ 227
Acquisition	7,814,685	300,000	13,507,398	485,947
Retirement (*)	(7,814,685)	(300,000)	(13,507,398)	(485,947)
Ending balance	6,352	₩ 227	6,352	₩ 227

(*) For the year ended December 31, 2022, treasury stocks were acquired for retirement, and the retirement of 3,665,423 shares and 4,149,262 shares was completed on April 25, 2022 and November 23, 2022, respectively. For the year ended December 31, 2023, the Group acquired treasury stocks for retirement, and the retirement of 3,676,470 shares, 4,243,281 shares, 2,842,929 shares and 2,744,718 shares was completed on March 28, 2023, June 16, 2023, August 31, 2023 and December 27, 2023, respectively.

(In millions of won)

32. Equity (continued)

(e) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021										
	Items that are or may be reclassified to profit or loss						Items that will not 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 of associates	Foreign currency translation adjustments for foreign operations	Net gain (loss) from cash flow hedges	Other comprehensive income of separate account	Remeasure -ments of the defined benefit plans	Equity in other comprehensive income 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	Total
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)

(In millions of won)

32. Equity (continued)

	2022												
	Items that are or may be reclassified to profit or loss								Items that will not 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 (expense) of associates	Foreign currency translation adjustments for foreign operations	Net gain (loss) from cash flow hedges	Other Comprehensive income of separate account	Net finance Income (expense) on insurance contract assets (liabilities)	Net finance income (expense) on reinsurance contract assets (liabilities)	Remeasure - ments 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	Total
Beginning balance	₩ (730,295)	141,821	7,623	(125,219)	(26,471)	(22,850)	—	—	(343,124)	(28)	115,423	(1,816)	(984,936)
Adjustment on initial application of IFRS 17	(137,385)	(141,821)	—	—	347	22,850	333,178	—	—	—	2,544	—	79,713
Beginning balance (restated)	(867,680)	—	7,623	(125,219)	(26,124)	—	333,178	—	(343,124)	(28)	117,967	(1,816)	(905,223)
Change due to fair value	(8,059,410)	—	(16,914)	—	—	—	6,396,337	46,320	—	9	10,880	(5,919)	(1,628,697)
Reclassification:													
Change due to impairment or disposal	(37,142)	—	(7,333)	—	—	—	—	—	—	—	—	—	(44,475)
Effect of hedge accounting	—	—	—	—	(190,372)	—	—	—	—	—	—	—	(190,372)
Hedging	63,480	—	—	(25,793)	87,491	—	—	—	—	—	—	—	125,178
Effects from changes in foreign exchange rate	—	—	—	40,679	—	—	—	—	—	—	(823)	—	39,856
Remeasurements of the net defined benefit plans	—	—	—	—	—	—	—	—	348,017	—	—	—	348,017
Deferred income taxes	2,110,516	—	8,489	(154)	32,617	—	(1,690,434)	(12,275)	(96,026)	(14)	(9,171)	1,170	344,718
Transfer to other account	—	—	—	—	—	—	—	—	—	42	(2,134)	1,410	(682)
Non-controlling interests	3,586	—	—	(1,796)	—	—	—	—	(860)	—	—	—	930
Ending balance	₩(6,786,650)	—	(8,135)	(112,283)	(96,388)	—	5,039,081	34,045	(91,993)	9	116,719	(5,155)	(1,910,750)

(In millions of won)

32. Equity (continued)

	2023										
	Items that are or may be reclassified to profit or loss						Items that will not be reclassified to profit or loss				
	Gain (loss) on securities at fair value through other comprehensive income	Equity in other comprehensive income (expense) of associates	Foreign currency translation adjustments for foreign operations	Net gain (loss) from cash flow hedges	Net finance Income (expense) on insurance contract assets (liabilities)	Net finance Income (expense) on reinsurance contract assets (liabilities)	Remeasure - ments 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	Total
Beginning balance	₩(6,786,650)	(8,135)	(112,283)	(96,388)	5,039,081	34,045	(91,993)	9	116,719	(5,155)	(1,910,750)
Change due to fair value	3,862,277	9,738	—	—	(2,961,019)	(28,283)	—	—	1,459	4,011	888,183
Reclassification:											
Change due to impairment or disposal	465,343	—	—	—	—	—	—	—	4,199	5,077	474,619
Effect of hedge accounting	—	—	—	(69,484)	—	—	—	—	—	—	(69,484)
Hedging	(28,044)	—	(3,903)	152,927	—	—	—	—	—	—	120,980
Effects from changes in foreign exchange rate	—	—	2,316	—	—	—	—	—	2,862	—	5,178
Remeasurements of the net defined benefit plans	—	—	—	—	—	—	(272,792)	—	—	—	(272,792)
Deferred income taxes	(1,137,032)	(2,582)	(4,658)	(22,163)	788,561	7,511	71,935	—	(3,402)	(465)	(302,295)
Transfer to other account	—	—	—	—	—	—	—	—	3,055	(7,352)	(4,297)
Non-controlling interests	(4,328)	—	11	—	—	—	522	—	—	—	(3,795)
Ending balance	₩(3,628,434)	(979)	(118,517)	(35,108)	2,866,623	13,273	(292,328)	9	124,892	(3,884)	(1,074,453)

(In millions of won)

32. Equity (continued)

(f) Appropriation of retained earnings

The appropriation of retained earnings for the years ended December 31, 2022 and 2023 are as follows:

	2022	2023
Date of appropriation:	March 23, 2023	March 26, 2024
Unappropriated retained earnings:		
Balance at beginning of year	₩5,461,771	5,033,475
Retirement of treasury stock	(300,661)	(486,999)
Dividend to hybrid bonds	(156,277)	(189,672)
Interim dividends	(637,598)	(817,122)
Net income	1,249,251	1,671,011
	5,616,486	5,210,693
Transfer from voluntary reserves		
Loan loss reserve reversal amount	—	422
	5,616,486	5,211,115
Appropriation of retained earnings:		
Legal reserve	124,925	167,101
Dividends		
Dividends on common stocks paid	440,093	268,697
Dividends on preferred stocks paid	15,122	—
Regulatory reserve for loan losses	2,554	—
Loss on repayments of hybrid bonds	317	102,667
	583,011	538,465
Unappropriated retained earnings to be carried over to subsequent year	₩5,033,475	4,672,650

(*) These statements of appropriation of retained earnings are based on the separate financial statements of Shinhan Financial 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 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, 2022 and 2023 are as follows:

	2022	2023
Beginning balance	₩3,647,972	3,609,851
Expected reversal of regulatory reserve for loan losses	(38,121)	(153,364)
Ending balance	₩3,609,851	3,456,487

(In millions of won)

32. Equity (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, 2022 and 2023 are as follows:

	2022	2023
Profit attributable to equity holders of Shinhan Financial Group	₩4,665,643	4,368,035
Provision for regulatory reserve for loan losses	38,508	151,357
Profit attributable to equity holders of Shinhan Financial Group adjusted for regulatory reserve	₩4,704,151	4,519,392
Basic and diluted earnings per share adjusted for regulatory reserve in won (*)	8,571	8,361

(*) Dividends for hybrid bonds are deducted.

33. Dividends

(a) The interim dividends paid for the years ended December 31, 2021, 2022 and 2023 are as follows:

2021		
Dividend base date		**Amount**
June 30, 2021 (2nd Quarter)	Common stock (₩300 per share)	₩154,978
	Convertible preferred stock (W300 per share)	5,245
		₩160,223
September 30, 2021 (3rd Quarter)	Common stock (₩260 per share)	₩134,314
	Convertible preferred stock (W260 per share)	4,545
		₩138,859
		₩299,082

2022		
Dividend base date		**Amount**
March 31, 2022 (1st Quarter)	Common stock (₩400 per share)	₩206,277
	Convertible preferred stock (₩400 per share)	6,993
		₩213,270
June 30, 2022 (2nd Quarter)	Common stock (₩400 per share)	₩205,171
	Convertible preferred stock (₩400 per share)	6,993
		₩212,164
September 30, 2022 (3rd Quarter)	Common stock (₩400 per share)	₩205,171
	Convertible preferred stock (₩400 per share)	6,993
		₩212,164
		₩637,598

(In millions of won)

33. Dividends (continued)

2023		
Dividend base date		**Amount**
March 31, 2023 (1st Quarter)	Common stock (₩525 per share)	₩265,179
	Convertible preferred stock (₩525 per share)	9,178
		₩274,357
June 30, 2023 (2nd Quarter)	Common stock (₩525 per share)	₩272,129
September 30, 2023 (3rd Quarter)	Common stock (₩525 per share)	₩270,636
		₩817,122

(b) Details of dividends recognized as distributions to stockholders for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023 (*1)
Common Stock:			
Total number of shares issued and outstanding	516,599,554	508,784,869	512,759,471
Par value per share in won	5,000	5,000	5,000
Dividend per share in won (*3)	1,400	865	525
Dividends (*2)	₩ 723,230	₩ 440,093	₩ 268,697
Dividend rate per share (*3)	28.0%	17.3%	10.5%
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	865	—
Dividends	₩ 24,475	₩ 15,122	—
Dividend rate per share	28.0%	17.3%	—
Record date (*4)	2021-12-31	2022-12-31	2024-02-23

(*1) The current dividend (plan) was decided on March 26, 2024. 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.

(*3) Excluding quarterly dividends, including quarterly dividends, dividends per share are KRW 1,960, KRW 2,065 and KRW 2,100 for the years ended December 31, 2021, 2022 and 2023, respectively, and dividend rate per share are 39.2%, 41.3% and 42.0% for the years ended December 31, 2021, 2022 and 2023, respectively.

(*4) At the regular stockholders' general meeting on March 23, 2023, the Articles of Incorporation were revised to allow the dividend base date to be determined by resolution of the Board of Directors, and the dividend base date for the 2023 annual dividend is February 23, 2024.

(In millions of won)

33. Dividends (continued)

(c) The details of dividends paid by the Group related to the preferred stock issued for the years ended December 31, 2021, 2022 and 2023 are as follows:

2021	Number of shares	Dividend per share (in won)	Total dividend paid	Issue price per share (in won)	Dividend rate per issue price (%)
Convertible preferred stock	17,482,000	1,960	34,265	42,900	4.57

2022	Number of shares	Dividend per share (in won)	Total dividend paid	Issue price per share (in won)	Dividend rate per issue price (%)
Convertible preferred stock	17,482,000	2,065	36,101	42,900	4.81

2023	Number of shares	Dividend per share (in won)	Total dividend paid	Issue price per share (in won)	Dividend rate per issue price (%)
Convertible preferred stock (*)	17,482,000	525	9,178	42,900	1.22

(*) Convertible preferred shares of 17,482,000 that were issued on May 1, 2019 have been converted into common shares at a 1:1 ratio on May 1, 2023, and dividends were paid before conversion.

