

F.R.E.S.H.



thinking

ANNUAL REPORT 2020



F.R.E.S.H

Challenging
the status quo,
considering it
with fresh ideas.

Calling into question existing rules, challenging established practices and thinking beyond preconceived ideas – these are the principles of Shinhan Financial Group’s new strategic direction, “F.R.E.S.H. 2020s”. Our ability to bring fresh thinking to everything we do is the result of a unique blend of diverse and complementary businesses, an extensive global network, a long-term perspective and most of all, a dynamic culture which prizes challenge, teamwork and integrity.

Fresh thinking – going beyond conventional wisdom – has enabled us to uncover opportunities, nurture good ideas, help businesses grow stronger, create sustainable value and give back to our communities. In the same way, “F.R.E.S.H. 2020s” will continue to guide us and drive our performance ever upwards as we shape the future of finance.



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Message from the CEO



Dear shareholders,

Last year, Shinhan Financial Group established “F.R.E.S.H 2020s”, a mid-term strategy for achieving sustainable growth, and came together as one to embark on a challenging journey in pursuit of our vision “Excellence, Shinhan”. Reviewing our 2020 performance in terms of the five strategic elements – Fundamental, Resilience, Eco-system, Sustainability, and Human-talent – it is my great pleasure to report that we made significant achievements in all areas amid a multitude of uncertainties blanketing the global financial market.

First, we confirmed our “Fundamental” strengths despite the prolonged fears of COVID-19 compounded by lowering base rates. Backed by our diversified business portfolio in non-banking sectors, our interest income was increased by 1.9%, and non-interest income by 7.9% year-on-year, thereby achieving profitable growth for the seventh consecutive year.

On “Resilience”, we prepared ourselves for the impact of COVID-19 in anticipation of a protracting pandemic. To this end, we actively provisioned against loan losses and proactively responded to underperforming investment products, and thus eliminated future uncertainties and demonstrated our ability to turn crises into opportunities for advancement.

As for creating a digital “Eco-system” that will enable us to lead the future of finance, we built such effective framework to drive our digital transformation as “Digilog Committee” which streamlines the decision-making process and accelerates digital transformation across the Group. In addition, we further sharpened our competitive edge by forming ties and collaborating with fin-tech, big-tech and other diverse industry leaders.

On “Sustainability”, we strived to build up win-win ecosystems that is sustainable in a post COVID-19 era by upgrading our ESG management structure and spurring efforts in green finance and innovative finance. In particular, we have launched “Zero Carbon Drive”, an initiative to fight climate change and pursue net-zero carbon emissions across our portfolio by 2050. We will continue to work towards a greener future in collaboration with various global players to shape a happier and healthier future.

Last, on “Human-talent” that completes “F.R.E.S.H. 2020s”, we made multifaceted efforts through diverse avenues, internal and external, thereby securing talent who can lead in the digital era and gave them opportunities to unlock their full potential. We also developed a corporate culture of speed, agility and quickness.

As a result, we achieved a net income of KRW 3,414.6 billion, the largest ever in the industry’s history, representing a high-water mark in the financial industry amidst difficult circumstances at home and abroad.

Plans for 2021

Shinhan is facing the year 2021 with a resolve steelier than ever before. COVID-19 has disintegrated the conventional norms of human interactions. In these times of unforeseen changes and sprawling confusions, we stand tall on strong fundamentals, armed with business resilience and top-class talent, designing a sustainable eco-system for the future. The oncoming multitude of uncertainties can sink the unprepared, but can sail the vessel of the prepared across uncharted waters.

This year, all members of Shinhan will further solidify the foundation for, and accelerate the innovation drive toward “Excellence, Shinhan” in the direction of differentiated growth to which “F.R.E.S.H 2020s” is set. We will reinforce what we excel and supply what we lack, and we will always put customers and shareholders at the center of everything we do in our endeavor to repay their unswerving support of Shinhan with the greatest value and best experience possible.

Esteemed shareholders,

Ever since the establishment of Shinhan Financial Group, we have been able to overcome countless hardships, carrying on our legacy of success, thanks to the steadfast support, keen interest, and unswerving trust you have given us as we rose to one challenge after another. In 2021, as before, we will spare no effort to forge ahead on the journey going beyond the podium of No.1 to the more promising hill of “Excellence, Shinhan”, all to your grand expectations on Korea’s leading financial group that we are. I wish you all health and peace in the Year of the White Ox, a symbol of strength and placidity.



Cho Yong-byoung

Chief Executive Officer, Shinhan Financial Group



[CEO Interview Video](#)



This year, we will reinforce what we excel and supply what we lack, and we will always put customers and shareholders at the center of everything we do.



Key Performance Indicators

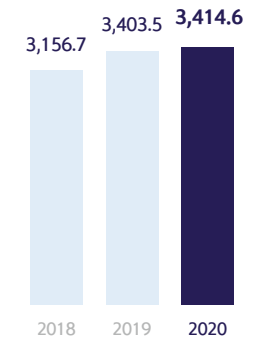
(KRW billion)

	2020	2019	YoY %
Operating Income before Expenses	11,532.9	11,131.7	3.6
Interest Income	8,155.1	8,001.0	1.9
Non-interest Income	3,377.8	3,130.7	7.9
G&A Expenses	5,212.5	5,134.7	1.5
Operating Income	6,320.4	5,997.0	5.4
Non-operating Income	-175.9	-134.7	n.a.
Pre-provision Income	6,144.5	5,862.3	4.8
Provision for Credit Losses	1,390.6	950.8	46.3
Earnings before Income Tax	4,753.9	4,911.5	-3.2
Income Tax	1,255.8	1,269.1	-1.1
Consolidated Net Income¹⁾	3,414.6	3,403.5	0.3
Loans in KRW (Bank, KRW trillion)	248.8	225.0	10.6
Group Assets (Consolidated, end-of-period, KRW trillion)	605.3	552.4	9.6
NIM (Group)	1.80%	2.00%	-0.20%p
Cost to Income Ratio	45.2%	46.1%	-0.9%p
Credit Cost Ratio	0.41%	0.30%	0.10%p
(Credit Cost Ratio excluding one-offs ²⁾)	0.29%	0.30%	-0.01%p
NPL Ratio	0.56%	0.52%	0.03%p
ROE	8.4%	9.4%	-1.0%p
ROA	0.6%	0.7%	-0.1%p
CET1 Ratio (Group) ³⁾	12.9%	11.1%	1.8%p

¹⁾ Net income in controlling interest²⁾ One-offs: Preemptive provisioning based on FLC (KRW 394.4 billion for 2020)³⁾ When not reflecting the early adoption of the revised BASEL III credit risk framework, CET1 is 11.75% for 2020

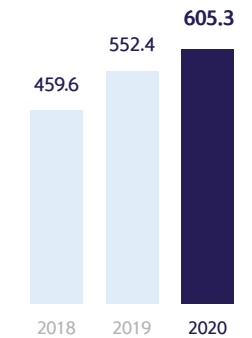
Group Net Income

(KRW billion)



Group Assets

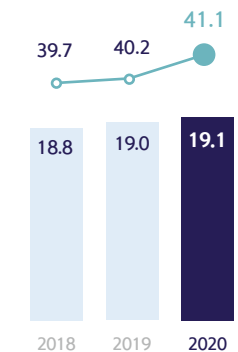
(KRW trillion)



Customers

● Cross-selling Ratio (%)

■ Active Customers (Persons in million)



Stock Information

Shareholders Holding Ownership of More than 1%

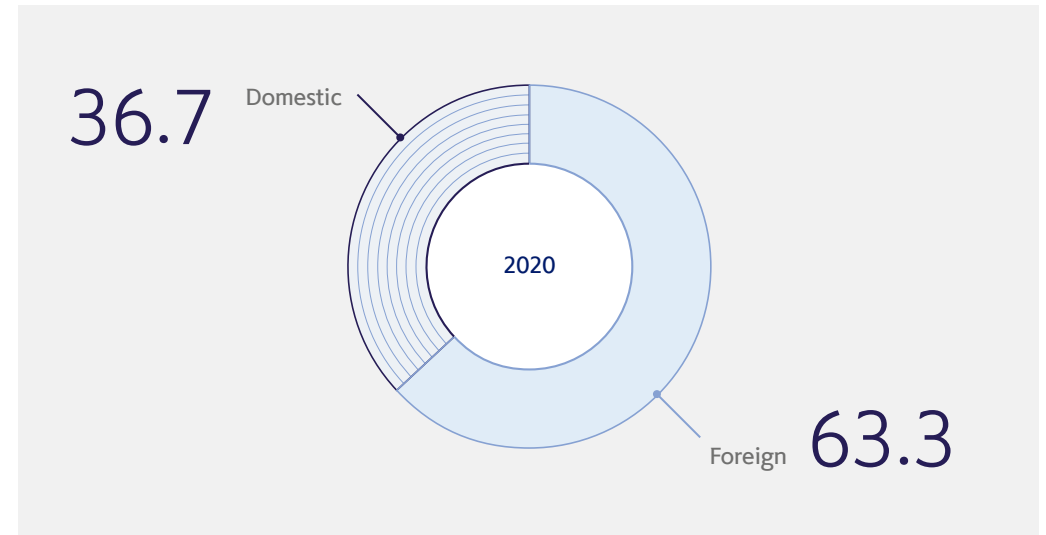
Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	50,666,140	9.81%
BlackRock Fund Advisors ¹⁾	29,063,012	5.63%
SFG Employee Stock Ownership Association	24,788,139	4.80%
Centennial Investment Limited	20,440,000	3.96%
BNP Paribas SA	18,690,310	3.62%
Supreme, L.P.	18,690,000	3.62%
Citibank, N.A. (ADR Dept.)	14,885,417	2.88%
The Government of Singapore	9,747,771	1.89%
Vanguard Total International Stock Index	6,389,977	1.24%
Peoples Bank of China	5,729,646	1.11%
Others	346,572,154	67.09%
Total	516,599,554	100.00%

* Based on the results of shareholder registry closing as of December 31, 2020

¹⁾ Based on the large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisory Service on September 27, 2018

Share Ownership

(Unit: %)



Stock Performance

(Unit: KRW)

	2020	2019
Market Capitalization (Year End)	16.6 trillion	20.6 trillion
Share Price		
Year End	32,050	43,350
High	42,750	48,000
Low	22,200	38,350
Weighting in the KOSPI (Year End)	0.8%	1.4%
Average Daily Trading Volume	2.4 million shares	1.0 million shares
Dividend Per Share (Common Stock)	1,500	1,850
Total Dividend Paid (Common Stock)	774 billion	852 billion
Dividend Payout Ratio (Common Stock)	22.7%	25.0%

Number of Shares Issued

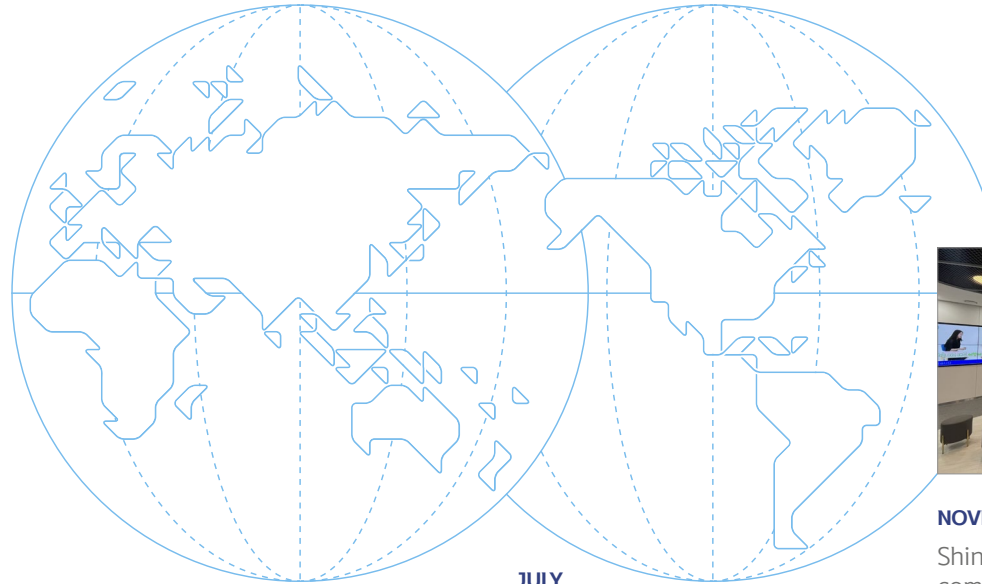
Type of Stock	No. of Shares
Common Stock	516,599,554
Convertible Preferred Stock ²⁾	17,482,000

* The number of treasury shares held by Shinhan Financial Group as of December 31, 2020 is 6,350 common shares

²⁾ All of the 17,482,000 convertible preferred shares other than the above common shares are held by Mercury 1st LLC.

YEAR IN REVIEW

More progress around the world



NOVEMBER

Shinhan Bank became the first commercial bank to open a "Digitact Branch", a futuristic innovative branch model that is equipped with a video consulting system

Q4

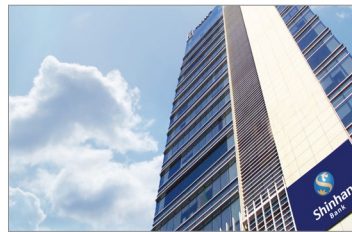
JULY

Shinhan Bank Vietnam was chosen as the "Best Companies to Work For 2020" by HR Asia for two consecutive years

Q3

APRIL

Shinhan Bank's overseas subsidiary in Japan, SBJ Bank, established a local ICT subsidiary specializing in digital and ICT support – Digital-Decoupling, New-Network, eXperience-transformation



BUSINESS DEVELOPMENT

Q1

JANUARY

Fully acquired OrangeLife
Shinhan Bank was chosen as the "Most Innovative Bank for Trade Finance in 2020" by Global Finance, a global financial magazine

Q2

MAY

Shinhan AI commenced joint "NEO" R&D project with ELEMENT AI, a global AI software solution company located in Canada
Shinhan Bank India launched "Shinhan SOL India"

SEPTEMBER

Neoplux (current Shinhan Venture Investment) became a subsidiary



OCTOBER

Shinhan Bank Vietnam opened its 38th branch, the Can Tho branch, in the Mekong Delta region in southern Vietnam



DECEMBER

Shinhan Bank opened "Expace", an open R&D space for digital innovation



Search



Digital Transformation

DIGITAL TRANSFORMATION



Q1

JANUARY

Shinhan AI's AI investment advisory platform NEO was used to launch "Shinhan BNPP SH-AI NEO Asset Allocation Fund" and "Shinhan NEO AI Fund Wrap"

Shinhan Investment's "overseas equity online gift card service" was designated as an "Innovative Financial Service" by Financial Services Commission (FSC)

FEBRUARY

Shinhan Card's "rental brokerage platform service" was chosen as an Innovative Financial Service by FSC

MARCH

Shinhan Card launched the personal expenditure management (PEM) service

Q2

APRIL

The Group membership system, Tops Club, was upgraded to "Shinhan Plus"

JUNE

Shinhan Card launched "Shinhan Pay^{FAN} My Healthcare Service", and "My Monthly Rent" service

Q3

JULY

Shinhan Card signed a strategic business agreement with "Zigbang", a leading property technology (prop tech) company in Korea



SEPTEMBER

Shinhan AI officially opened an AI-based product investment advisory service and AI market warning system

Q4

OCTOBER

Shinhan Card commenced the credit bureau (CB) service for individual entrepreneurs

Shinhan Bank's R-Offering platform¹⁾ won "This Year's Project" in the Omni Experience Innovator category of the "2020 IDC (International Data Corporation) DX Award"



DECEMBER

Shinhan Future's Lab held the N.E.O. (New Era of Opportunity) Renaissance Startup Demo Day event

Shinhan Bank & Shinhan Card received a preliminary permit for MyData business

¹⁾ A hyper-personalized marketing system that detects contact/transaction type information that is generated through at least 20 on/offline channels for recommendation of tailored products and services for each customer and real-time delivery of benefits information



Sustainability Management

SUSTAINABLE MANAGEMENT

Q1

MARCH

Launched the third group of Shinhan SHeroes
Shinhan Life Insurance became the first in the domestic life insurance industry to join the UN Principles for Sustainable Insurance (PSI)

Q2

JUNE

Shinhan Investment strengthened financial product-related internal control (product governance)
Launched Shinhan N.E.O. Project¹⁾ to spur innovative growth

Q3

JULY

Published the 2019 Group Corporate Social Responsibility Report (SASB, TCFD-aligned information disclosure)

SEPTEMBER

Shinhan Bank became the first commercial bank in Korea to join the Equator Principles

Q4

NOVEMBER

Shinhan Financial Group became the first financial group in East Asia to declare ambitions for achieving carbon neutrality with its "Zero Carbon Drive"

DECEMBER

Shinhan Financial Group joined the Partnership for Carbon Accounting Financials (PCAF) and Science-Based Targets initiative (SBTi)



8 & 12
consecutive years



DJSI
Included in DJSI World for 8 consecutive years (12 years for AP Index and Korea Index)

Global 100

Included on Global 100 Most Sustainable Corporations list by Davos Forum for 9 consecutive years (Ranked 84th among global and 1st among financial companies in Asia)

84th



7
consecutive years



CDP
Included in Carbon Management Hall of Fame for 3 consecutive years and in the Carbon Management Honors Club for 7 consecutive years (Acquired Leadership level A)

AA

MSCI ESG

Received AA grade for 5 consecutive years



KCGS ESG Evaluation
Received A+ grade for 6 consecutive years



A+

¹⁾ New Economic growth supporting Operations

RESPONSE TO COVID-19

Shinhan Financial Group, as a leading financial group and respectful corporate citizen, has been responding to the COVID-19 pandemic from immediate relief efforts to long-term recovery strategies. In addition, we help our society remain competitive and resilient in the post COVID-19 era.

New credit extensions
KRW 13.1 trillion

Maturity extensions & debt rescheduling
KRW 23.1 trillion

Interest payment deferrals
KRW 388.5 billion

* As of December 31, 2020



CUSTOMERS

COVID-19 relief for
SME and SOHO clients



Committed KRW 1.8 trillion funding into
Bond Market Stabilization Fund

Committed KRW 1.0 trillion funding into
Equity Market Stabilization Fund

Donated KRW 3.3 billion for local communities
and those impacted by COVID-19,
as well as the medical staff

Provided a platform for donation through
crowd funding

* As of December 31, 2020



SOCIETY

Market Stability and
Philanthropic Finance



Activated Business Continuity Plan

Full disinfection of working area

Installation of an acrylic wall to prevent
spread of virus

Strong digital infrastructure to support
employees working remotely without cyber
security issues



EMPLOYEES

Employee Safety
in Priority

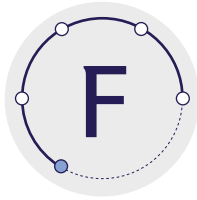


F.R.E.S.H 2020s

F.R.E.S.H 2020s is Shinhan Financial Group's distinctive strategy for achieving "Excellence, Shinhan". Even as the COVID-19 pandemic swept the globe in 2020, we put the strategic direction into practice, and progressed positively towards our long-term goal of becoming a "world-class financial group".

Mid-term Strategy Roadmap





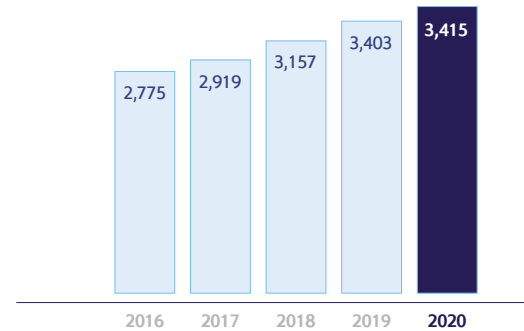
Maximizing corporate value by fortifying fundamentals

Securing sustainable growth through a diversified portfolio

In 2020, Shinhan Financial Group continued strong growth based on the consistent application of its mid- to long-term strategies. Even amidst the huge uncertainties caused throughout the year by the COVID-19 pandemic, we were able to increase interest income, our main profit source, and also achieve further growth by diversifying our business portfolio. As a result, our consolidated net income rose by 0.3% year-on-year to KRW 3,414.6 billion, the seventh consecutive year of profitable growth. Despite the low interest rate environment, our interest income grew by KRW 154.0 billion or 1.9%, while non-interest income saw strong growth of KRW 247.0 billion or 7.9%. In addition, we continued to build the foundations for sustainable growth with a solid increase in assets.

GROUP NET INCOME

(Unit: KRW billion)



Maintained a strong level of income, driven by a diversified business portfolio, and thus achieved a net income of KRW 3,414.6 billion, a year-on-year increase of 0.3%

3,415 KRW billion

GROUP INTEREST INCOME

(Unit: KRW billion)



Thanks to solid asset growth based on a balanced loan portfolio and advanced asset-liability management (ALM), both bank and non-bank interest income rose during the year despite low interest rates and margins, achieving year-on-year increases of 1.0% and 4.6%, respectively.

8,155 KRW billion

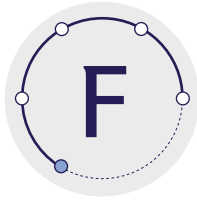
GROUP NON-INTEREST INCOME

(Unit: KRW billion)



Group non-interest income for the year stood at KRW 3,378 billion, a year-on-year increase of 7.9%, mainly attributable to increases in fee income, and strong performances in the securities and FX derivatives sectors.

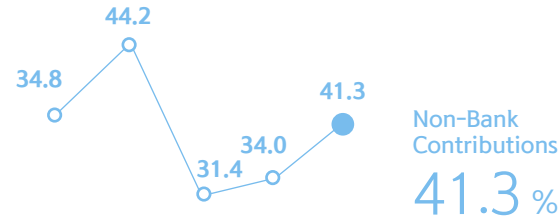
3,378 KRW billion



NET INCOME CONTRIBUTION BY NON-BANK SUBSIDIARIES

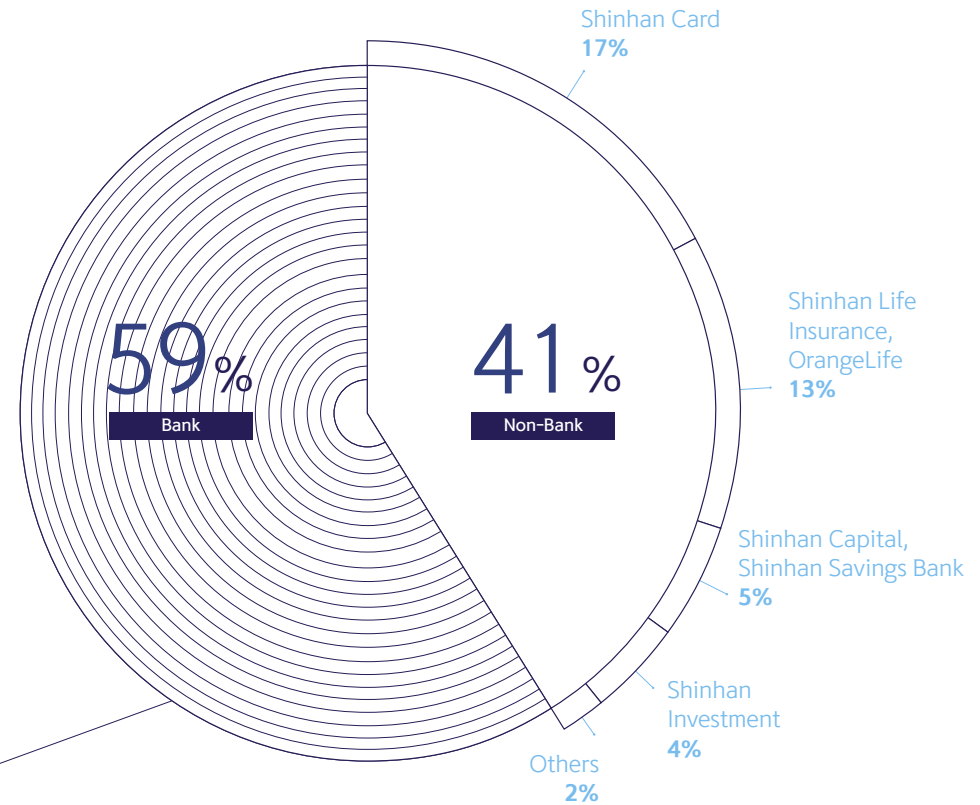
(Unit: KRW billion)

- Bank
- Non-bank



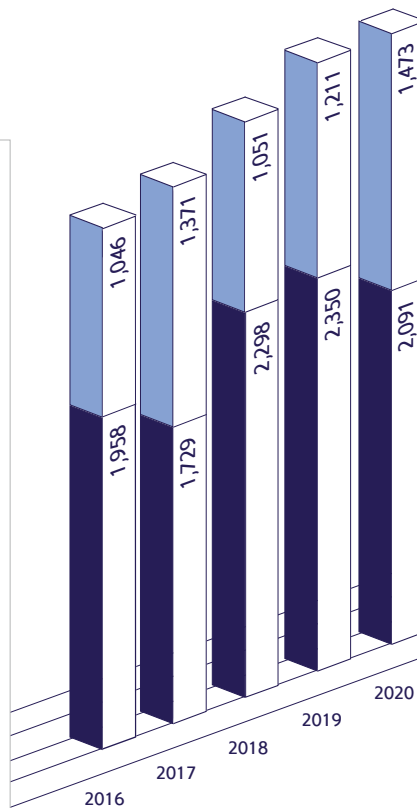
GROUP NET INCOME BREAKDOWN

(Unit: %)

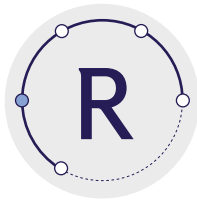


Non-bank boosting Group's fundamentals

We are strengthening our non-banking businesses in order to maintain solid growth and increase income at a time of continued low interest rates. The proportion of the Group's consolidated net income accounted for by our non-bank subsidiaries has increased steadily over the last three years, reaching 41.3% in 2020. In particular, the IB and GMS Business Divisions and other matrix organizations, as well as non-bank subsidiaries including Shinhan Card and Shinhan Capital, achieved sharp growth. Going forward, we will further enhance our corporate value by continuing to improve our fundamentals in product and service quality, irrespective of any crisis. We will then strive to ensure that this increased corporate value leads to enhanced value for our shareholders and all other stakeholders.



* Net income in controlling interest



Strengthening resilience, the ability to recover quickly from adversity

Building resilience throughout and after the COVID-19 pandemic

Resilience is the strength that will enable Shinhan Financial Group to make another leap forward by re-examining the key capabilities it needs to create a strong business. In 2020, we focused on building resilience in order to both overcome the financial and economic ramifications of COVID-19, and to be in a position to flourish our business when the pandemic ends. As a result of this commitment to long-term resilience, our major subsidiaries, including Shinhan Bank, set aside KRW 394.4 billion of additional reserves in 2020 in order to be prepared for unexpected future events and the economic shock triggered by COVID-19, and to ensure that growth in recurring net income is achieved through conservative policies on cost recognition. These additional provisioning was accumulated by reflecting forward looking criteria amid the COVID-19 pandemic (KRW 228.6 billion), and through discounted cash flow assessment and stage reclassification of certain loan assets (KRW 165.8 billion).

CAPITAL ADEQUACY

(Unit: %)



BIS Ratio

15.8%



CET1 Ratio

12.9%

The Group's CET1 ratio improved by 1.8%p over the previous year to record 12.9% on the back of solid net income increase and flexible capital management

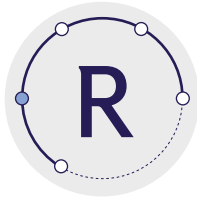
CET1 internal requirement 10.5%

CET1 regulatory requirement 8.0%

Strategic capital management for resilient and sustainable growth

It is not certain what the market will look like after COVID-19. We are therefore managing our capital in a flexible and efficient manner in order to allow us to respond effectively to the risks and opportunities which may arise. Our CET1 ratio is 12.9%, well above the regulatory requirement of 10.5% (CET1 Regulatory Requirement 8.0% + Counter Cyclical Buffer 2.5%). By reinforcing resilience through strict risk management and conservative yet flexible capital policies, we will overcome the current crisis and develop into a company with new capabilities, ready for the markets of the future.

¹⁾ After reflecting early adoption of the revised Basel III credit risk framework



PROVISION FOR CREDIT LOSSES

(Unit: KRW billion)

- Shinhan Bank
- Shinhan Card
- Others

COVID19-related Provisions

Total
394.4 KRW billion

4Q 2020
Shinhan Bank 113.4
Shinhan Card, etc. 73.9

3Q 2020
Shinhan Bank 21.8
Shinhan Card, etc. 0.6

2Q 2020
Shinhan Bank 150.8
Shinhan Card, etc. 33.9

Accumulated KRW 394.4 billion in COVID19-related provisions by adjusting risk component (RC) that is applied to the entire portfolio to minimize uncertainties from COVID-19 and by conducting a credit re-evaluation on individual borrowers

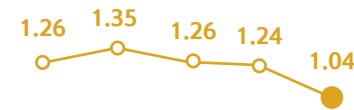
Provision for Credit Losses

1,391 KRW billion

Provision for credit losses for 2020 increased by 46.3% year-on-year to record KRW 1,391 billion to minimize negative impacts due to future uncertainties

* Provisions made by Shinhan Bank, Shinhan Card and other Group subsidiaries

PROACTIVE CREDIT RISK MANAGEMENT



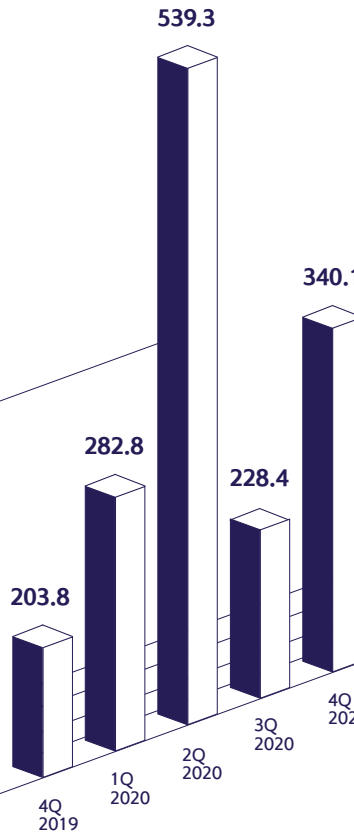
Delinquency Ratio of Shinhan Card

(Unit: %)



Delinquency Ratio of Shinhan Bank

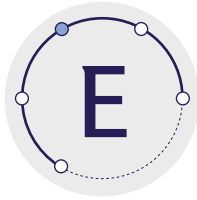
(Unit: %)



Provision for Credit Losses of the Group

(Unit: KRW billion)

Stable credit cost ratio even after securing a sufficient buffer for COVID19-related uncertainties, including any potential repercussion from the termination of government-led financial support programs



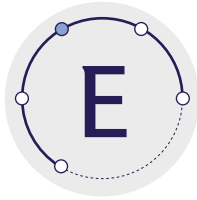
Building a digital ecosystem to elevate digital competitiveness

Leading digital innovation and evolving into digital Shinhan

In 2020, COVID-19 intensified the trend towards contactless interactions in business, and in society as a whole. This in turn has accelerated the digital transformation of our lives, and finance is no exception. Shinhan Financial Group has been leading the digital transformation of the Korean financial industry, and in 2020, focused strongly on its digital platform-based businesses. As a result, the number of monthly active users (MAUs) of SoL, Shinhan Bank's digital platform, rose by 0.7 million compared to the previous year to reach 7.0 million, and MAUs for Shinhan Card's Pay^{FAN} also rose strongly by 0.8 million, to reach 5.1 million. We continue to expedite our transition to a digital company, and have set out "Digilog" as our strategy for digital transformation, enhancing customer, corporate, and employee value through mutual support between digital and analog business.

SHINHAN DIGITAL PLATFORMS





DIGITAL REVENUE CREATION

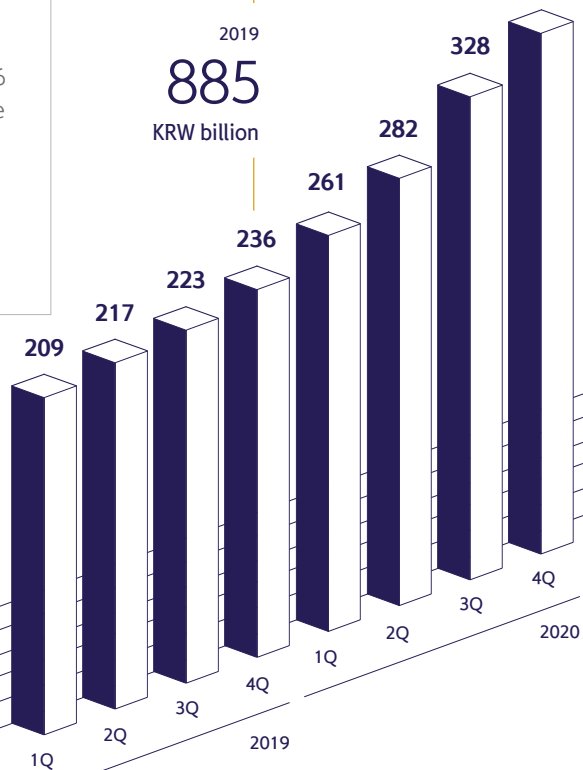
(Unit: KRW billion)

Operating Income before Expenses
via Digital Channels

+38.3% YoY

2020
1,224
KRW billion

2019
885
KRW billion



Generating more revenue from digital channels

We continue to innovate our digital channels by adding shopping services to our financial platform and launching hyper-personalized PEM¹⁾ services. Thanks to these efforts, the number of customers using Shinhan's mobile platform at the end of 2020 recorded 39.96 million, a year-on-year increase of 10%. Income generated by digital channels in 2020 was 1,224 billion, a substantial increase of 38.3% compared to the previous year.

DIGITAL COST EFFICIENCY

(Unit: %)

Costs Saved via DT

- Front
- Middle
- Back

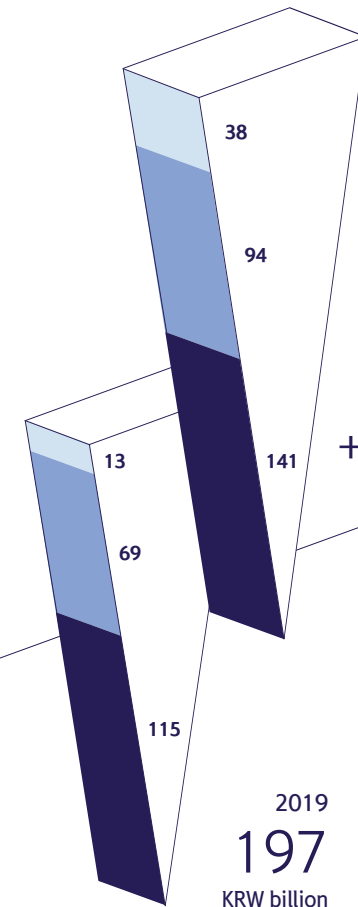
Saving more cost through digital transformation

Digital technology increases time and resource efficiency, and the time and resources that are saved as a result can be used to create greater value. We are achieving cost reductions through digital transformation (DT), including robotic process automation (RPA), AI-based services and processes, and data-based customer management. Our major subsidiaries, including Shinhan Bank and Shinhan Card, replaced most of their straightforward customer consultation work with AI chatbots in 2020, and continued to expand the application of RPA, which resulted in a reduction in annual working hours of 270,000 hours. As a result, the cost reductions achieved in 2020 were 38.7% up over the previous year.

2020
274
KRW billion

+38.7% YoY

2019
197
KRW billion





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Executing a coherent Group-wide strategy towards a more sustainable future

#ZERO CARBON DRIVE



Fight climate change by pursuing net zero carbon emissions by 2050

Climate change is an unavoidable danger for the future, and its effect on nations, industries, companies, and households will impact financial institutions' credit, market liquidity, insurance, and operational risks. In order to respond preemptively to the changes that will be brought about by climate change, in November 2020 Shinhan Financial Group became the first financial group in East Asia to announce the implementation of "Zero Carbon Drive" as part of its international cooperation in the fight against climate change. Zero Carbon Drive is our distinctive eco-friendly strategy, and aims at achieving carbon neutrality across the companies in our asset portfolio, through the phasing out of the use of coal and replacement with renewable energy. In addition, we will reduce our own carbon emissions. We will achieve carbon neutrality by 2050, and will also increase our positive impact on the environment by expanding green finance.