(d) Dividends for hybrid bond is calculated as follows for the years ended December 31, 2021, 2022 and 2023:

	2021	2022	2023
Amount of hybrid bond	₩ 3,347,700	₩ 4,212,700	₩ 4,014,550
Interest rate (%)	2.88 ~ 5.88	2.88 ~ 5.88	2.88 ~ 5.40
Dividends	₩ 116,388	₩ 156,277	₩ 189,672

(In millions of won)

34. Net interest income

Net interest income for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Interest income:			
Cash and due from banks at amortized cost	₩ 85,846	281,575	590,831
Deposits at FVTPL	1,298	1,329	—
Securities at FVTPL	659,927	924,346	1,396,409
Securities at FVOCI	896,027	1,846,888	2,357,108
Securities at amortized cost	1,091,974	691,798	1,062,110
Loans at amortized cost	11,889,767	16,064,617	21,676,818
Loans at FVTPL	35,587	69,146	120,815
Insurance finance interest income	—	119,801	240,534
Others	63,804	92,825	134,586
	14,724,230	20,092,325	27,579,211
Interest expense:			
Deposits	(2,173,804)	(4,642,670)	(9,790,811)
Financial liabilities designated at FVTPL	—	(1,296)	(9,804)
Borrowings	(330,548)	(938,641)	(1,895,913)
Debt securities issued	(1,390,230)	(1,901,458)	(2,735,421)
Insurance finance interest expense	—	(1,792,702)	(1,945,318)
Others	(60,323)	(218,705)	(384,022)
	(3,954,905)	(9,495,472)	(16,761,289)
Net interest income	₩10,769,325	10,596,853	10,817,922

(In millions of won)

35. Net fees and commission income

Net fees and commission income for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Fees and commission income:			
Credit placement fees	₩ 71,480	68,101	75,930
Commission received as electronic charge receipt	148,626	147,727	146,037
Brokerage fees	577,238	340,367	369,175
Commission received as agency	146,662	136,114	134,432
Investment banking fees	188,644	232,512	165,366
Commission received in foreign exchange activities	271,808	295,161	295,722
Trust management fees	310,376	308,353	299,600
Credit card fees	1,175,084	1,202,129	1,378,200
Operating lease fees (*)	365,447	478,374	600,283
Others	884,520	675,508	710,498
	4,139,885	3,884,346	4,175,243
Fees and commission expense:			
Credit-related fee	(38,668)	(37,313)	(45,739)
Credit card fees	(836,990)	(895,787)	(930,044)
Others	(589,230)	(537,704)	(552,254)
	(1,464,888)	(1,470,804)	(1,528,037)
Net fees and commission income	₩ 2,674,997	2,413,542	2,647,206

(*) Among operating lease fees recognized for the years ended December 31, 2021, 2022 and 2023, there is no variable lease fee income which does not vary by index or rate.

36. Dividend income

Dividend income for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Securities at FVTPL	₩100,315	144,869	121,347
Securities at FVOCI	24,216	32,700	60,139
	₩124,531	177,569	181,486

(In millions of won)

37. 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, 2022 and 2023 are as follows:

	2021	2022	2023
Net gain (loss) on due from banks measured at FVTPL			
Gain (loss) on valuation	₩ (296)	(10,600)	3,964
Loss on sale	(1,479)	—	—
	(1,775)	(10,600)	3,964
Net gain (loss) on loans measured at FVTPL			
Loss on valuation	(78,416)	(35,653)	(6,562)
Gain on sale	15,312	14,062	36,774
	(63,104)	(21,591)	30,212
Net gain (loss) on securities measured at FVTPL			
Debt securities			
Gain (loss) on valuation	97,281	(677,327)	755,501
Gain (loss) on sale	(92,230)	(244,263)	197,148
Other gains	506,980	590,933	624,282
	512,031	(330,657)	1,576,931
Equity securities			
Gain (loss) on valuation	180,363	(337,302)	540,188
Gain (loss) on sale	199,702	(284,267)	428,947
	380,065	(621,569)	969,135
Other			
Gain on valuation	9,316	2,089	11,635
	901,412	(950,137)	2,557,701
Net gain (loss) on financial liabilities measured at FVTPL			
Debt securities			
Gain (loss) on valuation	(7,745)	41,316	(60,144)
Gain (loss) on disposal	(67,522)	53,066	(88,398)
	(75,267)	94,382	(148,542)
Other			
Loss on valuation	(26,224)	(38,996)	(60,565)
Gain on disposal	3,489	2,726	1,606
	(22,735)	(36,270)	(58,959)
	(98,002)	58,112	(207,501)
Derivatives:			
Gain (loss) on valuation	(64,128)	(702,735)	292,483
Gain (loss) on transaction	429,228	466,118	(183,233)
	365,100	(236,617)	109,250
	₩1,103,631	(1,160,833)	2,493,626

(In millions of won)

38. 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, 2022 and 2023 are as follows:

	2021	2022	2023
Financial liabilities designated at fair value through profit or loss:			
Debt securities issued:			
Gain on valuation	₩ —	2,673	2,495
Compound financial instruments:			
Gain on valuation	423,914	804,068	51,750
Loss on sale and redemption	(512,215)	(229,799)	(492,025)
	₩ (88,301)	574,269	(440,275)
	(88,301)	576,942	(437,780)

39. Reversal of (provision for) credit loss allowance

Reversal of (provision for) credit loss allowance on financial assets for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Allowance provided:			
Loans at amortized cost	₩(907,070)	(1,244,351)	(2,114,442)
Other financial assets at amortized cost	(52,162)	(32,831)	(90,770)
Securities at fair value through other comprehensive income	(19,697)	—	(2,271)
Unused credit line and financial guarantee	—	(19,106)	(37,156)
Securities at amortized cost	(5,305)	(538)	—
	(984,234)	(1,296,826)	(2,244,639)
Allowance reversed:			
Securities at fair value through other comprehensive income	₩ —	5,013	—
Securities at amortized cost	—	—	136
Unused credit commitment and financial guarantee	9,549	—	—
	9,549	5,013	136
	₩(974,685)	(1,291,813)	(2,244,503)

(In millions of won)

40. General and administrative expenses

General and administrative expenses for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Employee benefits:			
Salaries	₩3,283,436	3,218,540	3,247,162
Severance benefits:			
Defined contribution	38,577	35,290	35,679
Defined benefit	192,614	156,181	109,444
Termination benefits	268,089	154,012	197,184
	3,782,716	3,564,023	3,589,469
Entertainment	38,552	46,374	46,050
Depreciation	490,457	462,024	514,100
Amortization	155,202	186,448	225,900
Taxes and utility bills	187,432	206,421	245,723
Advertising	280,780	339,915	285,495
Research	25,320	20,703	21,494
Others	782,629	818,252	967,106
	₩5,743,088	5,644,160	5,895,337

41. Share-based payments

(a) Performance shares granted as of December 31, 2023 are as follows:

	Expired	Not expired
Type	Cash-settled share-based payment	
Performance conditions	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, 2023	730,250	2,480,651
Fair value per share in Korean won (*)	₩44,222, ₩33,122, ₩37,387, ₩37,081 and ₩38,156 for the expiration of exercising period from 2019 to 2023	₩40,150

(*) Based on performance-based stock compensation, the reference stock price (the arithmetic average of the weighted average share price of transaction volume for the past two months, the past one month, and the past one week from the day before the base date) of four years after the commencement of the grant year is paid in cash, and the fair value of the reference stock price to be paid in the future is assessed as the closing price of the settlement.

(In millions of won)

41. Share-based payments (continued)

(b) Share-based compensation costs for the years ended December 31, 2021, 2022 and 2023 are as follows:

	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

	2022		
	Employees of		
	The controlling company	The subsidiaries	Total
Performance shares	₩3,159	25,092	28,251

	2023		
	Employees of		
	The controlling company	The subsidiaries	Total
Performance shares	₩5,123	36,751	41,874

(*) As of December 31, 2021, all stock options have expired.

(c) Accrued expenses recognized related to share-based payment transactions as of December 31, 2021, 2022 and 2023 are as follows:

	2021 (*)		
	Employees of		
	The controlling company	The subsidiaries	Total
Performance shares	₩10,598	82,498	93,096

(*) As of December 31, 2021, all stock options have expired.

	2022		
	Employees of		
	The controlling company	The subsidiaries	Total
Performance shares	₩12,746	91,469	104,215

	2023		
	Employees of		
	The controlling company	The subsidiaries	Total
Performance shares	₩16,079	111,056	127,135

(In millions of won)

42. Other operating expenses, net

Other operating income and other operating expense for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Other operating income			
Gain on disposal of assets:			
Loans at amortized cost	₩ 18,843	33,147	178,158
Others:			
Gain on hedged items	501,676	1,122,823	422,074
Reversal of allowance for guarantees and acceptances	—	410	4,856
Gain on other trust accounts	44,238	142	2
Reversal of other allowance	8,886	388	1,790
Others	356,611	461,660	547,573
	911,411	1,585,423	976,295
	930,254	1,618,570	1,154,453
Other operating expense			
Loss on disposal of assets:			
Loans at amortized cost	(347)	(5,533)	(19,723)
Others:			
Loss on hedged items	(518,891)	(1,091,195)	(448,664)
Fund contribution	(397,884)	(440,715)	(470,227)
Provision for guarantees and acceptances	(3,457)	—	—
Provision for other debt allowances	(52,123)	(22,415)	(15,516)
Depreciation of operating lease assets	(257,033)	(351,208)	(445,006)
Others (*)	(1,190,546)	(1,407,824)	(1,942,047)
	(2,419,934)	(3,313,357)	(3,321,460)
	(2,420,281)	(3,318,890)	(3,341,183)
Other operating expenses, net	₩(1,490,027)	(1,700,320)	(2,186,730)

(*) Includes ₩293,824 million for vulnerable groups such as self-employed people, small business owners and institutions supporting vulnerable groups, etc. in accordance with the “Banking financial support plan for people’s livelihood” for the year ended December 31, 2023.

(In millions of won)

43. Net other non-operating income

Other non-operating income and other non-operating expense for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Other non-operating income			
Gain on disposal of assets:			
Property and equipment	₩ 1,836	67,411	4,944
Investment property	108	29,305	56,640
Assets held for sale (*1)	16,976	448,770	1,753
Lease assets	247	36	9
Right-of-use assets	2,986	4,131	3,388
	22,153	549,653	66,734
Investments in associates:			
Gain on disposal	39,593	8,965	12,435
Reversal of impairment loss	—	5,924	—
	39,593	14,889	12,435
Others:			
Rental income on investment property	35,887	33,366	24,472
Reversal of impairment losses on intangible asset	372	396	50
Gain from assets contributed	20	4	—
Gain from bargain purchase	—	12,349	—
Others	64,272	75,511	66,546
	100,551	121,626	91,068
	162,297	686,168	170,237
Other non-operating expense			
Loss on disposal of assets:			
Property and equipment	(2,027)	(2,546)	(6,009)
Investment property	(2,111)	—	—
Lease assets	—	(9)	—
Right-of-use assets	(2,920)	(737)	(1,063)
Others	(1,186)	(183)	(29)
	(8,244)	(3,475)	(7,101)
Investments in associates:			
Loss on disposal	(11,002)	(19,045)	(19,266)
Impairment loss	(10,719)	(7,529)	(15,583)
	(21,721)	(26,574)	(34,849)

(In millions of won)

43. Net other non-operating income (continued)

	2021	2022	2023
Others:			
Donations	(64,098)	(67,558)	(100,201)
Depreciation of investment properties	(21,616)	(18,115)	(15,058)
Impairment loss on property and equipment	(7,594)	—	(1,409)
Impairment loss on intangible assets	(34,916)	(3,158)	(10,732)
Write-off of intangible assets	(1,346)	(1,822)	(446)
Expenses on collection of special bonds	(11,275)	(10,259)	(9,130)
Others (*2)	(518,519)	(215,842)	(252,289)
	(659,364)	(316,754)	(389,265)
	(689,329)	(346,803)	(431,215)
Net other non-operating gain (loss)	₩(527,032)	339,365	(260,978)

(*1) Gain and loss on disposal of sale-and-leaseback are included in gain and loss on disposal of property and equipment, gain and loss on disposal of investment property and gain on assets held for sale, respectively. Gain on disposal of sale-and-leaseback for the year ended December 31, 2022 is ₩443,780 million.

(*2) It includes ₩466,775 million, ₩168,020 million and ₩51,948 million, respectively, for the years ended December 31, 2021, 2022 and 2023 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, etc.

44. Income tax expense

(a) Income tax expense for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Current income tax expense	₩1,498,819	1,663,188	1,301,802
Temporary differences	(322,279)	(397,017)	493,026
Income tax recognized in other comprehensive income	294,496	344,941	(307,868)
Income tax expenses	₩1,471,036	1,611,112	1,486,960

(b) Income tax expense calculated by multiplying net income before tax with the tax rate for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Profit before income taxes	₩5,583,664	6,366,626	5,964,960
Income taxes at statutory tax rates	1,530,030	1,740,460	1,564,388
Adjustments:			
Non-taxable income	(8,417)	(13,902)	(10,350)
Non-deductible expense	15,975	16,762	16,514
Tax credit	(159)	(1,233)	(1,185)
Others	(66,393)	(130,975)	(82,407)
Income tax expense	₩1,471,036	1,611,112	1,486,960
Effective tax rate	26.35%	25.31	24.93

(In millions of won)

44. 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, 2022 and 2023 are as follows:

	2022			
	Beginning Balance	Profit or loss	Other comprehensive income (loss)	Ending Balance
Unearned income	₩ (340,992)	(9,780)	—	(350,772)
Account receivable	(26,580)	2,885	—	(23,695)
Financial assets measured at fair value	57,933	(1,152,836)	2,101,344	1,006,441
Investment in associates and etc.	178,262	(3,550)	8,698	183,410
Valuation and depreciation of property and equipment	(135,375)	34,757	—	(100,618)
Derivative asset	22,215	207,521	32,617	262,353
Deposits	24,430	12,617	—	37,047
Accrued expenses	154,716	55,012	—	209,728
Defined benefit obligation	549,950	23,960	(98,133)	475,777
Plan assets	(601,844)	(36,244)	2,107	(635,981)
Other provisions	389,570	9,303	—	398,873
Allowance for acceptances and guarantees	32,462	(8,039)	—	24,423
Allowance related to asset revaluation	(49,713)	1,822	—	(47,891)
Allowance for expensing depreciation	(274)	72	—	(202)
Accrued contributions	36,114	925	—	37,039
Financial liabilities designated at fair value through profit of loss	(74,655)	(204,434)	—	(279,089)
Allowances	132,239	33,839	—	166,078
Constructive dividend	16,737	450	—	17,187
Liability under insurance contracts	96,760	(3,223)	—	93,537
Others	(1,017,980)	1,131,269	(1,701,692)	(1,588,403)
	(556,025)	96,326	344,941	(114,758)
Expired unused tax losses:				
Extinguishment of deposit and insurance liabilities	266,605	(47,047)	—	219,558
	₩ (289,420)	49,279	344,941	104,800

(*) Deferred tax assets from overseas subsidiaries are decreased by ₩2,797 million due to foreign exchange rate movements.

(In millions of won)

44. Income tax expense (continued)

	2023			
	Beginning Balance	Profit or loss	Other comprehensive income (loss)	Ending Balance
Unearned income	₩ (350,772)	(81,504)	—	(432,276)
Account receivable	(23,695)	2,341	—	(21,354)
Financial assets measured at fair value	1,006,441	587,125	(1,139,313)	454,253
Investment in associates and etc.	183,410	7,439	(2,581)	188,268
Valuation and depreciation of property and equipment	(100,618)	(3,460)	—	(104,078)
Derivative asset	262,353	(81,234)	(28,731)	152,388
Deposits	37,047	(3,494)	—	33,553
Accrued expenses	209,728	11,730	—	221,458
Defined benefit obligation	475,777	(1,566)	70,456	544,667
Plan assets	(635,981)	16,645	1,353	(617,983)
Other provisions	398,873	111,731	—	510,604
Allowance for acceptances and guarantees	24,423	(2,406)	—	22,017
Allowance related to asset revaluation	(47,891)	182	—	(47,709)
Allowance for expensing depreciation	(202)	62	—	(140)
Accrued contributions	37,039	630	—	37,669
Financial assets (liabilities) designated at fair value through profit of loss	(279,089)	46,492	—	(232,597)
Allowances	166,078	57,988	—	224,066
Constructive dividend	17,187	531	—	17,718
Liability under insurance contracts	93,537	(82,092)	—	11,445
Others	(1,588,403)	(754,058)	790,948	(1,551,513)
	(114,758)	(166,918)	(307,868)	(589,544)
Expired unused tax losses:				
Extinguishment of deposit and insurance liabilities	219,558	(18,890)	—	200,668
	₩ 104,800	(185,808)	(307,868)	(388,876)

(*1) Deferred tax assets from overseas subsidiaries are decreased by ₩650 million due to foreign exchange rate movements.

(*2) The Group does not recognize deferred tax assets and liabilities related to global minimum tax laws by applying the temporary exception provision for deferred tax in IAS 12.

(In millions of won)

44. Income tax expense (continued)

(d) Deferred tax assets and liabilities that are directly charged or credited to equity for the years ended December 31, 2022 and 2023 are as follows:

	January 1, 2022		Changes		December 31, 2022	
	OCI	Tax effect	OCI	Tax effect	OCI	Tax effect
Gain (loss) on valuation of financial assets measured at FVOCI	₩(1,011,185)	261,472	(8,021,562)	2,101,344	(9,032,747)	2,362,816
Gain (loss) on financial liabilities measured at FVTPL attributable to changes in credit risk	(2,506)	689	(4,508)	1,170	(7,014)	1,859
Foreign currency translation adjustments for foreign operations	(116,857)	(8,362)	13,090	(154)	(103,767)	(8,516)
Gain (loss) on cash flow hedges	(35,753)	9,629	(102,881)	32,617	(138,634)	42,246
Equity in other comprehensive income (loss) of associates	13,361	(5,765)	(24,420)	8,698	(11,059)	2,933
Remeasurements of the defined benefit liability	(473,551)	130,426	347,157	(96,026)	(126,394)	34,400
Net finance income (expense) on insurance contract	459,556	(126,378)	6,442,655	(1,702,708)	6,902,211	(1,829,086)
	₩(1,166,935)	261,711	(1,350,469)	344,941	(2,517,404)	606,652

	January 1, 2023		Changes		December 31, 2023	
	OCI	Tax effect	OCI	Tax effect	OCI	Tax effect
Gain (loss) on valuation of financial assets measured at FVOCI	₩(9,032,747)	2,362,816	4,305,703	(1,139,313)	(4,727,044)	1,223,503
Gain (loss) on financial liabilities measured at FVTPL attributable to changes in credit risk	(7,014)	1,859	1,736	(466)	(5,278)	1,393
Foreign currency translation adjustments for foreign operations	(103,767)	(8,516)	(1,576)	(4,658)	(105,343)	(13,174)
Gain (loss) on cash flow hedges	(138,634)	42,246	90,011	(28,731)	(48,623)	13,515
Equity in other comprehensive income (loss) of associates	(11,059)	2,933	9,738	(2,581)	(1,321)	352
Remeasurements of the defined benefit liability	(126,394)	34,400	(272,144)	71,809	(398,538)	106,209
Net finance income (expense) on insurance contract	6,902,211	(1,829,086)	(2,989,301)	796,072	3,912,910	(1,033,014)
	₩(2,517,404)	606,652	1,144,167	(307,868)	(1,373,237)	298,784

(In millions of won)

44. Income tax expense (continued)

(e) The amount of deductible temporary differences that are not recognized as deferred tax assets as of December 31, 2022 and 2023 are as follows:

	2022	2023
Temporary differences related to Shinhan EZ General Insurance Co., Ltd. (*1)	₩119,553	112,293
Shinhan AI Co., Ltd. (*2)	—	13
	119,553	112,306

(*1) Shinhan EZ General Insurance Co., Ltd., a subsidiary of the Group, suffered a net loss for the current period, etc. As of the end of 2023, deferred corporate tax assets were not recognized as it was determined that the temporary difference to be deducted in excess of the temporary difference to be added and the tax loss were not feasible.
(*2) Shinhan AI Co., Ltd, a subsidiary of the Group, did not recognize deferred corporate tax assets for temporary differences in consideration of liquidation in 2024.
(*3) The expiration date of unused carried tax losses not recognized as deferred tax assets as of the end of the reporting period is as follows:

	Less than 1 year	1~2 years	2~3 years	More than 3 years	Total
Tax loss carried-forward	₩19,979	9,006	7,444	68,786	105,215

(f) The amount of temporary difference regarding investment in subsidiaries that are not recognized as deferred tax liabilities as of December 31, 2022 and 2023 are as follows:

	2022	2023
Investment in subsidiaries, etc.	₩(8,888,268)	(9,331,214)

(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, 2022 and 2023 are as follows:

	2022	2023
Deferred tax assets	₩1,620,246	1,300,568
Deferred tax liabilities	1,515,446	1,689,444

(h) As of the end of 2023, the Group is in the process of litigation for cases where tax uncertainty exists (claim amount: ₩30,590 million). The Group determined that there is a high probability of winning the case and reflected it as current corporate tax assets and corporate tax expenses.

(i) The Group is reviewing the impact on the consolidated financial statements following the implementation of the Global Minimum Tax Act. Due to the complexity of the application of the global minimum tax law, it is difficult to reasonably estimate the impact on the consolidated financial statements, and the Group is estimating the impact with a tax expert.

(In millions of won)

45. Earnings per share

(a) Basic and diluted earnings per share for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Profit attributable to equity holders of Shinhan Financial Group	₩ 4,019,254	4,665,643	4,368,035
Less:			
Dividends to hybrid bond	(116,388)	(156,277)	(189,672)
Net profit available for common stock	₩ 3,902,866	4,509,366	4,178,363
Weighted average number of common shares outstanding (*)	534,049,948	530,638,621	519,207,776
Basic and diluted earnings per share in won	₩ 7,308	8,498	8,048

(*) The number of common shares outstanding is 512,759,471 shares. The above weighted-average stocks are calculated by reflecting 17,482,000 shares of convertible preferred shares issued on May 1, 2019 and then converted into common shares on May 1, 2023, and 7,814,685 shares and 13,507,398 shares of treasury stock acquired and canceled during the periods ended December 31, 2022 and 2023.

(b) The calculation details of the weighted average number of ordinary shares for the years ended December 31, 2022 and 2023 are as follows:

	2022	
	Number of shares	Accumulated Number of shares
Number of common shares issued	508,784,869	187,476,994,819
Shares of convertible preferred stock	17,482,000	6,380,930,000
Shares of treasury stock	(6,352)	(174,828,329)
Average number of ordinary shares	526,260,517	193,683,096,490
Days		365 days
Weighted average number of ordinary shares		530,638,621

	2023	
	Number of shares	Accumulated Number of shares
Number of common shares issued	512,759,471	187,756,015,279
Shares of convertible preferred stock	—	2,097,840,000
Shares of treasury stock	(6,352)	(343,017,080)
Average number of ordinary shares	512,753,119	189,510,838,199
Days		365 days
Weighted average number of ordinary shares		519,207,776

(In millions of won)

46. Commitments and contingencies

(a) Guarantees, acceptances and credit commitments as of December 31, 2022 and 2023 are as follows:

	2022	2023
Guarantees and purchase agreements:		
Outstanding guarantees	₩ 12,154,088	12,503,445
Contingent guarantees	4,565,829	4,337,751
ABS and ABCP purchase agreements	1,496,604	1,533,047
	18,216,521	18,374,243
Commitments to extend credit:		
Loan commitments in won	83,451,887	88,913,555
Loan commitments in foreign currency	25,052,284	26,970,371
Other agreements (*)	96,984,654	96,194,944
	205,488,825	212,078,870
Endorsed bills:		
Secured endorsed bills	10,025	44
Unsecured endorsed bills	7,046,806	10,519,665
	7,056,831	10,519,709
	₩230,762,177	240,972,822

(*) Unused credit commitments provided to the card customers are included, the amounts are ₩90,452,012 million for the year ended December 31, 2022 and ₩90,832,893 million for the year ended December 31, 2023.