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Executing a coherent Group-wide strategy towards a more sustainable future

#ZERO CARBON DRIVE

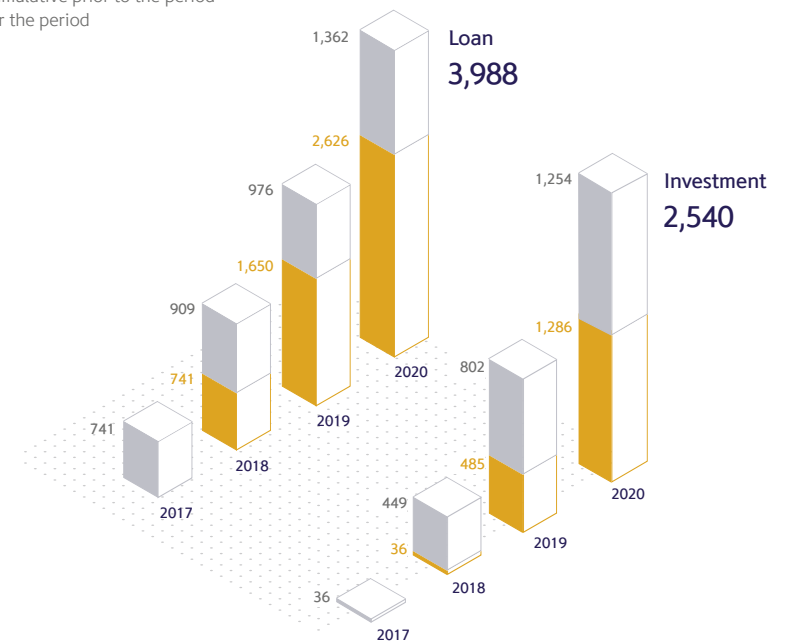
Green Finance

We are expanding our green finance and strengthening our support for renewable energy. Our new green financing in 2020 grew by 47.1% year-on-year to KRW 2,616 billion, with the cumulative total since 2017 now reaching KRW 6,528 billion. We are also encouraging eco-friendly practices through products such as Shinhan Bank's green loans and Shinhan Card's eco-cards.

GREEN FINANCE PERFORMANCE

(Unit: KRW billion)

- Cumulative prior to the period
- For the period





Executing a coherent Group-wide strategy towards a more sustainable future



Maximizing social value through changes that enable sustainable growth of stakeholders

By identifying and fostering startups, we are taking the lead in establishing an innovation ecosystem in Korea, and are also improving the fundamentals of the national economy. To this end, we are implementing "Triple-K Project" consisting of three Ks – Korea Cross-Country Plan, Korea to Global Plan, and participation in the government-led K-Unicorn Project aimed at nurturing promising venture companies – with the specific target of developing 10 unicorn companies.

In addition, we are continuing to expand our inclusive finance under our "Hope Together SFG" project. Under the project, we have set three major goals, each standing for a letter in "SFG": (S) we are helping companies and individuals who dream of a new "Start up" change into healthy financial consumers; (F) enabling everyone to enjoy a stable economic life by being equipped with "Financial literacy"; (G) and removing regional gaps by resolving social issues that "Group of community" faces.





Executing a coherent Group-wide strategy towards a more sustainable future



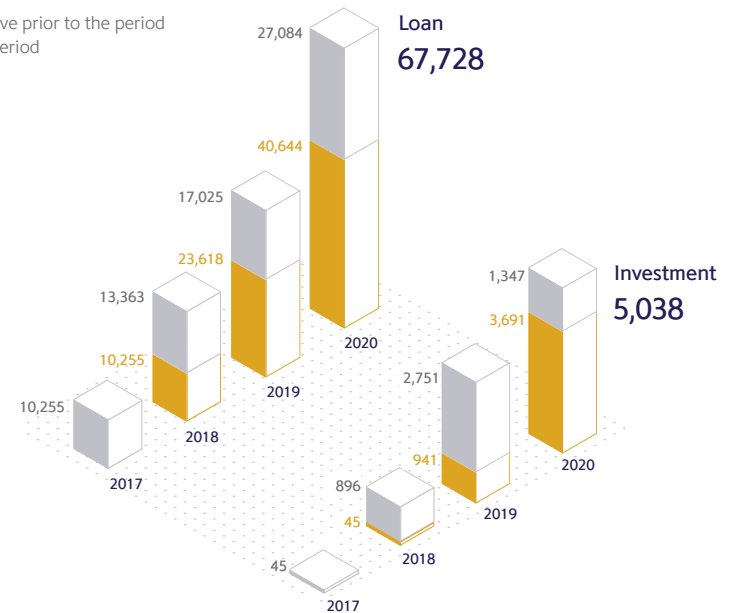
Inclusive Finance

We are leveraging our expertise in finance to help local communities preemptively prepare for the post-COVID-19 era. To this end, we are expanding our innovation finance and other financing for the underserved in the form of technology finance, job creation guaranteed loans, loans secured on IP and property, and direct loans to customers on low incomes. Our inclusive and innovative financing in 2020 rose by KRW 28,430 billion year-on-year, lifting the cumulative total since 2017 to KRW 72,766 billion.

INCLUSIVE FINANCE PERFORMANCE

(Unit: KRW billion)

■ Cumulative prior to the period
■ For the period





Versatile and talented people to lead future growth



Promoting respect, building diversity, and nurturing future leaders

Shinhan's distinctive strategic direction for growth, "F.R.E.S.H", can only be completed when "Human talent" is added to Fundamental, Resilience, Ecosystem, and Sustainability. This is why we continually focus on strengthening our human resources, show equal respect to all members of the Group, and promote workplace diversity.

In 2018, we became the first organization in the Korean financial industry to launch a dedicated program for nurturing female leaders. This program, called "SHeroes", has been such a success that it has expanded every year, from the first group of 27 participants chosen from four subsidiaries, then 49 participants from eight subsidiaries and most recently, 67 participants from 11 subsidiaries. In addition, as customer needs become more complex and business uncertainties continue to grow, we are nurturing employees with multi-faceted talents who are able to respond preemptively and actively to changes. Following the establishment of the new "Digilog" strategy in 2020, we are focusing on fostering digital talent, and are therefore building a Group-wide joint digital training system to nurture digital talent throughout the Group.

INCLUSION IN THE BLOOMBERG GENDER EQUALITY INDEX

We are striving to reduce gender-based social inequality and substantially improve the social status of women in Korean society by nurturing female leaders and supporting a better work-life balance. These efforts have earned global recognition. In 2019, we became the first company in Korea to be included in the Bloomberg Gender-Equality Index (GEI), and won inclusion for a second straight year in 2020. GEI is an ESG index which measures five pillars of gender equality – female leadership and talent pipeline, equal pay and gender pay parity, an inclusive culture, sexual harassment policies, and a pro-women brand. Shinhan has been chosen as one of 325 outstanding companies for gender equality from 42 countries across the globe.



TRAINING TO STRENGTHEN DIGITAL CAPABILITIES

We have defined an ideal digital talent as “creating value through improvement and innovation in existing work” and operate Group-wide digital training programs in support of this. We have adopted the online digital training platform (SCOOL) that has enabled us to continue to offer trainings to our employees despite the COVID-19 pandemic. Moreover, we newly opened an offline training space called “Digital Square”, where our employees can take full advantage of its space, as well as its infrastructure to elevate their digital competencies. Currently, our Digital Square is equipped with both the hardware and software for digital training, as well as a data practice environment using cloud. Combined, we are providing more than 90 courses on the five core competencies as defined by the Group’s digital strategy, including AI, big data, block chain, cloud, and digital transformation through our online and offline training platforms.

It is important that our employees have both financial and digital skills so that we can compete effectively against big tech and fintech companies, and can also develop drivers of future growth. Therefore, in 2017 Shinhan Financial Group became the first financial company in Korea to develop a master’s course in digital financial engineering, in collaboration with Korea University. The 61 Masters of Engineering who have graduated from this course and the 66 students currently enrolled are undertaking a wide range of projects connected to digital technology.





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SFG Overview



Group Strategy

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Shinhan Financial Group is heading towards its vision of becoming a World Class Financial Group, driven by a consistent strategic direction based on full trust of customers and society.

F.R.E.S.H 2020s

Shinhan Financial Group is implementing its mid-term strategic direction, "F.R.E.S.H 2020s" in order to evolve into "Excellence, Shinhan" that earns the recognition of all its stakeholders for distinctive growth even at a time of complex uncertainties.

Management Principles – T.O.P

In order to pave the way towards "Excellence, Shinhan", we have adopted management principles of TOP – Trust, Openness, and Pioneer – as our "path for finance", guiding both Shinhan and finance. The path of finance embodies the concept that the foundation of finance is customer trust (trust); the future growth of finance is beyond boundaries (openness); and serving the world through finance is built on pioneering (pioneer).

Mid-term Financial Goal

We aim to achieve excellence from the perspective of our customers and stakeholders, not just by ranking No. 1 as a business. This goal will be achieved through a virtuous cycle of growth, driven by three factors – the principles of customer first, enhanced shareholder value, and balanced growth. The three driving factors each have a specific focus (customers, shareholders, and the Group) and targets (to achieve the highest¹⁾ rates of return; to improve our BPS by up to 20%; and, to enlarge earnings from non-interest and matrix business lines by minimum 30%, while increasing earnings from non-banks by at least 40%). This virtuous cycle will enable us to become a leader in Korea over the mid-term in major financial indices such as ROE and global net income.

Distinctive Strategic Direction for Growth – F.R.E.S.H

In order to follow the "path of finance", overcome complex uncertainties, and thus achieve strong growth, we will focus on the five distinctive strategic direction for growth expressed as "F.R.E.S.H".

¹⁾ Highest among Korean peers

F.R.E.S.H



Fundamental

Maximizing corporate value by fortifying fundamentals



Resilience

Strengthening resilience, the ability to recover quickly from adversity



Ecosystem

Building a digital ecosystem to elevate digital competitiveness



Sustainability

Executing a coherent Group-wide strategy towards a more sustainable future



Human-talent

Versatile and talented people to lead future growth

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2021 Group Management Strategies

Guided by F.R.E.S.H 2020s, in 2021, Shinhan Financial Group will strengthen work processes and management systems to ensure to deliver optimal customer outcome while solidifying its business fundamentals in order to overcome complex uncertainties through resilience. We will also accelerate the implementation of our key directions for the future – “open & innovative digital transformation” and “sustainable finance of green, win-win, and trust”. We have therefore set out seven detailed strategic directions for 2021 which will be implemented flexibly depending on changes in markets.

2021 Strategic Tasks

1. Open and Innovative Digital Transformation We will accelerate the pace of digital transformation throughout our businesses across front, middle, and back areas. In particular, we will build an innovative platform in order to establish an open digital ecosystem, develop a data-based competitive edge, discover and nurture digital startups, and form alliances to create new business opportunities. In addition, we will strengthen our capabilities in key digital technologies, and enhance the competitiveness of our human resources.

2. Optimal Growth We strive establish a virtuous cycle whereby we improve the profitability of our existing businesses in order to generate the income needed to identify and invest in areas of future growth. We will improve the profitability of existing businesses through qualitative improvements and efficient allocation of resources, and also by expanding non-interest businesses. In order to identify areas of future growth, we will actively seek new business opportunities and undertake a selective expansion of our portfolio.

3. Global Consolidation and Expansion Instead of focusing on size-based expansion, we will adopt a more advanced global strategy based on qualitative growth. We will adopt a range of global business models based on our targeted localization strategy and a system of efficient collaboration between the Group subsidiaries. In order to continue to expand, our global growth strategies will be implemented from the customer perspective, including by strengthening the sourcing of global products. We will also improve our global proprietary asset management.

4. Sustainability Management Strategies for sustainable finance will be based on “green”, “win-win”, and “trust” management. In accordance with “Zero Carbon Drive” announced in 2020, we will reduce our own and financed carbon emissions, and will implement other positive measures such as increasing the supply of green finance. We will also continue to build a win-win ecosystem through innovative growth and “Triple-K Project”.

5. Preemptive Risk Management We will further strengthen our ability to respond preemptively to the complex and uncertain business environment. We will continue to upgrade our distinctive risk management, one of key strengths of Shinhan, by digitalizing risk management through the use of big data and other new technologies, and upgrading the risk management infrastructure. In addition, we will build a sophisticated consumer protection system under the direction of strengthening customer-centered risk management.

6. Dynamic Organizational System We will build a dynamic portfolio system, which enables the Group and the Group subsidiaries to move organically together, aimed at maximizing our operational efficiency. As well as increasing efficiency from the Group perspective, we will strengthen the organizational capabilities of each subsidiary by enhancing organizational efficiency and flexibility, and establishing a customer-centered organizational system.

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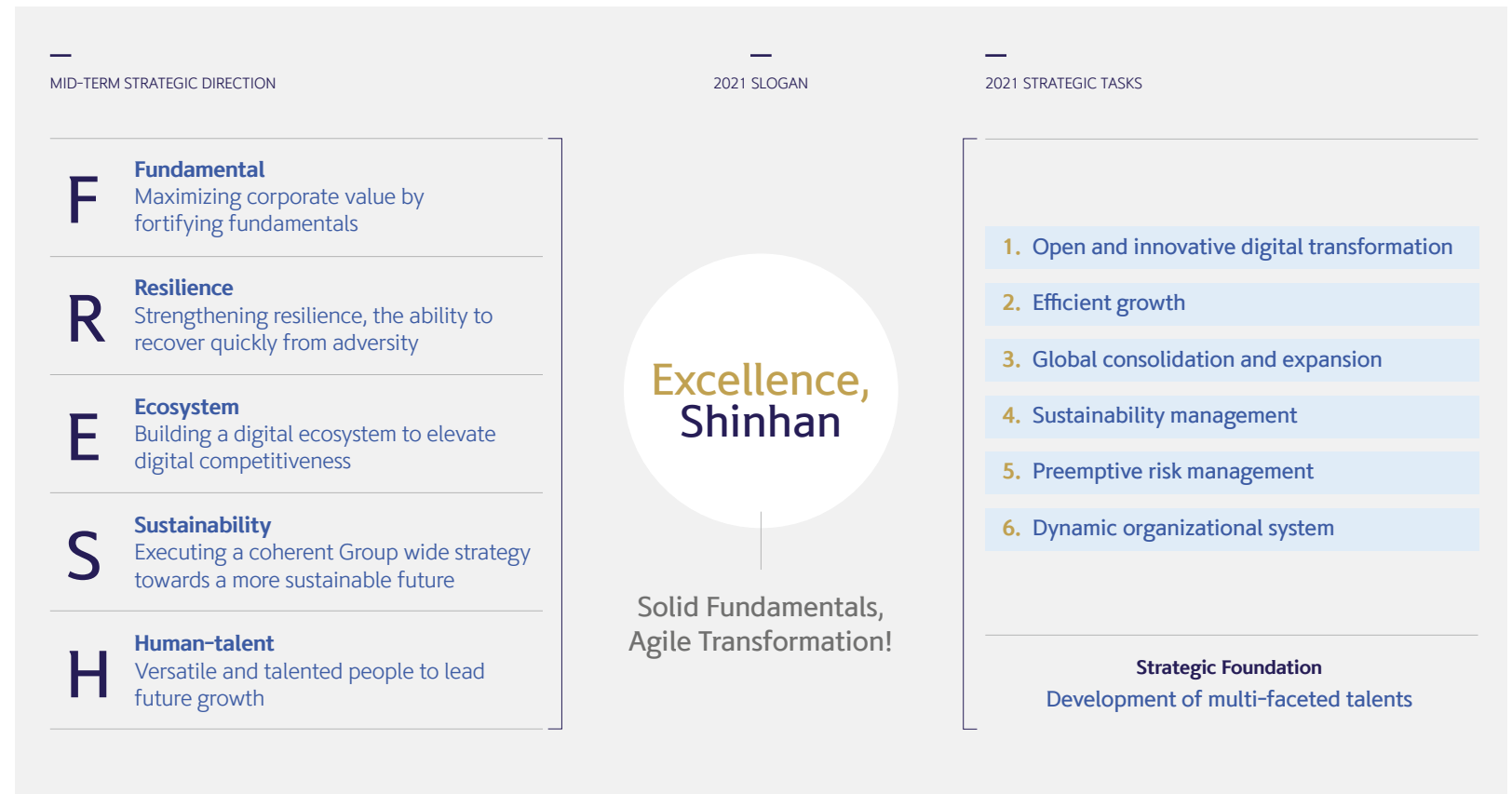
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Foundation for Strategic Tasks in 2021

Development of Multi-Faceted Talent Having people with convergent capabilities, which refers to those who excel in both finance and digital capabilities, is the foundation for Shinhan to implement all our key strategic tasks. We will therefore continue to recruit and nurture digital talent, and to build a portfolio of convergent talents.

We will also build a way of working that is both efficient and agile. In addition, we will create an organizational culture of disruptive innovation, which transcends the boundaries of businesses, and will move forward with the value of the Shinhan brand.

Mid-term Strategic Direction & 2021 Strategic Tasks



Corporate Governance

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The Group has established a governance structure which reflects its milestones and organizational culture, while also ensuring transparency, soundness, and stability, in order to achieve long-term growth and protect the interests of all its stakeholders.

Governance Principles

Shinhan Financial Group has established a governance structure and principles that promote the interests of shareholders, protect the rights of stakeholders, enhance corporate value, and achieve sustainable growth. Thanks to our commitment to these principles and policies, we run our business ethically and with a sense of responsibility.

Our outstanding corporate governance has garnered outside recognition. For example, in the ESG assessment carried out by the Korea Corporate Governance Service (KCGS), we have received an integrated assessment rating of A+ for six consecutive years since 2015, and obtained an S rating in the governance category in 2017. In addition, we continued to receive the highest-possible rating even when a more demanding assessment model was applied to financial institutions beginning in 2018. The KCGS awarded the Group with the Grand Prize in Governance, praising our ESG management and strategy, namely, the establishment a high-level environmental management system and active promotion of stakeholder rights and interests, and establishment of a stable responsible management system by taking the lead in operating a CEO succession and top management compensation system, with the BOD performing a central role.

Transparent Governance Structure

We actively disclose our governance-related standards, procedures, and outcomes to ensure transparent corporate governance. We share corporate governance-related matters with all stakeholders by publishing an annual corporate governance report and then disclosing it on the company website and submitting to the Korea Federation of Banks, 20 days prior to the annual general meeting (AGM). In addition, we help our stakeholders understand operational practices concerning corporate governance by disclosing the full text of our internal corporate governance regulations

in the annual corporate governance report. These include the Articles of Incorporation, BOD regulations, and the regulations of each sub-committee of the BOD. It is particularly noteworthy that we use a cumulative voting methodology in order to protect the rights of minority shareholders at AGMs, and use both an electronic voting system and a system enabling shareholders to vote in writing in order to actively guarantee shareholder voting rights. We also offer fair and timely information at AGMs by providing real-time video streaming.

Sound Governance Structure

We have formed a Board of Directors (BOD) equipped with the independence and expertise necessary to maintain sound corporate governance. We faithfully abide by all laws, including the Commercial Act and the Act on Corporate Governance of Financial Companies, and all internal regulations, including the Articles of Incorporation, the code of corporate governance, and the regulations of the BOD. In addition, all recommendations in relation to BODs stipulated in the Act on Corporate Governance of Financial Companies and the KCGS Corporate Governance Code are reflected in the Group's corporate governance, and strictly observed.

Stable Governance Structure

In order to ensure stable governance structure through checks and balances among our constituents, we have delegated our decision-making and operation to the Board and the management respectively and the management reports the status of their execution of duties to the Board. Independent Directors account for 86% of the Board as of the end of March 2021, which is in excess of the 50% requirement by law, ensuring that the Board of Directors can check the powers of the management. The Company also actively promotes the Board's Independent Directors-centered activities by filling a majority of each subcommittee with Independent Directors. The average percentage of Independent Directors in subcommittees is 94%, and five out of seven subcommittees are wholly composed of Independent Directors.



[SFG's Corporate Governance Report](#)

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The Board is granted the authorities to appoint and dismiss CEO (executive director) and senior management. Independent Directors have the authority to request data, advisory services, etc., and the Company has the obligation to provide this information to Independent Directors. Dependent on the findings from the background checks, which includes third-party verification of Independent Directors' experience and reputation, they will be given two-year terms of office when elected the first time; thereafter they will be given a one-year term of office. This ensures that only Independent Directors that have dutifully executed their duties will have the chance of being re-elected at the general meeting of shareholders.

Diversity and Expertise of the Board of Directors

Our Internal Code of Corporate Governance specifies the "principle of diversity" in the composition of the Board. These principles are to prevent the Board from advocating specific interests, thereby realizing diversity and expertise of corporate governance. Diversity is considered in a broad sense, including, among other attributes, leadership, experience, skills, perspectives, gender and geography.

In its actual operations, the Board consists of members with diverse expertise that help to drive our strategy forward as the financial market and the competitive landscape continue to evolve. This also prevents specific backgrounds or job categories being over-represented. The composition of the Board evenly covers 6 areas (finance, business management, economy, legal, accounting and technology) mentioned in the Act on Corporate Governance of Financial Companies as expertise requirements.

Considering financial holding companies' characteristics, which cover all sectors of the financial industry, the Company endeavors to elect Independent Directors with expertise across multiple areas. The Company also considers diverse recommendation channels and perspectives regarding the Board's composition and the selection of Independent Director candidates, including from shareholders, the Independent Director Recommendation Committee, and outside agencies. By operating a system which invites shareholders to recommend candidates as independent directors, we receive recommendations for candidates who are fully committed to independently representing shareholder value, and also enable shareholders to participate in management.

We are dedicated to increasing female representation on the Board. Over the years, various measures, such as maintaining a minimum 20% for female candidates in the long list, have been put in place to enhance Board gender diversity. Such efforts came to fruition when in March 2020, Yoon Jaewon, a female independent director with expertise in accounting, was appointed to join our Board. We also ensure that the candidate group represents diversity in experience, background, and age, while factors that could restrict diversity, such as race, ethnicity, and religion are strictly taken out of the consideration for the candidacy. This is helping us in our efforts to abide faithfully by the principle of diversity in the composition of the BOD.

Governance Structure that Reflects the Group's Growth Paths

Shinhan Financial Group originates from Shinhan Bank, which was launched in July 1982 with 341 Korean-Japanese shareholders making a 100% equity investment of paid-in capital of KRW 25.9 billion. This was the first bank in Korea to be funded exclusively with private capital. These founding shareholders provided the foundations which enabled the Bank to grow from a small financial company with only three branches at the time of its establishment to a leading financial group in Korea, and they have provided wholehearted support as shareholders of the Group since its founding. The founding shareholders have continued to help with our development, including the "Campaign for Holding Shinhan Shares" despite a sharp drop in the share price during the Asian financial crisis. Thanks to the trust of our founding shareholders, we have continued our stable development guided by management who are not only financial experts, but who also have an in-depth understanding of the Shinhan culture from the time of our founding.

Launched in 2001 as the first private sector financial holding company in Korea, Shinhan Financial Group has built foundations for further growth by establishing a strategic alliance with BNP Paribas Group. In 2019, we attracted an investment from IMM PE, thus strengthening communication and collaboration with capital market participants and developing long-term growth engines. In addition, through a capital increase in September 2020, we attracted Affinity Equity Partners (AEP) and Baring Private Equity Asia (BPEA), global private equity funds, to preemptively respond to changes in the financial environment as well as build strategic alliances, including discovery of new growth areas through attraction of global professional investors.

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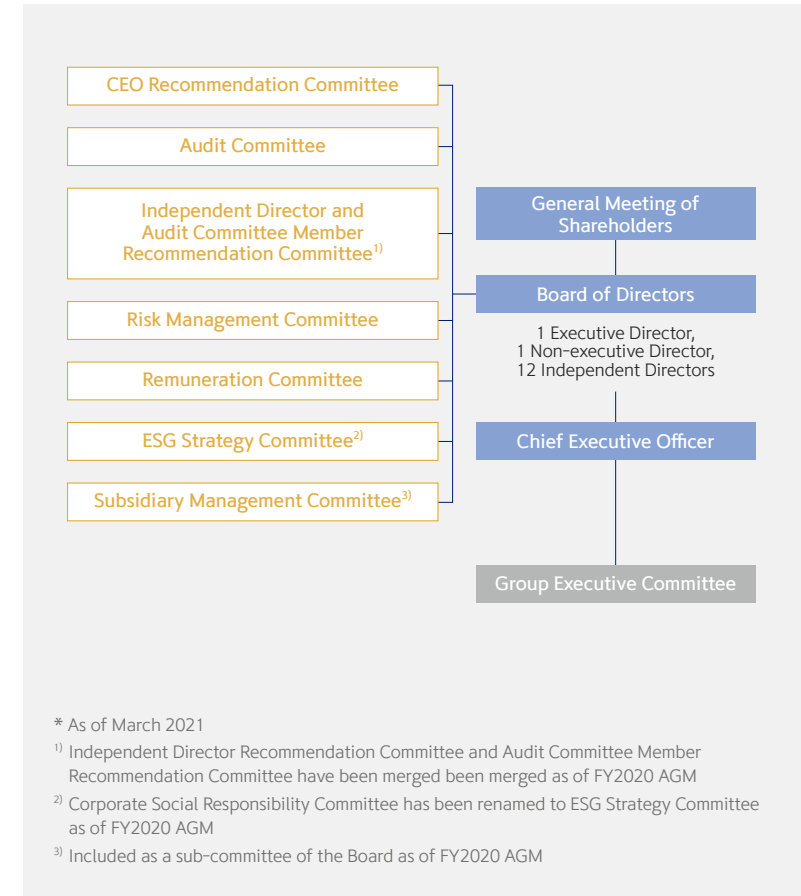
Governance Structure

As the company's top-level standing decision-making body, Shinhan Financial Group's BOD is vested with the authority to appoint and dismiss the CEO, and mainly consists of independent directors. As of the end of March, 2021, the BOD comprises a total 14 members, of which 12 are independent directors. Since March 2010, it has been regulated that an independent director serves as the BOD Chairperson.

As of March 2021, there are a total seven sub-committees of the Board – the CEO Recommendation Committee, Audit Committee, Independent Director and Audit Committee Member Recommendation Committee, Risk Management Committee, Remuneration Committee, ESG Strategy Committee, and Subsidiary Management Committee. Of these, the establishment of the Independent Director and Audit Committee Member Recommendation Committee, CEO Recommendation Committee, Audit Committee, Remuneration Committee, and Risk Management Committee has been made mandatory by such laws as the Act on Corporate Governance of Financial Companies. The BOD autonomously established the other two remaining committees to enhance BOD expertise, independence, and efficiency.

With regards to recommending candidates for executive positions, the Group operates the Independent Director and Audit Committee Member Recommendation Committee, CEO Recommendation Committee, and Subsidiary Management Committee. Enforced on August 1, 2016, the Act on Corporate Governance of Financial Companies obligates the establishment of the executive recommendation committee, which recommends candidates for executives, such as independent directors, chairman, CEO, and audit committee members. Even before the enforcement of relevant laws, the Group segmented the authority to recommend executives and divided it among sub-committees of the Board.

SFG's Governance Structure



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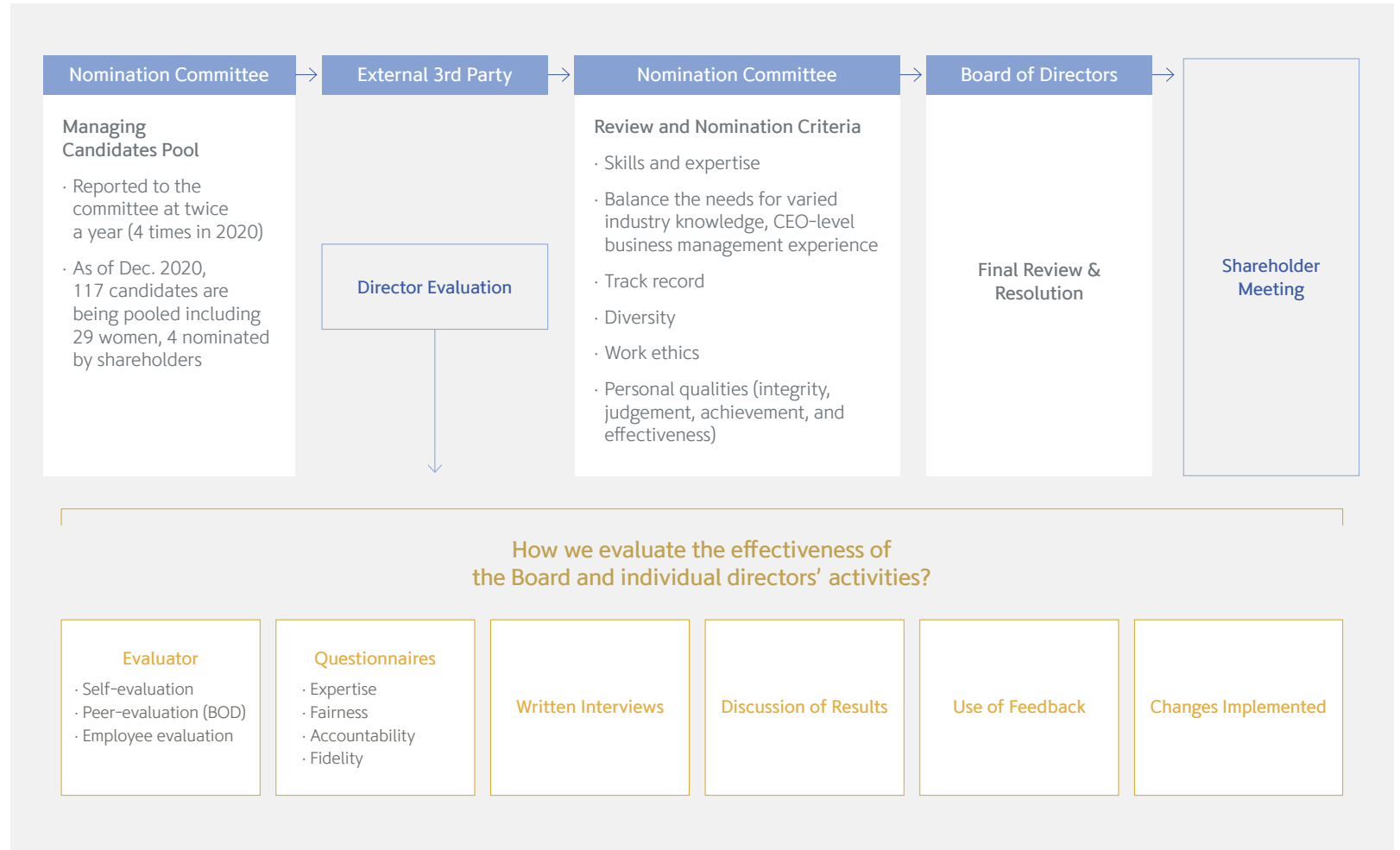
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BOD Composition by Expertise

As of	Finance	Economy	Business Administration	Accounting	Legal Affairs	Information Technology	Global	Total
Mar. 2016	4	2	4	1	1	-	-	12
Mar. 2017	5	1	4	1	1	-	-	12
Mar. 2018	5	1	3	1	1	1	-	12
Dec. 2018	4	1	3	1	1	1	-	11
Mar. 2019	5	1	3	1	1	1	1	13
Dec. 2020	5	1	3	1	1	1	1	13
Mar. 2021	5	-	2	2	3	2	-	14

Board of Directors' Skills and Qualifications¹⁾

Name	Finance	Economy	Business Management	Accounting	Legal	Technology	International Business	Risk Management
Cho Yong-byoung	○		○					
Jin Ok-dong	○		○				○	
Park Ansoon			○				○	
Byeon Yang-ho	○	○	○					
Sung Jae-ho					○		○	
Lee Yoon-jae	○	○	○					
Choi Kyong-rok			○			○	○	
Huh Yong-hak	○		○				○	○
Yoon Jaewon			○	○				
Jin Hyun-duk			○				○	
Bae Hoon ²⁾				○	○			
Lee Yong Guk ²⁾	○				○		○	
Choi Jae Boong ²⁾						○		
Kwak Su Keun ²⁾			○	○				

²⁾ Newly appointed at FY2020 AGM

¹⁾ Skills/Qualifications

Skills/Qualifications	Description
Finance	Understanding of financial market, reporting, and management strategies
Economy	Ability to interpret macro-economic trends and events
Business management	Current or past leadership roles as top or senior executives
Accounting	Accounting expertise overseeing the integrity of financial reporting
Legal	Legislative experiences gained as policy practitioners and legal professionals, or from the academia and relevant associations
Technology	Experience with or oversight of information system, fin-tech or privacy, cyber security and their related risks
International Business	Experience in diverse geographic, political and regulatory environments
Risk Management	Skills and experience in assessment and management of business and financial risk factors

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In support of corporate mission of Shinhan Financial Group, “Compassionate Finance, Your Companion for the Future”, we continue to undertake extensive ESG activities which are generating sustainable value for Shinhan and our stakeholders through the power of finance.



ESG Strategy

Overview

Companies thrive by providing society with the support it needs to grow strongly and continuously, which is why Shinhan Financial Group has pursued sustainable growth in partnership with society since the early days of its founding. We are creating a virtuous win-win cycle through which our own value and the value of all our stakeholders increase together. It is this cycle of success which is the goal of our ESG strategy.

In 2015, we became the first financial holding company in Korea to establish a ESG Strategy Committee, formerly named CSR Committee, as a sub-committee of the BOD, thus ensuring that ESG became a key part of our corporate governance. Comprised of no more than five directors, including the Group CEO, the ESG Strategy Committee is in charge of setting the direction of the Group’s ESG-related activities, and deciding on relevant standards and policies. In 2019, we established a “Shinhan Financial Group’s principles for responding to climate change” in recognition of the risks and potential opportunities for wider society triggered by climate change. And based on the principles, we undertook a year-long program of internal discussions and analyses, and thus declared “Zero Carbon Drive”, in December 2020, aimed at achieving zero carbon emissions for the Group’s asset portfolio by 2050.

As an active member of the international community’s efforts towards sustainable development, we support major global sustainable management initiatives. In an effort to take active participation in global movement towards sustainable finance, we have been a member of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2008. We also drafted and signed the Principles for Responsible Banking (UN PRB) as a founding signatory in 2018, and have been a participating organization since 2019. In addition, we joined the UN Global Compact (UNGC) in 2008, and have been active ever since in ensuring our compliance with the ten principles on human rights, labor, the environment, and anti-corruption.

In September 2018, we became the first financial group in Korea to give support to the Task Force on Climate-related Financial Disclosures (TCFD). As part of our commitment to implementing the recommendations of the TCFD, in 2020 we joined Partnership for Carbon Accounting Financials (PCAF) which measures the carbon emissions of asset portfolios. We also signed up to Science Based Target initiative (SBTi) in order to set a target for carbon emissions reductions in line with the Paris Agreement. Going forward, we will continue to disclose the impact that climate change and the implementation of climate change-related global initiatives have on the organization and its management in areas such as governance, strategy, risk management, and performance indices.

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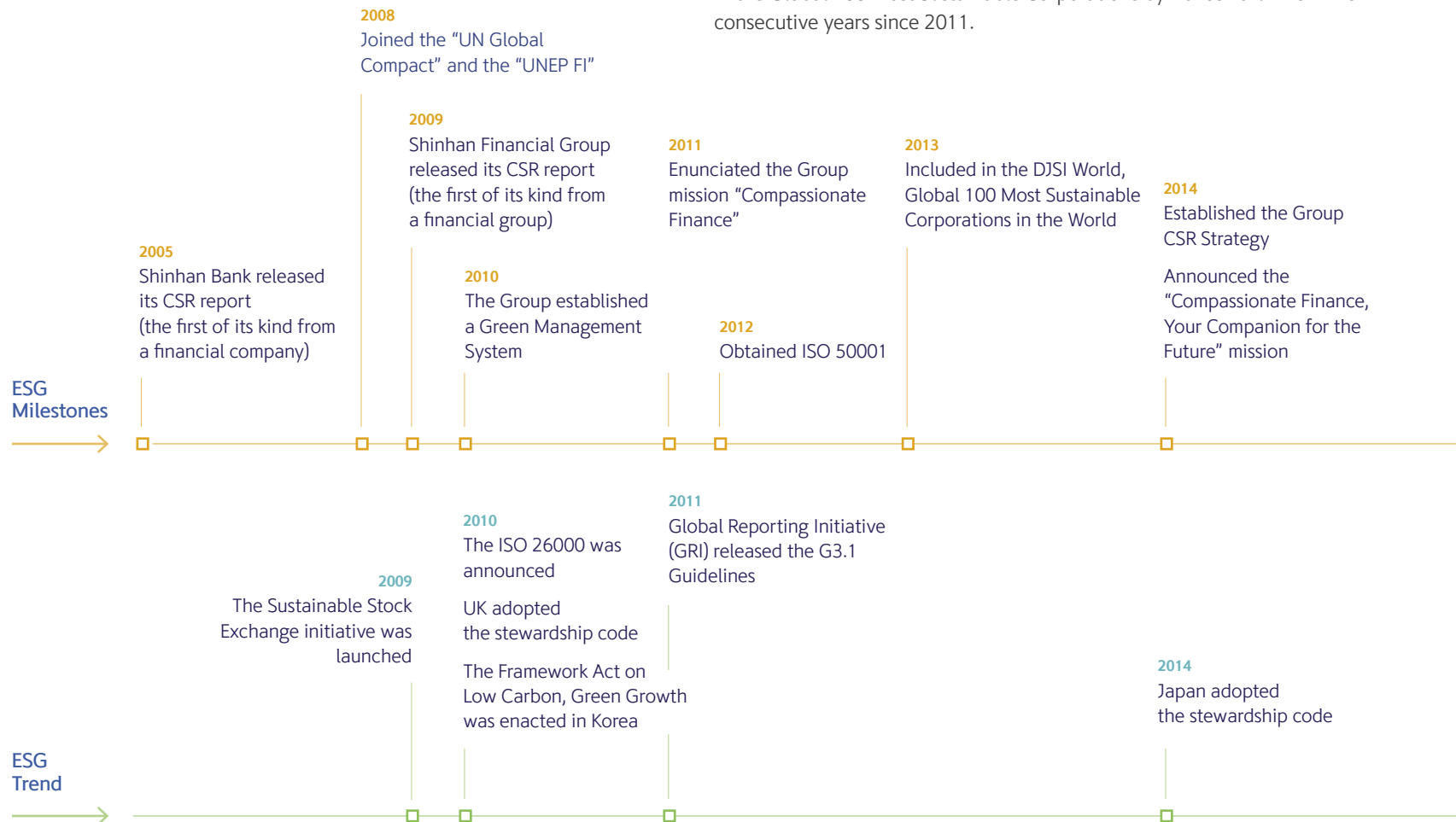
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Leveraging our experiences in participating in global initiatives, we have earned outstanding results in ESG evaluations. Shinhan Bank first participated in the Dow Jones Sustainability Index (DJSI) evaluation in 2009, as a result, it was included in the Asia Pacific index ranking first in the Korean banking sector. In 2013 Shinhan Financial Group became the first Korean financial group to be included in the DJSI World Index, and has now been part of the DJSI World Index for eight consecutive years.