(In millions of won)

46. Commitments and contingencies (continued)

(b) Pending litigations

The Group's pending lawsuits as a defendant as of December 31, 2023 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 trial is ongoing as of December 31, 2023
Loss claim	1	64,748	Joint Tort liability and Vicarious liability	The first trial is ongoing as of December 31, 2023
Loss claim	1	36,436	Joint Tort liability and Vicarious liability	The first trial is ongoing as of December 31, 2023
Sinmun-ro, Jongno-gu Agency work PFV fraudulent trusts Cancellation lawsuit (Geosam Co., Ltd.)	1	43,630	The plaintiff, who claims to be the original owner of the trust building, claims that the currently registered trust registration should be canceled as fraudulent trust, and requested payment of approximately ₩43.6 billion in value compensation.	The first trial is ongoing as of December 31, 2023
Others	749	553,663	It includes various cases, such as compensation for loss claim.	
	753	₩731,573		

As of the December 31, 2023, the Group has recorded ₩31,371 million and ₩3,594 million, respectively, as provisions and incurred claims element of insurance contract liabilities 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) 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 Hedge ("IIG Fund") from May 2017 to September 2017. The

46. Commitments and contingencies (continued)

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 (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', and the Group was sentenced to a fine of ₩50 million for neglection its duty of supervision. However, the Group believes that additional legal liability that may arise in the future in relation to the above incident is not high.

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.

(d) The Group has sold Gen2 related trust instruments from May 2014 to November 2019. As of December 31, 2023, approximately ₩420 billion, the entire 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. On August 29, 2023, the Board of Directors decided to proceed with privatization using the post-settlement method. In addition, on December 8, 2023, the Board of Directors decided to privatize NH-UK Peterborough Power Plant Trust and others through a post-settlement method.

(e) 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 (133 cases other than the new residential and commercial apartment project in Mugeo-dong Nam-gu, Ulsan (excluding completed workplaces)) to compensate for damages incurred to the financial institutions, and for the period ended December 31, 2023, the total PF commitment amount of PF loan financial institutions is ₩3,284.2 billion on a temporary basis, ₩3,846.4 billion on a limit basis, and the total PF loans amounted to ₩5,567.6 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, and the scope of damages to be compensated by the Group may change depending on the results of lawsuits that are in progress as of December 31, 2023 or that will proceed after the end of the current period. As of December 31, 2022, the risk of the Group to bear the responsibility to complete the project is low, and the loss cannot be

(In millions of won)

46. Commitments and contingencies (continued)

reliably measured, hence this was not reflected in the financial statements for the period ended December 31, 2022. Meanwhile, the process of each business sites will be continuously monitored.

Meanwhile, the construction company's responsibility for completion of a total of 56 land trust projects, including 9-1 Sihwa MTV Bandalseom, Ansan-si, Gyeonggi-do, which the consolidated entity is in progress as of the end of the current period, has not been fulfilled. The total PF commitment amount of PF loan financial institutions invested in the relevant business site at the end of the current period is ₩774.7 billion on a temporary basis and ₩831.5 billion on a limit basis, and the PF loan amount is ₩1,520.2 billion.

In addition, the completion deadline for a total of 8 land trust projects, including the Sanho-dong multiplex in Masan Happo-gu, Changwon-si, Gyeongsangnam-do, which the consolidated entity is in progress as of the end of the current period, has passed. The total PF commitment amount of PF loan financial institutions invested in the relevant business site at the end of the current period is ₩166.1 billion on a temporary basis and ₩149.6 billion on a limit basis, and the PF loan amount is ₩304 billion.

(f) An investigation by the Financial Supervisory Service regarding the sale of Equity Linked Trust (ELT) and an investigation by the Fair Trade Commission regarding unfair collaborative practices by four commercial banks are in progress, and the results cannot be predicted at this moment.

47. Statement of cash flows

(a) Cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Cash and due from banks at amortized cost	₩28,471,127	30,070,043	34,650,390
Adjustments:			
Due from financial institutions with a maturity over three months from date of acquisition	(1,490,600)	(1,956,179)	(1,322,274)
Restricted due from banks	(2,877,084)	(3,699,918)	(2,911,232)
	(4,367,684)	(5,656,097)	(4,233,506)
	₩24,103,443	24,413,946	30,416,884

(In millions of won)

47. Statement of cash flows (continued)

(b) Significant non-cash activities for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Investment conversion	₩ 32,239	—	—
Transfers from construction-in-progress to property and equipment	18,748	33,983	82,179
Transfers between property and equipment and investment property	73,773	9,554	16,678
Transfers between assets held for sale and property and equipment	1,022	101,757	2,442
Transfers between investment property and assets held for sale	2,238	83,664	6,057
Accounts payable for purchase of intangible assets, etc.	137,058	117,743	374,685
Transaction for right-of-use assets	₩289,995	293,590	299,672

(c) Changes in assets and liabilities arising from financing activities for the years ended December 31, 2022 and 2023 are as follows:

	2022					
	Net Derivative liabilities	Borrowings	Debt securities issued	Lease liabilities	Financial liabilities designated at FVTPL	Total
Beginning balance	₩ (81,407)	43,167,065	80,149,363	612,690	—	123,847,711
Changes from cash flows	71,629	6,145,271	(2,255,974)	(259,913)	49,993	3,751,006
Changes from non-cash flows						
Amortization of discount on borrowings and debentures	—	(94,209)	45,713	13,379	—	(35,117)
Changes in foreign currency	—	294,867	58,406	19,032	—	372,305
Other	541,712	(233,819)	(708,725)	237,049	(2,666)	(166,449)
Business combination	—	—	—	1,102	—	1,102
Ending balance	₩ 531,934	49,279,175	77,288,783	623,339	47,327	127,770,558

(In millions of won)

47. Statement of cash flows (continued)

	2023					
	Net Derivative liabilities	Borrowings	Debt securities issued	Lease liabilities	Financial liabilities designated at FVTPL	Total
Beginning balance	₩ 531,934	49,279,175	77,288,783	623,339	47,327	127,770,558
Changes from cash flows	79,563	8,153,087	3,865,582	(262,055)	209,969	12,046,146
Changes from non-cash flows						
Amortization of discount on borrowings and debentures	—	(61,561)	33,295	18,855	—	(9,411)
Changes in foreign currency	—	90,914	197,895	(4,331)	32	284,510
Other	(253,480)	(560,263)	176,170	238,106	(2,496)	(401,963)
Ending balance	₩ 358,017	56,901,352	81,561,725	613,914	254,832	139,689,840

48. 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 IAS 24, 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 16'.

(a) Balances with the related parties as of December 31, 2022 and 2023 are as follows:

Related party	Account	2022	2023
Investments in associates:			
BNP Paribas Cardif Life Insurance	Other assets	₩ 38	32
”	Credit card loans	117	105
”	ACL	—	(1)
”	Deposits	18,745	2,984
”	Allowance for Undrawn Commitment	1	2
Partners 4th Growth Investment Fund (*1)	Deposits	742	—
Incorporated association Finance Saving Information Center	Deposits	2	7
Nomura-Rifa Private Real Estate Investment Trust No.19	Loans	11,880	11,529
”	Other assets	44	51
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	Other assets	427	310
KOREA FINANCE SECURITY CO., LTD	Deposits	415	132

(In millions of won)

48. Related parties (continued)

Related party	Account	2022	2023
Investments in associates (continued):			
Hermes Private Investment Equity Fund (*1)	Deposits	₩ 218	—
Korea Credit Bureau	Deposits	721	640
Goduck Gangil1 PFV Co., Ltd	Loans	6,825	—
”	ACL	(20)	—
”	Deposits	3	11
SBC PFV Co., Ltd	Deposits	21,163	13,113
Sprott Global Renewable Private Equity Fund I (*1)	Deposits	100	—
Goduck Gangil10 PFV Co., Ltd	Loans	3,100	1,100
”	ACL	(9)	(5)
”	Deposits	26,880	7,568
Shinhan Global Healthcare Fund 2	Deposits	1	1
IMM Special Situation 1-2 PRIVATE EQUITY FUND (*1)	Deposits	151	—
Future-Creation Neoplux Venture Capital Fund	Account receivables	3,949	3,600
Neoplux Market-Frontier Secondary Fund	Account receivables	904	592
Gyeonggi-Neoplux Superman Fund	Account receivables	623	1,174
Shinhan-Neoplux Energy Newbiz Fund	Account receivables	978	1,883
SHINHAN-NEO Core Industrial Technology Fund	Account receivables	124	123
KTC-NP Growth Champ 2011-2 Private Equity Fund (*1)	Account receivables	2,675	—
Neoplux No.3 Private Equity Fund	Account receivables	3,190	5,866
NV Station Private Equity Fund (*1)	Deposits	21	—
Korea Digital Asset Custody	Deposits	153	34
SW-S Fund (*1)	Deposits	112	—
Shinhan Smilegate Global PEF I	Unearned revenue	9	7
WaveTechnology co.Ltd	Deposits	41	17
SHINHAN-NEO Market-Frontier 2nd Fund	Account receivables	513	1,596
iPIXEL Co.,Ltd.	Deposits	225	11
CJL No.1 Private Equity Fund	Deposits	603	265
NewWave 6th Fund	Account receivables	849	984
Nova New Technology Investment Fund No.1 (*1)	Deposits	215	—
DS Power Semicon Private Equity Fund (*1)	Deposits	100	—
Genesis No.1 Private Equity Fund (*1)	Deposits	19	—
DDI LVC Master Real Estate Investment Trust Co., Ltd.	Deposits	59	923

(In millions of won)

48. Related parties (continued)

Related party	Account	2022	2023
Investments in associates (continued):			
Newlake Growth Capital Partners2 PEF (*1)	Deposits	₩ 353	—
Logisvalley Shinhan REIT Co.,Ltd.	Loans	43,000	33,000
”	ACL	(28)	(36)
”	Account receivables	81	—
”	Accrued income	—	81
”	Deposits	1,421	1,134
Shinhan-Albatross tech investment Fund	Deposits	3,402	2,229
Shinhan Global Active REIT Co.Ltd	Deposits	393	206
Shinhan VC tomorrow venture fund 1	Account receivables	850	730
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1 (*2)	Accrued income	1	—
SH Global Net Zero Solution Security Investment Trust	Accrued income	2	2
SEOKWANG T&I	Deposits	1	1
Shinhan Time 1st Investment fund	Deposits	238	151
DeepBlue No.1 Private Equity Fund (*1)	Deposits	400	—
Shinhan-Cognitive Start-up Fund L.P.	Unearned revenue	—	52
NH-J&-IBKC Label Technology Fund	Deposits	—	301
Shinhan-JW Mezzanin New Technology Fund 1st	Unearned revenue	—	7
Shinhan M&A-ESG Investment fund	Account receivables	—	285
Shinhan General Private Real Estate Investment Trust No.3	Accrued income	—	13
Capston General Private Real Estate Investment Trust No.26(Professional)	Deposits	—	1
SHINHAN Mid and SMALL-SIZED OFFICE VALUE-ADDED MO REIT Co., Ltd.	Accrued income	—	21
Key management personnel and their immediate relatives:	Loans	6,561	5,003
	Assets	86,674	68,038
	Liabilities	₩76,907	29,797

(*1) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2023.
(*2) For the year ended December 31, 2023, it is incorporated into the consolidation target as the Group held control due to increased equity ratio.

(In millions of won)

48. Related parties (continued)

(b) Transactions with the related parties for the years ended December 31, 2021, 2022 and 2023 are as follows:

Related party	Account	2021	2022	2023
Investments in associates				
BNP Paribas Cardif Life Insurance	Fees and commission income	₩ 3,023	1,890	4,125
”	Provision for credit loss	—	—	(2)
”	Interest expense	(13)	(52)	(57)
”	General and administrative expenses	(2)	(1)	—
Shinhan Praxis K-Growth Global Private Equity Fund	Fees and commission income	323	42	—
Shinhan EZ General Insurance Co., Ltd. (*3)	Fees and commission income	10	2	—
”	Reversal for credit loss	6	5	—
”	Interest expense	(1)	(1)	—
SM New Technology Business Investment Fund I (*1)	Fees and commission income	187	—	—
Partners 4th Growth Investment Fund (*4)	Interest expense	(11)	(12)	—
Shinhan-Albatross Tech Investment Fund	Fees and commission income	129	146	115
”	Interest expense	—	(7)	(4)
Shinhan-Midas Dong-A Secondary Fund	Fees and commission income	115	121	—
Shinhan-Nvestor Liquidity Solution Fund	Fees and commission income	271	181	173
Shinhan-PS Investment Fund No.1	Fees and commission income	20	15	25
Nomura-Rifa Private Real Estate Investment Trust No.19	Interest income	530	522	568
SH MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	Fees and commission income	974	1,550	1,262
KOREA FINANCE SECURITY CO., LTD	Fees and commission income	8	6	4
”	Interest expense	(1)	—	—
ShinHan – Soo Young Entrepreneur Investment Fund No.1	Fees and commission income	1,028	140	589
Shinhan-Rhinos 1 Fund (*2)	Fees and commission income	47	61	—

(In millions of won)

48. Related parties (continued)

Related party	Account	2021	2022	2023
Investments in associates (continued)				
SHINHAN-CORE TREND GLOBAL FUND1 (*2)	Fees and commission income	₩ 106	—	—
Kiwoom-Shinhan Innovation Fund I	Fees and commission income	240	118	140
One Shinhan Global Fund1	Fees and commission income	208	104	—
Open-Shinhan Portfolio Investment Association No. 1	Fees and commission income	59	—	—
FuturePlay-Shinhan Tech Innovation Fund 1	Fees and commission income	241	227	56
Korea Credit Bureau	Fees and commission income	14	13	14
”	Interest expense	(9)	—	—
Goduck Gangil1 PFV Co., Ltd	Interest income	754	377	143
”	Reversal for credit loss	20	31	20
SBC PFV Co., Ltd	Fees and commission income	776	808	—
”	Interest expense	(14)	(23)	(13)
Goduck Gangil10 PFV Co., Ltd	Interest income	283	171	69
”	Interest expense	(78)	(738)	(647)
”	Reversal for credit loss	(4)	14	4
COSPEC BIM tech (*1)	Interest income	41	—	—
”	Reversal(provision) for credit loss	95	—	—
Korea Omega Project Fund I	Fees and commission income	180	180	166
New Green Shinhan Mezzanine Fund (*1)	Fees and commission income	334	—	—
Sparklabs-Shinhan Opportunity Fund 1	Fees and commission income	202	202	39
EDNCENTRAL Co.,Ltd.	Interest income	1,140	267	—
”	Fees and commission income	714	3,212	—
Kakao-Shinhan 1st TNYT Fund	Fees and commission income	386	386	386
KoFC-Neoplux R&D-Biz Creation 2013-1 Investment (*1)	Interest income	1	—	—
”	Fees and commission income	5,474	—	—
Future-Creation Neoplux Venture Capital Fund	Interest income	31	74	86
”	Fees and commission income	308	53	—
Neoplux Market-Frontier Secondary Fund	Fees and commission income	954	904	592
Gyeonggi-Neoplux Superman Fund	Fees and commission income	621	623	551

(In millions of won)

48. Related parties (continued)

Related party	Account	2021	2022	2023
Investments in associates (continued)				
Shinhan-Neoplux Energy Newbiz Fund	Fees and commission income	₩ 1,002	978	906
NewWave 6th Fund	Fees and commission income	1,210	1,014	984
SHINHAN-NEO Core Industrial Technology Fund	Fees and commission income	498	498	496
KTC-NP Growth Champ 2011-2 Private Equity Fund (*4)	Interest income	26	59	36
Neoplux No.3 Private Equity Fund	Fees and commission income	2,433	3,190	2,676
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45 (*2)	Fees and commission income	83	—	—
Shinhan Smilegate Global PEF I	Fees and commission income	189	49	—
SHINHAN-NEO Market-Frontier 2nd Fund	Fees and commission income	2,026	2,050	1,596
Korea Digital Asset Custody	Interest expense	(2)	—	—
SWK-Shinhan New Technology Investment Fund 1st	Fees and commission income	41	76	61
Ulmus SHC innovation investment fund	Fees and commission income	63	94	91
iPIXEL Co.,Ltd.	Interest income	2	1	—
CJL No.1 Private Equity Fund	Interest expense	(2)	(7)	(10)
Reverent-Shinhan Vista Fund	Fees and commission income	90	40	80
Hermes Private Investment Equity Fund	Interest expense	(1)	—	—
Kiwoom-Shinhan Innovation Fund 2	Fees and commission income	115	279	268
ETRI Holdings-Shinhan 1st Unicorn Fund	Fees and commission income	32	100	100
Shinhan-Time mezzanine blind Fund	Fees and commission income	300	107	226
Shinhan VC tomorrow venture fund 1	Fees and commission income	419	3,400	3,280
JS Shinhan Private Equity Fund	Fees and commission income	250	587	600
Stonebridge-Shinhan Unicorn Secondary Fund	Fees and commission income	—	591	444
Shinhan-Kunicorn first Fund	Fees and commission income	—	261	232
Shinhan-Quantum Startup Fund	Fees and commission income	—	125	153

(In millions of won)

48. Related parties (continued)

Related party	Account	2021	2022	2023
Investments in associates (continued)				
Shinhan Simone Fund I	Fees and commission income	₩ —	78	78
ShinhanFitrin 1st Technology Business Investment Association	Fees and commission income	—	59	85
DDI LVC Master Real Estate Investment Trust Co., Ltd.	Interest expense	—	(1)	(1)
Logisvalley Shinhan REIT Co.,Ltd.	Interest income	—	1,018	1,841
”	Fees and commission income	—	458	163
”	Interest expense	—	(1)	(2)
”	Provision for credit loss	—	(28)	(8)
Shinhan-Dev healthcare Fund I	Fees and commission income	—	66	77
Shinhan-Cognitive Start-up Fund L.P.	Fees and commission income	—	192	188
Global Commerce Fund	Fees and commission income	—	10	30
Shinhan-HGI Social Enterprise Fund	Fees and commission income	—	27	63
Shinhan-WWG Energy Fund New Technology Venture Investment Fund	Fees and commission income	—	22	45
IGIS-Shinhan New Technology Fund 1	Fees and commission income	—	36	36
Shinhan-G.N.Tech Smart Innovation Fund	Fees and commission income	—	81	260
SH Sustainable Management ESG Short term Bond Security Feeder Investment Trust No.1 (*5)	Fees and commission income	—	6	—
SH Global Net Zero Solution Security Investment Trust	Fees and commission income	—	82	75
SH 1.5years Maturity Investment Type Security Investment Trust No.2	Fees and commission income	—	—	16
Newlake Growth Capital Partners2 PEF (*4)	Interest expense	—	(1)	—
Shinhan Global Active REIT Co.Ltd	Fees and commission income	—	—	17
”	Interest expense	—	(1)	(2)
DeepBlue No.1 Private Equity Fund (*4)	Interest expense	—	(2)	—
DS SHINHAN Content Investment Fund 1	Fees and commission income	—	18	18

(In millions of won)

48. Related parties (continued)

Related party	Account	2021	2022	2023
Investments in associates (continued)				
Shinhan Time 1st Investment fund	Fees and commission income	₩ —	4	26
SHINHAN SGC ESG Fund No.1	Fees and commission income	—	5	115
Shinhan-Sneak Peek Bio&Healthcare Bounce Back Fund	Fees and commission income	—	4	125
Shinhan-iSquare Venture PEF 1	Fees and commission income	—	3	100
Shinhan-Gene and New Normal First Mover Venture Investment Equity Fund 1st	Fees and commission income	—	—	42
DS-Shinhan-JBWoori New Media New Tehcnology Investment Fund No.1	Fees and commission income	—	—	216
NH-J&-IBKC Label Technology Fund	Interest expense	—	—	(12)
Bonanza-Shinhan GIB Innovative Semiconductor Investment Fund	Fees and commission income	—	—	55
2023 Shinhan-JB Woori-Daeshin Listed Companies New Technology Fund	Fees and commission income	—	—	113
Shinhan M&A ESG Investment Fund	Fees and commission income	—	—	726
Shinhan-JW Mezzanine New Technology Fund 1st	Fees and commission income	—	—	46
K REITS Infra Real estate	Fees and commission income	—	—	25
MAN Global Strategy Bond(H)	Fees and commission income	—	—	2
Shinhan time secondary blind new technology investment trust	Fees and commission income	—	—	71
Shinhan-openwater pre-IPO Investment Trust 1	Fees and commission income	—	—	36
Shinhan-CJ Technology Innovation Fund No. 1	Fees and commission income	—	—	88
Shinhan-Eco Venture Fund 2nd	Fees and commission income	—	—	49
Heungkuk-Shinhan the1st Visionary Technology Investment Trust no. 1	Fees and commission income	—	—	87

(In millions of won)

48. Related parties (continued)

Related party	Account	2021	2022	2023
Investments in associates (continued)				
Hantoo Shinhan Lake K-beauty Technology Investment Trust	Fees and commission income	₩ —	—	94
Shinhan HB Wellness 1st Investment Trust	Fees and commission income	—	—	35
Shinhan JN Wave Technology Investment Trust	Fees and commission income	—	—	2
Shinhan General Private Real Estate Investment Trust No.3	Fees and commission income	—	—	13
Shinhan-Timefolio Bio Accelerator Fund	Fees and commission income	—	—	163
Shinhan DS Secondary Investment Fund	Fees and commission income	—	—	139
Fortress-shinhan New Tech Fund No.1	Fees and commission income	—	—	27
Shinhan-Ulmus Sobujang hyeokshin Enterprise Investment Association No.7	Fees and commission income	—	—	18
SHINHAN Mid and SMALL-SIZED OFFICE VALUE-ADDED MO REIT Co., Ltd.	Fees and commission income	—	—	25
Key management personnel and their immediate relatives				
Interest income		122	205	242
		₩27,614	27,443	26,270

(*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, 2022.
(*3) It is incorporated into the consolidation target as the Group held control due to increased equity ratio and BNP Paribas Cardif General Insurance, Ltd. has changed its name to Shinhan EZ General Insurance Co., Ltd for the year ended December 31, 2022. The transaction amount for the years ended December 31, 2021 and 2022 is the amount before being incorporated into the consolidation target.
(*4) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2023.
(*5) It is incorporated into the consolidation target as the Group held control due to increased equity ratio for the year ended December 31, 2023.