In 2014, the Group earned "Leadership A", the highest possible grade given to a company through an evaluation of its environmental management done by Carbon Disclosure Project (CDP), and has now maintained this rating for seven consecutive years. We also have been included in the Korean CDP Committee's "Carbon Management Honors Club" for six consecutive years, and became the first financial group to be in CDP "Hall of Fame" for two consecutive years. We received AA grade in the MSCI ESG Indexes for five consecutive years from 2016 through 2020, and have been included in the Global 100 Most Sustainable Corporations by Davos Forum for nine consecutive years since 2011.



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FINANCE for IMPACT

In 2020, Shinhan Financial Group redefined its ESG sustainability management as “sustainable finance”, enabling the sustainable growth of all stakeholders through the business of finance, which is the essence of the Group’s business. We also defined our main principle of ESG as “Finance for IMPACT”, with the goal of inducing positive change of our stakeholders and maximizing positive impact on society led by our own change in a “Pro-Active” manner. To this end, we set out three strategic directions for our ESG projects – green, win-win, and trusted. In addition, five IMPACT tasks, aligned with UN Sustainable Development Goals (SDGs), will be implemented in order to maximize positive impact and minimize negative impact.

Sustainable Finance Strategic Framework



GREEN

Zero Carbon Drive

- + Achieve carbon neutrality by cutting down carbon emissions and expanding green investment

ALIGNMENT WITH UN SDGs



WIN-WIN

Triple K

- + Create an innovative ecosystem in Korea in partnership with stakeholders
- Hope Together SFG**
- Provide inclusive finance



TRUSTED

Respect for Diversity

- + Reduce social inequality by fostering female leaders and supporting the underserved
- Financial Consumer Protection**
- Strengthen product governance and offer financial education for all generations



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Shinhan's ESG Ambitions



Key Performances in 2020

Zero Carbon Drive On November 13, 2020, Shinhan Financial Group became the first financial group in East Asia to declare ambitions for achieving carbon neutrality under its “Zero Carbon Drive” to counter climate change. Zero Carbon Drive is our unique, eco-friendly financial strategy, and has been set up in line with international carbon neutral policies. It involves managing loans to and investments in high carbon-emitting companies and industries, while also contributing to the transition into a low-carbon economy by increasing eco-friendly financial support to relevant companies and industries. We plan to reduce our own carbon emissions by 46% by 2030 and 88% by 2040, and reduce the carbon emissions of our asset portfolio by 38% by 2030 and 69% by 2040, as measured by the SBTi methodology in accordance with the Paris Agreement.

Incheon Startup Park in Support of Triple-K Project In May 2020, Shinhan Financial Group took part in a project to build a startup ecosystem through a private-government cooperation in partnership with the Korean government, local government, and private businesses, including the Ministry of SMEs and Startups, Incheon Metropolitan City, and Celltrion. The aim of this project is to build an innovative startup hub in Korea which can rank alongside “Zhongguancun” in China, “Silicon Valley” in the U.S., and “Station F” in France.

We will create a space that can be used to nurture startups, and run a one-stop accelerator program for the unicorn companies of the future based on our expertise in innovation finance. In particular, we aim to build a platform that will specialize in the support of global/tech/bio startups by leveraging the geopolitical characteristics of Incheon, and will become a global forward base for startups which are striving to expand overseas. We will focus on startups with such innovative technologies as data, AI, 5G mobile communications, and the Internet of Things, as well as bio and health-based startups. To this end, we will choose at least 80 startups per year and will provide them an office space for as long as a year, free of charge, to support their scale-up. In addition, we will provide support by covering their operating expenses up to KRW 12 billion over four years, and will establish an exclusive fund totaling KRW 50 billion. We will also create a startup membership system that includes startup companies in- and outside the Startup Park, and provide them information about our support programs.

Shinhan Social Value Measurement Framework In collaboration with Yonsei University’s Center for Global Business Ethics and Responsibility, we developed the “Shinhan Social Value Measurement Framework (SVMF)”. This is our own model for measuring social value, and is the first such model from any financial company in Korea. We will carry out focused analyses on areas which are subject to measurement in six major categories¹⁾, and will offer more support for activities and programs which score highly in the measurement model, including “Shinhan Global Young Challengers”. Shinhan Global Young Challengers is a program which provides young people aiming to find a job overseas with training and networking opportunities. KRW 1.7 billion was spent on this program between November 2018 and December 2019, and the total social value generated was around KRW 6.3 billion, a return of some 370%.

¹⁾ Support for the vulnerable, job creation, support for SMEs/innovative companies and the social economy, education, social donations, mécénat

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Environment

Zero Carbon Drive

To take preemptive action against any climate-related risks and any “Green Swan” events, we established “Zero Carbon Drive”, our eco-friendliness strategy, with the goal of achieving zero carbon emissions. Zero Carbon Drive consists of a 2 major pillars - the reduction and offset of carbon emissions. By establishing detailed quantitative goals and systematically managing those goals, we will be able to manage every risk and opportunity within our controllable range.

Zero Carbon Drive 2 Major Pillars

1. Reduction of Carbon Emissions

Measurement of Emissions In collaboration with S&P Trucost, we measured the carbon emissions of the Group asset portfolio as of 2019. We analyzed the carbon emissions of corporations in which we have asset holdings of at least KRW 10 billion, including loans, investments, and bonds, and confirmed that the largest amount of carbon is emitted by utility and material industries among 11 industries defined by the Global Industry Classification Standard.

In addition, we calculated the carbon emissions of 1,042 companies in Korea that are allocated of CO₂ emissions allowances or under greenhouse gas and energy target management based on disclosed greenhouse gas emissions¹⁾, and also taking into account the exposure to each company in our asset portfolio²⁾. In December 2020, we became the first financial company in Korea to join PCAF, and we will continue to use PCAF guidelines to upgrade our carbon emissions measurement model.

Goal We set a plan to reduce carbon emissions aligned with 2°C scenario in accordance with Sectoral Decarbonization Approach (SDA) set by SBTi in October 2020. Our reduction targets are based on emissions and activity data for each target industry – power generation, commercial buildings, steel, paper, cement, and transportation.

Management Measures We plan to upgrade our environmental and social risk management (ESRM) framework and environmental and social reviews on project financing (PF) to be aligned the Equator Principles criteria. We will also create a climate change-related portfolio emissions management system within existing risk management systems, and build a database. In addition, we will ensure regular monitoring by building an emissions dashboard, and establish a total limit management system for the Group. To this end, we will create a database on the emissions intensity of each company we do business with, and will strive for reductions in emissions through engagement with individual customers.

2. Offset Carbon Emissions

Measurement of Offset Amount In order to offset the carbon emissions generated while engaging in the business of financial services, we reviewed the entire carbon emissions industry ecosystem, ranging from fuel resources to energy conservation, production, use, and waste processing. The results of this review indicated that the best way for a financial institution to offset its carbon emissions is through providing support for the production of renewable energy. We have therefore calculated the business size (measured in MW) and investment (CAPEX) required to offset our internal and asset portfolio emissions, for each renewable energy type (photovoltaic/wind power).



[Please refer to Shinhan Financial Group 2020 ESG Highlight for more information.](#)

¹⁾ The disclosed greenhouse gas emissions accounts for 89.4% of total greenhouse gas emissions in Korea

²⁾ Calculation method: (CO₂ emitted per year by a company in which Shinhan Financial Group has invested, or has provided a loan to) × [(The amount financed by Shinhan Financial Group in investment or loan) / (the company's total assets)]

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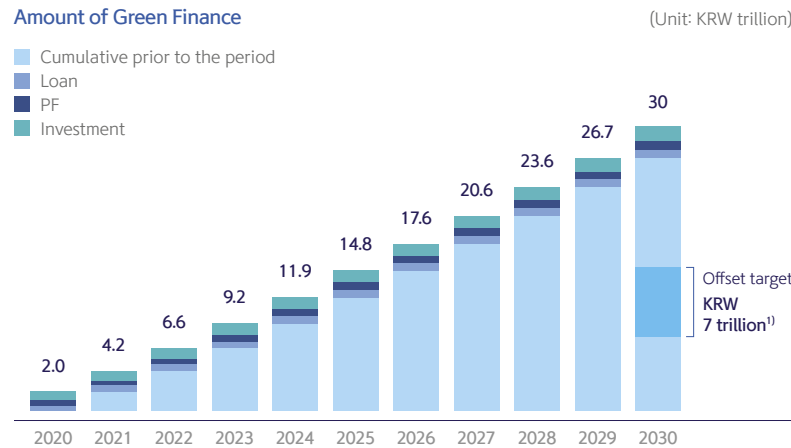
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Goal We have set a target for green finance of cumulative KRW 30 trillion by 2030, and in order to achieve this target, we will expand green finance of all Group subsidiaries.



¹⁾ The offset target is the proportion of photovoltaic/wind power-based renewable energy PF. The level of carbon emissions that can be achieved without reduction efforts was estimated.

Management Measures We will more actively implement green finance at each Group subsidiary using K-Taxonomy. We will improve our capabilities in green finance by targeting relevant companies and customers through a preemptive assessment of businesses which meet green finance standards. We will also develop an IT program based on K-Taxonomy and computerize such processes to be used in our assessment and follow-up management. In addition, we will support the policies on the Korean Government's Green New Deal and renewable energy, while also expanding industry research and reviewing/implementing relevant deals, including PF, equity investments, and support for technology development. Another plan is to develop new product structures, including guaranteed loans for renewable energy and carbon credit forward connection.

Green Finance Performance in 2020

Performance of the Group Shinhan Financial Group has been substantially expanding its support for the renewable energy industry. In 2020, we newly committed KRW 805.7 billion to 40 eco-friendly PF projects. Shinhan Bank provided loans worth KRW 226.7 billion through its green finance-only products, and Shinhan Card achieved KRW 247.7 billion in customer spending on its Deep ECO Card, thus encouraging eco-friendly consumption by its customers.

In 2020, in order to build a social safety net in response to the prolonged COVID-19 crisis, we increased the issuance of sustainability and social bonds. Shinhan Bank's issuance of social bonds worth USD 50 million in March was followed by Shinhan Card's issuance of sustainability bonds worth USD 100 billion in May and USD 400 million in October. Shinhan Financial Group issued social bonds worth USD 500 million in July, and Shinhan Capital issued ESG bonds totaling KRW 200 billion in October.



Newly committed **KRW 805.7 billion** in green PF



Shinhan Bank extended **KRW 226.7 billion** in green loans through its 14 different eco-friendly loan products



Shinhan Card's Eco Card marked **KRW 247.4 billion** in card usage



Recorded **KRW 782.2 billion** in sales of renewable energy related funds

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Strengthened Green Leadership and Partnership Shinhan Financial Group is enhancing its environmental leadership and partnership by taking an active role in the UNEP FI, TCFD, CDP, PRB, and PSI. In 2020, after setting out Zero Carbon Drive, we became the first financial company in Korea to join the Partnership for Carbon Accounting Financials (PCAF), in order to upgrade the measurement of carbon emissions in the Group’s asset portfolio. Going forward, we will continue to share details concerning the carbon emissions of the Group asset portfolio based on PCAF guidelines, and ensure that these measurements meet international standards. In addition, we have joined the Science Based Target initiative (SBTi), and will improve our emissions measures over the next two years in order to win SBTi approval for reduction targets.

In March 2020, Shinhan Life Insurance became the first life insurer in Korea to sign up to the UNEP FI’s Principles for Sustainable Insurance (PSI). It will ensure that ESG is integrated into company management, including operations, strategies, risk management, as well as product and service development. In September, Shinhan Asset Management followed the Group’s lead in declaring support for TCFD, and is creating internal processes which consider the impact of climate change on securities, bonds, and alternative investments. In order to manage its diverse range of financial products based on more eco-friendly investment strategies, the company launched the “Shinhan Global Sustainability Management ESG Fund”. In November, Park Sung-hyun, the Group’s Chief Strategy and Sustainability Officer (CSSO), was appointed as UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative, and will thus perform an important role in leading environmental finance across Asia Pacific for three years from 2021 to 2023.

Global ESG Initiatives

Description	Date of Membership	Overview
Carbon Disclosure Project (CDP)	Mar. 2007	A project which aims to make environmental reporting and risk management a business standard and drive disclosure, insight, and action on sustainable economies
UNEP FI (UN Environmental Programme Finance Initiative)	Jan. 2008	Public-private partnership between the UNEP and the financial sector
UN Global Compact	May 2008	A UN pact that encourages businesses to fulfill their social responsibilities and be inspired for socially responsible policies
Task Force on Climate-related Financial Disclosures (TCFD)	Sep. 2018	A task force for setting a standard on disclosing financial information related to climate change
UNEP FI Principles for Responsible Banking (PRB)	Sep. 2019	A framework for ensuring that signatory banks’ strategy and practice align with the UN SDGs and the Paris Climate Agreement
UNEP FI Principles for Sustainable Insurance (PSI)	Feb. 2020	A guide for the insurance industry to align sustainability factors with operation strategy, risk management, product governance, and other management activities
Equator Principles	Sep. 2020	An agreement among financial institutions not to finance large development projects that can harm the environment or violate human rights
Partnership for Carbon Accounting Financials (PCAF)	Nov. 2020	A global partnership of financial institutions to develop an approach to assess and disclose the greenhouse gas emissions associated with their loans and investments
Science Based Target initiative (SBTi)	Nov. 2020	A global initiative developed to help companies set a target in line with science-based reduction criteria (1.5°C and 2°C scenarios)

* In Korea, we are participating in the Renewable Energy Option Initiative which advocates the securing of renewable energy options for power users (for both corporates and individuals) and the promotion of the use of renewable energy



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Society

Hope Society Project

Since 2017, Shinhan Financial Group has been running “Hope Society Project”, a Group-level social contribution which puts into practice the Group’s mission of “Compassionate Finance, Your Companion for the Future”, with an annual budget of KRW 90 billion. By operating a social contribution program at the Group level, we are delivering new hope to society and bringing about positive change.

Key Performances in 2020

CSR Activities to Fight Against COVID-19 In early 2020, due to the unprecedented COVID-19 pandemic, face-to-face gatherings and training programs were no longer available, and COVID-19 has disproportionately impacted the vulnerable. In January 2020, we started distributing masks totaling 200 thousand in a prompt response to what eventually spread into an unprecedented pandemic. “Hope Together”, a donation campaign conducted in the form of crowd funding, was participated by all Shinhan employees, and it also quickly attracted the participation of many neighboring communities. With the KRW 2.5 billion raised through the campaign, we delivered 5,000 daily necessity packages and 500 thousand medical supplies to medical personnels in the Daegu and North Gyeongsang Province areas; 15,000 meal boxes to poorly-fed children; and 10,000 food packs and lunch boxes each to low-income seniors and the disabled, with a third campaign in the pipeline, as of now. In addition, we are striving to find ways for local communities to address community issues induced by COVID-19.

Support for the Financially Vulnerable We provided education, employment, self-reliance support for people in unstable financial circumstances, so that they can overcome their financial problems and become healthier members of society. Beneficiaries include people with low credit ratings and women experiencing disruption in their careers.

- Support program for people with low credit ratings: Successful employment package, education for people with low credit ratings, and support for credit recovery – participated by 5,266 people; and 1,050 people found a job
- Youth debt total care: Support for youth with debt and low credit ratings – participated by 294 people; and 288 people completed the course (credit rating of 257 persons was lifted around 1 rating, 163 persons opened an installment savings account, 29 persons acquired a certificate, 25 persons fully paid off their loans, etc.)
- Support for women experiencing disruptions in their careers: Education support for reemployment – participated by 1,955 people; and 1,024 people found a job
- Shinhan Dream Dodamteo: After school childcare facility for double-income families with children in elementary school – opened 25 new centers (101 centers in total), finance education participated by 621 children
- Shinhan SOHO Success Project: Providing software programs to support business management of individual entrepreneurs – participated by 5,174 businesses

Job Creation and Employment We addressed major matters of social interest, including the social economy, startups, and the empowerment of local communities. We also implemented job support programs which helped tackle problems around employment, including youth unemployment.

- Global Young Challenger: Support for overseas employment of youths (Japan, Vietnam, Hungary) – participated by 86 people; and 52 people found a job
- Local community-tailored job programs based on vitalization of the social economy: Creating jobs and building an empowerment system by establishing village businesses and cooperatives in Suncheon, Sejong, and Busan
- No. 1 Social Enterprise Fund: Cumulative support of KRW 1.4 billion – supported 11 companies, including ZIPTOSS and Dohands Corporation
- No. 2 Social Enterprise Fund: Cumulative support of KRW 1.35 billion – supported six companies, including Alicorn and Enuma
- “S² Bridge: Incheon”: Startup park – 84 companies have moved into the park, and start-up support is in process

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CSR Synergy We continued to support people in need by implementing unique and targeted social contribution projects. We also identified and supported projects which can have an impact through a connection with the Group's CSR activities, both in global and in local communities.

- Hope School Software Education: IT/software education for disabled students at special-education schools – participated by 1,022 people (42 schools, 111 classes); and nurtured 118 instructors
- Hope Together Campaign, a program on resolving local community issues: Seven different support models across the nation to respond to prepare for and adapt to a post-COVID-19 world

Strategies for 2021



Plans for 2021

In fulfilment of Shinhan Hope Foundation's slogan of "Hope Together SFG, Opportunities for All", we will increase our financial support for local communities, companies, and individuals who are underserved, thus helping everyone to enjoy a healthy, stable life. We will focus on high impact activities, as measured by the Shinhan Social Value Measurement Framework (SVMF).

Start-up We will help companies grow into sustainable consumers that will create future value through innovative growth. We will therefore establish S² Bridge throughout Korea, in order to build a strong ecosystem for startups and to create jobs. We will also implement a range of programs which help startups with their capital stability and their plans for global expansion.

Financial literacy By helping future generations understand finance, we will nurture better financial consumers and promote individual financial stability. To this end, we are building an integrated financial education platform across all Group subsidiaries to help people in need from every generation, including people on low incomes or with low credit ratings, and those with unstable or limited employment. We will also put into place programs which help young people get out of debt and improve their credit and job prospects, build a better child care environment for dual-income families, and provide education in IT and software.

Group of community We will implement a wide range of programs to build better social/economic value in local communities. We will create jobs which are tailored for local communities by strengthening our connections with social impact companies, including social enterprises and cooperatives. We will also present a social contribution model that derives the community's issues with participation by local community members and stakeholders, and resolve any issues together.

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SHeroes

In 2018, Shinhan Financial Group established “R.O.S.E” as part of its group management leadership training system, to train female leaders within the Group and to substantially increase the number of female leaders. The “R” in R.O.S.E. stands for relationship – strengthening relationships; “O” is for opportunity – increased opportunities for women; “S” is for segmentation – the segmenting and targeting of every job position; and “E” stands for environment – the establishment of a gender-neutral work environment. In the same year, we became the first organization in the Korean financial industry to launch “Shinhan SHeroes”, a platform specifically aimed at training and supporting female leaders. Beginning with the 27 members of the first group, we select female leaders every year and run mentoring and academy programs to enable them to share their visions, and to support their professional development and growth. This is ensuring a Group-wide consensus on the importance of female talent across all Group subsidiaries.

Key Performances in 2020

In 2020, the third year since its launch, Shinhan SHeroes increased the size of its leadership group and diversified the regions and job positions targeted, with the aim of supporting more female leaders and creating role models with diverse experience and outstanding leadership skills. 67 female department heads were chosen from 11 subsidiaries to become the third group of SHeroes¹⁾.

The program is mainly based on mentoring, an academy, and conferences. The mentoring program aims to make the SHeroes into the Group’s female mentors, and to strengthen leadership and coaching skills. The mentoring activities were carried out in partnership with external coaching experts and professional organizations. In addition, “Shinhan SHeroes Academy”, which was created in 2019, was upgraded to more systematically support female leaders. We also offered lectures on a wide range of themes, including the humanities, to expand insights into leadership and to strengthen networks through communication and learning. Leaders were able to share their experiences and their commitment to grow as leaders within their respective Group subsidiaries.

“Shinhan SHeroes Conference” is aimed at the year-round reinforcement of Shinhan Financial Group’s activities in support of its female leaders, and at continuing to share the positive influence of those leaders. In 2020, 300 female leaders participated in an online conference. This conference consisted of a special lecture from an external expert, a presentation by members of the third group of Shinhan SHeroes about a research project undertaken during the mentoring program, and a panel discussion on “female leadership in the new era”.

In 2019, our commitment to nurturing female talent and supporting work-life balance resulted in the inclusion in the Bloomberg Gender-Equality Index (GEI), the first time any Korean company had been included in the GEI. We were also included in the GEI for a second consecutive year in 2020 which represents a significant achievement, as we have been recognized as one of 325 outstanding companies for gender equality from 42 countries across the globe.

Plans for 2021

We will continue to foster outstanding female talent, and will establish a positive ecosystem in which women become important drivers of the future growth. We plan to improve Shinhan SHeroes program both qualitatively and quantitatively in order to accelerate the growth of female talent across the Group. In addition, we will establish a comprehensive support strategy throughout all our HR operations, including equal pay, training, and a positive and gender-neutral organizational culture, thus creating a virtuous cycle in which the female leaders of the present identify, train and support the female leaders of the future.

¹⁾ 1st group: 4 subsidiaries, 27 participants / 2nd group: 8 subsidiaries, 49 participants / 3rd group: 11 subsidiaries, 67 participants

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The Group strives to earn the trust of all of its stakeholders through transparent and ethical management. As part of these efforts, all employees are committed to making ethical management a central part of the Shinhan corporate culture.

Ethical Standards and Principles

Shinhan Financial Group has established detailed systems related to ethical management, and encourages employee participation to ensure the highest levels of ethical management. We have established the Shinhan Financial Group Code of Ethics and the Employee Code of Conduct in order to make ethical management a fundamental part of our corporate culture, and to strengthen our employees' commitment to ethics. Online training programs on ethics and compliance are offered to employees at both the Group and subsidiary level. In 2019, we began sharing examples of ethics and compliance management and financial consumer protection in an entertaining webtoon format, and this program continued in 2020, with 17 webtoons being created and shared, thus helping to build a culture of integrity and encouraging employees to engage in ethical conduct.

Shinhan Bank has designated the second week of each month as compliance training week. During this week, it publishes a compliance letter and provides training through the Compliance Representatives in each of its departments. In addition, all employees sign a written pledge about practicing ethics, and an internal ethics and compliance inspection takes place every month. In 2020, the Bank upgraded the effectiveness of its internal ethics and compliance inspections by completely rebuilding the system. In addition, it enforces strict guidelines on preventing sexual harassment and workplace bullying, and requires all employees to undertake related training at least once a year.

At Shinhan Card, all employees sign a written pledge concerning the practice of ethics and compliance. The company runs continuous ethical management programs, including internal inspections in every department, self-assessments on the observance of laws, and the regular publishing of a web magazine dealing with compliance.

In addition, it runs an extensive range of activities to ensure a commitment to ethics and compliance, including strengthening the capabilities of compliance officers, training every employee about the Code of Ethics and the need for full compliance with all laws, and training to prevent mis-selling and money laundering.

At Shinhan Investment, all employees sign a written pledge on compliance. There is training provided to new employees or those taking on new duties, and when regular branch inspections are conducted. The training covers a wide range of related issues, including changes to finance-related laws and systems, compliance monitoring, and the prevention of compliance-related incidents. This ensures an enhanced ethics and compliance mindset among employees.

Shinhan Life Insurance posts its "Ethics & Compliance Newsletter" on its internal portal bulletin board, to be shared with all employees and at every sales location. The company also conducts a monthly assessment of the results of its ethics and compliance training. In addition, Shinhan Life Insurance runs a strict system in every sales channel aimed at eliminating workplace harassment. It is also enhancing the sense of ethics and compliance among its employees, establishing a culture of complete sales, putting customers at the center of its sales activities, and providing training on the prevention of money laundering.

OranLife strives to maintain a strict global-level ethical business culture. It demands a strict sense of ethics from its employees and its sales organizations, so that they practice ethical management in accordance with the Code of Ethics and the Code of Conduct posted on the company website. Employees and financial consultants (FC) undergo ethics and compliance training when they join the company, and then sign a written pledge related to what they have learned. They then receive annual training to renew their focus on ethics and compliance, and reaffirm their pledge. In addition, a monthly broadcast transmitted to financial consultants throughout the sales organization sets out the sense of ethics that is required to be maintained.



[SFG's Socially Responsible Management Policy](#)

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Ethical Management System

Internal Control System

The Group Chief Compliance Officer is in overall charge of Shinhan Financial Group’s internal controls, and also supports the compliance officers at subsidiaries regarding those internal controls. The holding company Compliance Officer receives regular compliance, internal trading and other reports to ensure that each subsidiary’s compliance officer is properly undertaking the required internal control activities, and also conducts annual inspections of subsidiaries and their actual execution of internal controls.

In accordance with the enactment and enforcement of the Act on Corporate Governance of Financial Companies in August 2016, we have reflected in full the requirements of the Act concerning internal controls¹⁾ in the internal control and compliance regulations at all of its subsidiaries. We also ensure that our internal control systems are managed consistently and efficiently. In addition, each Group subsidiary has established an Internal Control Committee, chaired by its respective CEO, which annually inspects its internal control systems and operations, and reports the results to the BOD.

Whistleblower System

As part of our efforts to facilitate the highest levels of internal controls, we actively promote our whistleblower system for preventing and taking measures against unethical conduct. In the case of the holding company, internal reports can be submitted through the company homepage and the mobile homepage, and employees at subsidiaries have access to similar reporting channels.

Each Group subsidiary has established a whistleblower system. Shinhan Bank runs “Shinhan Guardian”, a whistleblower program which can be accessed by both employees and business partners. The program guarantees the complete confidentiality and protection of whistleblowers, and also provides a wide range of reporting channels, including a website, email, telephone, fax, and regular postal mail.

Shinhan Card operates a whistleblower system for its employees and business partners. It has improved accessibility by enabling reporting through various online and offline channels, including the homepage, Intranet, email, fax, telephone, regular mail, and in-person interviews (both inside and outside the company). It operates “Cyber Sinnungo” on the company homepage as a channel for internal/external whistleblowers to make reports and for the reporting of unfair transactions. Complete anonymity is guaranteed, thus protecting whistleblowers against potential career and transaction-related reprisals.

Shinhan Investment operates a whistleblower system which enables unlimited reports to be made to a professional auditor through various channels, including the company Intranet, offline meetings, phone, email, and the website. All employees receive a booklet about the whistleblower system every quarter, including a strong emphasis on the guarantee of the whistleblower’s anonymity and career status. The company also provides whistleblower training.

At Shinhan Life Insurance, a whistleblower reporting window called “Sinnungo” is displayed prominently on the front page of its website. The company has also ensured the easy use of its whistleblower system by diversifying its reporting channels to include the Internet, phone, and postal mail.

The whistleblower system at OrangeLife enables direct reports to be made to the compliance officer via email, phone, regular mail, fax, and other channels. It guarantees the full anonymity and confidentiality of reports in order to ensure the complete protection of whistleblowers.

¹⁾ Whistleblower system, mandatory leave, separation of duties for high-risk clerical employees, establishment of processes for developing and selling new products, branch self-inspection, etc.



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Ethical Management Programs**Anti-Money Laundering Activities**

From 2019 to early 2020, the Financial Action Task Force (FATF), an international anti-money laundering (AML) organization, undertook a national evaluation in Korea. In addition, an amendment to the Act on Reporting and Using Specified Financial Transaction Information has further strengthened AML obligation fulfillment criteria and laws. Shinhan Financial Group has therefore overhauled our AML systems, and is making continued efforts to set our AML standards to a global level.

Shinhan Bank upgraded its domestic AML operations by implementing a Suspicious Transaction Report (STR) project, resulting in the optimization of rules on suspicious transactions. It also centralized the onboarding process of corporate clients to its headquarters in order to strengthen and streamline the implementation of KYC checks. In addition, it ran a project on Cash Transaction Report (CTR) data verification, and established new internal control systems. The Bank is also using new digital technologies to make its AML more efficient, including customer self-confirmations using QR codes and the creation of basic STR information using robotic process automation (RPA). It completed the implementation of global-level AML regulations, methodologies, and procedures at overseas branches, and continuously improved the operation of their AML systems. Shinhan Bank is ensuring that its AML internal controls reach global levels by giving its employees AML training provided by global training institutes, and by motivating employees to acquire international certifications on related topics.

In 2020, Shinhan Card improved its systems for the monitoring of suspicious transactions and the confirmation of customers thanks to the implementation of advanced AML systems. It also provided AML training to all employees, including the BOD, and continues to foster experts through training given by specialist external organizations.

Shinhan Investment runs a risk-based system which identifies, analyzes, and evaluates risks related to money laundering and the financing of terrorism. The company has also strengthened AML at its overseas subsidiaries by developing a more detailed checklist and conducting internal inspections. In addition, it provides detailed AML training, including through the in-house production of a training video, and has increased the efficiency of its AML operations as part of its continued commitment to the highest levels of AML.

Shinhan Life Insurance has completed a project to improve its AML risk assessment by establishing advanced processes for the preemptive identification of money laundering risks, and upgrading its assessment and response. In addition, every year, it identifies and evaluates money laundering risks at headquarters departments and branches.

OrangeLife has in place an AML and risk management system which meets global standards, and enforces strict adherence to the system in order to prevent the use of the company and its insurance products for money laundering. It is committed to preventing money laundering through prior risk evaluations and follow-up inspections. It provides regular AML training to all employees and FCs, and uses in-house broadcasting to ensure that FCs give their full attention to the system.

Trainings on Preventing Employee Misconduct

Shinhan Financial Group has upgraded its training regarding the prevention of employee misconduct in order to ensure full compliance with all regulations related to fair, transparent and ethical financial trading. Annual training concerning fair transactions is provided at the Group level to all employees working in the internal control departments of Group subsidiaries. This ensures that all relevant regulations are fully understood and implemented, thus preventing violations.

At the subsidiary level, Shinhan Bank examines in detail all declarations regarding financial trading and the ownership of financial products in order to prevent unfair transactions such as trading based on non-public material information. Additional training is provided to departments with an inherently higher likelihood of having access to undisclosed information. In 2020, the Bank provided two additional training sessions on fair transaction in relation to an amendment to the Monopoly Regulation and Fair Trade Act, giving practical examples of how the Act will be put into practice.

Shinhan Card has strict rules on the prohibition of the use of non-public information, and constantly monitors whether there has been any unfair financial trading by examining reports on the sales of financial investment products, and through regular monitoring to prevent unfair transactions. It also gives regular training to departments with an inherently higher probability of having access to undisclosed information in order to ensure the preemptive prevention of any acts that may violate laws.



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Shinhan Investment has established guidelines to prevent the use of non-public information and unfair transactions, and uses extensive employee training to ensure that related laws are observed in full. The company also actively keeps monitoring on unfair practices in order to identify and take measures against unlawful, unethical or manipulative transactions.

Shinhan Life Insurance has implemented a wide range of measures to prevent any conflict of interest between its special accounts department, which is responsible for managing customer assets, and the departments which manage the company's own assets. These measures include examining the opening of any investment account by any employee involved in asset management, detailed reporting on in-house trading, examining communications and meetings between asset management departments, and the verification of exchanges of information. The company undertakes quarterly examinations on the transactions of its financial products and accounts, and on a quarterly basis, it provides information about systems for the prevention of employee misconduct. In addition, in order to prevent trading using non-public information, the company conducts thorough investigations into all potential incidents of unfair transactions at its front-, middle-, and back- offices, and shares the results with all relevant employees.

OrangeLife has put into place a dual process for the preemptive prevention and follow-up inspection of any potential illegal conduct. It has established strict standards on the trading of financial investment products by its employees in order to prevent any conflict of interest with customers, or any other unfair conduct caused by the use of undisclosed material information. All employees in the asset management department and all other employees who are in a position to obtain material non-public information must comply with these standards, and are also subject to monthly asset management monitoring and inspection.

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Guided by fundamental and effective principles of risk management, Shinhan Financial Group manages risks in a preemptive and integrated manner based on a semi-matrix risk management organization between the holding company and the Group subsidiaries.

Risk Management Tools

Risk Management Philosophy

All employees of Shinhan Financial Group follow the same set of risk management guidelines that apply to every risk-related action and decision taken in front offices, thus ensuring that the fullest possible range of risks is taken into account in all our business dealings.

Integrated Risk Monitoring System

We run a comprehensive risk monitoring system that measures a wide range of outside economic indicators, our own risk indicators, and the current status of our risk management process and policies. This system enables a timely identification of potential risks and other key issues. Upon an analysis of the impacts of such risks and issues, preemptive countermeasures are put into place at the Group level. The system also detects and manages unexpected shifts within core indicators by operating a “risk dashboard” system to monitor the amount of assets, risks, and related external issues contained in the portfolios being managed by each subsidiary.

Risk Expert Network (REN)

The REN, a network of our risk experts, was formed to foster risk experts through risk training programs and workshops, and to upgrade the overall risk management capabilities of Shinhan Financial Group. Members of the REN are chosen according to their work experience and knowledge within their business areas and the related risks. The REN performs a pivotal role in spreading a culture of strong risk management.

Group-wide Corporate Credit Assessment System

In order to ensure the best-in-class credit risk management at all levels of our operations, all of the Group’s subsidiaries are obliged to align their credit checking system with the Group’s standard corporate credit assessment system. This system, which has received an official approval from the Financial Supervisory Service in 2016, has improved the quality of our credit portfolio.

Group-wide Risk Management System

We preemptively manage risk at the Group level through our seamless risk management system which identifies risks, determines the development phase of each risk, and then establishes and executes targeted countermeasures. For example, our liquidity risk management system monitors the status of liquidity management at each subsidiary in order to ensure efficient decision-making and suitable emergency measures in the event of a crisis.

Risk Management Organization

Shinhan Financial Group’s risk management organization comprises the Group Risk Management Committee, Group Risk Management Council, Group Chief Risk Officer (CRO), Risk Management Team of the holding company, and other risk-related committees and dedicated organizations within individual subsidiaries.

Group Risk Management Committee

As the highest decision-making body that establishes basic policies and strategies concerning the Group’s risk management, the Committee, which is a subcommittee of the Group’s Board of Directors, is composed of independent directors, and mainly deliberates and discusses the following:

1. The development of risk management policies that are in line with management strategies;
2. The determination of risk limits for the Group and its subsidiaries;
3. The approval of appropriate investment limits and risk exposures;
4. The enactment and amendment of the Group’s risk management regulations and Group Risk Management Council regulations;
5. The organizational structure of the Group’s risk management entities and their roles and responsibilities;

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6. Matters concerning the operation of the Group’s risk management system;
7. Matters concerning the setting of various kinds of limits and the issuance of approvals for exceeding limits;
8. Decision-making matters concerning FSS approvals, based on internal ratings approaches to the Group’s credit evaluation system;
9. Matters concerning the Group’s policies regarding risk disclosures;
10. The results of risk scenario analyses, and relevant capital management and financing plans;
11. Matters deemed necessary and appropriate by the BOD;
12. Matters demanded by outside regulations, including those of the FSC, and matters set forth in other regulations, guidelines, etc.; and
13. Other matters deemed necessary and appropriate by the Chairperson.

Group Risk Management Council

The Council discusses risk policies and strategies of the Group and each subsidiary, and makes decisions on matters necessary to the implementation of policies determined by the Group Risk Management Committee. It is composed of the Group CRO and the CROs of the Group’s major subsidiaries. It mainly makes decisions on the following:

1. Matters concerning the setting of exposure limit for a country, areas that require caution, individual company and its affiliates;
2. Matters related to the analysis of the integrated crisis situation of the Group; and
3. Matters related to the Group’s non-retail credit assessment system excluding those subjects to approval from the FSS.

It mainly deliberates and discusses the following:

1. Matters concerning the setting of risk tolerance of the holding company and each subsidiary;
2. Results of the analysis of the integrated crisis situation of the Group, and related matters on capital management plans and funding plans;
3. Matters related to risk disclosure policies; and
4. Other matters deemed necessary and appropriate by the Chairperson.

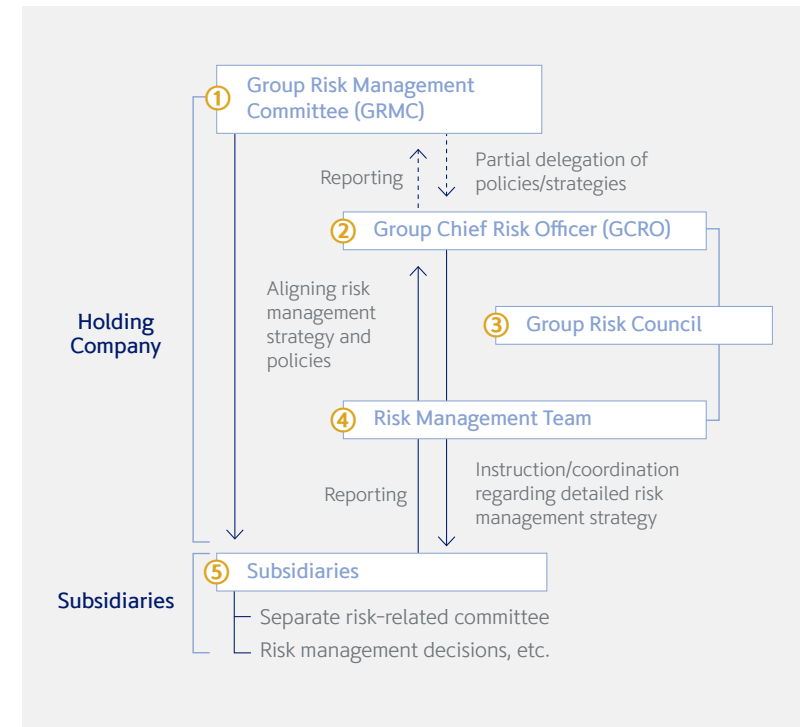
Group Chief Risk Officer

The Group Chief Risk Officer assists the Group Risk Management Committee, implements the risk policies and strategies determined by the Committee, and ensures that they are executed consistently across all of the Group’s subsidiaries. In addition, the Group CRO evaluates each subsidiary’s CRO, and examines the status of each subsidiary’s risk management.

Risk Management Teams

The Risk Management Team of the holding company supports the Group CRO. The risk-related committees and dedicated teams within individual subsidiaries implement risk policies and strategies in line with the Group’s risk management direction, and report back to the holding company. They are also responsible for managing risks at the subsidiary level, and for making improvements to their risk management systems.

Risk Management Structure





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Key Performances in 2020

Shinhan Financial Group's risk management strategy for 2020 was defined as "developing differentiated risk management capabilities to better manage change". We, therefore, strived to respond preemptively to crisis and improve our resilience. We also strengthened capital efficiency and our capability in responding to regulatory change, while making our risk management fit for sustainable growth. Moreover, we aimed to digitalize and improve efficiency of risk management.

In particular, we responded to heightened financial market volatility triggered by COVID-19 with timely activation of crisis response systems, and strengthening our early alert systems by collaborating with Shinhan AI to develop a market warning system which uses AI to forecast significant falls in markets. We also analyzed areas of potential risk, including increased household debt, overseas real estate, risks of emerging nations, and liquidity, and established effective countermeasures. In addition, we improved capital efficiency by setting the limit of budget for risk-weighted assets (RWA) and credit risk limits for each business division, and lowered credit RWA by improving the methodology for calculating RWA.

In response to the changes in the Basel III accord, we reflected the early adoption of the revised BASEL III credit risk framework, and formed a taskforce to upgrade our operational risk management systems. We became the first financial group in Korea to analyze the impact of our asset portfolio on climate change and then establish countermeasures. We also improved our global risk management and analysis by benchmarking the evaluation methodologies of overseas credit evaluation companies.

2021 Business Plans

We have set our strategic direction for 2021 as "solid risk management to enhance our resilience". This will enable us to respond to the impact made on financial soundness by the prolonged COVID-19 pandemic, the US-China trade conflict, increase in the number of marginal companies, increasing debt burden in some emerging nations, and continued low growth and low interest rates.

To this end, we will upgrade our risk management systems by strengthening the Group-level supervision of risk management, undertaking more detailed integrated analyses of crisis situations, and optimizing our portfolio to be centered on high-quality assets. We will use big data and new technologies to upgrade our credit assessment models and improve the efficiency of our risk management. We will also respond to climate change by creating an in-depth climate change risk management system, including a database of relevant data. In terms of improving the risk management infrastructure to respond to changing regulations, we will implement the RWA budget system to ensure capital-efficient growth, and establish the Group operational risk management system in response to the revised Basel III accord.

In preparation for the integration of two life insurance companies of the Group in 2021, we will establish an integrated risk management system, while also strengthening management systems in areas of new growth at the Group level, including GIB, global business, and N.E.O Project. In addition, we will set a clear direction for customer asset risk management, including a monitoring system which examines customer asset processes and strict limits on risk concentration.



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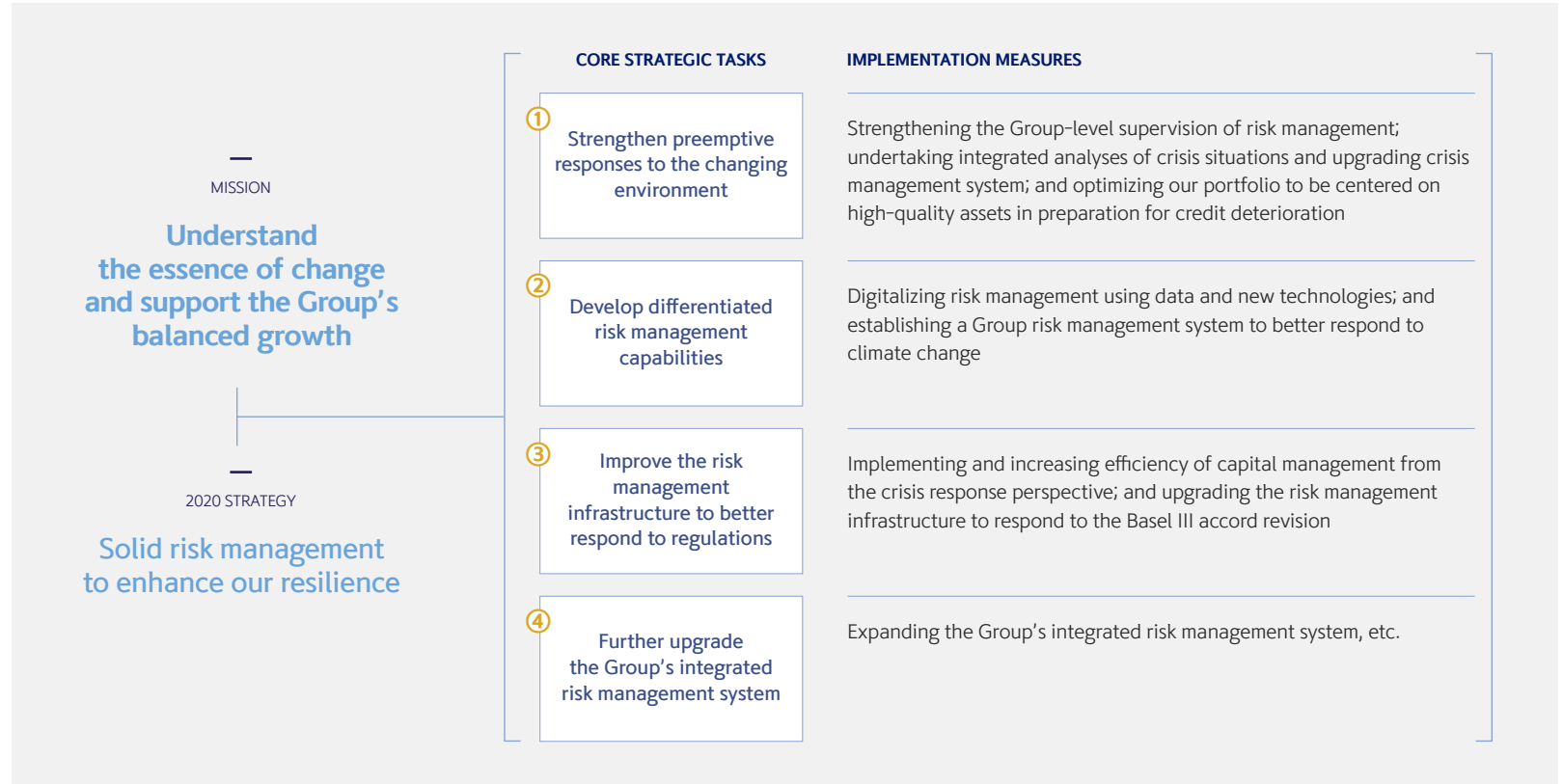
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Risk Management Plan for 2021



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Shinhan Financial Group seeks to efficiently manage its capital to satisfy various expectations of shareholders, potential investors, customers, and credit rating agencies, while complying with the regulatory levels of financial authorities.

Key Figure



Key Performances in 2020

2020 was the year when “2020 S·M·A·R·T Project”, our previous mid- to long-term growth strategy, was completed, and when a new mid- to long-term plan had to be established. To this end, there was a need to fortify our capital strength, as a driver to maintain the existing growth strategy and to seek new sources of growth. We, therefore, focused on improving Tier 1 capital ratio through various measures, including a paid-in capital increase and the issuance of contingent capital securities. As a result, our common equity Tier 1 (CET1) ratio improved from 11.1% at the end of 2019 to 12.9% at the end of 2020, thereby laying a solid foundation for future growth.

Although the level of uncertainty in the wake of the COVID-19 pandemic was extremely high in 2020, when COVID-19 alleviates, there will be many new growth opportunities, and we determined that sufficient capital strength will be needed to cease good investment opportunities. We therefore preemptively strengthened our capital in 2020, thereby improving the stability of our shareholders’ and customers’ financial assets and transactions, while also securing a new growth driver.

Beginning with the acquisition of OrangeLife in 2018, we strengthened new business lines in our non-banking sector, including Asia Trust and Neoplux (currently Shinhan Venture Investment), and as a result, the Group recurring net income, as well as the proportion of the Group’s non-interest income, is increasing.

Amid a prolonged pandemic, financial authorities requested financial institutions to focus on loss-absorbing capacity rather than dividend payouts, and recommended to maintain the level of dividend payout ratio to be around 20% which is unprecedented. Accordingly, the average dividend payout ratio of financial holding companies in Korea was no more than 20% in 2020, but we managed to keep our dividend payout ratio for common stocks above average at 22.7%. Although this is lower than the previous year, we were able to offer relatively higher dividend yields backed by our capital strength. Going forward, we will continue our efforts to strike the right balance between our corporate growth and shareholder return.

Plans for 2021

In 2021, we will actively allocate capital to take full leverage of the increased capital strength and to ensure that such capital allocation leads to greater corporate earnings power, including strengthening of digital, global, and new business lines. To this end, we will continue to expand growth areas of existing business lines, including GIB and GMS, while discovering new investment targets. We will also look for more ways through which our earnings growth can translate into higher returns for our shareholders.

Diversifying Growth Strategies and Increasing Profitability

We will strengthen capital strength in areas that are anticipated to grow. Considering exceptional circumstances, such as those of COVID-19, and resulting volatile business environment, as well as vaccination progress, we will actively discover good investment opportunities that are undervalued while also responding to changes in business environment, including the accelerated digital transformation.

Diversifying Ways to Increase Shareholder Returns

We plan to look for ways to diversify shareholder returns, including the frequency of our dividend payouts. To this end, we established grounds in our Articles of Incorporation to make quarterly dividend payments plausible, and plan to execute interim dividend payouts in the near future. In consideration of our capital adequacy levels and capital management plans, we will also review the option of share buybacks and cancellations as part of our efforts toward increasing shareholder returns.

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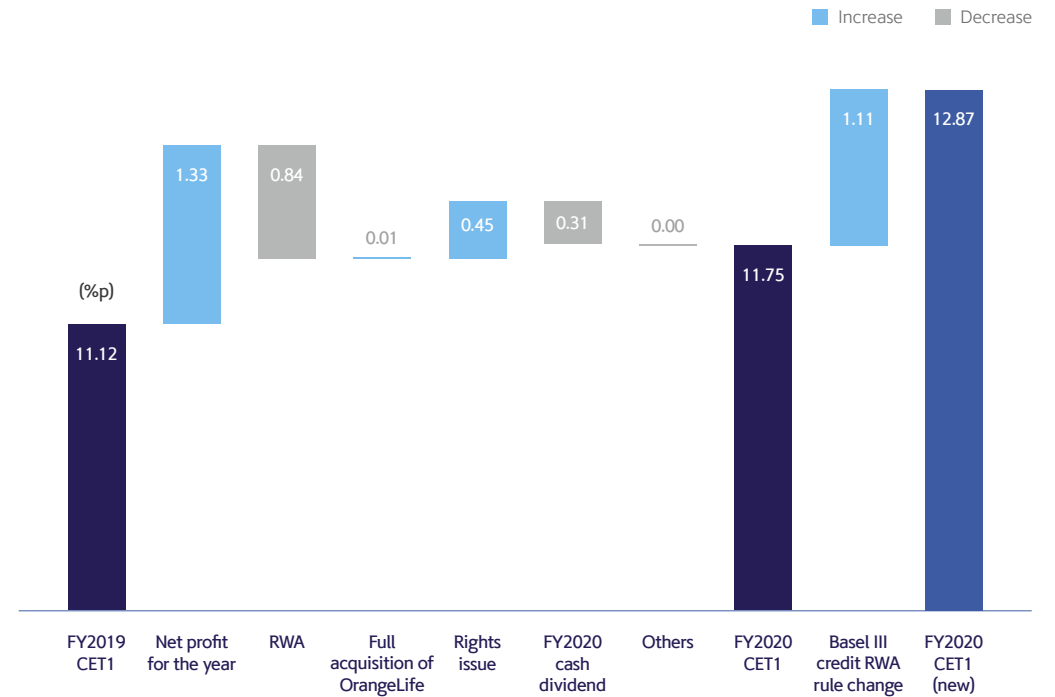
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CET1 Movement

- As of the end of 2020, the Group's CET1 ratio stood at 11.75%, year-on-year improvement of 63bp¹⁾
- The capital allocated for business development (RWA) marked 84bp; and 31bp in capital was allocated for year-end dividend payout (DPS = KRW 1,500)
- We are consistently pursuing effective capital management and RWA budget management to reach mid-term CET1 target of 12%

¹⁾ Not reflecting early adoption of the revised Basel III credit risk framework



Dividend

(Unit: KRW billion)

	2018	2019	2020
Dividend per Share (KRW)	1,600	1,850	1,500
Group Net Income	3,156.7	3,403.5	3,414.6
Dividend Paid	753.0	883.9	803.8
Common Stock	753.0	851.6	773.8
Convertible Preferred Stock	-	32.3	30.0
Dividend Payout Ratio	23.86%	25.97% ²⁾	23.54% ²⁾

²⁾ Dividend payout ratio for common stocks is 25.0% (FY2019) and 22.7% (FY2020)

(Unit: KRW billion)

	2018	2019	2020
Tier I Capital	30,677.9	31,699.8	36,267.2
Common Equity Tier I Capital	28,696.3	28,561.6	32,461.9
Additional Tier I Capital	1,981.6	3,138.3	3,805.4
Tier II Capital	3,315.2	4,014.7	3,441.8
Total BIS Capital	33,993.1	35,714.6	39,709.1
RWA	228,678.1	256,891.7	252,321.4
BIS Capital Adequacy Ratio	14.87%	13.90%	15.74%
Tier I	13.42%	12.34%	14.37%
Common Equity Tier I Ratio	12.55%	11.12%	12.87%
Common Equity Tier I Ratio (former)			11.75%
Tier II	1.45%	1.56%	1.36%



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Shinhan Business Organization

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Shinhan Financial Group has 17 subsidiaries, providing customers with a full range of excellent financial services, including banking, credit cards, securities, insurance, and asset management. The Group operates a matrix system in order to expand the business of each subsidiary, ensure a coherent and efficient Group strategy, and to optimize the use of all of its resources, in particular capital and personnel. As of the end of 2020, we operate seven businesses in a matrix structure – GIB, WM, Global, GMS, Pension, Real Estate and Digital.



Shinhan Financial Group

Shinhan Bank
BANKING

Shinhan Card
CREDIT CARD

Shinhan Investment
SECURITIES BROKERAGE

Shinhan Life Insurance
LIFE INSURANCE

OrangeLife
LIFE INSURANCE

Shinhan Asset Management
ASSET MANAGEMENT

Shinhan Capital
LEASING BUSINESS

Jeju Bank
BANKING

Shinhan Savings Bank
CONSUMER FINANCE

Asia Trust
REAL ESTATE INVESTMENT MANAGEMENT

Shinhan DS
FINANCIAL ICT

Shinhan Credit Information
CREDIT MANAGEMENT

Shinhan AITAS
FUND SERVICE

Shinhan Alternative Investment Management
ALTERNATIVE INVESTMENT

Shinhan REITs Management
REAL ESTATE INVESTMENT TRUSTS

Shinhan AI
INVESTMENT CONSULTING

Shinhan Venture Investment
VENTURE CAPITAL

Retail Banking



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Based on the belief that customers are the foundation of finance, we offer a wide range of loan and deposit products as an optimal financial solution for our retail customers, supported by distinctive marketing and sales.

Key Performances in 2020

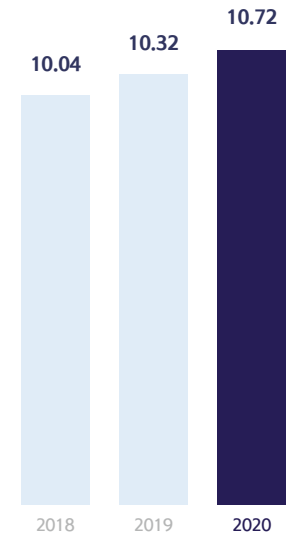
Despite a highly challenging business environment as a result of factors including the COVID-19 pandemic, Korean government's real estate regulation policies, lower interest rates, and the advances made by big tech companies into financial services, the Retail Banking Division continued to grow strongly thanks to Shinhan's digital competitiveness. It also fulfilled its social responsibilities based on the slogan, "Digital Innovation Created Together! Pursuing "Excellence" in Retail Banking!" In particular, growth in both loan and deposit assets, as well as an increase in our customer base made Shinhan Financial Group distinctive from other financial groups, and will be the foundation of our future sustainable growth.

Highest number of new active customers among commercial banks in South Korea

No. 1

Active Retail Customers

(Unit: Persons in million)



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Expanding the Customer Base by Facilitating Finance Platforms

2020 was a year of both crisis and opportunity, especially with big tech companies advancing into financial services and the full-scale implementation of open banking services. Shinhan Financial Group actively responded to these changes and expanded its customer base by facilitating its platform business. We upgraded existing financial services for customers with income, and also targeted younger customers. For example, we launched the “Hey Young” brand aimed at customers in their 20s, and offered financial products and services fit for the lifestyle of millennials. We also launched an integrated auto finance platform, “Shinhan My Car”, consolidating various auto finance products and services offered by the Group subsidiaries into a single platform. This will not only improve choice and convenience for customers, but it will also be a marketing tool for payroll accounts, targeted at individual businesses. As a result of these efforts, the number of our active retail customers increased by approximately 400,000 during the year, to 10.72 million.

Increase in Core Deposits and High-quality Assets Core low-cost deposits grew by KRW 11.3 trillion year-on-year thanks to stable inflows from public organizations in addition to rise in household deposits backed by an increase in active customers, and increases in credit card and merchant payment accounts. This is a 55.7% larger net increase than that achieved in 2019. Household loans increased by KRW 18.3 trillion year-on-year, driven by strategic products such as *Jeonse* loans, “My Car” loans, and unsecured personal loans for customers with strong credit. This was 52.4% higher growth than the net increase achieved in 2019. The Group also demonstrated Shinhan’s distinctive growth by expanding its loan and deposit assets through external alliances.

Compassionate Finance, Your Companion for the Future Shinhan Financial Group is striving to increase customer assets and add social value through finance, based on its mission – Building a Better World through Finance. The COVID-19 pandemic has posed a bigger threat to the financial security of the underprivileged, and resulted in increased demand for financial support. In response, Shinhan has helped small business owners through small-ticket loan products, such as the “New Hope Spore Loan” to improve their financial stability. As a result, we became the biggest provider the inclusive loans within the domestic banking sector.

Our commitment to building win-win relationships with our small and medium-sized enterprises (SME) clients in these difficult times has earned outside recognition. Shinhan Bank was chosen as the No. 1 company at the “Korean Sustainability Conference 2020” organized by the Korean Standards Association, and ranked first in the “2020 Korean Customer Satisfaction Index” organized by Korea Management Association Consultants (KMAC), first in the “2020 Korea Best Brand Awards” organized by Forbes Korea, and first in the “2020 Korea Customer Surprise Brand Index” organized by the Korea Brand Management Association.

Plans for 2021

In 2021, the Retail Banking Division will continue its distinctive growth based on its strategic goal of “Innovating Customer Experience! Creating Differentiated Growth! Pursuing “Excellence” in Retail Baking!”. In particular, the Division will focus on three strategic directions – enhancing customer value, strengthening the core business, and securing future revenue sources – in its efforts to achieve “Excellence in Retail Banking, Loved by Customers”.

Enhancing Customer Value, with a Focus on Customer Experience

We will systemize our customer management process and build a single-view digital customer management system. This will allow a more effective marketing customized to each target client groups, including millennials, the employed, and senior citizens. This will also enable us to develop customer-centric products and services which reflect the most up-to-date market trends.

Strengthening the Core Business to Become a Market Leader

We will focus on smart and profitable asset growth by expanding high-quality household loans. We also aim to rank first in net increase among commercial banks in Korea by expanding our low-cost deposits. In addition, we will accelerate the digital transformation of our front offices by, for example, completing a non-face-to-face process system for all of our loan and deposit products, and improving digital marketing support. We will also strengthen customer relationships through our newly launched “My Care” system which integrates digital marketing with the analog human touch.



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Securing Future Sources of Revenue through Creative Innovation

We will look for ways to increase its number of customers by building stronger business alliances and pioneering new markets. We will also identify new revenue models in response to changing market and advancements in digital technologies. In addition, we will implement marketing strategies which maximize cooperation between our subsidiaries through “Shinhan Plus”, a digital financial service platform that integrates the products and services offered by various subsidiaries of Shinhan.

Strategies for 2021

STRATEGIC GOAL

**Innovating Customer Experience!
Creating Differentiated Growth!
Pursuing “Excellence” in Retail Banking!**

STRATEGIC DIRECTIONS

01

Enhancing customer value, with a focus on customer experience

02

Strengthening the core business to become a market leader

03

Securing future sources of revenue through creative innovation

Corporate Banking



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Shinhan Financial Group is striving to shape the future of finance through stable growth, strong execution capabilities and excellence in corporate banking.

Key Performances in 2020

In order to overcome the challenging business environment in the low growth era and achieve strong growth to stay ahead of the competition, Shinhan Financial Group's Corporate Banking Division set its strategic goal for 2020 as being a "Creative solution leader, demonstrating "Excellence" in corporate banking". In support of this, the Division implemented a set of detailed strategies – improving business fundamentals, customer-centered growth, and differentiated growth in the markets of the future. The Division paid particular attention to the needs of corporate clients during the COVID-19 pandemic, and further strengthened its foundations as a corporate banking service provider.

Selected as a leading bank in supporting SMEs¹⁾

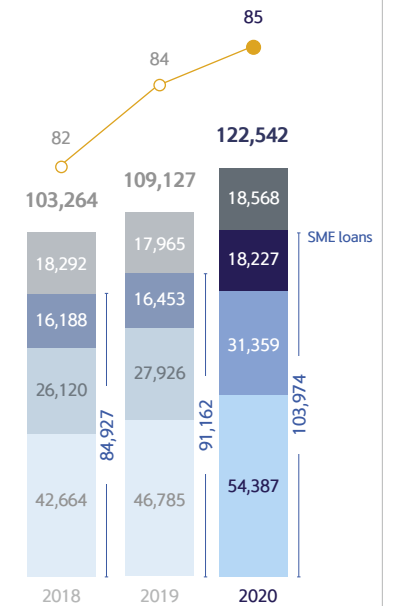
No. 1

¹⁾ Based on SME loans; as of December 31, 2020; and No. 1 among commercial banks in Korea

Corporate Loans

(Unit: KRW billion)

- Proportion of SME loans out of total corporate loans (%)
- Large Corporates etc.
- Audited SMEs
- Non-audited SMEs
- SOHO



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Customer Value Creation in Core Business Areas In order to maintain strong growth based on high-quality assets in 2020, we focused on our core markets, including mid-cap, audited, and non-audited corporations. In particular, we targeted our sales activities at robust mid-cap companies, and as a result, we ranked first among commercial banks for increases in KRW loans to SMEs. In addition, we have improved the customized services offered to our corporate clients at each stage of their development. Consequently, the number of our SME clients with more than KRW 100 million in loans now stands at 50,619, making us the leader in Korea's commercial banking sector, and solidifying our reputation as the leading bank in providing financial support to SMEs.

Profitable and Sustainable Growth We focus on building a stable revenue structure with the goal of achieving sustainable growth. In 2020, our Corporate Banking Division undertook a range of collaborative marketing activities targeting SMEs and mid-cap companies, including cooperation among in-company sales teams, referrals from other business divisions, and synergy between the Group subsidiaries. In addition, we improved our comprehensive loan support systems in order to ensure efficient asset management and better profitability, and have also segmented the management of our non-interest income, including FX/derivatives and trust/retirement pensions. In addition, we achieved smart asset growth and stable profitability by diversifying our revenue structure.

Differentiated Growth for the Future We actively moved forward with our digital transformation in line with market demand for non-face-to-face services and accelerating digital transformation. One of key achievements in 2020 is "Shinhan Online Direct Export Bond Insurance Loan", a loan which is processed entirely non-face-to-face, in collaboration with Korea Trade Insurance Corporation, becoming the first company in the financial sector to launch such a product. In addition, we continued to lead in digital transformation and expansion into fast growing markets. In particular, we expanded our support for technology finance, focusing on startups and companies with outstanding technological prowess and potential for growth in promising sectors of technology. As a result, we won first place in an evaluation of the banking sector's technology finance performance in the first half of 2020. In addition, we also expanded our support for intellectual property (IP) rights and asset-based lending.

Plans for 2021

Shinhan Financial Group seeks to lead the market by actively responding to the rapidly-changing business environment, and by engaging in outstanding innovation. To this end, the Corporate Banking Division has set its strategic goal for 2021 as "New future through digital innovation, customer-centered corporate banking par excellence". In support of this goal, it will implement the following strategic directions – customer-centric corporate banking, improving business fundamentals, and leading the future of corporate banking.

Customer-centered Corporate Banking Par Excellence We will earn customer trust, which is a value that customers consider with top priority when choosing a bank, by offering distinctive financial products and solutions, and by establishing a fair and transparent business culture. We will focus on providing loan support and new products which reflect changes and trends in the industry. In innovation finance, we will increase our marketing in technology finance, property-secured loans, IP-secured loans, relationship banking, social finance, and its support for companies in key materials, parts, and equipment sectors. We will also offer our customers differentiated solutions in tax/management consulting, global consulting, and corporate management consulting. We will also maximize the value of our clients by providing both financial and non-financial support for small businesses.

Improving Business Fundamentals In 2021, we will focus on increasing the quality of our SME loan assets, and continuing to strike the right balance between risk and profitability. The Project and Relationship Manager Team created in 2020 will be expanded and reorganized in order to strengthen the direct, centralized marketing aimed at blue-chip companies, and will collaborate with Retail Relationship Managers to provide customers with the best financing solutions. We will also expand our customer base through the effective management of long-term customers.



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Leading the Future of Corporate Banking We will continue with our efforts to lead the markets of the future. In order to improve our competitiveness in digital corporate banking, we will increase our digital coverage in this sector, and will build customer-focused, open corporate banking platforms through digital marketing and the opening of digital innovation branches. In addition, we will form alliances with other business sectors to further expand the range of our new products and services. We will also solidify our leadership in corporate banking by substantially expanding c IB and consultancy services, thus preemptively responding to changes in both markets and customer needs.

Strategies for 2021

STRATEGIC GOAL

**New Future through Digital Innovation,
Customer-centered Corporate Banking
Par Excellence**

STRATEGIC DIRECTIONS

01

Customer-centered corporate banking par excellence

02

Improving business fundamentals

03

Leading the future of corporate banking

Credit Card



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Shinhan Card extends the boundary of customers, collaborates with a wide range of business partners, and strives for other challenges to overcome the limitations of credit card business.

Key Performances in 2020

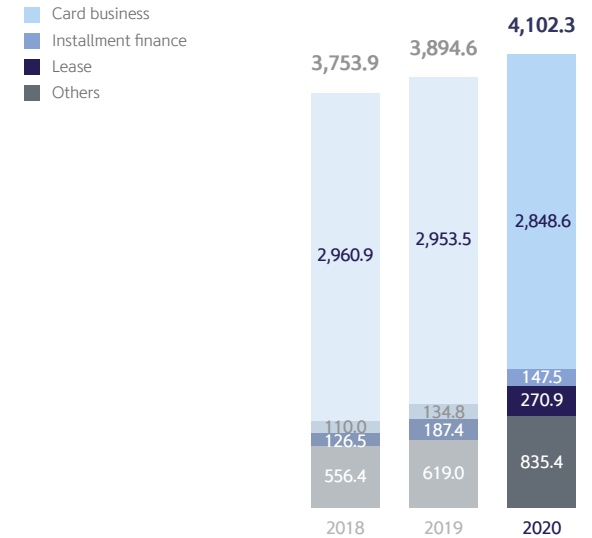
In 2020, Shinhan Card implemented its new vision of expanding the scope of its business based on the slogan, "Connect More, Create the Most", and focused on Winning next payment market, Accelerating multi-finance, Valuing up platform business, and Evolving core strengths, supported by the Deep WAVE strategy for creating and sharing differentiated customer experiences. As a result, Shinhan Card was able to achieve a solid performance, even in the midst of the COVID-19 pandemic.

Ranked first in credit card market share in South Korea

No. 1

Operating revenue

(Unit: KRW billion)



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Launched Innovative Products The “Deep Series” expanded the product line-up to offer hyper-personalized incentives and benefits, leading the industry’s new product trend. “Shinhan Pay^{FAN}”, which offers services in payment, finance, and daily life through simple payments, achieved solid growth despite the launch of intense competition from big tech companies. This was mainly attributable to the addition of distinctive functions and services, including “My Report” personal expenditure management (PEM) service, “Digital Wallet” which offers an actual wallet within an application, and the Korean finance industry’s only iPhone touch payment service. As a result, it is now a major payment & life platform, with 13 million subscribers and annual payments of KRW 13 trillion.

We have been making efforts to diversify our asset portfolio, and one of the new business sectors that we’ve focused on is auto finance. Consequently, the company’s auto finance assets exceeded KRW 6 trillion in 2020. In addition, we launched “My Car”, which is an integrated auto finance platform that offers a comprehensive range of automobile-related services and content. We also strengthened our financial product line-up in response to diverse customer demand, and expedited the transition into a multi finance company by expanding our overseas business.

Thanks to these efforts, in 2020 three Shinhan Card products (rental brokerage, overseas remittances for foreigners, advanced payment services for merchants) were chosen by the government as innovation finance services. We now have eight different innovation finance services recognized by the government, the most in the financial industry. We recorded the greatest number of transactions in the Financial Data Exchange. Furthermore, we led innovation by expanding data sales into the global market and by launching the “D-Club”, a 100% digital membership.

Growth Strategies to Go Beyond Credit Cards The paradigm of the financial environment is rapidly changing, mainly attributable to amendments to three data-related laws¹⁾, and the emergence of more MyData and My Payment companies. We are using these changes as opportunities, offering our customers new experiences through innovation. We have therefore set out detailed directions for its digital platform innovation strategy, also referred to as its “D.N.A business model”.

D stands for “Daily payment expenditure and finance management” through which we will put “one app, all finance” into the hands of our customers every day. N stands for the “New discovery platform”, providing new services and benefits in line with customer lifestyles based on analysis from MyData. A stands for “Amazing business finance management”, representing our goal of becoming a platform offering comprehensive support to merchants’ operations and finance.

Thanks to these efforts, we won the Presidential Citation at the National Productivity Awards in 2020, and ranked first in all the three major brand evaluations held in Korea – the National Brand Competitiveness Index organized by the Korea Productivity Center, the Korea Brand Power Index survey conducted by KMAC²⁾, and the Korea Standard Premium Brand Index survey conducted by the Korean Standards Association. We, Shinhan Card, have thus achieved the triple crown in brand value evaluations for nine consecutive years, an unprecedented achievement for a financial company.

Plans for 2021

We have been implementing the customer-centered “Deep Strategy” for the last three years, and continue to generate positive outcomes from it. In 2021, we will execute its unique “Deep Contact” strategy to gain a deeper understanding of our customers in this era of profound change brought about by COVID-19. It will therefore complete the following four tasks.

Digital Contact In the digital era, we are going beyond the boundaries of the credit card business by offering our customers new experiences in their daily lives, based on a framework of “life & finance”. Shinhan Pay^{FAN} will be developed into Korea’s leading “life & finance” platform, enabling the integrated handling of all financial and life services. In addition, we will expedite the digitalization of all our businesses, including credit card, finance and new businesses.

¹⁾ Personal Information Protection Act; Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc.; Credit Information Use and Protection Act

²⁾ KMAC: Korea’s Most Admired Companies

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Economic Contact We aim to contribute to society and the national economy by supporting the financial growth of its customers. We will offer high-quality loans to customers, further upgrade our auto finance platform, and offer a comprehensive financial platform to merchants. We will also undertake a wide range of environmental, social and governance (ESG) activities to create a virtuous cycle of sustainable growth benefiting both current and future generations.

Extended Contact We will enhance customer value and expand our business by connecting customers, data, and business. We will create new value by cooperating with companies in other industries, expanding new data-based businesses, increasing our overseas business, and by making new investments to establish a multi-finance company.

Personalized Contact We will ensure that our product recommendations are made entirely from the perspective of the customer, and will also improve our consumer protection. We will provide optimal benefits and experiences to a greater number of customers through hyper-personalized products and services brought about by digital technology.

Strategies for 2021

STRATEGIC GOAL

DEEP-tact

Shinhan Card's Deep Contact Strategy

STRATEGIC DIRECTIONS

01

Digital contact

Digital-based innovation of customer experience and redefinition of card business

02

Economic contact

Economic growth of customers supported by the advancement of financial industry

03

Extended contact

Extension of customer value and business areas through hyper-connection

04

Personalized contact

Personalized, detailed recommendation and risk management based on data and digital technology

Securities



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Selected as one of the Korea's Most Admired Companies in the financial investment sector by KMAC for five years in a row

No. 1

KEY FIGURE

Shinhan Investment plays as a hub for the Group's capital markets business, with an aim to be the leading securities firm in the Korean capital market, based on its customer-focused management philosophy.

Key Performances in 2020

Economic uncertainties grew throughout 2020 as a result of the worldwide spread of COVID-19. Korean financial markets saw both negatives and positives during the year, with negative aspects including reduced customer faith in financial products and change in the competitive landscape with big tech companies newly entering the securities business. On the positive side, both the number and the amount of transactions within the stock market soared as a result of increased liquidity.

2020 was an important year for our brokerage arm, Shinhan Investment, as it strengthened the foundations for innovation of all its businesses. By overcoming the difficult conditions both at home and abroad, and by enhancing customer trust while strengthening the fundamentals of all its business units, the company achieved a solid financial performance, supported by strong growth in the GMS, GIB, and Digital Divisions. It also won outstanding external evaluations, including its fifth consecutive No. 1 rating of all the securities firms with which the National Pension Service trades, winning the Social Contribution Grand Prize from the Korea Chamber of Commerce and Industry and Forbes, and an upgrade in the ratings outlook from Moody's.

Established the Right Principles We have established sound business fundamentals and principles for all our business units, to ensure that they put the philosophy of customer-focused management is fully put into practice. We have redesigned all our systems, and have also enhanced our corporate culture, including human resources management and training. In addition, we are making company-wide improvements in our internal controls, including creating detailed manuals and systems, and improving operational risk management systems through an agile organization based on the "Internal Control Cell".

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Focused on Offering the Best Financial Solutions We are dedicated to providing the best brokerage and investment solutions to all our customers. We have therefore focused on establishing stable and reliable product supply and processes in order to earn customer trust. In particular, we have revamped our product management systems and re-examined our product processes from the customer perspective. This includes a complete survey of investment products, expanding the role of our Research Center to include support for improving company-wide investment skills, and enhanced employee training.

Established the Foundation for a Digital-Leading Company We have established the foundations for becoming Korea’s leading digital investment company. We became the first financial company in Korea to create a data analysis platform in response to the digitalization of the industry and in order to enhance customer convenience. We have set key targets related to digital transformation, including new home trading system (HTS) and customer relationship management (CRM), and have created a more agile corporate culture and organizational structure.