(In millions of won)

48. Related parties (continued)

(c) Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2021, 2022 and 2023 are as follows:

	2021	2022	2023
Short-term employee benefits	₩23,972	27,591	25,007
Severance benefits	686	817	809
Share-based payment transactions (*)	13,886	9,777	11,862
	₩38,544	38,185	37,678

(*) The expenses of share-based payment transactions are the renumeration expenses during the vesting period.

(d) The guarantees and purchase agreement provided between the related parties as of December 31, 2022 and 2023 are as follows:

Guarantor	Guaranteed Parties	Amount of guarantees 2022	Amount of guarantees 2023	Account
Shinhan Bank	BNP Paribas Cardif Life Insurance	₩ 10,000	10,000	Unused loan limit
”	Key Management Personnel	2,143	3,241	Unused loan limit
Shinhan Card	BNP Paribas Cardif Life Insurance	883	895	Unused credit line
The Group	Structured entities	296,118	326,830	Purchase agreement
		₩309,144	340,966	

(e) Details of collaterals provided by the related parties as of December 31, 2022 and 2023 are as follows:

Provided to	Provided by	Pledged assets	Amount of assets pledged 2022	Amount of assets pledged 2023
Shinhan Bank	BNP Paribas Cardif Life Insurance	Government bonds	₩12,400	2,400
	iPIXEL Co.,Ltd.	Electronic credit guarantee	190	—
	Logisvalley Shinhan REIT Co.,Ltd.	Collateral trust	51,600	39,600
	Key Management Personnel	Properties	8,073	4,417
	”	Deposits and etc.	1,306	1,127
	”	Guarantee	3,092	1,308
			12,471	6,852
			₩76,661	48,852

(In millions of won)

48. Related parties (continued)

(f) Details of significant loan transactions with related parties as of December 31, 2022 and 2023 are as follows:

		2022				
Classification	**Company**	**Beginning**	**Execution**	**Collection**	**Others (*)**	**Ending**
Investments in associates	Nomura-Rifa Private Real Estate Investment Trust No.19	₩11,880	—	—	—	11,880
	EDNCENTRAL Co.,Ltd.	19,739	—	(20,000)	261	—
	Goduck Gangil1 PFV Co., Ltd.	12,000	—	(5,175)	—	6,825
	Goduck Gangil10 PFV Co., Ltd.	7,600	—	(4,500)	—	3,100
	iPIXEL Co.,Ltd.	55	—	—	(55)	—
	Logisvalley Shinhan REIT Co.,Ltd.	—	43,000	—	—	43,000
Key Management Personnel		6,150	4,590	(4,177)	—	6,563
	Total	₩57,424	47,590	(33,852)	206	71,368

(*) The effect on changes in allowance for credit loss is included.

		2023				
Classification	**Company**	**Beginning**	**Execution**	**Collection**	**Others (*)**	**Ending**
Investments in associates	Nomura-Rifa Private Real Estate Investment Trust No.19	₩11,880	—	—	(351)	11,529
	Goduck Gangil1 PFV Co., Ltd.	6,825	—	(6,825)	—	—
	Goduck Gangil10 PFV Co., Ltd.	3,100	—	(2,000)	—	1,100
	Logisvalley Shinhan REIT Co.,Ltd.	43,000	33,000	(43,000)	—	33,000
Key Management Personnel		6,563	3,154	(4,712)	—	5,005
	Total	₩71,368	36,154	(56,537)	(351)	50,634

(*) The effect on changes in allowance for credit loss is included.

(In millions of won)

49. 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:

	Description
Assets-backed securitization	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. 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.
Structured financing	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.
Investment fund	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.

The size of unconsolidated structured entities as of December 31, 2022 and 2023 are as follows:

	2022	2023
Total assets:		
Asset-backed securitization	₩238,433,221	214,750,119
Structured financing	343,861,213	427,272,034
Investment fund	353,801,189	364,272,967
	₩936,095,623	1,006,295,120

(In millions of won)

49. Interests in unconsolidated structured entities (continued)

(b) Nature of risks

i) The carrying amounts of the assets and liabilities relating to its interests in unconsolidated structured entities as of December 31, 2022 and 2023 are as follows:

	2022			
	Assets-backed securitization	Structured financing	Investment fund	Total
Assets under consolidated financial statements:				
Loans measured at fair value through profit or loss	₩ 9,269	693,630	498	703,397
Loan at amortized cost	869,478	15,725,255	183,263	16,777,996
Securities at fair value through profit or loss	2,504,857	256,696	14,112,703	16,874,256
Derivate assets	4,432	—	—	4,432
Securities at fair value through other comprehensive income	4,183,987	179,714	—	4,363,701
Securities at amortized cost	4,182,846	—	—	4,182,846
Other assets	4,337	44,448	41,588	90,373
	₩11,759,206	16,899,743	14,338,052	42,997,001
Liabilities under consolidated financial statements:				
Derivate liabilities	₩ 24,902	91	—	24,993
Other liabilities	788	18,840	100	19,728
	₩ 25,690	18,931	100	44,721

(In millions of won)

49. Interests in unconsolidated structured entities (continued)

	2023			
	Assets-backed securitization	Structured financing	Investment fund	Total
Assets under consolidated financial statements:				
Loans measured at fair value through profit or loss	₩ 9,598	309,635	123,282	442,515
Loan at amortized cost	1,061,060	16,604,162	227,185	17,892,407
Securities at fair value through profit or loss	4,366,192	129,795	13,304,176	17,800,163
Derivate assets	674	—	—	674
Securities at fair value through other comprehensive income	4,041,459	183,517	3,315	4,228,291
Securities at amortized cost	4,806,904	—	65	4,806,969
Other assets	4,636	79,822	11,935	96,393
	₩14,290,523	17,306,931	13,669,958	45,267,412
Liabilities under consolidated financial statements:				
Derivate liabilities	₩ 9,939	315	—	10,254
Other liabilities	301	1,628	—	1,929
	₩ 10,240	1,943	—	12,183

ii) The maximum risk exposure of the Group relating to its interests in unconsolidated structured entities as of December 31, 2022 and 2023 are as follows:

	2022			
	Assets-backed securitization	Structured financing	Investment fund	Total
Assets held	₩11,759,206	16,899,743	14,338,052	42,997,001
ABS and ABCP purchase agreements	1,014,702	104,773	2,271,063	3,390,538
Loan commitments	419,039	988,331	—	1,407,370
Guarantees	15,000	80,000	—	95,000
Others	—	103,039	—	103,039
	₩13,207,947	18,175,886	16,609,115	47,992,948

	2023			
	Assets-backed securitization	Structured financing	Investment fund	Total
Assets held	₩14,290,523	17,306,931	13,669,958	45,267,412
ABS and ABCP purchase agreements	1,029,819	10,462	2,134,239	3,174,520
Loan commitments	353,790	913,252	—	1,267,042
Others	—	429,549	—	429,549
	₩15,674,132	18,660,194	15,804,197	50,138,523

50. Events after the reporting period

(a) The controlling company decided to acquire and retire treasury stocks that worth ₩150 billion through a resolution of the Board of Directors on February 8, 2024, in order to enhance shareholder value.

(b) The FSS commenced an investigation regarding incomplete sales related to the sale of the Hong Kong H-Index-based equity linked trust(ELT). Based on the preliminary investigation results, the FSS announced specific dispute resolution criteria on March 11, 2024, to facilitate the early resolution of disputes between sellers and investors by distinguishing between seller factors and investor factors. On March 29, 2024, Shinhan Bank announced that its board of directors has resolved to initiate voluntary settlement process with the investors based on the guideline announced by the Financial Supervisory Service and began discussions with the investors starting April 2024. Depending on the results of the investigations and settlement negotiations with the investors, it is currently unclear to what extent we may be required to compensate the customers, which may cause us to suffer substantial losses or to record provisions for credit loss allowance to account for expected future losses.

51. LIBOR Interest rate

The effective interest rate, not the carrying amount, 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. As of the end of the current term, the Group has completed most of its conversion and replacement plans in relation to the discontinuation of LIBOR interest rate calculation and aims to conclude the response plan in accordance with the response guidelines of the supervisory authorities.

52. Adoption of IFRS 17 *‘Insurance Contracts’*

The Group begins to apply IFRS 17 *‘Insurance Contracts’* on accounting periods beginning on 1 January 2023. The prior year’s financial statements were retrospectively restated in accordance with the transition requirement of this Standard. This Standard replaces IFRS 4 *‘Insurance Contracts’*. IFRS 17 provides new or revised requirements relating to recognition, measurement, presentation and disclosure principles of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. The Standard significantly changed the insurer’s accounting by requiring groups of insurance contracts to be measured at current estimates of future cash flows expected to occur in the performance of the contract and at risk adjustments and contractual service margins for separate non-financial risks.

The Group applied a retrospective application as described below in accordance with IFRS 17 to insurance contracts, to the extent practicable, from the beginning date of the annual reporting period (the transition date) before its initial application date commences. The Group applied either the modified retrospective approach or the fair value approach to the insurance contracts impracticable to be applied with 1) below.

1) To identify, recognize and measure each group of insurance contracts issued as if this Standard had always applied;

   1-1) To identify, recognize and measure any assets for insurance acquisition cash flows as if this Standard had always applied (except that an entity is not required to apply the recoverability assessment before the transition date);

2) To derecognize any existing balances that would not exist had this Standard always applied; and

3) To recognize all net differences arising from the initial application of this Standard as an adjustment to the retained earnings (or, if appropriate, other components of equity) at the date of initial application, without adjusting goodwill recognized from the past business combinations.

(In millions of won)

52. Adoption of IFRS 17 *'Insurance Contracts'* (continued)

In addition, the Group changed the classification and measurement of financial instruments related to the insurance business to manage the volatility of equity arising from the market value of insurance contract liabilities according to IFRS 17. For the financial instruments, their classification and measurement changed in accordance with the transition requirement of IFRS 17, the Group prepared the statement of financial position at the date of initial application of IFRS 17 by adjusting the classification and measurement of financial assets removed between the transition date of IFRS 17 and the initial application date in order to present comparative information as if IFRS 9 had been applied to the financial instruments.

Separate account assets and liabilities from the statements of financial position and revenues or expenses in separate accounts from the statements of comprehensive income, which had been presented as one line item in accordance with the Enforcement Rules of the Insurance Business Act under IFRS 4, are combined with the Group's general account and presented as related assets, liabilities, incomes, and expenses under IFRS 17 with the elimination of intra-group transactions between the general account and the separate account.