While strengthening our digital platforms, including HTS and mobile trading system (MTS), we are also expanding our digital business by establishing alliances with companies in different industries. In 2020, our overseas equity gift card “Stockcon” became part of the KakaoTalk Gift platform. We also began our overseas equity small investment service on Shinhan Card’s Shinhan Pay^{FAN} mobile application, and launched a securities passbook in alliance with 11STREET, an e-commerce platform.

Plans for 2021

The uncertainties caused by COVID-19 and the challenges that have arisen from external factors such as heightened competition from big tech companies and additional industry regulations will likely continue to linger in 2021. The strategic goal for Shinhan Investment in 2021 is “to become a renowned digital investment house”, to fulfill the role as the Group’s capital markets hub, and to turn current challenges into opportunities for innovation. To this end, we have established seven major strategic tasks.

Open Innovation & Digital Transformation All industries, including the securities industry, are seeing rapid movement towards digitalization. We will increase the number of our digital customers by improving our MTS and HTS platforms, and will create the best possible ICT infrastructure within all our business units in order to ensure firm digital foundations. In addition, we will build alliances with companies in different industries, and undertake a range of investments in collaboration with big tech companies.

Customer-focused Channel Innovation By upgrading the previous offline business model into a new MTS-centered platform, we will offer our customers easy and convenient investment information, and offer products and services customized to the needs and risk appetite of each client. These hyper-personalized services will expand the customer asset base.

Strengthening Management and Competitiveness of Products We will improve our investment capabilities through advanced management strategies and ensure stability throughout the entire product sales process. We will enhance our financial consumer protection systems, and offer products which meet customer requirements, with a focus on products with proven stability, including both products developed internally by Shinhan Investment and publicly-placed products.

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Generating Sustainable Outcomes We will maintain our wholesale sales capabilities by upgrading our sales network for existing corporate clients, and also by enhancing our corporate and overseas businesses. In addition, we will strengthen our traditional IB business, which is based on coverage capabilities, and IB capabilities at our overseas subsidiaries, and will diversify income through retail business at our overseas subsidiaries.

Improving Risk Management Systems We, Shinhan Investment, will improve our risk management infrastructure systems, which will both strengthen the management of existing investment assets and build the foundations for the risk management of future growth.

Nurturing π-Type¹⁾ Talent We will recruit the best personnel who excel in both digital capabilities and capital markets by upgrading our recruitment processes. We are also building a learning organizational culture, including the adoption of self-development indices and improvements in training systems.

Strengthening Connections and Communications We will leverage the Group's digital platforms in order to expand our customer base through cooperation with other Group subsidiaries. In addition, we are creating a non-hierarchical, internal communications system which will identify work tasks and generate positive outcomes through collective intelligence.

¹⁾ n-type talent: Individuals with expertise in two areas – digital and capital markets

Strategies for 2021

STRATEGIC GOAL

Renowned Investment House that Leads Digital Paradigm

STRATEGIC DIRECTIONS

01

Open innovation & digital transformation

02

Customer-focused channel innovation

03

Strengthening management and competitiveness of products

04

Generating sustainable outcomes

05

Improving risk management systems

06

Nurturing π-type talent

07

Strengthening connections and communications

Life Insurance



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Shinhan Life Insurance and OrangeLife, together run the Group's insurance business, continue to innovate in key areas, including customer strategy and digital finance, establishing leadership in a new era of insurance.

In 2020, the Group's insurance business strived to build business resilience in the face of a very difficult business environment, including the sluggish real economy due to COVID-19, the acceleration of digital transformation, and ultra-low interest rates. It focused on increasing its sales capabilities and generating profitable new growth, especially in the digital world. Ahead of the integration of Shinhan Life Insurance and OrangeLife in 2021, they sought to build strong foundations for the integrated company by promoting innovation in the insurance industry.

Net income of insurance business in 2020

457 KRW billion
(SL 178Wbn + OL 279Wbn)

Shinhan Life Insurance

Diversified sales channels, excellent product profitability

- **Balanced channels, including financial consultants (FC), tele-marketing (TM), general agency (GA), and bancassurance**
- **Outstanding product profitability centered on protection-type products**
- **Enhanced asset management capabilities using the Group matrix**

OrangeLife

Expert FC channel, industry's top-level capital soundness

- **Young, highly-productive FC channel**
- **Variable composition ratio with high income contribution**
- **Industry's top-level capital soundness**

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Key Performances in 2020

Strengthened Business Resilience and Increased Value in New Business

We increased our sales capabilities of our insurance products, through marketing campaigns and other efforts, in order to support sales that had been negatively affected by the sluggish real economy and increased financial market volatility. We also strengthened resilience by focusing on profitability and sales efficiency, and improving our asset liability management (ALM). In particular, we enhanced the competitiveness of our sales channels and reorganized our sales models to operate from the perspective of profitability.

Digital Transformation In order to enhance digital experience of our customers, we are working on the digitalization of the entire insurance process, ranging from sales to customer management, claims, and payment. As part of these efforts, in 2020 we developed an AI-based chatbot for customers, upgraded sales support systems, and undertook a range of other measures to increase digital competitiveness. We are also developing a digital healthcare platform in order to make a preemptive move towards leadership in the digital healthcare market.

Expanded Drivers for New Future Growth With the existing insurance sales environment proving increasingly difficult, we are striving to identify drivers of new growth. We have therefore established a sales company in the general agency (GA) market, and have also laid the foundations for a global business by establishing a subsidiary in Vietnam.

Integrated Competitiveness for NewLife In order to ensure a stable and full integration of the two insurance companies under Shinhan Financial Group, we have created customized integration systems and strategies for different business areas and teams. In addition, we have set out measures for improvements in key areas, including customer management, sales channels, and digital strategy, aimed at strengthening competitiveness of the newly integrated insurance company. In addition, we established organizational systems which can react quickly to a rapidly-changing environment through corporate culture innovation, including an agile way of working and organizational structure.

Plans for 2021

2021 will be a highly significant year for Shinhan's insurance business, as Shinhan Life Insurance and OrangeLife are integrated into one company. Shinhan Financial Group will focus fully on the stable integration of NewLife, and on strengthening the competitiveness of the integrated company. As well as the integration of the insurance arms, the Group will respond to the challenges of COVID-19 with agility and effectiveness, accelerate the implementation of digital transformation, and develop drivers of new growth, thus preparing for a future in which individuals and companies can move on from the pandemic era.

Open Innovation & Digital Transformation Accelerated by COVID-19, our society is becoming ever more digital. We will therefore aim to develop a competitive edge through technology-based digital innovation. We will strengthen digital sales support, make advancements in AI-based customer service, and build a healthcare ecosystem based on our new healthcare digital platform. In addition, we will use big data to make our marketing models more sophisticated and accurate.

Efficient Growth In an increasingly uncertain business environment. We will look to strengthen our qualitative growth by increasing the competitiveness of each sales channel, expanding new business and managing for profitability not size.

Preemptive Risk Management Risk management systems for our insurance business are constantly being upgraded in response to existing and future risks, including COVID-19 and low interest rates. We will make our analysis systems more accurate by reflecting the lessons learned from the pandemic, and will further strengthen our asset risk management in response to the ultra-low interest rate environment.

Global Connection and Expansion We will generate income for the future by expanding globally. As an initial step towards global expansion, we will obtain a license for establishing a subsidiary in Vietnam, and advance localization strategies.

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Creating Sustainable Outcomes With ESG factors becoming ever more important, including eco-friendliness and corporate social responsibilities, we will strengthen our systems for sustainable management. We will actively support global initiatives such as ISO 14001 and UN PSI¹⁾, and will continue to take part in the Group-level drive towards zero carbon.

Multi-faceted Talent Management Amid the rapid transition to a digital era, we will develop more digital-focused personnel by strengthening corporate-wide digital capabilities.

Building a Dynamic Organization We will take advantage of the opportunities offered by the integration of Shinhan Life Insurance and OrangeLife to create an agile organization which can more strategically and rapidly respond to changes in the business environment.

¹⁾ PSI: Principles for Sustainable Insurance is a global sustainability framework and initiative of the UN Environment Programme Finance Initiative.

Strategies for 2021

STRATEGIC GOAL

**NewLife beyond OneLife.
NewLife achieving “Excellence”**

STRATEGIC DIRECTIONS

- | | | |
|---|--|--|
| <p>01
Open innovation and digital transformation</p> | <p>02
Efficient growth</p> | <p>03
Preemptive risk management</p> |
| <p>04
Global connection and expansion</p> | <p>05
Creating sustainable outcomes</p> | <p>06
Multi-faceted talent management</p> |
| <p>07
Building a dynamic organization</p> | | |

Asset Management



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Shinhan Asset Management, which has been rebranded from Shinhan BNP Paribas Asset Management in January 2021, is Shinhan’s asset management hub, and offers a wide range of customer-tailored investment solutions based on a solid management principle.

Key Performances in 2020

Three Major Strategic Directions for Change and Growth In 2020, we followed three major strategic directions in order to maintain growth momentum in asset management business sector – enhancing key business capabilities, expanding into new business, and upgrading HR and systems. In traditional equity investments, we have boosted our assets under management in the Korean market by increasing rates of return on large-cap stocks and offering small- and medium-cap stock funds. In bonds, we have continued to attract institutional funds based on our excellent management performance. Growth in target dated fund (TDF) retirement pension products continued thanks to the popularity of our newly launched products. In addition, we have sought to improve customer returns by diversifying the revenue structure of our underlying assets. In structured products, we have solidified our industry-leading position with new product development.

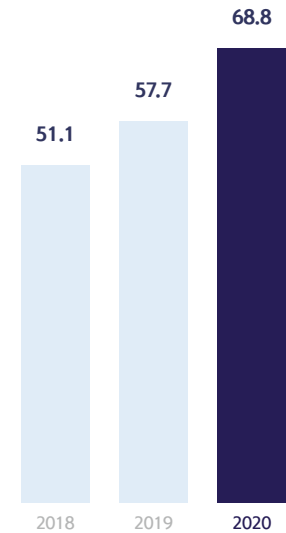
Year-on-year growth of AUM

19.2%

* Based on net asset value

Assets Under Management

(Unit: KRW trillion)



* Based on net asset value

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We, Shinhan Asset Management, continued to offer customized solutions to our customers by setting out solution-based investment strategies, giving access to industry experts, and by developing flagship products, led by the Product Strategy Center. This has enabled us to offer competitive products, which in turn has led to increased rates of return on funds.

In the outsourced CIO (OCIO) business, we received an outstanding evaluation for the management of the Radioactive Waste Management Fund. As a result, we were selected as the National Health Insurance Service’s alternative investment manager, which substantially increased our funds under management. In the alternative investments sector, we continued to solidify our strategic foundations, offering a wide range of products to our customers, and setting up a VC investment platform to spur innovative growth.

In the initial public offering (IPO) market, we focused on developing tailored investment products for retail customers. The hybrid “Samsung Electronics Alpha” fund pursues above-market profitability by investing in the shares of Korea’s leading company, Samsung Electronics, in addition to government and other public bonds, and investment-grade corporate bonds. The fund’s assets have surpassed KRW 400 billion, making it the industry’s leading fund. In addition, the “BEST Credit Short-Term” fund, a short-term bond product, grew substantially, and now has assets amounting to KRW 250 billion.

Expanded in Global Markets We strengthened our global asset allocation and fulfilled the overseas investment requirements of our institutional investors by launching a wide range of funds of funds. We also increased the volume of our overseas investments by sourcing alternative assets, and by launching ESG and infrastructure funds.

Increased ESG Investments for Sustainable Growth We became the first comprehensive asset management company in Korea to declare support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). Thanks to our commitment to sustainable growth, we were selected to manage Korea’s National Pension Service’s SRI fund and Public New Deal fund, strengthening our position as a leader in ESG fund management. We will continue to build a full line-up of ESG funds and increase investments in ESG.

Plans for 2021

Financial markets are forecast to remain highly volatile in 2021, mainly because of ongoing risk factors associated with the COVID-19 pandemic. In addition, with returns from traditional investments still low and customers continuing to prefer safer assets, demand for absolute return and alternative investments is likely to increase still further. We, Shinhan Asset Management, are therefore establishing investment strategies and developing products to meet this trend. In addition, we will strengthen our role as the asset management platform for Shinhan Financial Group, and reinforce our position as the leading comprehensive asset management in Korea. To this end, we have set the strategic goal for our asset management business in 2021 as “taking on challenges and innovation for sustainable growth”, and has defined seven major strategic tasks in support of this goal.

Digital Transformation through Digital Innovation In response to the rapidly-changing market environment, including the contactless culture brought about by the pandemic, we will focus on digital transformation and innovation in all aspects of our asset management business, including asset management, sales, and management, thus enhancing our digital business capabilities.

Efficient Growth in Key Businesses We will diversify product offerings and sales channels in its retail and pension units. We will also meet institutional investor demand for a wider range of global assets. In addition, we will diversify the sources of income by identifying and investing in new OCIO and alternative investment businesses.

Growth in Partnership with Customers By improving the performance and profitability of our clients’ assets, we will grow in partnership with our customers. We will increase customer returns by continually improving its asset management capabilities, and will enhance the role of the Product Strategy Center in creating products which meet the various needs and requirements of our customers.

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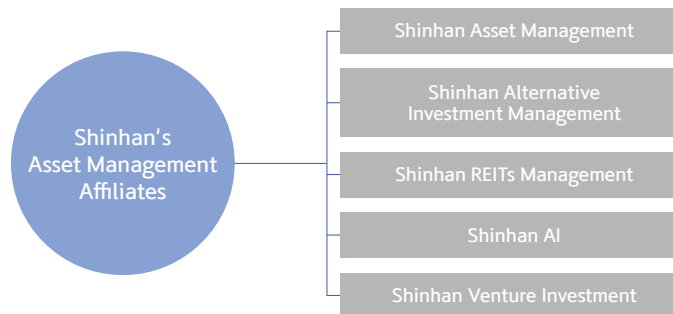
Increasing Opportunities and Strengthening Management We will increase our direct investments by improving our global management, research and asset allocation capabilities. We will also collaborate with GIB and overseas management companies in order to expand our overseas alternative asset investments, supported by strict risk management.

Increasing ESG-focused Investments We will reinforce our position as the leader in Korean ESG fund management by committing larger amount of investments to environmentally-friendly assets. We will also integrate the Group's ESG management strategy – Green, Win-win, and Trusted management – into our asset management practices.

Rapid Response to Changes in Capital Markets We will improve our risk management by strengthening internal controls and management accounting. We will thus protect customer assets and respond preemptively to changing trends and requirements in the capital markets.

Performance-based Personnel and Organizational Management We will recruit, retain and train the best people for each position within the company. We will establish an open organizational culture, based on performance-driven compensation and a flexible organizational system.

SFG's Asset Management Arms



Strategies for 2021

STRATEGIC GOAL

Taking on Challenges and Innovation for Sustainable Growth

STRATEGIC DIRECTIONS

- | | | |
|--|---|---|
| <p>01
Digital transformation through digital innovation</p> | <p>02
Efficient growth in key businesses</p> | <p>03
Growth in partnership with customers</p> |
| <p>04
Increasing opportunities and strengthening management</p> | <p>05
Increasing ESG investments</p> | <p>06
Rapid response to changes in capital markets</p> |
| <p>07
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One Shinhan



Shinhan Financial Group has built an effective management system at the Group level based on the “One Shinhan” strategy, ensuring close collaboration between the Group subsidiaries and driving growth towards “Excellence, Shinhan”.

Key Performances in 2020

“One Shinhan” is not just a slogan, but a strategy which is shared by all the Group subsidiaries and a system of collaboration which provides customers with optimized products and services. In 2020, the Group launched Shinhan Plus Membership, an app-in-app service that integrates Group-wide reward programs and financial services offered by different subsidiaries, and launched hybrid products such as “Shinhan Plus Membership Installment Savings” and “The More Card” to allow our customers to take full advantage of the “One Shinhan” platform, while collecting bigger rewards. This laid the foundation for us to expand and strengthen our customer cross-marketing, as well as a higher Group cross-selling ratio. We also launched the “Shinhan MyCar” platform, which merged the auto financing platforms of Shinhan Bank and Shinhan Card.

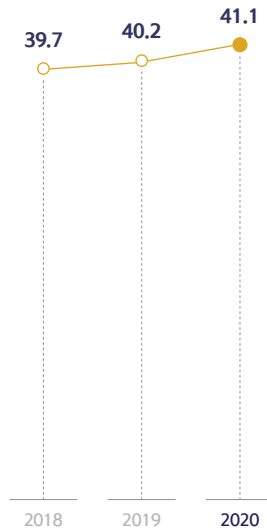
2020 Cross-selling Ratio

41.1%

* As of December 31, 2020; and based on the ratio of customers using products and services from two or more of the Group subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance

Cross-selling Ratio

(Unit: %)



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Widened the Group Customer Base and Expanded Cross-marketing

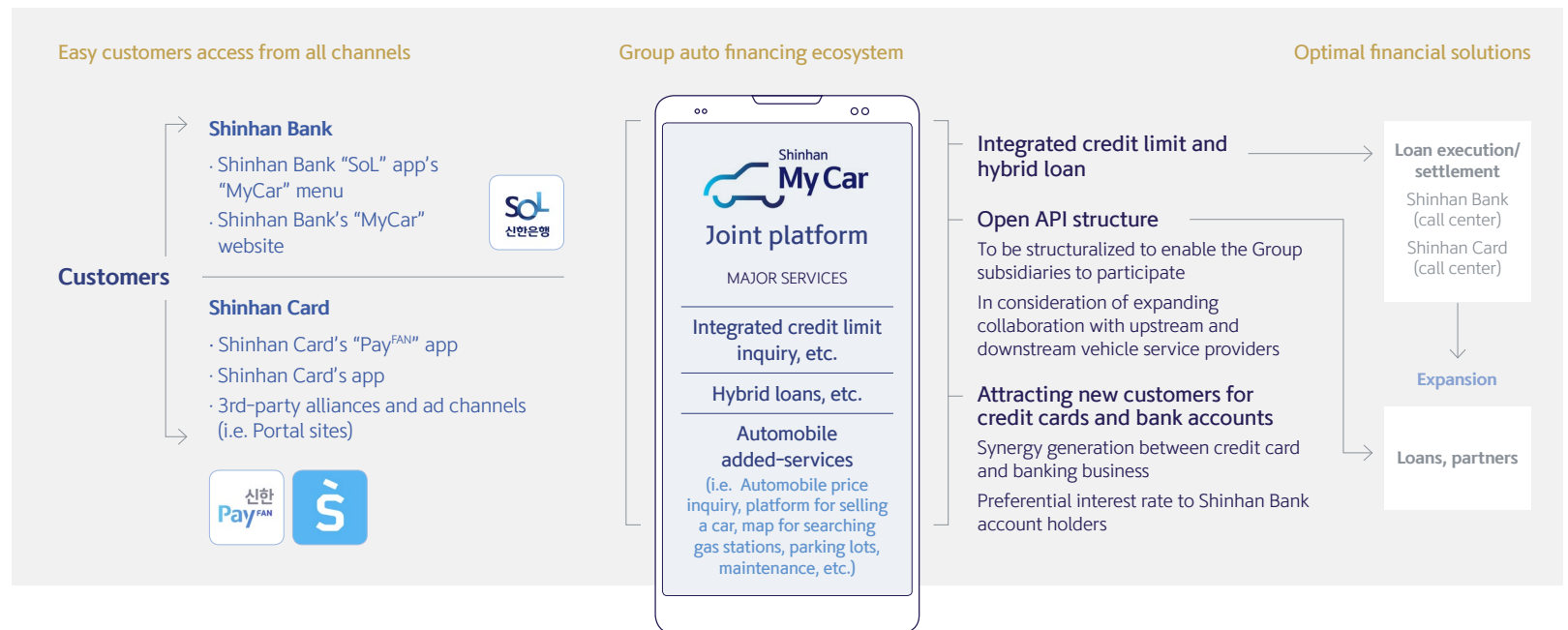
In 2020, we were able to expand our customer base and to cross-sell more effectively with the launch of "Shinhan Plus Membership". The Membership is a result of a full-scale reform of "Shinhan Tops Club", and it not only combines the benefits and rewards of Shinhan's different subsidiaries, but also offers some 110 important financial services, including customer inquiries and product subscription. It is not an independent app, but is offered as an in-app service that can be accessed via the apps of Shinhan's main subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance.

In addition to offering a wide range of customer rewards, including "My Shinhan Points" which can be used like cash, the Membership offers other customer-tailored products and services such as "Shinhan Plus Membership Installment Savings", which is a package product only available to Shinhan Plus customers, and "The More Card" which helps customers make small investments.

Thanks to these distinctive services and products, the number of Shinhan Plus Membership subscribers has grown steadily since its launch in April 2020. At the year-end, the cumulative number of subscribers had reached 14.63 million, with 12.05 million members providing marketing consent.

Increased Cooperation across Value Chains Shinhan Financial Group strives to maximize synergy by ensuring cooperation between all of our subsidiaries. As a result of these efforts, we launched "Shinhan Real Estate Value-Plus" which combines the investment advisory services of Shinhan Bank and Shinhan Investment with the real estate development and management services of Asia Trust, overseen by Shinhan WM-Real Estate Committee. This has enabled us to offer our clients with a comprehensive financial solution that integrates the expertise of our different business lines to provide financial consulting for the entire lifecycle of real estate, including development and management. In addition, we have launched the "Shinhan MyCar" joint platform to help customers achieve one-stop satisfaction in all their auto financing-related needs, including inquiries concerning integrated loan limits and portfolio optimization.

Shinhan MyCar – the Group's auto financing platform



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Strengthened Customer-centered One Shinhan Management System

Shinhan Financial Group is building a monitoring system designed to protect investors from the customer perspective. In 2020, we expanded the customer’s asset monitoring system, which aims to leverage inter-subsidary cooperation to increase customers’ rates of return, to include Shinhan Life Insurance, OrangeLife, and Jeju Bank as well as the existing input from our Bank and Investment arm. For our “One Shinhan Awards”, which is awarded to employees who create great synergy within Group’s different business lines, “customer-centric way of work” had been added to the selection criteria to make sure that customers always come first in all aspects of our business. We also operated the “One Shinhan Panel”, consisting of sales employees representing each of the Group subsidiaries. Although all of the panel meetings were held on a non-face-to-face manner due to the prolonged COVID-19, the panel had active exchange of opinions and concrete discussions between subsidiary employees, as well as facilitating three meetings with the top management.

Plans for 2021

In 2021, Shinhan Financial Group will expand customer-centered One Shinhan cooperation to increase customer value and achieve its goal of “Excellence, Shinhan”, thus earning recognition from both customers and wider society.

Connecting and Expanding the Group’s Customer Base We will segment customers and markets using actual transactions, thus identifying customers with high potential for initiating multiple transactions with more than one of our subsidiaries. In addition to strengthening the existing outstanding customer programs, particularly Shinhan Plus Membership, we will upgrade the UI and UX of Shinhan Plus platform from the customer perspective, and improve product recommendation functions. We will also expand cross-marketing by leveraging our customer database, and will more actively approach customers to offer competitive products, including hybrid products. More non-financial services will be added to Shinhan MyCar, including deals on car purchases, car-related information, cultural contents, and a car community, making it a true ‘finance & life’ platform, and leading the market through platform-based quantitative and qualitative joint growth.

Strengthening Competitiveness of the Group’s Joint Business

We will respond to the changes of internal and external environments by improving communications between the Group subsidiaries and developing cross-subsidary business models. In addition, we will identify market trends in each business and establish response strategies through collaboration between subsidiaries on digital transformations in areas such as Group integrated pay services, responding to the era of My Data, and expanding the healthcare business. This will enable the Group to enhance its digital competitiveness and achieve stronger results.

Digital Transformation



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We have set digital transformation as one of our top priorities and evolve into a digital financial company by pursuing innovation in customer experience and improving operational efficiency.

Digital Transformation Strategy

Shinhan Financial Group's digital transformation (DT) strategy is built on the "2 Tracks & 5 Cs" framework. The first track is the transformation of current business models, with the key elements being innovation in the customer experience and operational efficiency. The second track is the development of disruptive models in order to respond to the fast-changing business environment with new market entrants such as big-tech and fintech companies, and to embrace innovative models and enhance cooperation. 5Cs is about assessing how prepared the organization is to implement DT, and is comprised of the core technologies and capabilities required, organizational culture, platforms and partnerships, and change management. Through balanced and detailed adjustments under this distinctive Shinhan framework, the Group is moving forward with a thorough and sustainable digital transformation.

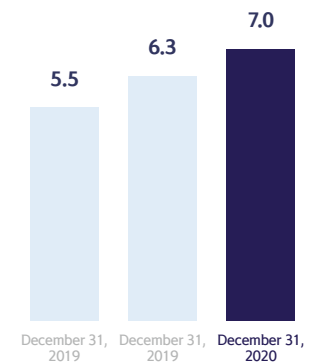
Number of People Using Shinhan's Digital Platform as of December 31, 2020

39.96 million users

* The sum of digital platform users of SOL, Shinhan Pay^{FAN}, and Shinhan Plus

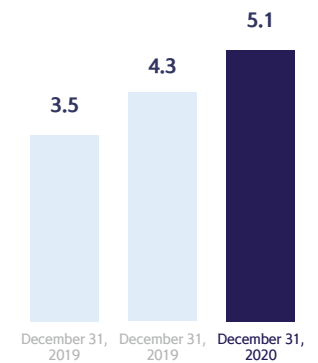
MAU of SOL

(Unit: Million persons)



MAU of Pay^{FAN}

(Unit: Million persons)



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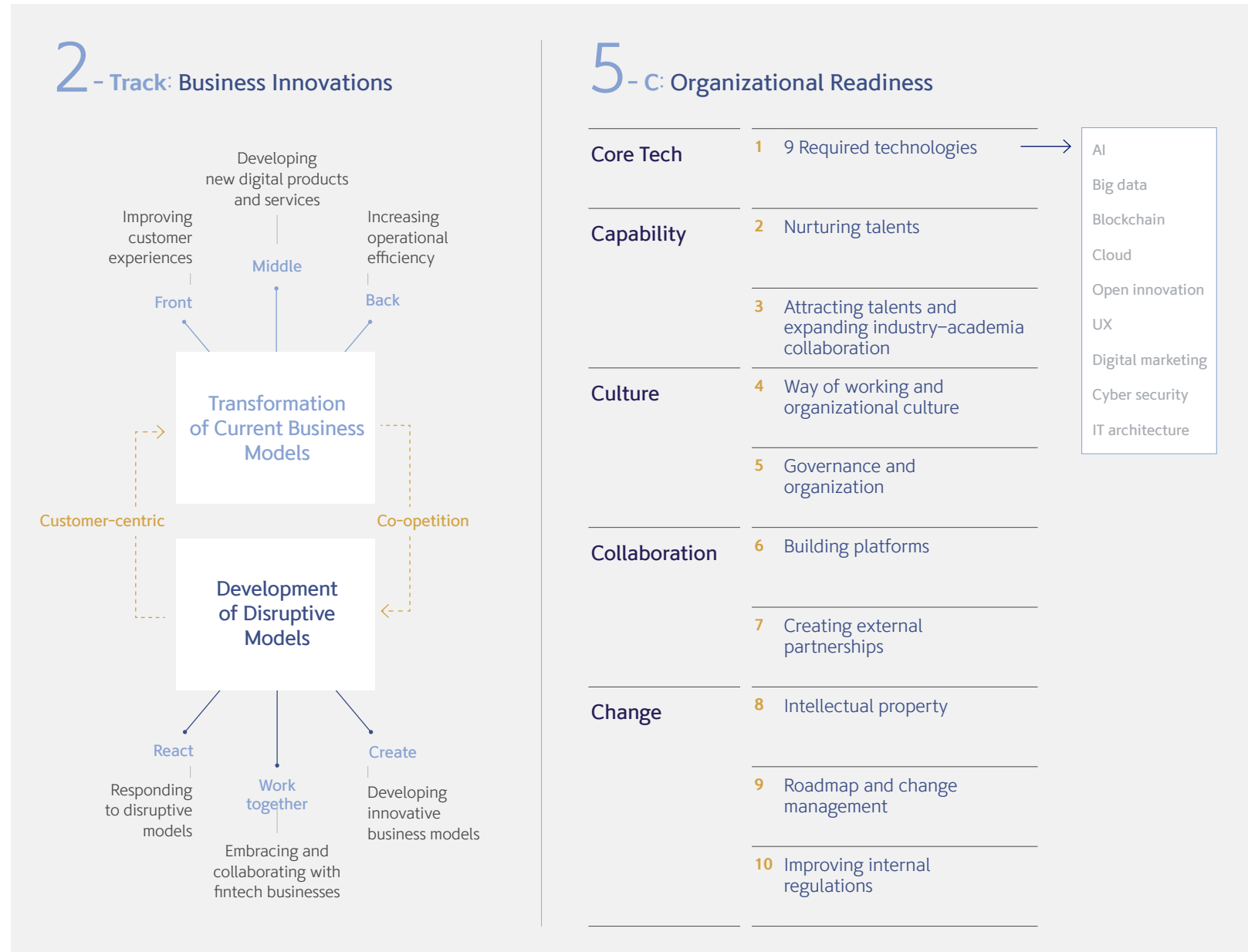
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Framework for Digital Transformation Strategy



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Key Performances in 2020

Established the DT Drive System In early 2020, we hosted the “Digilog Debate”, with participation of some 300 employees across the Group on how to offer agile responses to the rapidly-changing digital financial environment. We also established the “Digilog Committee”, supervised by the Group CEO and comprised of CEOs of the Group subsidiaries, in order to implement 200 innovative ideas related to digital leadership, personnel, competencies, culture, ecosystem, new technology, and DT in overseas business. The Group has established ABCD (AI, block chain, cloud, big data) technologies as its key digital technologies, and has adopted a “digital technology patron system” through which CEOs of the Group subsidiaries become patrons of different technologies in order to drive forward Group-

level technological capabilities. We have thus established a DT drive system which covers all our business sites in Korea and on the global stage, and are now looking forward to generating DT results.

Innovative Customer Experiences, Going Beyond Finance In this digital era, Shinhan Financial Group continues to establish itself as Korea’s leading financial platform by innovating its mobile platforms, which are now the closest customer contact point, to offer distinctive customer experiences. The number of customers who use Shinhan’s mobile platforms is increasing steadily every year, recording 39.96 million in 2020, a year-on-year increase of 10%.

Shinhan’s Mobile Platforms

Shinhan SOL



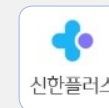
Shinhan SOL is Shinhan Bank’s full banking service platform. As of the end of 2020, the total number of customers using SOL had reached 12.5 million, and its monthly active users (MAU) totaled 7.01 million. As these figures indicate, it is leading the Korean open banking market, and it is also evolving into a customer-tailored mobile platform. In addition to providing financial services and an innovative UX, SOL offers dedicated non-financial services such as real estate platform - “SOL Land”, hobby platform - “SOL Class”, and travel and tourism platform - “SOL Trip”. Moreover, it is attracting new younger customers through the ‘Hey Young’ service which is optimized for the mobile life of the MZ generation. As a result of these efforts, in 2020, SOL ranked No. 1 in the mobile banking sector of the Korea Customer Surprise Brand Index organized by the Korea Brand Management Association.

Shinhan Pay^{FAN}



Shinhan Card’s Pay^{FAN} is the No. 1 card mobile platform in Korea, with the total number of users reaching 12.83 million in 2020, and MAU totaling 5.1 million as of the end of 2020. It makes more accurate analyses of consumption compared to its competitors, thanks to a detailed consumption industry categorization system which enables it to provide customer-tailored consumption analyses and reports. In addition, Pay^{FAN} offers a wide range of services to consumers, including MyWallet, Starbucks Siren Order, a small investment service, and general hospital appointment and payment services.

Shinhan Plus



Launched in April 2020, Shinhan Plus Membership combines the membership platforms and financial apps of major Group subsidiaries - Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance. The Membership can be easily accessed through an open API without having to install a separate app for each subsidiary’s mobile platform. The Membership offers distinctive benefits for customers, including exclusive coupons, specialized financial products, and an integrated loan service. It has generated substantial customer interest, as evidenced by the 10 million views of a YouTube advertisement for Shinhan Plus Membership in just 18 days after its release. As of the end of 2020, Shinhan Plus Membership has 14.63 million members.

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Product & Service Innovation



My Asset

(Personal financial management (PFM) service offered by Shinhan Bank)

Included in SOL, "My Asset" covers both financial and nonfinancial wealth management needs of customers, and services 2.04 million users as of the end of 2020. In addition to basic wealth management services, it offers unique financial functions. For example, customers can use "Let's Save up" service to save a targeted sum of money within a targeted time frame; "Pension Diagnosis" to calculate the expected amount of pension based on information from all domestic financial institutions and engage in retirement planning and diagnosis; and "Housing Subscription Consulting" to plan home purchasing.



Timeline

(PEM service offered by Shinhan Card)

Included in Pay^{FAN}, this personal expense management service performs as a secretary so that customers can independently manage their expenses. It makes timely suggestions on customer-tailored benefits and consumption analysis information in accordance with customer's spending patterns. It also offers a credit management service so that customers can check and manage changes in credit information.



MyWallet

Included in Pay^{FAN}, MyWallet service features payment, banking, and ID functions, and it also provides mobile driver's license and student ID. In addition, users can store and submit electronic certificate issued by the government. Since its launch in November 2020, 150 thousand people subscribed to the service in merely a month. Anyone aged 14 or above can subscribe to this service, which is receiving a considerably favorable response from Generation Z.



HowFit

Shinhan Life Insurance's digital health care platform "HowFit" provides AI-based home training services. Through real-time health care lessons that are provided by social media influencers, AI recognizes movements using only on a smartphone, without any wearable devices, and provides coaching to users.



Shinhan MyCar

Shinhan MyCar is an auto financing platform that was jointly launched by Shinhan Bank and Shinhan Card in October 2020. It includes all financial products and alliance services of Shinhan Financial Group that are related to automobiles. It features auto financing solutions such as hybrid loan services, and it plans to add more automobile-related services, such as a vehicle accessory shopping mall, maintenance, and car wash, to offer distinctive non-financial benefits.



R-offering

This omni-channel marketing system detects customer contact and transaction information from multiple channels, including offline branches, call centers, and mobile apps, to recommend customized products/services and deliver real-time benefits to customers. "R-offering", which won the "This Year's Project Award" at the 2020 Digital Transformation Awards that was hosted by IDC, aims to continuously innovate customer experiences via hyper-personalized marketing that knows me better than I do.



Digilog Branch

Shinhan Bank opened "Digitact Branches" to offer digital products and services at its offline branches for those who are not accustomed to mobile transactions. It became the industry's first to operate a "Digitact Counter" which is an unmanned video counseling counter, to handle most financial transactions, such as certification, financial consulting, and submission of documents.



Expace

In December 2020, Shinhan Bank opened "Expace", an open R&D space where the Bank breaks away from previous offices and exchanges with outside companies to jointly develop digital technologies. "Expace" is equipped with a state-of-the-art digital infrastructure including 5G mobile edge computing (MEC) and digital collaboration devices so that the space is also used as a testbed for testing new services, going beyond sharing ideas and collaborating with various companies, including large corporations, global companies, and startups.



Shinhan Face Pay

Chosen as an innovative finance service by the government, Shinhan Face Pay is a payment service that uses facial recognition technology so that a transaction can be made without a credit card or mobile phone. Customers can conveniently make payments at any store that the Face Pay function is available by simply registering once.

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Chosen as Innovative Finance Services Shinhan Financial Group is commercializing a wide variety of innovative ideas through the active use of the “Innovative Financial Service”¹⁾, a government-led financial regulatory sandbox program to encourage innovation. We have been selected for 13²⁾ projects, the most of any financial institution.

Expanded Shinhan’s Digital Ecosystem We have fostered 214 companies over the last six years through Shinhan Future’s Lab, a startup acceleration program that was the first of its kind to be launched by a financial group in Korea. We also have supported 137 instances of collaboration as well as direct/indirect investments worth KRW 35.97 billion, thus driving open innovation at home and abroad. In particular, we have launched “S² Bridge” to build an innovative growth ecosystem in Korea, and are making preparations to operate a program to foster startups from regional bases across the nation, including Seoul, Incheon, and Daejeon. We continue to build an ecosystem for startups in diverse fields, including innovative technologies related to the fourth industrial revolution, biotechnology, healthcare, and ESG. We are also expanding globally. We have presence in markets outside of Korea including in Vietnam, Indonesia, and Silicon Valley, and are increasing the range of overseas cooperation.

We are also partnering with companies across different industries in Korea and abroad. We are collaborating with 187 companies in ICT, electronics, distribution, and other sectors, and has signed MOUs with NEXON, Microsoft, and SK Telecom, amongst others. In particular, we are focused on discovering future businesses based on new digital technologies, including AI, data, and 5G, in addition to finance-related business opportunities. We are also leveraging these alliances by creating investment connections through our One Shinhan Future’s Fund.

Strengthen Capabilities in Key Digital Technologies Shinhan Financial Group has adopted a digital technology patron system to strengthen its capabilities in key digital technologies, and is identifying and implementing collaboration projects for each technology at the Group level. It is also undertaking a wide range of projects with leading external organizations.

Artificial Intelligence

Shinhan Financial Group is involved in various businesses which combine finance and AI. In 2020, Shinhan AI leveraged its “NEO” AI investment advisory platform to launch two AI investment advisory products, including the “AI Fund Wrap”. Shinhan Bank unveiled an AI voice phishing detection service, and created the AI-based customer contact center. Shinhan Card commercialized “Shinhan Face Pay”, a facial recognition payment service, and Shinhan Life Insurance targeted the healthcare market by launching “HowFit”, an AI home training platform.

In addition, Shinhan Financial Group has established the AI Financial Research Center in partnership with KAIST. This Research Center consists of KAIST professors and employees of Shinhan Financial Group, and undertakes AI research specializing in finance, including analyses of patterns of customer consumption and creating algorithms based on investment behavior. This research will then be reflected in our financial products and services.

Block Chain

Shinhan Bank has used block chain technology for decentralized identity (DID), small merchant policy fund support, and financial product management, thus accumulating extensive real-life project experience in this area. Based on these skills, Shinhan Bank is expanding its block chain business to include the establishment of a digital asset custody JV, and participation as an advisor in the Bank of Korea’s CBDC project. In addition, Shinhan DS has developed a block chain-based digital wealth management platform, and is expanding its block chain ecosystems and block chain business commercialization through collaboration with non-financial business partners.

¹⁾ A program which has been implemented pursuant to the Special Act on Innovation Financing Support by the Financial Services Commission. It defers or exempts the application of regulations, including those related to permissions and approvals, on selected services for as long as four years.

²⁾ Credit card-based remittances; credit assessments for individual businesses through the use of their credit card information; small investments linked to consumption and expenditure management; facial recognition payments; real estate monthly rent card payments; overseas equity gift cards on online platforms; rental processing proxy services through a rental brokerage platform; overseas equity stock back service based on small-unit overseas equity-trading service; credit card company’s overseas remittance services for non-residents/foreigners; real name confirmation services using a bank app; small merchant win-win platform for brokerage of food orders; quick payment services for merchant sales funds; and family card services for juveniles

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Cloud

In 2020, Shinhan Financial Group launched Cloud Business Office for a strategic Group-wide transition to the public cloud. Work units throughout the Group are therefore now conducting cloud infrastructure building projects and transitioning to the public cloud, thus increasing operational efficiency and stability.

Big Data

At the backdrop of the enforcement of Korean government's three new data-related laws in 2020, Shinhan Financial Group set up the Group Data Innovation Team in order to establish strategic responses at the Group-level. Given the need to have competitive business models for the newly emerged data economy, the Group is implementing detailed tasks for each subsidiary to acquire a MyData license, and to discover new areas of business based on data. Shinhan Bank and Shinhan Card have obtained preliminary MyData permits, and Shinhan Investment and Shinhan Life Insurance are making preparations to acquire MyData licenses.

Improved Operational Efficiency and Reduced Costs Shinhan Financial Group is enhancing efficiency and improving the work environment by applying new digital technologies across all work processes. Robotic process automation (RPA) is being continually implemented across the Group, resulting in an annual work reduction of 270,000 hours. In particular, "A.I. MOLI", a chatbot for employees, offers two-way communications across sales locations and can be used on a multitude of platforms, including PCs, mobile phones, and tablets, thus eliminating time and locational restrictions. These efforts have led to cost reductions worth around KRW 260 billion annually, and also earned the Presidential Citation at the 44th National Productivity Awards hosted by the Ministry of Trade, Industry and Energy.

Offered Training to Strengthen Employees' Digital Capabilities

We have defined an ideal digital talent as "creating value through improvement and innovation in existing work" and operate Group-wide digital training programs in support of this. We have adopted the online digital training platform (SCOOL) that has enabled us to continue to offer trainings to our employees despite the COVID-19 pandemic. Moreover, we strive to improve the completeness of online training by creating a data practice environment using cloud and by building a competences self-diagnosis system.

In order to stay ahead in the competition with big/fintech companies, and also to develop the drivers of future growth, it is essential to nurture talents who have both financial business skills and digital capabilities. Therefore, in 2017, Shinhan Financial Group became the first Korean financial company to create a Master's course in digital finance engineering, in cooperation with Korea University. 61 Masters of Engineering who have graduated from this course and the 66 currently-enrolled students are undertaking a wide range of projects related to digital technology.

Plans for 2021

Gartner, a global research firm, forecast that 2021 will be a tipping point for digital business. In order to sharpen our competitive edge in competing with financial and big/fintech companies in areas such as customer, business, data, and technology, Shinhan Financial Group has established a strong Group-wide DT drive system and created digital KPI. Based on these systems, we will undertake new businesses in platform, data, new technology, and digital talent, actively supported through the allocation of a budget of 10% of the Group net income every year until 2023. This will accelerate the digital transformation of the Group, and enable us to become a "digital finance company which creates the best experiences through technology and data".

Making Major Improvements in Existing Platforms and Launching Innovative New Platforms

In 2021, we will offer better customer experiences by making its existing platforms, such as Shinhan SOL and Shinhan Pay^{FAN}, open to all. Moreover, we will further innovate our business in such areas as payments, SME, and healthcare in order to secure a competitive advantage compared to big-tech and fintech companies. One example of this is the launch in early 2021 of "Shinhan Pay^{Money}", an integrated payment system, providing children, adolescents and customers who do not have bank accounts with a means of making electronic payments. In addition, we have set up the Total of Digital Platform (TODP) Implementation Team as part of the platform strategy established in 2020, and we plan to unveil a new platform centered on non-financial content in the second half of 2021. We will expand our budget for these platform innovations, and will also actively seek out inorganic growth opportunities including strategic investments and mergers and acquisitions with non-financial and tech companies.

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Focusing More on Data Innovation and Profitable Business We obtained a preliminary MyData permit in 2021. This has enabled us to rapidly execute our MyData strategies ahead of our competitors. We have created the Digital Innovation Team under the direct control of the Shinhan Bank CEO, and recruited experts to lead the big data and AI sectors. The Group is now preparing to launch new data-based customer services in August 2021, and will also deepen the integration of data from different industries through alliances, and expand its data sales business.

Process Innovation and Improved Efficiency In order to accelerate an offline digital transformation to match the transformation taking place in the mobile environment, we will establish a new sales system, including the setting-up of the Digital Sales Division, and will expand our AI-based digital contact center. These improvements in the digital sales infrastructure will enhance process innovation. In addition, we will maximize efficiency by spreading DT throughout the Group, including "Next RPA" and the AI-based automation of loan appraisals.

Strengthening Digital Personnel Capabilities Shinhan Financial Group is working both on improving the competitiveness of its existing employees and recruiting the best outside talent. In order to increase digital capabilities within the Group, we will expand SCOOOL, our joint digital training platform created in 2020, to incorporate all subsidiaries, and will continue to run programs which make digital-based innovation a part of daily life, including hackathon and the ideas contest. We will also institute personnel exchanges with Korea's top tech companies, and identify new business models. In addition, we will recruit talent with world-leading skills from outside the Group, thus further developing a culture of openness and innovation.

Strategies for 2021

STRATEGIC GOAL

Digital Finance Company Which Creates the Best Experiences Through Technology And Data

STRATEGIC DIRECTIONS

Platform	Data	New technology	Digital talent
Focusing on core platform businesses to expand transaction	Securing internal and external data, and capabilities to use them; and move forward with MyData business	Discovering new business opportunities through a digital technology patron system; and securing new digital technologies	Hiring and attaining digital specialists; and developing more digital talents

DRIVING SYSTEM

Digilog Committee, Digital KPI, and Budgets for DT

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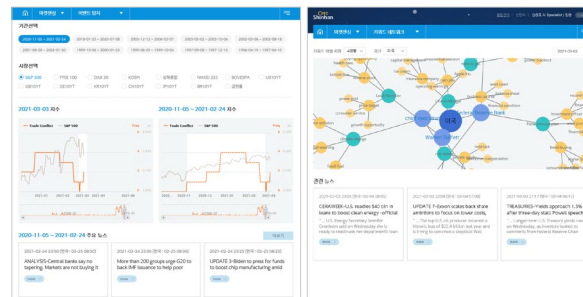
Shinhan AI

Shinhan AI is the first subsidiary of a financial group in Korea to specialize in artificial intelligence. It was established in September 2019 as the result of a 2018 Group project to improve its competitiveness in AI-based capital markets, and is rapidly strengthening its business, with a focus on capital markets-related middle office.

Key Achievements

NEO, an AI Investment Advisory Platform NEO is an investment advisory platform which forecasts the direction of major global markets, suggests optimal portfolios, and recommends outstanding global investment products by using the latest AI technology, based on big data on global markets from more than past 30 years. NEO is enabling us to generate our own distinctive house views, strengthen our strategic asset management and risk management, diversify the range of customer investment products, and increase rates of return.

AI Investment Advisory Products In January 2020, we launched two AI investment advisory products – one of them is an AI asset allocation fund, the optimal asset allocation for which is managed through the latest learning algorithms, and based on the technological capabilities accumulated through NEO, and the other one is an AI fund wrap consisting of an optimal combination of outstanding funds recommended by NEO. AI investment advisory products minimize human error through AI-driven decision-making, and use massive amounts of data to generate additional returns. In addition, these products leverage AI-based risk management to maximize risk-weighted rates of return, and minimize the possibility of a decline in performance.



Market Warning System Shinhan AI's risk detection system provides early warnings of severe market declines less than a month ahead. It assesses risks both at home and in major global markets, and conducts scenario analyses using around 600 variables, including typical and atypical variables that have been shown to detect global market risks and adverse financial events.

Future Plans

After the official launch in September 2019, in 2020 Shinhan AI demonstrated the possibilities for business models which use AI. In 2021, we will move forward with the full-scale expansion of our AI business. We will build an AI investment asset management platform that will give every customer access to high-quality market information through AI. This platform will also provide each customer with an individually optimized portfolio, and will enable effective follow-up management. Shinhan AI will continue to lead innovation in the capital markets by launching NEO 2.0, making its market forecasts even more accurate and further improving product recommendation models.

In addition, we will increase our collaborations with deep tech companies across various industries, and will make substantial investments to overcome the inherent limitations of organic growth. This major expansion of the AI business will enable Shinhan to offer its customers new value over the mid-to long-term, and will lead AI innovation in the Group's value chain as we move towards "Excellence".

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Cloud Transformation

Shinhan Financial Group is undertaking a hybrid/multi cloud transformation in accordance with its cloud strategy, supported by the Cloud Business Office (CBO). In 2019, we completed a consulting project which established the direction for the Group cloud transformation in four areas – platform, operating systems, organization and capabilities. Based on a cloud suitability evaluation, we are modernizing existing services, and have established a “cloud 1st” strategy for new services.

Key Achievements

Shinhan Financial Group established a direction for its future architecture in 2015, and has continuously modernized its infrastructure (U2L: Unix to Linux) accordingly. The Group was an early adopter of the cloud, especially for its global business where regulations on the use of the cloud were relatively lighter, and for routine work. Examples of this include the Shinhan Bank America Internet banking system and the digital form management system adopted by Shinhan Bank in 2016, Shinhan Bank Japan’s Internet banking and smart banking systems established in 2017, and the Allthat Shopping event of Shinhan Card and the Jeju Jini service of Jeju Bank launched in 2018.

In January 2019, following an amendment to regulations on electronic finance supervision, systems for using the cloud were strengthened, including additional evaluations of cloud stability and reports both before and after cloud usage. We have undertaken a systematic process of preparation in accordance with these new guidelines, enabling us to move forward with our cloud transformation as planned, including the creation of the Group-level Cloud Business Office in 2020. Our cloud transformation is aimed at creating a hybrid cloud which connects the public and the private. This is being supported by a cloud architecture which has been designed through multiple technology verifications.

Our cloud transformation is unique in that we are building an integrated cloud environment from a long-term perspective. We are preparing for the cloud era by increasing efficiency in service and operational management, and by strengthening risk controls.



Expected quantitative effects

KRW 22.6 billion in annual savings through shorter infrastructure/service lead times and time-to-market

Expected qualitative effects

Improved business agility, a foundation for digital innovation, and increased work efficiency

We also focus on expanding Group-level standardization and increasing automation within Group operations. In particular, in automation, which is one of the most important advantages of the cloud, we will design it to automate our operations, thus maximizing efficiency and stability.

Prior preparations are important in a successful cloud transformation, but it is also essential to develop capabilities required for successful operations after the cloud transformation. Shinhan Financial Group therefore appointed the CEO of Shinhan DS, its IT subsidiary, as the Group’s patron for cloud technology. Shinhan DS is now performing a pivotal role in strengthening the Group’s cloud capabilities, reflecting the Group’s focus on developing the skills needed for cloud operation at the Group level.

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Future Plans

In 2021, Shinhan Financial Group plans to build a hybrid cloud which uses both public and private cloud in line with the Group's standard cloud systems, aimed at providing effective business support. The first phase of the Group cloud project will be to build the Group cloud platform, which will be run from January to October, and be focused on automated operations, security controls and user portal applications. If this phase is successful, we expect to be able to minimize operational risks and maximize automation through the cloud, thus making the business more agile and substantially improving infrastructure efficiency. We will continue to improve operational management and the development management of the Group cloud platform, after which, we will proceed with the second phase of development until, finally, we complete the development of the Group's standard cloud platform.

Establishing a cloud platform will lead to improved business and IT agility, stable operations and better efficiency, and reduced IT infrastructure costs. This in turn will be a key driver in achieving the Group's DT. The cloud transformation is expected to reduce infrastructure and service development lead times by around 80% and 39%, respectively, generating annual cost savings of around KRW 2.5 billion and KRW 6.8 billion, respectively. The positive effects on time-to-market are forecast to improve profitability by approximately KRW 13.3 billion, making the total positive financial impact of the cloud platform worth around KRW 22.6 billion annually.

Cloud Transformation Roadmap



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Cyber Security & Resilience

Shinhan Financial Group makes sure that all digital service provided by Shinhan are protected by a cyber-security system which ensures the complete protection of customers' personal information.

Key Achievements

The COVID-19 pandemic in 2020 brought about significant changes to the business environment, including cyber security. The substantial increase in telecommuting has created more channels for cyberattacks between the Internet and company systems, and therefore a major expansion of targets to be protected. Given the urgency of these issues, Shinhan Financial Group has followed and exceeded all the requirements of national regulations, including the operation of diverse cyberattack response systems. As a result, the Group experienced no cyber security incidents.

We had DDoS attacks against in August and November which generated false traffic and paralyzed normal customer services. In addition, we had an attempted blackmail which warned of a 2 TB attack and demanded 20 bitcoins (around KRW 280 million). "Fancy Bear", the hacker group behind the blackmail, sent 20 GB of malicious traffic to Shinhan Bank's Internet banking as a warning of an attack, but the Group was able to block the attack through its cyber security response systems. Fancy Bear has reputation of attacking numerous organizations including financial and fintech companies as well as universities, and had caused some of them to suffer financial and operational damages. Following the DDoS attacks, the Group re-examined and improved its Group-level responses and defense policies, and reinforced its systems for cooperating with the relevant organizations at home and abroad.

Zero

Neither information leakage nor service malfunction



Shinhan Financial Group's cyber security response systems include strong countermeasures against ransomware which can infect systems through such endpoints as PCs or mobile phones. Ransomware that was already widespread is now spreading even further due to the increase in telecommuting. In response, we operate continuous user protection systems, and undertake 24/7 monitoring through our integrated security control systems. In addition, we have established a multi-layer defense system (account management, vaccines, patch management, etc.) to block the execution and transmission of malicious code at user endpoints, and have also built an endpoint detection and response (EDR) system which blocks abnormal terminal actions.

Future Plans

In 2021, Shinhan Financial Group will build stronger foundations for cyber resilience by continuing to implement its mid- to long-term information protection strategies, thus strengthening cyber security and responding to new digital risks.

In the process of digital transformation, where increasing levels of information exchange and collaboration with new industries are required, we have encountered new security risks. We will therefore combine our own experiences with external information on risk response in order to establish a new cyber security response system.

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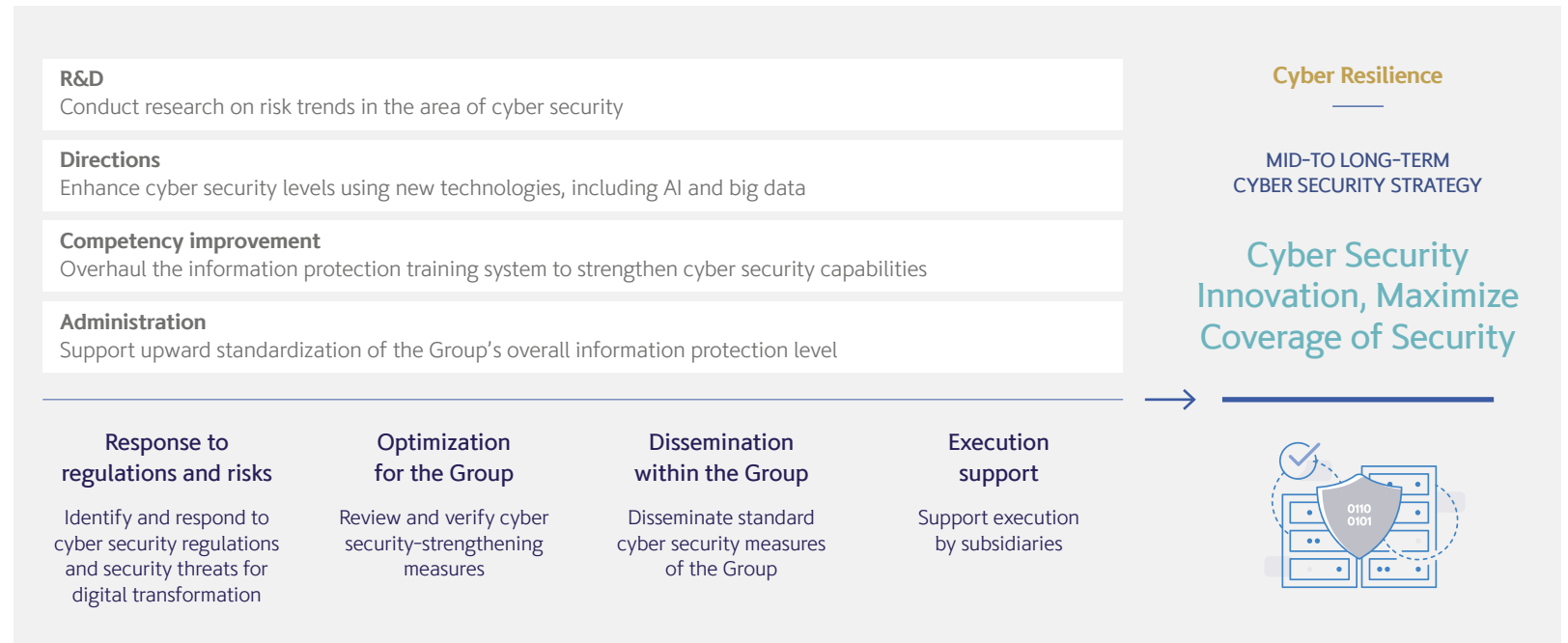
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The massive increase in demand for existing and diversified digital-based services also means a huge increase in the number of targets which need protection, which in turn requires innovation in cyber security operating systems. In order to generate maximum effect with limited resources, we are transforming our cyber security through the use of AI and big data technology, and continually test, verify, and adopt new technologies and systems which increase the efficiency of existing systems or add new layers of information protection to them.

Moreover, we will overhaul our internal information protection systems, in order to improve and standardize cyber security at the Group's 17 subsidiaries. The central role in this process will be performed by Shinhan DS, which has been state-certified as an information protection specialist company. In 2021, Shinhan DS will begin a program to integrate the information protection systems of the Group's relatively smaller subsidiaries using cloud technology, and will also outsource cyber security management to specialist companies where necessary.

Cyber Security Value Chain for 2021



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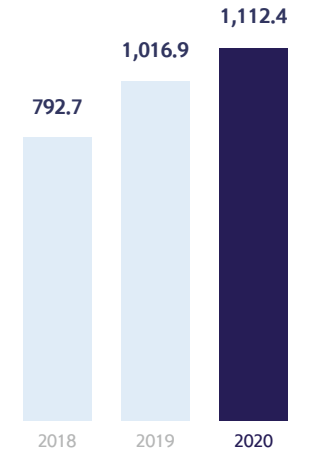
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Led by the Global Business Division, Shinhan Financial Group is continuously expanding its business overseas. Its global strategy focuses on glocalization, selection and concentration, and establishing presence in strategic markets.

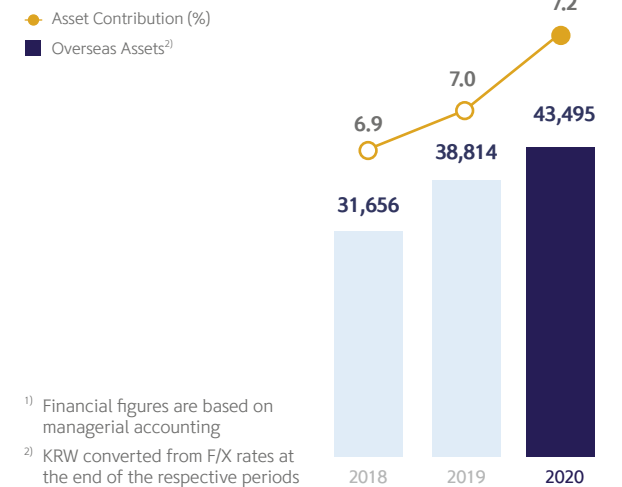
Key Performances in 2020

In 2017, Shinhan Financial Group adopted a matrix system to integrate the global business divisions of its subsidiaries. This has ensured the consistent implementation of the Group’s global strategies and the optimal allocation of resources. The strategic goal for 2020 was set out as “Distinctive global strategies and efficient overseas operations for Excellence”. In support of this goal, the Global Business Division followed four strategic directions – leading the market in key businesses, generating outcomes in new business, improving a system to create global synergies, and focusing on preemptive risk management.

Global Business Operating Income^{1) 2)}
(Unit: KRW billion)



Asset Contribution from Overseas Business
(Unit: KRW billion)



¹⁾ Financial figures are based on managerial accounting

²⁾ KRW converted from F/X rates at the end of the respective periods

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Led the Market in Key Businesses We differentiate our strategy for each market, offering a range of products which take into account the business environment of each country in which we operate, thus strengthening our position in corporate and retail markets around the world. We have set up a Regional Head system, making each region more independent while also promoting close collaboration and synergy creation within the region. We have grown organically by expanding our local business networks, and diversified sources of income by operating business models aimed at specific markets.

Generated Outcomes in New Business Shinhan Financial Group has set up diverse strategic alliances with digital platform providers, which have large customer bases, in Cambodia, Vietnam, and other countries. We have also expanded our product portfolio by developing and promoting new local products. In addition, each subsidiary is investigating the possibility of inorganic growth through M&As, equity investments, and JVs.

Improved Shinhan's Global Synergy Creating System We are meeting local customer requirements by generating synergies with non-bank subsidiaries, with a particular focus on regions where Shinhan Bank has a strong presence. We are leveraging the global One Shinhan platform in order to undertake joint marketing, supported by the Country Head system used in countries where the Group subsidiaries have a joint presence. We have also improved efficiency by enhancing cooperation among our subsidiaries and networks and optimizing resources.

Focused on Preemptive Risk Management As part of our global expansion, we have improved our compliance, including an upgrade of global Anti-Money Laundering (AML) systems and the strengthening of internal controls through the establishment of a system for the governance of global information protection. We are closely examining loan management at each overseas branch through strict loan follow-up management, and ensuring the timely resolution of any issues which may arise. Liquidity risk management has also been improved, as we diversify our funding portfolio in each country in order to build solid funding foundations which are able to withstand any potential crises.

Plans for 2021

Shinhan Financial Group will build on the successes of 2020 by implementing global business strategies which will substantially enhance and expand the Group's overseas operations. The Global Business Division will ensure that the Group's strategy of building strong businesses and developing future competitiveness is maintained.

Creating Global Customer Value We will enhance business competitiveness through customer-based products and services in support of distinctive strategies which are individually created for the characteristics of each country, market, and region. We will develop new products tailored for local customers, and will discover new opportunities by following targeted business models for each local market, and by launching the 5G¹⁾ businesses.

Enhancing Fundamental Competitiveness We will achieve our global income target for 2021 through the generation of stable income, and by building an efficient asset portfolio based on a strong return on risk-weighted assets (RORWA). In addition, we will expand the Regional Head system in order to increase collaboration between channels, ensure effective cooperation between Country Heads, promote joint marketing between subsidiaries, and widen the sourcing of funds and products by using subsidiary channels. We will also implement customized strategies for inorganic growth in each key market and at every subsidiary, and will make more investments and alliances with digital companies.

Global Digitalization In addition to using digital technologies to make operational improvements (adopting e-KYC, improving digital loan and appraisal processes, etc.), Shinhan Financial Group will develop more digital-based products and services, and foment a global digital culture. We will form more alliances with digital platforms, especially in Asia, and will make continuous efforts to establish a digital ecosystem, including by creating digital credit assessment models.

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Strengthening Future Capabilities In an era defined by COVID-19 and low growth, Shinhan Financial Group will protect the soundness of its assets, improve debt collection processes, and enhance crisis management at its overseas branches by strengthening liquidity and risk management. We will set out new guidelines on ESG, with a particular focus on the environment and financial support for those on low incomes. We will also continue to improve our human capital by training the global talent of the future, recruiting experts, and presenting a clear vision to all employees.

¹⁾ 5G businesses refer to Group & Global Investment Banking (GIB), Global Trading Center (GTC), Global Transaction Banking (GTB), Global Custody (GCD), and Global Markets and Securities (GMS).

Strategies for 2021

VISION

Global Standards

STRATEGIC GOAL

**Strong Field! Future Capabilities!
Global Excellence, Shinhan**

STRATEGIC DIRECTIONS

01

Creating global customer value

02

Enhancing fundamental competitiveness

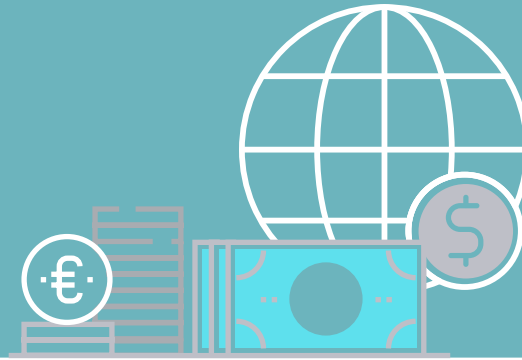
03

Global digitalization

04

Strengthening future capabilities

Group & Global Investment Banking



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GIB Division, which is fully backed by the expertise of Shinhan Financial Group's different subsidiaries closely cooperating under the Group's matrix organizational structure, aims to provide optimal integrated financial solutions for customers in domestic and overseas capital markets.

Key Performances in 2020

In 2020, despite a difficult business environment, the GIB Division achieved an outstanding financial performance, recording an operating income (before deducting expenses) of KRW 915.9 billion, a year-on-year increase of 34.2%, mainly attributable to increases in dividends and gains from sales of high-quality assets. In addition, it minimized the impact of the pandemic by focusing on preemptive risk management, thus establishing the foundations for fulfilling the Group's mid- to long-term financial and strategic plans for 2023.

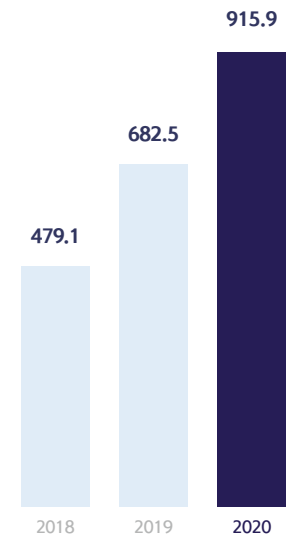
GIB Operating Income in 2020

915.9 KRW billion

* Before deducting expenses

GIB Operating Income¹⁾

(Unit: KRW billion)



¹⁾ Financial figures are based on managerial accounting

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Strengthened the Sustainable Finance Growth Model We have solidified our value chain for sustainable innovation finance, based on the One GIB collaboration system. In response to global demand for more focus on ESG, we increased investments in eco-friendly, new and renewable energy markets, including photovoltaic and wind power sectors in Korea and abroad. In addition, Shinhan was chosen as a financial investor for the “Kohygen” project to build an infrastructure for hydrogen-fueled vehicles, which is part of Korean Government’s Green New Deal Policy. This has given us a strong position in the new and renewable energy markets of the future. We also continue to focus on establishing a venture ecosystem in support of investments in innovative technology and companies, thus increasing the chances of discovering the blue-chip corporations of the future and strengthening investment support for potential Korean unicorn companies.

Differentiated Risk Management In response to the uncertainties caused by COVID-19, Shinhan Financial Group has upgraded GIB Division’s own crisis response systems. We strengthened the GIB Risk Management System internal controls, and created the IB Trust Team and GIB Global Asset Management Cell in order to strengthen asset monitoring in specific businesses and regions. This enabled us to maintain the delinquency rate at levels similar to those achieved pre-pandemic, thus solidifying the foundations for strong growth post-pandemic.

Strengthened the One Shinhan System We have implemented our resilience strategy in preparation for an era of the “new normal”, with particular focus on discovering new businesses and expanding coverage. Increased cooperation between GIB subsidiaries has enhanced Shinhan’s cohesiveness in the capital markets, which in turn increased profitability and enabled us to solidify our leadership in Korean IB by ranking first in the domestic syndicated loan arrangement market¹⁾. In addition, the GIB Division’s global network successfully closed several major global deals, even in very difficult circumstances, thus demonstrating once again the strength of One GIB.

¹⁾ Market share of 26%, based on figures from Bloomberg

Plans for 2021

Uncertainties caused by the pandemic will continue well into 2021, alongside new business opportunities resulting from rapid industry changes. This will inevitably lead to more intense competition. The GIB Division will continue to respond effectively to the crisis, and will use the opportunities ahead to develop a model for continued growth. This will enable it to remain an important source of profitability within Shinhan Financial Group.

Focusing on the IB Business through Preemptive Crisis Response

Shinhan Financial Group will counter the uncertain business environment by improving GIB Division’s own crisis response systems. In addition, we will strengthen our leadership in the capital markets and achieve growth by constantly upgrading our organization and systems.

Leading in New Businesses and Areas of New Growth By focusing on the opportunities created by Korean Government’s K-New Deal policy, the GIB Division will give considerable support to the implementation of the Group’s N.E.O Project. In addition, the Division will increase investments in innovation finance and establish an innovation finance ecosystem in support of the Group’s Triple-K Project. We will also overhaul our global IB platform and expand global IB coverage to strengthen our position in global capital markets.

Building GIB Platform Par Excellence Given the accelerated digital transformation, we will expand new digital businesses and increase investments in high-potential companies. We will also strengthen our leadership in capital markets by ensuring more effective One Shinhan cooperation with the GIB Division taking the central role. In addition, the Division will respond to the Group’s increased demand for top IB personnel demand by establishing a mid- to long-term plan for hiring and nurturing the best IB talent, and will also develop outstanding training programs as part of its role as the Group’s IB training center.

Wealth Management



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We bring together the WM expertise of all Group subsidiaries in order to provide distinctive wealth management solutions based on Shinhan Private Wealth Management, our unique model of wealth management.

Key Performances in 2020

The Wealth Management (WM) Division launched Korea's first Private Wealth Management (PWM) Center in 2012, a hybrid branch formed through collaboration between Shinhan Bank and Shinhan Investment. These Centers provide comprehensive wealth management services to high-net-worth individuals (HNWIs), giving Shinhan WM a distinctive competitive edge in wealth management. Despite the difficult environment in 2020 caused by the COVID-19 pandemic and increased financial market volatility, the Division continued to place customer value at the center of everything it does, including by creating new business models, innovating evaluation systems to create joint growth, and transforming digital wealth management. As a result, it excelled in multiple performance indices, and earned market-leading evaluations both at home and abroad.

WM Operating Income in 2020

162.6 KRW billion

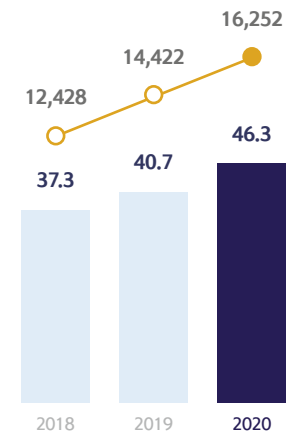
* Before deducting expenses

Number of high-net-worth individuals (HNWI) with assets of KRW 1 billion and more as of December 31, 2020 (No. 1 among 4 major commercial banks in Korea)

16,252 persons

WM Assets

● Number of HNWIs¹⁾ (Persons)
■ WM Assets (KRW trillion)



¹⁾ Customers with assets of KRW 1 billion and more

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Combined PB and IB Solutions to Introduce a New Business Model

We were the first among Korean banks to upgrade our PWM business model by adopting a PIB business model which combines private banking and investment banking services, and began offering financial consulting on business management as part of our comprehensive wealth management services for ultra-high-net-worth company owners with assets of at least KRW 10 billion, who also own businesses. The PIB Center offers comprehensive wealth management services through a team which consists of experts in portfolio management, products, tax, real estate, and corporate IB solutions. The first PIB Center was opened in December 2019, and, following a favorable customer response, the second center was opened in July 2020. These Centers have achieved a strong performance, with assets under management exceeding KRW 1,076.4 billion.

Innovated Evaluation Systems to Create Joint Growth The WM Division has changed its internal evaluation systems in order to promote joint growth for customers and WM. Under the new evaluation scheme, top priority is given to customer returns and less emphasis placed on the volume of product sales and more on customer rates of return and an improved sales culture. In support of this upgrade, the Division has created the PWM Solution Team to deliver guidelines on optimal investment product strategy to all sales locations in a timely manner. It is also ensuring better customer wealth management by systematizing its wealth management sales support and upgrading ability to create outstanding WM solutions.

Digital Transformation of Wealth Management COVID-19 has hugely increased demand for contactless, digital services. In response to this change, we are creating a new wealth management environment which enables customers to freely access wealth management services without boundaries of time or location. To this end, we launched a PB-only digital platform taskforce, and are also creating a mobile wealth management channel which will encompass all the processes involved in wealth management, including wealth diagnosis and access to new products, with the same level of efficiency as in branches. This channel is expected to launch in early 2021. In addition, we are transforming the PWM Center into a “Digilog Branch”, combining digital and analog, and offering both customers and employees a more convenient and efficient digital environment.

Plans for 2021

The WM Division continues to become ever more customer-centered, focused on customer rates of return and digital acceleration, and is redesigning its wealth management business without any preconceptions.

Shift into Customer-centered Asset Management We will ensure customer-centered wealth management by upgrading internal processes by redesigning our KPIs, adopting new processes for portfolio diagnosis and managing rates of return, and improving our customer wealth risk management systems. We will also strengthen our compliance systems to ensure the complete protection of financial consumers.

Digital Innovation in Wealth Management We will adopt a wealth management platform that incorporates state-of-the-art digital technology to take the lead in wealth management in the upcoming digital era. We will also strive to deliver differentiated experiences to our clients by, for example, providing hyper-personalized wealth management that uses MyData and AI.

Expanding New Businesses by Strengthening Fundamentals

The Division will strengthen its fundamental competitiveness in wealth management by upgrading its development of professional PBs, offering advanced PIB solutions in new businesses, and expanding its line-up of strategic real estate products. We will also lead the new culture of ESG investment, and expand our market coverage.

Global Markets & Securities



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As a matrix organization integrating proprietary asset management parts of the Group subsidiaries, the GMS Business Division is performing a central role in enabling the Group to maximize expertise and efficiency in managing proprietary assets.

Key Performances in 2020

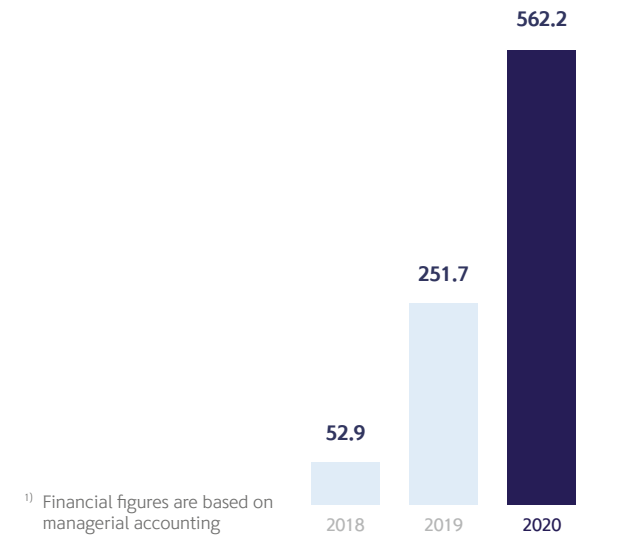
In 2020, the GMS Business Division strived for stable profitability and effective risk management, as its strategic goals, by increasing the breadth of investments and through asset diversification. The Division followed three major strategic directions – the pursuit of absolute profitability in stock investments, a stable increase in bond profitability, and improving business and risk management. As a result of these efforts, in 2020 the GMS Business Division recorded an operating income of KRW 562.2 billion (before deducting expenses), more than 220% increase on year-on-year basis.