(a) Significant effects in the financial statement at the transition date, January 1, 2022 under IFRS 17 are as follows:

i) Significant effects in the financial position at the transition date, January 1, 2022 under IFRS 17 are as follows:

	Amount (A) (*1)		Amount (B) (*2)	Increase (B-A)
Assets:		**Assets:**		
Cash and due from banks at amortized cost	₩ 28,453,404	Cash and due from banks at amortized cost	₩ 29,049,341	
Financial assets at fair value through profit or loss	62,403,759	Financial assets at fair value through profit or loss	68,161,348	
Securities at fair value through other comprehensive income	64,838,323	Securities at fair value through other comprehensive income	90,893,467	
Securities at amortized cost	49,930,076	Securities at amortized cost	26,164,942	
Loans at amortized cost	389,137,156	Loans at amortized cost	384,810,774	
Other assets (*3)	53,389,467	Other assets	42,784,650	
	₩648,152,185		₩641,864,522	₩(6,287,663)
Liabilities:		**Liabilities:**		
Deposits	₩364,896,675	Deposits	₩364,874,652	
Borrowing	43,167,065	Borrowing	43,167,065	
Debt securities issued	80,149,362	Debt securities issued	80,149,362	
Insurance contract liabilities	54,333,498	Insurance contract liabilities	53,774,915	
		Reinsurance contract liabilities	281,763	
		Investment contract liabilities	2,953,698	
Other liabilities (*3)	56,067,163	Other liabilities	46,447,117	
	₩598,613,763		₩591,648,572	₩(6,965,191)
Equity	₩ 49,538,422	**Equity**	₩ 50,215,950	₩ 677,528

(In millions of won)

52. Adoption of IFRS 17 *'Insurance Contracts'* (continued)

(*1) Prepared in accordance with IFRS 9 'financial instruments', IFRS 4 'Insurance Contracts', and Enforcement Rules of the Insurance Business Act. (Application of the overlay approach under IFRS 4 to financial assets related to insurance contracts)

(*2) Prepared in accordance with IFRS 9 *'financial instruments'* and IFRS 17 *'Insurance Contracts'* (changed business model is applied to financial assets related to insurance contracts under IFRS 17)

(*3) Other assets and other liabilities under IFRS 4 include separate account assets amounted to ₩9,501,135 million and separate account liabilities amounted to ₩9,834,894 million, respectively.

ii) Classification of financial assets (derivatives excluded) on January 1, 2022 as the transition date in accordance with IFRS 17 is as follows:

	January 1, 2022					
	Classification	Transition date (Jan. 1, 2022) under IFRS 4	Separate account (*1)	Policy loan excluded (*2)	Classification due to new business model	Transition date (Jan. 1, 2022) under IFRS 17
Cash and due from banks at amortized cost	Financial assets at amortized cost	₩ 28,453,404	595,937	—	—	29,049,341
Due from banks at fair value through profit or loss	Financial assets at fair value through profit or loss	34,262	—	—	—	34,262
Securities at fair value through profit or loss	Financial assets at fair value through profit or loss	60,686,153	6,121,716	—	(364,127)	66,443,742
Loans at fair value through profit or loss	Financial assets at fair value through profit or loss	1,683,344	—	—	—	1,683,344
Securities at fair value through other comprehensive income	Financial assets at fair value through other comprehensive income	64,838,323	2,035,462	—	24,019,681	90,893,466
Securities at amortized cost	Financial assets at amortized cost	49,930,076	—	—	(23,765,134)	26,164,942
Loans at amortized cost	Financial assets at amortized cost	389,137,156	768,256	(5,094,638)	—	384,810,774

(*1) Consisted of the total of separate account and intercompany transactions that are eliminated.

(In millions of won)

52. Adoption of IFRS 17 *'Insurance Contracts'* (continued)

(*2) Policy loans, which used to be recognized as separate assets under IFRS 4 *'Insurance Contracts'* and Enforcement Rules of the Insurance Business Act., are measured as part of insurance contracts in accordance with IFRS 17.

iii) Significant adjustments to assets, liabilities and equity under IFRS 17 on January 1, 2022 as the transition date are as follows:

	January 1, 2022		
	Assets	**Liabilities**	**Equity**
Application of IFRS 4 on January 1, 2022	₩ 648,152,185	598,613,763	49,538,422
Elimination of carrying amount of IFRS 4 items:		—	
Loans at amortized cost (policy loans)	(5,094,638)	—	(5,094,638)
Unamortized acquisition cost	(954,949)	—	(954,949)
Insurance contract liabilities	—	(61,187,386)	61,187,386
Intercompany transactions with separate account for the consolidation presentation	45,458	44,919	539
Others (*)	(161,677)	(124,117)	(37,560)
Application of IFRS 17:			
Reclassification of financial assets	(109,579)	—	(109,579)
Recognition of insurance contract liabilities	—	53,774,915	(53,774,915)
Recognition of reinsurance contract liabilities	—	281,763	(281,763)
Tax effects from adjustments	(12,278)	244,715	(256,993)
Total of adjustments for transition date	(6,287,663)	(6,965,191)	677,528
Application of IFRS 17 on January 1, 2022 (the transition date)	₩ 641,864,522	591,648,572	50,215,950

(*) Consisted of elimination of accounts receivable (payable) and others that are measured as part of insurance contracts under IFRS 17.

(In millions of won)

52. Adoption of IFRS 17 *'Insurance Contracts'* (continued)

iv) Significant adjustments to accumulated other comprehensive income (loss) and retained earnings as part of the statement of changes in equity under IFRS 17 on January 1, 2022 as the transition date are as follows:

	January 1, 2022	
	Accumulated other comprehensive income (loss)	Retained earnings
Application of IFRS 4 on January 1, 2022 (the transition date)	₩(984,936)	30,541,300
Recognition of net difference from initial application of IFRS 17	(42,601)	627,174
Elimination of financial assets at fair value through profit or loss (overlay approach)	(209,645)	209,645
Reclassification of financial instruments under IFRS 17	(99,607)	(10,001)
Recognition of net insurance finance income from insurance contract assets (liabilities)	459,556	—
Tax effects from adjustments	(27,990)	(229,003)
Total of adjustments for transition date	79,713	597,815
Application of IFRS 17 on January 1, 2022 (the transition date)	₩(905,223)	31,139,115

(In millions of won)

52. Adoption of IFRS 17 *'Insurance Contracts'* (continued)

(b) Significant effects in the primary financial statements such as the financial position as of December 31, 2022 and comprehensive income statement for the period ended December 31, 2022 under IFRS 17 are as follows:

i) The statement of financial position as of December 31, 2022

	Amount under IFRS 4	Adjustment for IFRS 17	Amount under IFRS 17
Assets			
Cash and due from banks at amortized cost	₩ 29,532,235	518,605	30,050,840
Financial assets at fair value through profit or loss	56,643,669	4,864,612	61,508,281
Securities at fair value through other comprehensive income	63,661,719	21,807,442	85,469,161
Securities at amortized cost	57,971,492	(24,600,294)	33,371,198
Loans at amortized cost	412,291,511	(4,392,539)	407,898,972
Reinsurance contract assets	—	88,772	88,772
Other assets	55,783,655	(9,737,649)	46,046,006
	675,884,281	(11,451,051)	664,433,230
Liabilities			
Deposits	383,010,745	(22,451)	382,988,294
Borrowings	49,279,175	—	49,279,175
Debt securities issued	77,288,783	—	77,288,783
Insurance contract liabilities	54,315,124	(8,410,351)	45,904,773
Reinsurance contract liabilities	—	62,803	62,803
Investment contract liabilities	—	2,133,586	2,133,586
Other liabilities	60,860,032	(7,507,774)	53,352,258
	624,753,859	(13,744,187)	611,009,672
Equity	₩ 51,130,422	2,293,136	53,423,558

(In millions of won)

52. Adoption of IFRS 17 *'Insurance Contracts'* (continued)

ii) The statement of comprehensive income for the period ended December 31, 2022

	Amount under IFRS 4	Adjustment for IFRS 17	Amount under IFRS 17
Operating income			
Net interest income	₩12,463,681	(1,866,828)	10,596,853
Net fees and commission income	2,525,566	(112,024)	2,413,542
Net insurance income (expense)	(827,233)	1,873,457	1,046,224
Net insurance finance income	—	807,964	807,964
Other operating expenses	(8,273,935)	(685,084)	(8,959,019)
	5,888,079	17,485	5,905,564
Equity method income	121,697	—	121,697
Other non-operating income, net	339,475	(110)	339,365
Profit before income taxes	6,349,251	17,375	6,366,626
Income tax expense	(1,617,088)	5,976	(1,611,112)
Profit for the period	4,732,163	23,351	4,755,514
Other comprehensive loss for the period, net of income tax	(2,598,032)	1,592,257	(1,005,775)
Total comprehensive income for the period	₩ 2,134,131	1,615,608	3,749,739

iii) The statement of cash flows for the period ended December 31, 2022

	Amount under IFRS 4	Adjustment for IFRS 17	Amount under IFRS 17
Cash flows from operating activities	₩ 7,592,560	(404,120)	7,188,440
Cash flows from investing activities	(11,031,456)	335,529	(10,695,927)
Cash flows from financing activities	3,394,715	—	3,394,715
Effect of exchange rate changes on cash and cash equivalents held	(57,837)	(1,118)	(58,955)
Cash and cash equivalents at the beginning of the period	24,103,443	482,230	24,585,673
Cash and cash equivalents at the end of the period	₩ 24,001,425	412,521	24,413,946

(In millions of won)

53. Condensed Shinhan Financial Group (Parent Company only) Financial Statements

STATEMENTS OF FINANCIAL POSITION

	2022	2023
Assets		
Deposits		
Banking subsidiaries	₩ 2,187	22
Other	—	—
Receivables from subsidiaries:		
Non-banking subsidiaries	4,009,467	4,051,004
Investment (at equity) in subsidiaries:		
Banking subsidiaries	13,797,222	13,797,222
Non-banking subsidiaries	16,933,142	16,925,865
Financial assets at FVTPL	1,778,475	1,985,760
Property, equipment and intangible assets, net	11,411	15,331
Other assets		
Banking subsidiaries	483,688	187,118
Non-banking subsidiaries	384,443	219,118
Other	56,279	108,114
Total assets	₩37,456,314	37,289,554
Liabilities and equity		
Borrowings	₩ 20,000	223,722
Debt securities issued	9,815,457	10,389,276
Accrued expenses & other liabilities	944,308	577,415
Total liabilities	₩10,779,765	11,190,413
Equity	26,676,549	26,099,141
Total liabilities and equity	₩37,456,314	37,289,554

(In millions of won)

53. Condensed Shinhan Financial Group (Parent Company only) Financial Statements (continued)

CONDENSED STATEMENTS OF INCOME

	2021	2022	2023
Income			
Dividends from banking subsidiaries	₩ 772,420	902,420	1,159,525
Dividends from non-banking subsidiaries	807,803	568,474	626,443
Interest income from banking subsidiaries	173	236	512
Interest income from non-banking subsidiaries	75,013	87,215	92,991
Other income	235,746	251,999	284,072
Total income	1,891,155	1,810,344	2,163,543
Expenses			
Interest expense	(210,535)	(222,413)	(286,642)
Other expense	(259,188)	(367,015)	(177,484)
Total expenses	(469,723)	(589,428)	(464,126)
Profit before income tax expense	1,421,432	1,220,916	1,699,417
Income tax expense (benefit)	7,476	(28,335)	28,406
Profit for the year	₩1,413,956	1,249,251	1,671,011

(In millions of won)

53. Condensed Shinhan Financial Group (Parent Company only) Financial Statements (continued)

CONDENSED STATEMENTS OF CASH FLOWS

	2021	2022	2023
Cash flows from operating activities			
Profit for the period	₩ 1,413,956	1,249,251	1,671,011
Non-cash items included in profit for the period	(1,448,898)	(1,274,183)	(1,653,331)
Changes in operating assets and liabilities	605,089	163,179	187,618
Net interest paid	(134,269)	(127,247)	(172,937)
Dividend received from subsidiaries	1,578,920	1,470,400	1,783,758
Income tax paid	(1,102)	(3,487)	(640)
Net cash provided by operating activities	2,013,696	1,477,913	1,815,479
Cash flows from investing activities			
Net loan origination to non-banking subsidiaries	(649,384)	68,000	(11,277)
Acquisition of subsidiary	(379,857)	(374,126)	11
Disposal of investments in subsidiaries	—	20,354	—
Other, net	(452,672)	(403,743)	(303,582)
Net cash used in investing activities	(1,481,913)	(689,515)	(314,848)
Cash flows from financing activities			
Issuance of hybrid bonds	1,154,597	997,120	897,646
Repayments of hybrid bonds	—	(135,000)	(1,195,550)
Net changes in borrowings	—	20,000	201,713
Issuance of debt securities issued	1,428,704	2,206,672	2,253,173
Repayments of debt securities issued	(1,890,000)	(2,036,000)	(1,709,626)
Convertible preferred stock conversion cost	—	—	(75)
Dividend paid	(1,218,761)	(1,540,871)	(1,461,371)
Acquisition of treasury stock	(79)	(300,600)	(486,919)
Disposition of and incineration cost of treasury stock	—	(60)	(81)
Payment of stock issuance costs	(605)	—	—
Redemption of lease liabilities	(1,701)	(1,431)	(1,708)
Net cash used in financing activities	(527,845)	(790,170)	(1,502,798)
Effect of exchange rate changes on cash and cash equivalents held	23	(3)	—
Net increase (decrease) in cash and cash equivalents	3,961	(1,775)	(2,167)
Cash and cash equivalents at beginning of year	—	3,961	2,186
Cash and cash equivalents at end of year	₩ 3,961	2,186	19

EXHIBIT 8.1

List of Subsidiaries of Shinhan Financial Group Co., Ltd.

Shinhan Bank Co., Ltd
Shinhan Card Co., Ltd
Shinhan Securities Co., Ltd.
Shinhan Life Insurance Co., Ltd.
Shinhan Capital Co., Ltd.
Shinhan Asset Management Co., Ltd.
Jeju Bank
Shinhan Savings Bank
Shinhan Asset Trust Co., Ltd.
Shinhan DS
Shinhan Fund Partners Co., Ltd.
Shinhan REITs Asset Management Co., Ltd.
Shinhan AI. Co., Ltd.
Shinhan Venture Investment Co., Ltd.
Shinhan EZ General Insurance, Ltd.
SHC Management Co., Ltd.
Shinhan Credit Information Co., Ltd.
Shinhan Bank America (incorporated in United States)
Shinhan Bank Canada (incorporated in Canada)
Shinhan Bank (China) Limited (incorporated in People's Republic China)
Shinhan Bank Europe GmbH (incorporated in Germany)
Shinhan Bank Japan (incorporated in Japan)
Shinhan Bank Vietnam Ltd. (incorporated in Vietnam)
Shinhan Bank Kazakhstan Limited (incorporated in Kazakhstan)
Shinhan Bank (Cambodia) PLC. (incorporated in Cambodia)
PT Bank Shinhan Indonesia (incorporated in Indonesia)
Banco Shinhan de Mexico (incorporated in Mexico)
SBJ DNX, Inc. (incorporated in Japan)
LLP MFO Shinhan Finance (incorporated in Kazakhstan)
PT Shinhan Indo Finance (incorporated in Indonesia)
Shinhan Microfinance Co., Ltd. (incorporated in Myanmar)
Shinhan Vietnam Finance Company Ltd. (incorporated in Vietnam)
Shinhan Investment Asia Ltd. (incorporated in Hong Kong)
Shinhan Investment America Inc. (incorporated in United States)
Shinhan Securities Vietnam (incorporated in Vietnam)
PT Shinhan Securities Indonesia (incorporated in Indonesia)
PT Shinhan Asset Management Indonesia (incorporated in Indonesia)
Shinhan Asset Management (Hong Kong) Limited (incorporated in Hong Kong)
Shinhan Financial Plus
Shinhan CubeOn Co., Ltd.
Shinhan Life Insurance Vietnam Co., Ltd. (incorporated in Vietnam)
Shinhan DS Vietnam Co., Ltd. (incorporated in Vietnam)
KOFC Shinhan Frontier Champ 2010-4 PEF
Shinhan Praxis K-Growth Global Private Equity Fund
Shinhan Smile Gate Global 1st PEF
Shinhan SKS PEF
Neoplux 3rd PEF
KT CNP Growth Champ 2011-2 PEF
Shinhan Private Equity Fund 2nd
JS Shinhan PEF
Shinhan Nautic 1st PEF

Other than as otherwise noted herein, all of our subsidiaries are incorporated in Korea.

EXHIBIT 12.1

CERTIFICATIONS

I, Jin Okdong, certify that:

1. I have reviewed this annual report on Form 20-F of Shinhan Financial Group (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 18, 2024

By: /s/ Jin Okdong
Name: Jin Okdong
Title: Chief Executive Officer

EXHIBIT 12.2

CERTIFICATIONS

I, Chun Sang-yung, certify that:

1. I have reviewed this annual report on Form 20-F of Shinhan Financial Group (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 18, 2024

By: /s/ Chun Sang-yung

Name: Chun Sang-yung
Title: Chief Financial Officer

EXHIBIT 13.1

CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Shinhan Financial Group (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jin Okdong, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 18, 2024

By: /s/ Jin Okdong
Name: Jin Okdong
Title: Chief Executive Officer

EXHIBIT 13.2

CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of Shinhan Financial Group (the "Company") on Form 20-F for the fiscal year ended December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chun Sang-yung, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 18, 2024

By: /s/ Chun Sang-yung
Name: Chun Sang-yung
Title: Chief Financial Officer

EXHIBIT 97.1

Policy Relating to Recovery of Erroneously Awarded Compensation required by applicable listing standards adopted pursuant to 17 CFR 240.10D-1

NYSE-Listed Company
Incentive Compensation Clawback Policy

Established on November 9, 2023

Article 1 (Purpose)

The purpose of this NYSE-Listed Company Incentive Compensation Clawback Policy (this "**Policy**") is to set forth the requirements and procedures for Shinhan Financial Group (the "Company") to comply with Section 303A.14 of The New York Stock Exchange Listed Company Manual which relates to the incentive compensation clawback (the "**Listing Rules**").

Article 2 (Interpretation and Administration)

The Company's Compensation Committee shall have full authority to interpret and enforce this Policy; provided, however, that this Policy shall be interpreted and enforced in accordance with the Listing Rules and other applicable domestic and foreign laws and regulations.

Article 3 (Covered Persons)

(1) This Policy applies to any of the following persons ("**Covered Persons**"):

1. Management and Managing Directors; or
2. Other persons prescribed by the Listing Rules, including persons who perform important policy-making functions

(2) This Policy shall be binding upon beneficiaries, heirs, executors, administrators or other legal representatives of the Covered Persons as set forth in paragraph (1) above.

Article 4 (Incentive Compensation)

(1) The incentive compensation (the "**Incentive Compensation**," including, but shall not be limited to, equity-based awards such as long-term awards, equity awards and stock options) to be recovered pursuant to this Policy shall mean any compensation that is paid wholly or in part upon the attainment of any of the following financial reporting measures (the "**Financial Reporting Measures**"):

1. Measures that are determined in accordance with the accounting principles used in preparing financial statements;
2. Stock price and total shareholder return; or
3. Other measures that are derived from the above measures.

(2) Any compensation paid regardless of the attainment of Financial Reporting Measures or based on qualitative evaluation that is unrelated to Financial Reporting Measures shall not be included in the Incentive Compensation to be recovered pursuant to this Policy.

Article 5 (Reasons for Recovery)

(1) If the financial statements based on which the Incentive Compensation has been paid have been corrected due to any error, or the Company, a court, financial regulator, or other legally authorized body has determined (or the Company reasonably should have determined) that such restatement is required, any Incentive Compensation previously paid shall be recovered to the extent provided in Article 7 to reflect the correction.

(2) The restatement of financial statements requiring recovery under paragraph (1) above refers to an accounting restatement that is required due to the material noncompliance by the Company with any financial reporting requirement under the securities laws, including any required accounting restatement for any of the following reasons:

1. to correct an error in previously issued financial statements that is material to the Company's previously issued financial statements; or

2. to correct an error in previously issued financial statements that would result in a material misstatement if the error were corrected in the current fiscal period or left uncorrected in the current fiscal period.

(3) The recovery of the Incentive Compensation pursuant to this Policy shall be made by a resolution of the Compensation Committee.

Article 6 (Incentive Compensation to be Recovered)

(1) The recovery pursuant to this Policy shall apply to the Incentive Compensation paid during the last three fiscal years preceding the earliest of the following days:

1. The date on which financial statements have been corrected;

2. The date on which the Company, a court, financial regulator, or other legally authorized body has determined that the restatement of financial statements is required; or

3. The date on which the Company reasonably should have determined that the restatement of financial statements is required.

(2) The Incentive Compensation shall be deemed paid in the fiscal period during which the financial reporting measure specified in the Incentive Compensation award is attained, even if the payment of the Incentive Compensation occurs after the end of that period.

Article 7 (Amount to be Recovered)

The amount to be recovered shall be the amount of Incentive Compensation actually paid that exceeds the amount of Incentive Compensation calculated based on the corrected financial statements.

Article 8 (Methods of Recovery)

(1) The Incentive Compensation shall be recovered by using any of the following methods:

1. Requiring cash reimbursement;

2. Seeking forfeiture of any gain realized from any equity-based awards;

3. Offsetting the amount to be recovered from any compensation otherwise owed by the Company to the Covered Person;

4. Cancelling vested stock options; or

5. Taking any other recovery action permitted by law.

(2) The Company shall not be liable to indemnify the Covered Person for any loss incurred by the Covered Person due to the determination and enforcement of recovery.

Article 9 (Exceptions to Recovery)

(1) If the cost required to enforce recovery is expected to exceed the amount to be recovered, the Compensation Committee may determine pursuant to a resolution not to recover such Incentive Compensation.

(2) Before making the determination under the preceding paragraph, the Company must make a reasonable attempt to recover the Incentive Compensation.

(3) If the recovery under this Policy would violate any domestic law of the Company's country of incorporation that was adopted prior to November 28, 2022, the Compensation Committee may determine pursuant to a resolution not to recover such Incentive Compensation.

Article 10 (Relationship with Other Policies, etc.)

(1) If the scope of recovery of the Incentive Compensation determined under applicable laws or regulations, internal policies or separate contracts, etc. falls short of the scope of recovery pursuant to this Policy, this Policy shall be followed.

(2) Nothing in this Policy shall limit the right of the Company to recover the Incentive Compensation under applicable laws or regulations, internal policies or separate contracts, etc.

(3) Recovery pursuant to this Policy shall not affect the Company's claim for damages against the Covered Persons.

Article 11 (Miscellaneous)

Detailed matters not set forth in this Policy may be determined and managed by the Compensation Committee.

Addenda

1. (Enforcement Date) This Policy shall come into force on November 9, 2023.

2. (Incentive Compensation to be Recovered) Notwithstanding Article 6, this Policy shall not apply to the Incentive Compensation (including the Incentive Compensation reserved to be paid which shall have been normally paid prior to October 1, 2023) paid on or prior to October 1, 2023.