GMS Operating Income in 2020

562.2 KRW billion

* Before deducting expenses

GMS Operating Income¹⁾
(Unit: KRW billion)



¹⁾ Financial figures are based on managerial accounting

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Focused on a Strategy of Pursuing Absolute Profit In response to severe market volatility, the Division focused on a strategy of pursuing absolute profitability rather than directional investment. We invested in new targets, including domestic and overseas mezzanine and project funds, built a diversified global portfolio, and identified new strategies for trading, including event-based spread trading and IPOs. We also expanded into the fund management of publicly-traded and open-ended overseas alternative investments.

Achieved a Stable Increase in Bond Profitability We achieved a high interest margin by increasing our management of foreign currency bonds, and by expanding investments to include highly-rated overseas corporate bonds. We diversified investment targets, through which we expanded the stable profit base of trading bonds, while also ensuring that we strictly observed investment bond ratio regulations and undertook sales as appropriate. As a result, we were able to exceed by 100% the target for securities profits set early in 2020, despite the increased volatility caused by COVID-19. In particular, investments in foreign currency bonds, which had not previously been targets for investment, were expanded significantly in size and scope, making a considerable contribution to profitability.

Strengthened Management Capabilities and Risk Management

The Division strived to improve its management by nurturing internal personnel and actively recruiting outstanding talent from outside the Group. Furthermore, we established a proprietary GMS risk management system through in-depth analyses of trends in markets and products, in addition to maintaining our focus on early alert and risk indices. Throughout the year, a Proprietary Asset Management Committee meeting was held every month in order to preemptively identify any potential market risks, with these assessments being further strengthened by extensive discussions with outside market experts.

Plans for 2021

The strategy for absolute profitability implemented since the launch of the GMS Business Division in 2018 will continue into 2021, with an additional focus on achieving "Excellence in Capital Markets". To this end, the Division will continue to identify new targets for investment, and widen the range of its bond investments.

Efficient Growth, Sustainable Outcomes Given the low interest rate environment, we will increase income by expanding our range of investment products, and will strengthen profitability in proprietary asset management by diversifying our portfolio. In addition, we will ensure that customer value is given top priority by strengthening sales capabilities through "Dynamic ELS Sales", and will overhaul the supply system for alternative asset investment products.

Global Connections and Portfolio Expansion The Division will establish a GMS global desk, while continuing to focus on strengthening its skills in global securities management. We will also maintain a strong focus on increasing profitability. In addition, we will expand our global portfolio by increasing the management of high-quality overseas assets, and by continuing to discover new markets and assets in which we can invest.

Innovative/Open Digital Transformation We will build our own GMS archive by collecting information and data from each department, develop the digital skills of all employees, and build a digital trading infrastructure by conducting research on digital management cases and reviewing the way to use them. In addition, we will enhance efficiency by digitalizing major transactions and upgrading our ICT.

Market Responses and Risk Management The Division will establish an effective response system to complex crises such as COVID-19, and will strengthen its risk management for both marketable and non-marketable products. We will also improve our ability to respond to changes required in capital management, and increase responsible investments in alignment with the Group's ESG principles.

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Development of Multi-Faceted Talent Human resources development is essential in growing into a leading trading group, which is why the Division is constantly striving to improve its overall management capabilities. To this end, we are setting up a fair, transparent performance-based compensation system which will motivate employees and enhance the overall corporate value. We are also offering employees more opportunities for professional growth, and upgrading the work environment. We will further sophisticate human capital management with more efficient human resources allocation within the Division.

Establishing a Dynamic Organization The Division is creating an agile organization which can engage in effective decision-making relating to changes in regulations, systems and the business environment. We are also strengthening the work of the Proprietary Asset Management Committee by gaining insights from outside market experts. In addition, we will continue to increase cooperation with other Group Divisions from the perspective of One Shinhan.

Strategies for 2021

STRATEGIC GOAL

**Excellence
in Capital Markets**

STRATEGIC DIRECTIONS

- | | | |
|---|---|---|
| <p>01
Efficient growth, sustainable outcomes</p> | <p>02
Global connections and portfolio expansion</p> | <p>03
Innovative/open digital transformation</p> |
| <p>04
Market responses and risk management</p> | <p>05
Development of multi-faceted talent</p> | <p>06
Establishing a dynamic organization</p> |

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The Pension Division is a matrix organization bringing together capabilities in retirement pension of the Group subsidiaries, with the aim of offering comprehensive pension services and achieving top rates of return for customers.

Key Performances in 2020

In 2020, the Pension Division attracted reserves totaling KRW 30.5 trillion, a year-on-year increase of KRW 4.3 trillion, or 16.4%. This equates to an 11.9% share of the overall retirement pensions market, showing that Shinhan Financial Group is maintaining a strong No. 1 position among financial holding companies in Korea. In March 2020, the Division launched "Smart Pension Madang" to become the first organization in Korea to open an integrated pension platform across the Group subsidiaries. This platform will be the foundation of Shinhan Financial Group's contactless pension channels of the future.

Retirement Pension Reserves in 2020

30.5 (M/S 11.9%)
KRW trillion

Newly Launched Services in 2020

- MARCH** — Opened "Smart Pension Madang", an integrated pension platform across the Group subsidiaries
- JULY** — Shinhan Bank adopted a virtual retirement advisory system
- Shinhan Investment unveiled an "Easy IRP Account" service
- AUGUST** — Shinhan Bank opened "My Retirement Pension"

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Customers can use Smart Pension Madang to check all their pension assets at Shinhan Financial Group, and conveniently manage pension assets throughout their entire lifecycle, including making bank deposits, rebalancing their portfolio, and retirement self-diagnosis. Smart Pension Madang is contained within the mobile apps of four major subsidiaries, including Shinhan Bank SOL and Shinhan Card Pay^{FAN}. Around 290,000 customers have made pension transactions through this platform thus far.

Expanded Sales of Personal Pensions 2020 saw substantial customer interest in personal pension assets, mainly attributable to a stock market boom and a greater overall commitment to personal investments. The Pension Division therefore targeted retail customers through a focus on defined contribution (DC) and IRP products. In particular, its marketing activities was focused on IRP accounts that auto-transfer co-payments and products with year-end tax credit benefits. As a result, the Group saw an increase in the IRP sector of KRW 1.76 trillion compared to the previous year, a growth rate of 39%, the largest net increase in the entire Korean retirement pension industry.

Accelerated Digital Transformation The Division continued with its digital transformation in 2020, with the aim of providing convenient, innovative services for customers. Beginning with “Smart Pension Madang”, Shinhan Bank has set up a virtual retirement advisory system and increased efficiency through the automation of call centers, resulting in a nine-fold increase in coverage for customer advice. In addition, it responded to the contactless environment by operating a DC mobile booth in SOL, and opened “My Retirement Pension” to enable the easy, convenient, and comprehensive management of retirement pension accounts. Shinhan Investment unveiled an “IRP Convenient Account” service, with improved accessibility and convenience, and expanded its customer-centered digital platforms.

Plans for 2021

No. 1 in Customer Rates of Return The Division aims to satisfy customers’ diverse needs regarding rates of return by implementing a customer-tailored rate-of-return strategy. Shinhan Bank has a wide customer coverage, which inevitably results in differing requirements on rates of return. It will therefore ensure product stability and diversify its portfolio so that it can maintain its leadership of the bank industry. For retail customers looking for higher rates of return, Shinhan Investment will increase rates of return for DC/IRP products without guarantees of principal and interest. For corporate clients looking for more stable rates of return and higher credit ratings, Shinhan Life Insurance will increase its market share in DB products

Establishing a Digilog Strategy The Division is enhancing customer satisfaction through the implementation of a phased DT, while also utilizing a “Digilog” strategy, combining analog and digital, and based on a foundation of face-to-face sales channels. It will therefore increase the efficiency of its record keeping by expanding RPA and AI-based processes in digital work support. It will also rapidly update Smart Pension Madang and each subsidiary’s pension platform in response to customer requirements and market changes. In face-to-face channels, the Division will expand the Headquarters direct site support team to cover customers who prefer analog methods, and in general will ensure the right balance between face-to-face and non-face-to-face channels.

Building a Customer Value System The Division will innovate the customer experience by building a data-driven customer management system. The first step will be to build a big data system based on customer information (age/income/subscribed products, etc.), and then use this to offer tailored products and regular portfolio reviews. In addition, it will provide targeted financial information in line with an individual analysis/diagnosis of each customer. The end result will be a comprehensive pension asset management system which covers the entire retirement lifecycle, from personalized pension asset management to distinctive pension services.

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Real Estate



As a shadow matrix organization and the control tower for the real estate business of the Group, the Real Estate Business Division sets out a vision for the Group's real estate business, establishes strategies, and ensures cooperation within the Group.

Key Performances in 2020

The Group Real Estate Business Division was formed in October 2019 as a shadow matrix organization to be a control tower for the Group's real estate business. In 2020, the Real Estate Finance Council strived to strengthen three key areas – business, networks, and capabilities – based on a vision of “advancing business and pioneering new areas”, leveraging the Group's real estate finance platform. Thanks to increased cooperation between the Group subsidiaries, the Division strengthened the competitiveness of its existing businesses (development projects, businesses in connection with corporate banking) in order to improve their performance, and also pioneered a new market in large-scale public offerings. It leveraged its track record to set up a new real estate development fund and expanded its external networks, including by signing MOUs with market-leading companies.

No. of collaboration projects handled by using the Group's real estate platform in 2020

33 Projects

Commission income generated from the Group's real estate finance platform in 2020

72.4 KRW billion

KEY FIGURES

Based on the Group's real estate finance platform, the Division jointly handled 33 projects, and generated around KRW 72.4 billion in fees and commissions income. It maximized revenues through the cooperation between the Group subsidiaries, and ensured economies of scale, thus increasing market share and ranking the first place in the domestic arrangement performance league table of Bloomberg.

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Despite the stagnation of the real estate finance market in the first half of the year due to COVID-19, the Division achieved a strong performance by maximizing synergy and helping the Group to keep revenues in-house. This has given the market a firm belief in Shinhan Financial Group's capabilities as a business partner in real estate finance, based on which the Division can move beyond straightforward real estate finance services, and accomplish its goal of re-imagining the entire business of real estate finance.

Plans for 2021

Through the real estate finance platform, the Division will implement detailed strategies for improving business at every existing unit, and for pioneering new areas.

Business Areas The Real Estate Business Division will diversify its channels for sourcing deals by using the full breadth of the Group's sales channels in order to strengthen existing businesses and increase their market share. In addition, given the considerable potential growth in deals connected to corporate banking, we will actively implement Group-level projects which will simultaneously secure real estate deals and generate corporate banking business. In particular, considering that abundant liquidity and low interest rates are creating a highly positive environment for REITs and funds, we will leverage various channels within the Group in order to execute major transactions in these areas, thus maximizing Group revenues and ensuring the stable supply of investment products.

Networks The Real Estate Business Division will expand its market networks in order to move beyond being just a financial service provider to become a broad business partner. We will continue to expand by setting up funds and signing MOUs for real estate development, including through collaboration with developers and construction companies. We will also reinforce our leading position in financial arrangement by setting up joint blind funds with a wide range of partners, including asset management companies. This will enable us to further expand business participation and know-how, and thus to become a comprehensive real estate finance platform covering the entire real estate lifecycle.

Strengthening Capabilities Recent projects in real estate development have become very large in size, and many of them are based on public offerings. The Real Estate Business Division will therefore actively leverage the Group's dominant position in the market and its own capabilities to lead this market, thus creating new sources of future revenues. In particular, Korea is currently focused on public offerings in support of the implementation of smart city projects. The Business Line has already partnered with a technology company to form a consortium for one such project, and succeeded in winning a contract for the Sejong Smart City project. We will now leverage this success to win and execute additional such projects. In addition, by applying the expertise accumulated to Group-led public offering projects, we will expand our markets and build a strong track record based on the distinctive Shinhan real estate finance platform.

Strategies for 2021

STRATEGIC GOAL

Strengthening Existing Businesses and Exploring New Businesses

STRATEGIC DIRECTIONS

- | | | |
|--|--|---|
| <p>01
Increasing market share by strengthening competitiveness of existing businesses</p> | <p>02
Exploring new business areas by widening external network</p> | <p>03
Strengthening internal competitiveness with an upgraded platform</p> |
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2020 in Review

Group Overview

The global economy is expected to have shrunk by 3-4% in 2020, mainly due to the COVID-19 pandemic. This is the lowest level of economic growth since the end of the Second World War, and is the first negative growth since the global financial crisis in 2009. In response to this unprecedented shock to both production and consumption, countries around the world have imposed strict quarantine and lockdown measures, alongside major stimulus packages to achieve economic normalization.

The Korean economy saw negative growth in the first two quarters of the year, with growth of -1.3% and -3.2% in the first and second quarters, respectively, mainly attributable to the economic downturn caused by the spread of COVID-19 in the first half of the year. However, GDP grew by 2.1% in the third quarter and 1.2% in the fourth quarter, mostly thanks to an increase in exports. Despite the rebound in the second half, however, annual GDP fell by 1.0% in 2020, the first time the Korean economy has contracted on an annual basis for 22 years, since the foreign exchange crisis of 1998.

Despite the difficult business environment at home and abroad, Shinhan Financial Group continued to strive towards "Excellence, Shinhan" through resilience-based distinctive growth. As a result, in 2020 we generated KRW 3,414.6 billion in consolidated net income attributable to controlling interest. This was an increase of 0.3% over the previous year's figure of KRW 3,403.5 billion, and thus we have maintained our growth pace in net income for seven consecutive years. We continued to faithfully fulfil our role as an important supplier of retail/corporate finance, despite the spread of COVID-19, which led to strong asset growth, with Shinhan Bank's loans increasing by 10.6%. In addition, we were able to achieve balanced, qualitative growth in an era of ultra-low interest rates by substantially strengthening our non-interest income business.

In particular, the proportion of income from our non-banking businesses grew by 7.3%p year-on-year to 41.3%, on the back of diversified business portfolio, driving a net income of more than KRW 3 trillion for three consecutive years. In addition, we are now seeing material results from our efforts to increase mid- to long-term growth by strengthening the matrix organization within sales channels and the Group subsidiaries. GIB Division, GMS Business Division, and global operations recorded year-on-year growth in operating income of 33%, 125%, and 9% respectively, demonstrating a marked upgrade in our ability to generate operating income.

2021 is expected to be a year of complex and multiple uncertainties. COVID-19 has completely changed business and society from being centered on face-to-face interactions to being contactless. Shinhan Financial Group has established seven major detailed strategic tasks in order to actively respond to this change. Based on the distinctive "F.R.E.S.H 2020s" growth strategy, everyone at Shinhan will solidify the foundations for "Excellence" and rapidly execute the changes required. We will further improve our strengths while quickly address our weaknesses, all the time adhering strictly to the principle of customer first, and ensuring that we generate maximum value for shareholders and all other stakeholders.



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Key Figures of the Group

		FY20	FY19	YoY	YoY %
Profit (KRW billion)	Pre-Provision Income	6,144.5	5,862.3	282.2	4.8
	Provision for Credit Losses	1,390.6	950.8	439.8	46.3
	Consolidated Net Income	3,414.6	3,403.5	11.1	0.3
Size (KRW trillion)	Group Assets (Consolidated)	605.3	552.4	52.9	9.6
	Loans in KRW (Shihan Bank)	248.8	225.0	23.8	10.6
	Earning Assets (Shinhan Card)	32.0	30.2	1.8	5.9
Profitability Indicators	ROA	0.60%	0.70%	-0.1%p	-
	ROE	8.4%	9.4%	-1.0%p	-
	NIM (Shihan Bank + Shinhan Card)	1.80%	2.00%	-0.2%p	-
	Cost to Income Ratio	45.2%	46.1%	-0.9%p	-
	Net Income Contribution by Non-Bank Subsidiaries	41.3%	34.0%	7.3%p	-
Other Indicators	NPL Ratio	0.56%	0.52%	0.03%p	-
	Coverage Ratio	149%	152%	-3%p	-
	BIS Ratio (SFG)	15.7%	13.9%	1.9%p	-
	BIS Ratio (SHB)	18.5%	15.9%	2.6%p	-

Note 1) ROA, ROE, NPL ratio, and coverage ratio are based on business report of financial holding company submitted to Financial Supervisory Service

Note 2) NIM (Shihan Bank + Shinhan Card) excludes merchant service fee of Shinhan Card

Note 3) Coverage ratio excludes provision for credit loss



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Income

Group Income

Shinhan Financial Group generated KRW 3,414.6 billion in consolidated net income attributable to equity shareholders in 2020. This is an increase of 0.3% compared to the previous year's KRW 3,403.5 billion, and is the seventh consecutive year that we have increased our net income. The major factors in enabling us to generate stable revenues despite the difficult economic environment are as follows: (1) solid asset growth since the beginning of the year, which in turn generated reliable interest income; (2) portfolio diversification as a proactive response to ultra-low interest rates, leading to increased non-banking income; (3) increased non-interest income from matrix organizations, a key driver of our mid- to long-term growth; (4) highly effective risk management in response to the effects of COVID-19 and issues related to certain private equity funds, including Lime Asset Management.

The Group interest income increased 1.9% year-on-year, the result of solid growth in loans, mainly at the Bank, Card, and Capital, and despite decreased net interest margins as a result of declining market interest rates. Our cumulative net interest margin (Bank + Card) fell by 20bp year-on-year due to the base rate cuts of 50bp and 25bp in March and May, respectively. From the fourth quarter, however, margin decreases eased as market interest rates stabilized. Going forward, we will actively pursue profitability in our asset and liability management (ALM) by improving our net interest margin and reducing cost of funds.

Shinhan Bank's loans in KRW saw annual growth of 10.6%, spread evenly across the retail and corporate loan sectors. Retail loans grew by 9.0%, and corporate loans rose 12.3%. The strongest growth was in SME loans, which grew at an annual 14.1% and loans to individual businesses, which increased by 16.3%. The strong growth was partly due to our commitment to funding for SMEs and small businesses which have been experiencing difficulties due to COVID-19. We will continue our stable growth in 2021 through the selective supply of loans and the detailed monitoring of risk.

The Group's non-interest sector has performed a vital role in generating net income, especially at a time when the domestic and overseas business environment is particularly challenging as a result of COVID-19, increased competition and ultra-low interest rates. We have therefore diversified our portfolio in order to enhance non-interest earnings. As a result, non-interest income grew by 7.9% year-on-year thanks to increases in fees and commissions income (+11.3%) and securities-related income (+24.8%). In particular, brokerage fees increased by 125% thanks to increased trading volume in the Korean stock market.

Performance of GMS Division and global operations continued to be strong in key markets. Operating income at the GMS Business Division, which manages the Group's proprietary assets, increased by 125% as a result of its active responses to changes in markets. Operating income of our global operations grew by 9.4%, mainly attributable to positive earnings generated in Vietnam. Going forward, we will further subdivide the capital market for future sustainable growth, and expand market leadership in key non-interest areas, thereby concentrating our capabilities on discovering new growth drivers.

The Group's G&A expenses remained within the planned range marking a modest increase of 1.5% year-on-year to KRW 5,212.5 billion. An early retirement program in the fourth quarter created costs of around KRW 92 billion before tax. We expect our recent efforts to improve the high-cost structure to result in significant increases in cost efficiency and profitability in the near future. The Group's cost-to-income ratio (CIR) continues to record historical lows at 45.2%, a year-on-year improvement of 0.9%p, thanks to an increase in operating income, more efficient work processes and better cost management, including the growing digital customer base.

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The Group's credit costs rose by KRW 439.8 billion year-on-year, or 46.3%, to KRW 1,390.6 billion. This was the result of additional provisions set aside against the possibility of companies becoming insolvent due to the continuing COVID-19 pandemic and the downturn in private consumption in Korea. By setting aside COVID-related provisions of KRW 184.7 billion in the first half of 2020 and KRW 209.7 billion in the second half, we have prepared preemptively for greater market uncertainties. As a result, the Group's credit loss ratio rose by 11bp year-on-year to 41bp at the end of December, but if one-time non-recurring factors are excluded, the ratio was 29bp, around the same level as the previous year. We will continue to actively manage risks through the detailed monitoring of the COVID-19 situation, and any other factors which impact our business.

Group Income

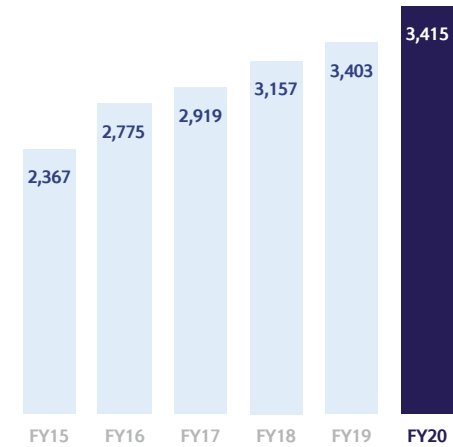
(KRW billion)

	FY20	FY19	YoY %
Operating Income before Expenses	11,532.9	11,131.7	3.6
Interest Income	8,155.1	8,001.0	1.9
Non-interest Income	3,377.8	3,130.7	7.9
G&A Expenses	5,212.5	5,134.7	1.5
Operating Income	6,320.4	5,997.0	5.4
Non-Operating Income	-175.9	-134.7	n.a.
Pre-Provision Income	6,144.5	5,862.3	4.8
Provision for Credit Losses	1,390.6	950.8	46.3
Earnings before Income Tax	4,753.9	4,911.5	-3.2
Income Tax	1,255.8	1,269.1	-1.1
Consolidated Net Income ¹⁾	3,414.6	3,403.5	0.3

Note 1) Net income in controlling interest

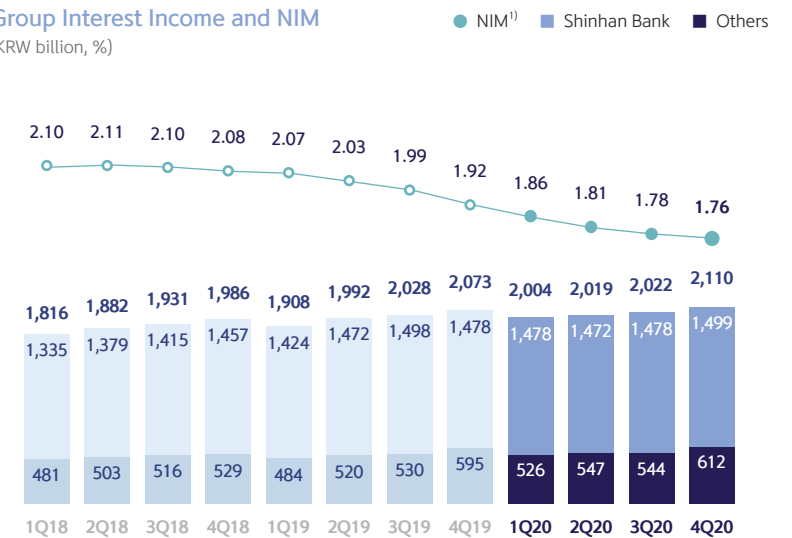
Group Net Income

(KRW billion)



Group Interest Income and NIM

(KRW billion, %)



Note 1) Quarterly NIM excluding merchant fees in credit card



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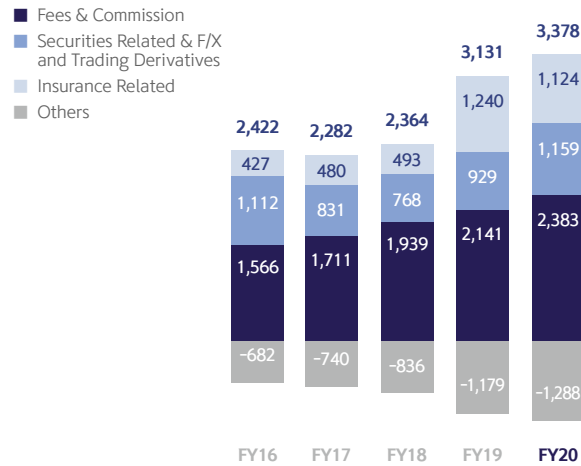
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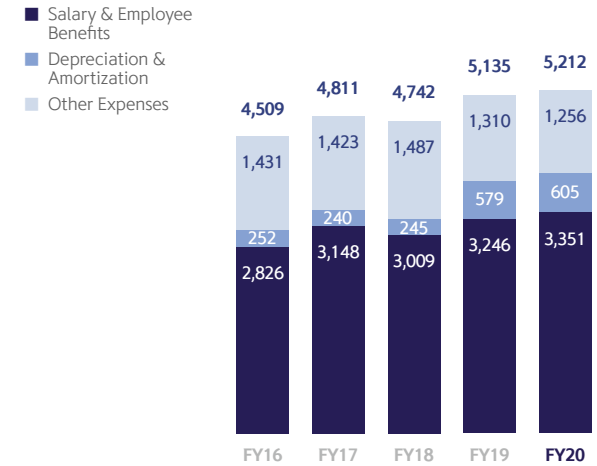
Group Non-interest Income

(KRW billion)



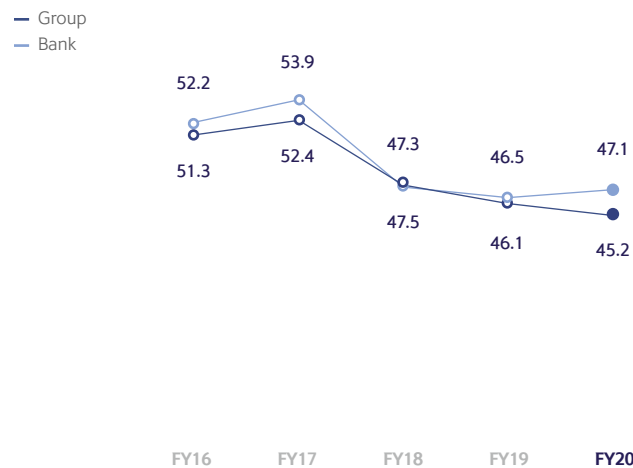
Group G&A Expenses

(KRW billion)



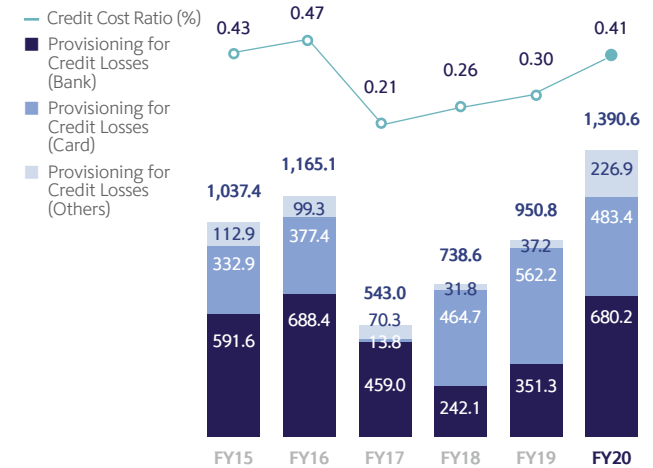
Group and Shinhan Bank's Cost Income Ratio

(%)



Group Credit Costs

(KRW billion)



Note) Accumulated figure of the year



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Group Subsidiaries Income**Group Subsidiaries Income**

(KRW billion; and reflecting SFG ownership)

		FY20	FY19	YoY%	Ownership
Bank (a)		2,091.0	2,350.2	-11.0	
Shinhan Bank		2,077.8	2,329.2	-10.8	100.0%
Jeju Bank		13.2	21.0	-37.3	75.3%
Non-Bank (b)		1,473.4	1,211.2	21.6	
Consumer Finance	Shinhan Card	606.5	508.8	19.2	100.0%
	Shinhan Capital	160.6	126.0	27.4	100.0%
	Shinhan Savings Bank	27.0	23.1	16.6	100.0%
Insurance	Shinhan Life Insurance	177.8	123.9	43.6	100.0%
	OrangeLife Insurance	279.3	160.6	73.9	100.0%
Capital Markets	Shinhan Investment	154.8	220.9	-29.9	100.0%
	Shinhan Asset Management ¹⁾	17.3	15.0	15.5	65.0% ¹⁾
	Shinhan Alternative Investment	3.4	2.1	60.1	100.0%
	Shinhan REITs Management	3.8	7.4	-49.2	100.0%
	Asia Trust	27.5	10.9	153.0	60.0%
	Shinhan AI ²⁾	0.3	-0.7	n.a.	100.0%
	Shinhan Venture Investment ³⁾	-1.1	-	n.a.	100.0%
Others	Shinhan DS	1.9	2.1	-10.2	100.0%
	Shinhan AITAS	13.0	10.8	20.3	99.8%
	Shinhan Credit Information	1.5	0.5	194.3	100.0%
Total (a+b)		3,564.4	3,561.5	0.1	
Consolidated Net Income		3,414.6	3,403.5	0.3	

Note 1) Ownership of Shinhan Asset Management is 100.0% as of Jan. 2021; and was renamed to Shinhan Asset Management from Shinhan BNP Paribas Asset Management

Note 2) Shinhan AI was newly established in Sep. 2019

Note 3) Neoplux was newly acquired on Sep. 29, 2020; and was renamed to Shinhan Venture Investment on Jan. 11, 2021

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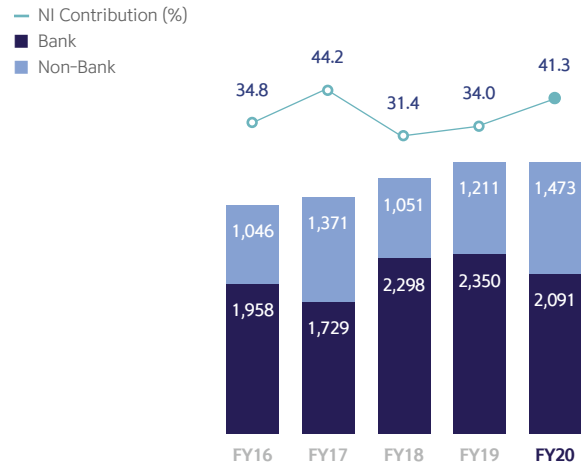
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Net Income Contribution by Non-Bank Subsidiaries

(KRW billion)



Note) After reflecting ownership by SFG

Shinhan Bank

In 2020, Shinhan Bank's net income declined by 10.8% year-on-year, mainly attributable to lower non-interest income as a result of a decline in fees and commissions from sales of financial products, which in turn was the result of downward pressure in the wealth management market and the impact of COVID-19. Interest income, however, rose by 1.0% year-on-year thanks to growth in loans in KRW throughout the year, and despite a fall in the net interest margin.

Loans in KRW grew by 10.6% year-on-year in 2020. Retail loans increased by 9.0%, and corporate loans went up 12.3%, driven by loans to SMEs which were up by 14.1%. We continued stable growth throughout the year as the result of a steady increase in market demand for loans. Deposits in KRW increased by 11.7% year-on-year thanks to a focus on core deposits, in parallel with the growth in loan assets. Core deposits grew by 29.0%, which helped to offset the decline in the net interest margin.

Shinhan Bank Income

(KRW billion)

	FY20	FY19	YoY %
Operating Income (a=b+c)	6,796.8	6,757.0	0.6
Interest Income (b)	5,927.6	5,871.7	1.0
Non-Interest Income (c)	869.3	885.3	-1.8
G&A Expenses (d)	3,202.9	3,142.4	1.9
Pre-Provision Operating Income (e=a-d)	3,593.9	3,614.6	-0.6
Non-Operating Income (f)	-130.2	-186.4	n.a.
Pre-Provision Income (g=e+f)	3,463.7	3,428.2	1.0
Provision for Credit Losses (h)	680.2	351.3	93.6
Earnings Before Income Tax (i=g-h)	2,783.4	3,076.9	-9.5
Income Tax	705.2	747.6	-5.7
Net Profit ¹⁾	2,077.8	2,329.2	-10.8

Note 1) Net income in controlling interest

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Gains on valuations of securities, a major component of non-interest income, rose by 16.3% year-on-year thanks to an increase in bond-related income. Income from fees and commissions, however, fell by 1.8%, as on-going dispute over sales of certain private equity funds affected fund and trust fees and commissions.

G&A expenses increased 1.9% year-on-year as a result of programs to reduce costs over the mid- to long-term, and remained within the planned range. The digital transformation under way at Shinhan Bank is expected to enable more efficient management of G&A expenses. The CIR stood at 47.1% as a result of improvements in efficiency and higher pre-provision operating income. The credit cost ratio was stable at 24bp, thanks to qualitative asset growth and better credit risk management, and despite increases in provisions as a result of the economic downturn.

Shinhan Card

Net income at Shinhan Card in 2020 was KRW 606.5 billion, up 19.2% compared to the previous year. This success was thanks to the efforts made to expand the digital payments market in response to the contactless trend. It was also the result of our efforts to generate revenue across a range of businesses, including lease and installment finance, in order to overcome the negative impact on credit card revenues caused by lower merchant service fees. As a result, operating revenues from credit cards were up by 2.9%, while operating revenues in leases and installment finance rose by 44.5% and 9.4%, respectively.

We will strive to maintain strong revenues by lowering our G&A expenses, including in marketing, and by developing new growth businesses. The one month or longer delinquency ratio was 1.04% at the end of December 2020, 22bp lower than a year before. The NPL ratio recorded 1.06%, and the NPL coverage ratio was 289%, indicating continued soundness in asset quality. The capital adequacy ratio remained strong at 19.9%.

Shinhan Card Income

(KRW billion)

	FY20	FY19	YoY %
Operating Revenue (a)	4,102.3	3,894.6	5.3
Card Business	3,039.2	2,953.5	2.9
Installment Finance	147.5	134.8	9.4
Lease	270.9	187.4	44.5
Others	644.8	619.0	4.2
Interest Expense (b)	507.5	499.5	1.6
G&A Expenses (c)	650.6	702.2	-7.4
Commissions & Other Expenses (d)	1,638.7	1,445.5	13.4
Pre-Provision Income (e=a-b-c-d)	1,304.6	1,239.0	5.3
Provision for Credit Losses (f)	483.4	562.2	-14.0
Earnings Before Income Tax (g=e-f)	821.2	676.8	21.3
Income Tax	214.7	167.7	28.0
Net Income¹⁾	606.5	508.8	19.2

Note 1) Net income in controlling interest

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Shinhan Investment

Shinhan Investment recorded net income of KRW 154.8 billion, down 29.9% compared to the previous year. Although proprietary trading, stock brokerage, and the IB sector made strong performance, losses from product valuations, higher provisions and reduced income from sales of financial products resulted in a decline in company-wide income.

Fees and commissions income increased by 45.6% compared to the previous year, to KRW 740.6 billion. Although stock brokerage fees and commissions rose, sales of financial products were relatively weak. Proprietary trading income increased by 20.6% on the back of performance improvements right across the equity, as well as fixed income, currency, and commodity (FICC) markets. G&A expenses rose by 13.6% year-on-year to KRW 592.4 billion as a result of increased incentive payments triggered by improvements in performance at trading departments.

Shinhan Life Insurance

Net income at Shinhan Life Insurance increased by 43.6% year-on-year, to KRW 177.8 billion. The insurance operating margins fell by 9.7% compared to the previous year as the result of an increase in claims paid and a reduction in the general expenses margin. Investment margins, however, rose by KRW 64.9 billion thanks to increases in dividends and gains on sales related to beneficiary certificates. Income from premiums fell by 5.0% to KRW 4,085.2 billion. As of the end of December 2020, risk-based capital (RBC) ratio stood at 249.5% well above the regulatory requirement of 150%.

Shinhan Investment Income

(KRW billion)

	FY20	FY19	YoY %
Operating Revenue	1,220.0	882.9	38.2
Fee & Commission	740.6	508.8	45.6
Brokerage Fees	459.5	200.3	129.3
Financial Product Fees	87.0	126.7	-31.4
Investment Banking	158.6	117.7	34.7
Others	35.5	63.9	-44.4
Proprietary Trading	574.3	476.0	20.6
Others	-94.9	-102.0	n.a.
Operating Expenses	840.3	643.4	30.6
G&A Expenses	592.4	521.6	13.6
Commission Expenses	142.1	123.2	15.3
Provisioning for Credit Losses	105.8	-1.3	n.a.
Operating Income	379.8	239.4	58.6
Net Income	154.8	220.9	-29.9

Shinhan Life Insurance Income

(KRW billion)

	FY20	FY19	YoY %
Insurance Operating Margins	201.6	223.4	-9.7
Expenses Margins	146.3	177.0	-17.4
Mortality & Morbidity Margins	55.4	46.4	19.4
Investment Margins	55.3	-9.6	n.a.
Other Margins	-19.1	-15.9	n.a.
Earnings before Income Tax	237.8	197.9	20.2
Income Tax	60.0	74.0	-18.9
Net Income	177.8	123.9	43.6



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OrangeLife Insurance

OrangeLife became a subsidiary of Shinhan Financial Group in 2019, and generated a net income of KRW 279.3 billion in 2020, year-on-year growth of 2.9%. The expenses margins rose as a result of reductions in annualized premium equivalent (APE) and retention expenses. Investment margins fell as lower market interest rates resulted in declining rates of return on reinvestments.

Shinhan Capital

In 2020, net income of Shinhan Capital rose by 27.4% year-on-year to KRW 160.6 billion. This was mainly attributable to a 37.6% increase in operating revenue, which in turn was the outcome of higher interest income driven by increases in loan assets, and stronger income from investment securities. Provisioning for credit losses rose by KRW 62.6 billion year-on-year, in line with the increase in assets, and is preemptively managed by strengthened risk monitoring systems. As of the end of 2020, total assets stood at KRW 8.9 trillion, year-on-year increase of 17.6%.

OrangeLife Insurance Income

(KRW billion)

	FY20	FY19	YoY %
Insurance Operating Margins	391.7	372.8	5.1
Expenses Margins	239.7	222.2	7.9
Mortality & Morbidity Margins	152.1	150.7	0.9
Investment Margins	17.6	42.6	-58.6
Other Margins	-33.4	-30.4	n/a
Earnings before Income Tax	376.0	385.1	-2.4
Income Tax	96.7	113.6	-14.9
Net Income	279.3	271.5	2.9

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Asset Growth

Group Asset Growth

Based on consolidated financial statements as of the end of 2020, the Group's total consolidated assets stood at KRW 605.3 trillion, up KRW 52.9 trillion or 9.6% compared to the previous year. This balanced growth was driven by increases across the Group's major subsidiaries. Banking assets grew by 8.3% year-on-year to KRW 523.7 trillion, while non-banking assets grew by 11.2% to KRW 309.6 trillion.

Shinhan Bank recorded a year-on-year increase in assets of KRW 39.8 trillion, led mainly by growth of loans in KRW. In the non-banking business, Asia Trust and Shinhan Asset Management achieved year-on-year increases of KRW 13.2 trillion and KRW 8.4 trillion, respectively, mainly driven by trust accounts and beneficiary certificates.

Group Asset¹⁾ Growth

		(KRW billion)		
		Dec. 2020	Dec. 2019	YoY%
Bank (a)		523,700.1	483,644.9	8.3
Shinhan Bank		517,111.1	477,289.6	8.3
Jeju Bank		6,589.0	6,355.3	3.7
Non-Bank (b)		309,638.6	278,401.9	11.2
Shinhan Card		34,885.2	32,917.9	6.0
Consumer Finance	Shinhan Capital	8,901.3	7,566.4	17.6
	Shinhan Savings Bank	1,842.2	1,602.9	14.9
Insurance	Shinhan Life Insurance	36,777.5	34,133.6	7.7
	OrangeLife Insurance	33,813.6	32,841.4	3.0
Capital Markets	Shinhan Investment Corp	71,874.1	73,589.7	-2.3
	Shinhan Asset Management ²⁾	58,869.2	50,466.9	16.6
	Shinhan Alternative Investment	5,499.5	4,114.3	33.7
	Shinhan REITs Management	2,270.8	1,071.6	111.9
	Asia Trust	49,717.1	36,560.7	36.0
	Shinhan AI	42.9	42.4	1.2
	Shinhan Venture Investment ³⁾	527.3	-	n.a
Others	Shinhan DS	95.1	89.1	6.7
	Shinhan AITAS	87.4	77.1	13.4
	Shinhan AITAS	27.8	25.3	9.9
	Shinhan Credit Information	4,407.4	3,302.6	33.5

Note 1) Trust A/C of Shinhan, Jeju Bank, Shinhan Investment Corp., Asia Trust and AUM (including ordinary discretionary assets) of Shinhan Asset Management, Shinhan Alternative Investment, Shinhan REITs Management, Shinhan Venture Investment are included

Note 2) Shinhan BNP Paribas Asset Management was renamed to Shinhan Asset Management on Jan. 15, 2021

Note 3) Neoplux was newly acquired on Sep. 29, 2020; and was renamed to Shinhan Venture Investment on Jan. 11, 2021

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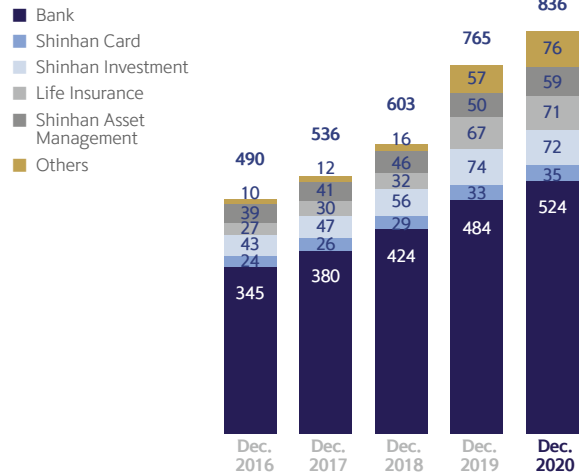
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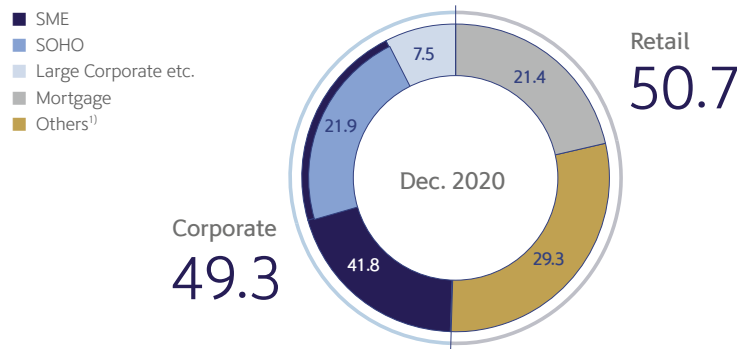
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Group Asset¹⁾ Growth
(KRW trillion)



Note 1) Trust A/C of Shinhan, Jeju Bank, Shinhan Investment Corp., Asia Trust and AUM (including ordinary discretionary assets) of Shinhan Asset Management, Shinhan Alternative Investment, Shinhan REITs Management are included

Shinhan Bank Loan Composition
(%)



Group Subsidiaries Asset Growth

Shinhan Bank

Loans Total value of Shinhan Bank's loans in KRW at the end of 2020 stood at KRW 248.8 trillion, year-on-year increase of 10.6%. The Bank has contributed substantially to interest income of the Group by maintaining strong growth in its profitability-oriented assets, balanced across its retail and corporate sectors.

Retail loan assets in KRW rose by 9.0% year-on-year to KRW 126.3 trillion. Although mortgage loans decreased by 2.3% due to tighter government regulations on the real estate industry, increases in *jeonse* loans and high credit unsecured personal loans of 27.7% and 43.6%, respectively, showed that retail loans overall grew strongly. As of the end of 2020, secured loans accounted for 71% of total retail loans, and the loan to value (LTV) of mortgage loans stood at 45.6%.

Corporate loan assets in KRW increased by 12.3% year-on-year to KRW 122.5 trillion. Growth was led by loans to SMEs and to individual businesses, which rose by 14.1% and 16.3%, respectively as the government and the financial sector worked together to ensure the continued supply of funds to SMEs and small businesses experiencing difficulties due to COVID-19. Secured loans accounted for 77% of Shinhan Bank's total SME loans as of the end of 2020, and 84% of SOHO loans.

Shinhan Bank Loans

(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Loans in KRW	248,808	225,002	10.6
Retail	126,262	115,875	9.0
Mortgage	53,355	54,605	-2.3
Others ¹⁾	72,907	61,270	19.0
Corporate	122,546	109,127	12.3
SME	103,974	91,162	14.1
SOHO	54,387	46,785	16.3
Large Corporate etc.	18,572	17,965	3.4
Loans in FX	13,320	10,779	23.6

Note 1) Including unsecured personal loans, secured loans, *jeonse* loans, etc.

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Deposits Shinhan Bank's deposits in KRW stood at KRW 260.2 trillion at the end of 2020, up 11.7% year-on-year. Lower market interest rates were the main factor in a year-on-year decrease of 1.8% in time savings, however low cost deposits grew by 29.0%.

Shinhan Card

Assets Shinhan Card's earning assets totaled KRW 32.0 trillion at the end of 2020, up 5.9% year-on-year. The total for lease assets rose considerably with the acquisition of Hyundai Capital's long-term car rental assets in March 2020. The increase was also attributable to the transfer of retail loan assets from Shinhan Capital in October 2020. The number of active cardholders of Shinhan Card was 12.8 million at the end of 2020, with the number of merchants standing at 2.7 million, signifying our strong position as Korea's leading credit card provider.

Funding Shinhan Card's total funding was valued at KRW 24.0 trillion at the end of 2020, up 10.8% compared to the previous year. The company continues to diversify its funding portfolio according to market conditions, including by issuing debentures, ABS and CPs. It also manages liquidity risk by diversifying the maturity dates of its funding.

Shinhan Card Earning Assets (KRW billion)

	Dec. 2020	Dec. 2019	YTD %	Dec. 2020 Portion %
Earning Assets	31,963.9	30,180.3	5.9	100.0
Credit Purchase	14,602.3	15,184.4	-3.8	45.7
Cash Advances	1,571.0	1,864.1	-15.7	4.9
Card Loan	7,371.7	6,760.9	9.0	23.1
(Re-aged Loan)	307.1	269.2	14.1	1.0
Installment Finance	3,591.5	3,211.8	11.8	11.2
Lease etc.	4,827.3	3,159.1	52.8	15.1

Shinhan Bank Deposits (KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Total Deposits	260,212	232,997	11.7
Low-Cost Deposits	131,223	101,700	29.0
Demand	40,743	30,455	33.8
Savings	90,481	71,245	27.0
Time Savings	128,989	131,297	-1.8
Time Deposits	120,018	122,073	-1.7
Accumulative etc.	8,971	9,225	-2.7
Certificate of Deposits	4,870	8,602	-43.4
Debentures in KRW	25,507	28,813	-11.5

Shinhan Bank Funding Composition (%)

	Time Savings	Low-Cost Deposits	CDs	Debentures
Funding Composition	44.4	45.2	1.7	8.8

Shinhan Card Funding (KRW billion)

	Dec. 2020	Dec. 2019	YTD %	Dec. 2020 Portion %
Funding	24,011.4	21,670.2	10.8	100.0
Debentures	16,700.2	14,945.0	11.7	69.6
ABS	2,936.0	3,357.0	-12.5	12.2
CP	2,340.0	1,850.0	26.5	9.7
Others	2,035.2	1,518.1	34.1	8.5



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Shinhan Investment

The value of Shinhan Investment's total assets at the end of 2020 recorded KRW 46.6 trillion, year-on-year growth of 24.8%. Securities assets rose mainly as the result of increased holdings of debt securities, while loans rose mainly due to an increase in loans secured against stocks.

Shinhan Life Insurance

Operating assets of Shinhan Life Insurance stood at KRW 31.2 trillion at the end of 2020, up 5.5% compared to the previous year. We continue to expand our holdings of long-term bonds in line with an ALM strategy, and are also focusing on profitability by increasing the value of our loan assets. As a result, fixed income assets rose by 9.6% to KRW 16.2 trillion, while loans increased by 6.0% to reach KRW 6.6 trillion.

OrangeLife Insurance

OrangeLife's operating assets stood at KRW 27 trillion at the end of 2020. We implement an ALM strategy which balances long-term liabilities with long-term assets. Because insurance liabilities are inherently long-term, we have substantially increased the holdings of long-term assets such as fixed income bonds and policy loans. We are also striving to enhance rates of return by increasing the proportion of our portfolio which is comprised of alternative investments such as real estate, infrastructure, and private equity funds.

Shinhan Investment Total Asset

(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Total Assets	46,632.4	37,375.5	24.8
Cash and Cash Equivalents	1,412.5	709.0	99.2
Deposit	2,006.3	1,911.7	5.0
Securities	29,304.7	26,670.0	9.9
Derivatives	895.5	677.7	32.2
Loans	4,738.1	4,583.1	3.4
Tangible Fixed Assets	156.2	139.3	12.1
Others	8,119.1	2,685.0	202.4

Shinhan Life Insurance Operating Assets Growth

(KRW billion)

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Operating Assets	20,545.0	23,316.3	25,156.9	27,705.7	29,585.7	31,204.0
Cash & Deposits	1,831.6	1,457.8	1,170.6	619.7	490.1	1,040.6
Fixed Income	10,505.2	11,281.7	12,344.2	13,636.9	14,787.0	16,209.1
Loans	5,372.1	5,404.7	5,643.3	6,136.6	6,203.0	6,575.0
Equities	80.7	72.7	66.0	132.0	109.0	151.8
Others	2,755.4	5,099.4	5,932.9	7,180.5	7,996.6	7,227.5

OrangeLife Insurance Operating Assets Growth

(KRW billion)

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Operating Assets	22,738.2	23,984.1	24,558.2	26,319.3	26,243.5	27,011.1
Cash & Deposits	596.7	565.4	560.1	539.3	472.3	661.1
Fixed Income	19,692.0	20,782.4	21,073.7	21,401.5	21,315.8	21,875.7
Loans	2,018.2	2,089.4	2,133.9	2,588.6	2,355.3	2,446.0
Equities	131.8	98.1	117.0	135.1	124.9	22.2
Others	299.5	448.7	673.5	1,654.9	1,975.3	2,006.1

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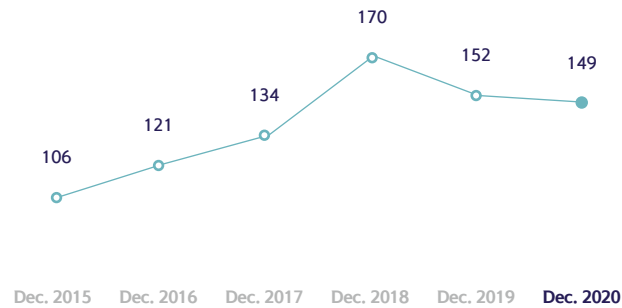
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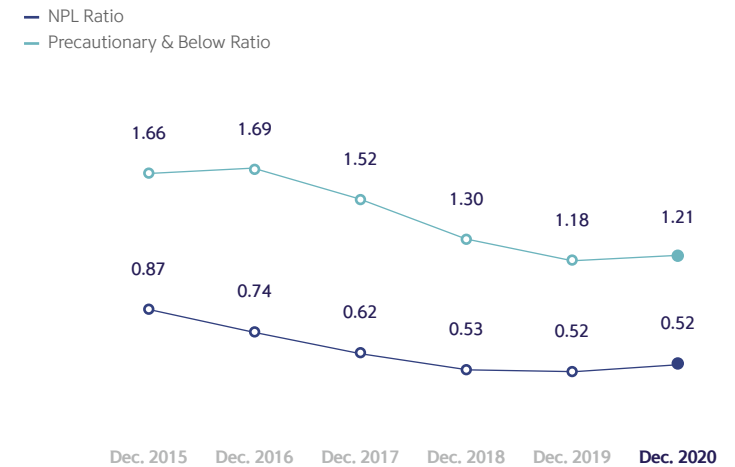
Group Asset Quality

The Group's non-performing loan (NPL) ratio was 0.56% as of the end of 2020, up slightly compared to the previous year. Shinhan Financial Group has maintained a good level of asset soundness by steadily reducing its high-risk loans through preemptive risk management. NPL coverage ratio at the end of 2020 stood at 149%. Although this was a slight decrease compared to the previous year, the ratio still remains high, and sufficient to cover any potential losses in the foreseeable future.

Group NPL Coverage Ratio (%)



Group NPL Ratio (%)



Group Asset Quality

(KRW billion)

	Total Loans ¹⁾						Substandard & Below	NPL Ratio	Loan Loss Allowance	NPL Coverage Ratio
		Normal	Precautionary	Substandard	Doubtful	Estimated Loss				
Dec. 2020	341,897	337,753	2,238	906	367	633	1,906	0.56%	2,833	149%
Dec. 2019	312,243	308,565	2,040	621	404	613	1,638	0.52%	2,488	152%
YTD %	9.5	9.5	9.7	45.9	-9.1	3.2	16.4	0.03%p	13.9%	-3%p

Note 1) Sum of Shinhan Bank, Jeju Bank, Shinhan Card, Shinhan Investment Corp. Shinhan Life Insurance, OrangeLife Insurance, Shinhan Capital, Shinhan Savings Bank, and Asia Trust

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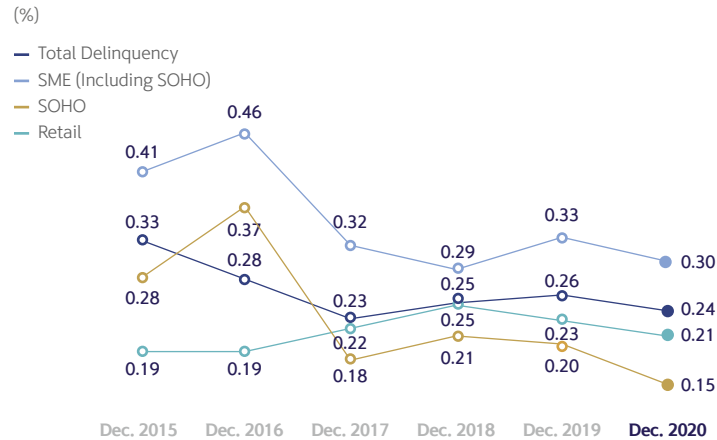
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Group Subsidiaries Asset Quality

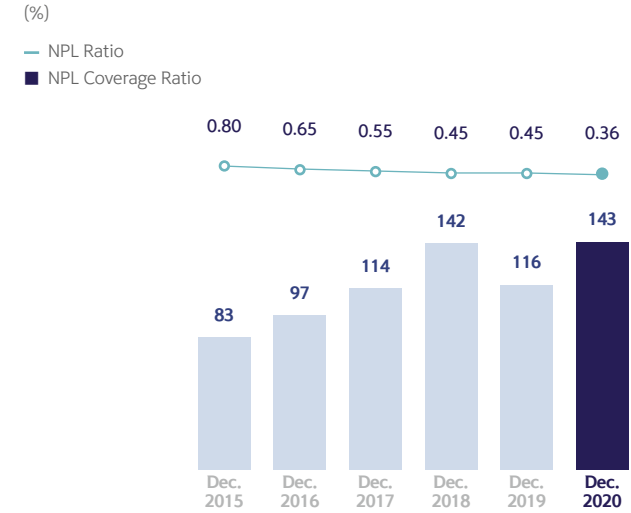
Shinhan Bank

Shinhan Bank's NPL ratio stood at 0.36% at the end of 2020, and delinquency ratio was 0.24%, both improved slightly year-on-year. Delinquency ratios for SME loans and retail loans remained stable, at 0.30% and 0.21%, respectively. We remain profitable and financially sound thanks to a growth strategy which focuses on assets that are both profitable and also relatively low risk, such as jeonse loans and high credit unsecured personal loans. In addition, we have strengthened the monitoring of our loan assets in order to be able to respond preemptively to the prolonged impact of the COVID-19 pandemic.

Shinhan Bank Delinquency Ratio (%)



Shinhan Bank NPL Coverage Ratio & NPL Ratio (%)



Shinhan Bank Asset Quality

(KRW billion)

	Total Loans	Loan Quality					Substandard & Below	NPL Ratio	Loan Loss Allowance	NPL Coverage Ratio
		Normal	Precautionary	Substandard	Doubtful	Estimated Loss				
Dec. 2020	279,487	277,541	936	531	203	277	1,010	0.36%	1,444	143%
Dec. 2019	254,065	251,969	960	566	217	353	1,136	0.45%	1,317	116%
YTD %	10.0	10.1	-2.5	-6.1	-6.8	-21.6	-11.1	-0.09%p	9.7	27%p

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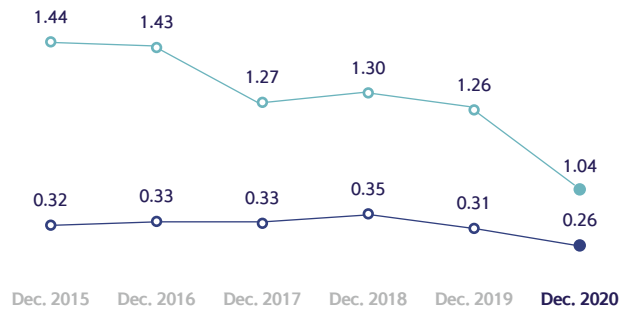
Shinhan Card

Shinhan Card's NPL ratio decreased slightly in 2020, recording a figure of 1.06% at the end of the year. Delinquency ratio and the two-month delinquency roll rate remain low, declining to 1.04% and 0.26%, respectively. Despite these high levels of asset soundness, however, we continue to be proactive in our risk management in order to counteract the uncertainties caused by COVID-19.

Shinhan Card Delinquency Ratio

(%)

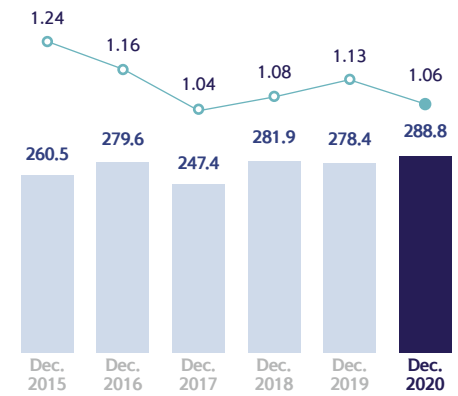
— Delinquency Ratio
— 2-month delinquency migration ratio



Shinhan Card NPL Coverage Ratio & NPL Ratio

(%)

— NPL Ratio
■ NPL Coverage Ratio



Shinhan Card Asset Quality

(KRW billion)

	Total Loans						Substandard & Below	NPL Ratio	Loan Loss Allowance	NPL Coverage Ratio
		Normal	Precautionary	Substandard	Doubtful	Estimated Loss				
Dec. 2020	32,812	31,551	911	-	133	216	349	1.06%	1,009	289%
Dec. 2019	30,597	29,414	838		146	199	345	1.13%	961	278%
YTD %	7.2	7.3	8.8	n.a	-9.0	8.8	1.2	-0.06%p	5.0	10%p

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Capital Adequacy

Group Capital Adequacy

In 2020, Shinhan Financial Group's BIS ratio was 15.7%, 1.8%p increase compared to the end of the previous year. CET 1 ratio stood at 12.9%, year-on-year increase of 1.8%p. These figures are mainly attributable to a stable net income, the early adoption of the revised Basel III credit risk framework, and the capital raising which took place in September. We will continue to observe and exceed the capital ratios required by financial authorities, and will enhance corporate value through flexible capital policies.

For reference, Basel III recommended minimum CET 1 ratio for financial institutions at 8%, or 10.5% including the counter-cyclical buffer ratio of 2.5%. Even without taking into the account the effect on Shinhan Financial Group of its early adoption of Basel III credit risk framework, the Group's CET 1 ratio is 11.8%, and is being maintained at a stable level comfortably above the required minimum.

Paid-in capital increase in September 2020 took place using the third-party allocation method. 39,130,000 common shares were issued at KRW 29,600 per share, resulting in an increase in the Group capital of KRW 195,650 million on September 29, 2020. The new shares were listed on October 20, 2020.

We have decided to pay a dividend of KRW 1,500 per common share for the 2020 fiscal year, implying a dividend payout ratio of 22.7% and a dividend yield of 4.52%. There is no change in our commitment to improving shareholder value by gradually increasing our dividend payout ratio. We made our decision on dividends after carefully considering various factors, including the Korean financial authorities' recommendation for temporary dividend restraint from financial institutions so that they have sufficient capacity to absorb losses throughout the prolonged COVID-19 pandemic in Korea and overseas. In the future, we will increase shareholder returns through various means, including a higher dividend payout ratio, a different dividend payment cycle, and share buybacks. We will also enhance shareholder value by improving our ROE through the more efficient utilization of our capital, including M&As in the non-banking sector and expansion of our global business.

Group BIS Ratio

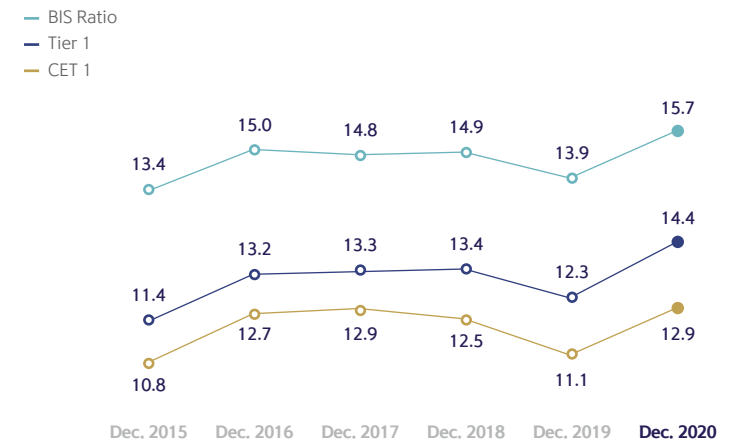
(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Risk-Weighted Assets	252,321	256,892	-1.8
Capital	39,709	35,715	11.2
CET 1	32,462	28,562	13.7
Tier 1	36,267	31,700	14.4
BIS Ratio	15.7%	13.9%	1.8%p
CET 1 ¹⁾	12.9%	11.1%	1.8%p
CET 1 (former standard)	11.8%	11.1%	0.7%p
Tier 1	14.4%	12.3%	1.8%p

Note 1) After reflecting early adoption of the revised Basel III credit risk framework in Sep. 2020

Group BIS Ratio Trend

(%)





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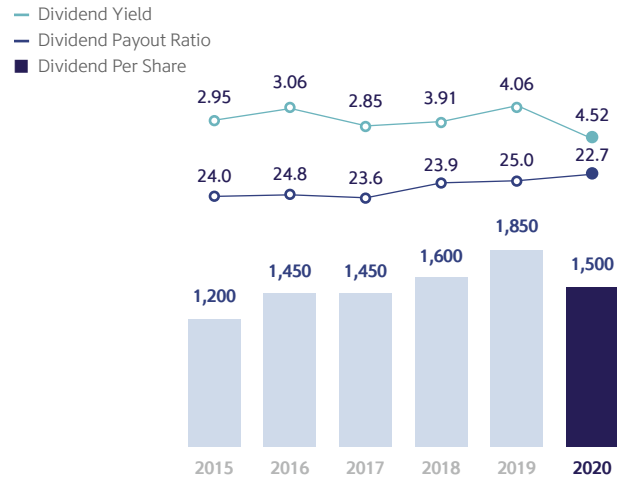
Asset Quality

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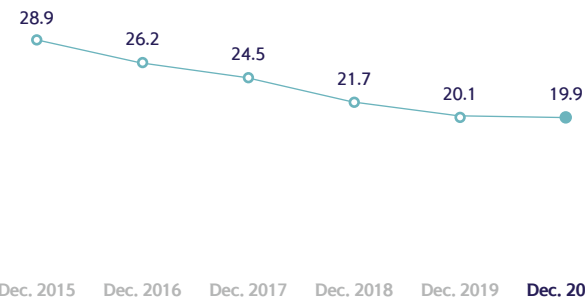
Group Dividend

(KRW, %)



Shinhan Card Capital Adequacy Ratio

(%)



Group Subsidiaries Capital Adequacy

Shinhan Bank

Shinhan Bank's CET 1 ratio at the end of 2020 stood at 14.9%, and its Tier 1 ratio was 15.9%, both well above regulatory requirements. Even without taking into the account the effect of early adoption of the revised Basel III credit risk framework, Shinhan Bank's CET 1 ratio remains strong and stable, at 12.1%.

Shinhan Card

Shinhan Card's capital adequacy ratio at the end of 2020 was 19.9%, a figure which is both stable and well above the minimum regulatory ratio of 8%. Our capital adequacy ratio has remained at around 20% since 2007, the outcome of our commitment to reducing credit losses through preemptive risk management and our continuing efforts to generate stable net income.

Shinhan Bank BIS Ratio

(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Risk-Weighted Assets	165,264	181,637	-10.0
Capital	30,525	28,905	5.3
CET 1	24,662	23,159	6.1
Tier 1	26,249	24,157	8.0
BIS Ratio	18.5%	15.9%	2.6%p
CET 1 ¹⁾	14.9%	12.8%	2.1%p
CET 1 (former standard)	12.1%	12.8%	-0.7%p
Tier 1	15.9%	13.3%	2.6%p

Note 1) After reflecting early adoption of the revised Basel III credit risk framework in Sep. 2020



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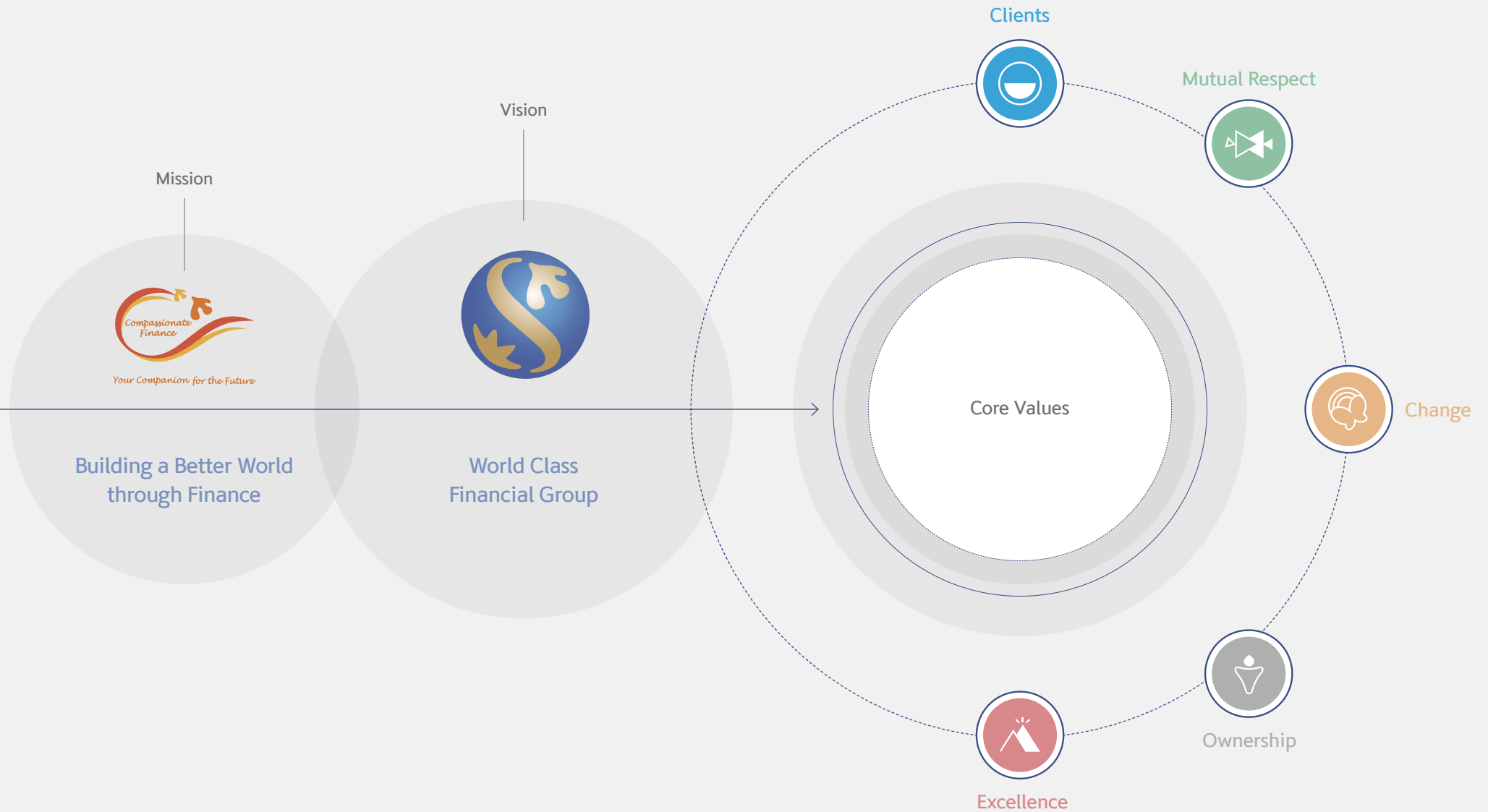
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Shinhan WAY

The “Shinhan WAY”, comprised of the Group’s mission, core values and vision, represents a value system that guides the thoughts and actions of all of us at Shinhan Financial Group.





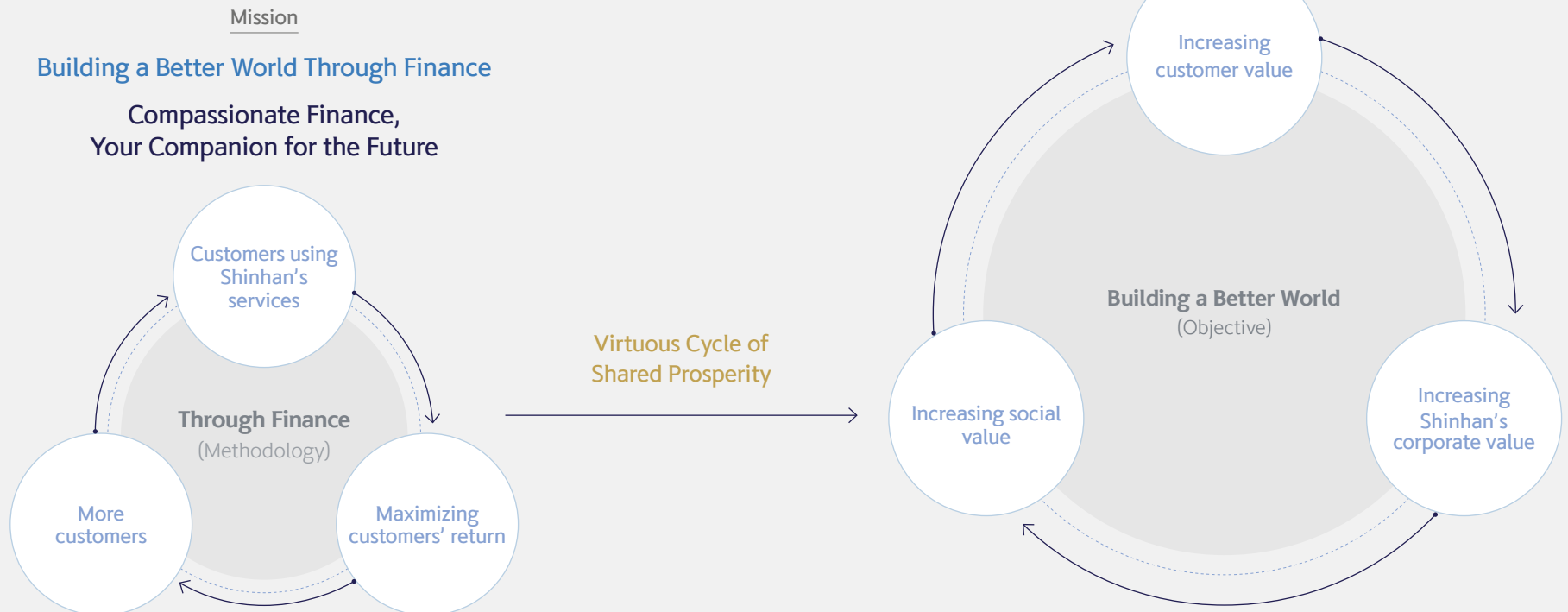
Group Mission

Our corporate mission, which defines the purpose of our Group, is "Compassionate Finance, Your Companion for the Future". Under this mission, we strive to contribute to building "A Better World through Finance" by upholding a virtuous cycle of shared prosperity to create greater value for our clients and society as a whole. To this end, we are continuing to evolve and innovate ourselves to offer products and services befitting newly changing environment, trends, and needs.

We help clients achieve their goals by providing financial products and services that are in line with the latest trends, and delivering high returns on the funds entrusted to us. This is made possible by fully acknowledging the fact that financial products and services must evolve along with the changing times and business environment, and by departing from past conventions to seek innovative new solutions using a methodology we call "Creative Finance".

As we help more clients succeed and fulfill the fundamental role of finance, that is, the efficient allocation of resources, value will increase for the whole of society. The interlinked values of Shinhan and society will grow together and lead to progress in a virtuous cycle of shared prosperity.

"Compassionate Finance, Your Companion for the Future" is significant in that it shows how corporate value and client (social) value can coexist instead of merely competing. In order to realize such coexistence, Shinhan Financial Group will work to ensure that all employees embody the spirit of compassionate finance when working and upgrade its policies and systems so that clients can benefit from differentiated services.





Core Values

The Core Values give a clear and consistent guidance to all members belonging to different corporate entities under Shinhan Financial Group. They also comprise the solid foundation of the ideas, decisions, and actions of all Shinhan members.

While the five core values remain constant, the code of conduct serves as a specific guideline to understanding and practicing these values. In January 2017, we issued a revised code of conduct that better reflects our mission statement and the standards for management as ascribed to the "Shinhan Leader" so that all members of Shinhan can continue practicing the core values in an evolving business environment.

We initiate meaningful changes based on our insight into shifting trends so that we can respond swiftly and boldly with creative solutions.

CHANGE

We seek cooperation and openness in pursuit of shared prosperity for the Group and all members of society.

MUTUAL RESPECT

We continue to challenge and educate ourselves to become the leading experts in our fields so that we can produce sustainable results.

EXCELLENCE

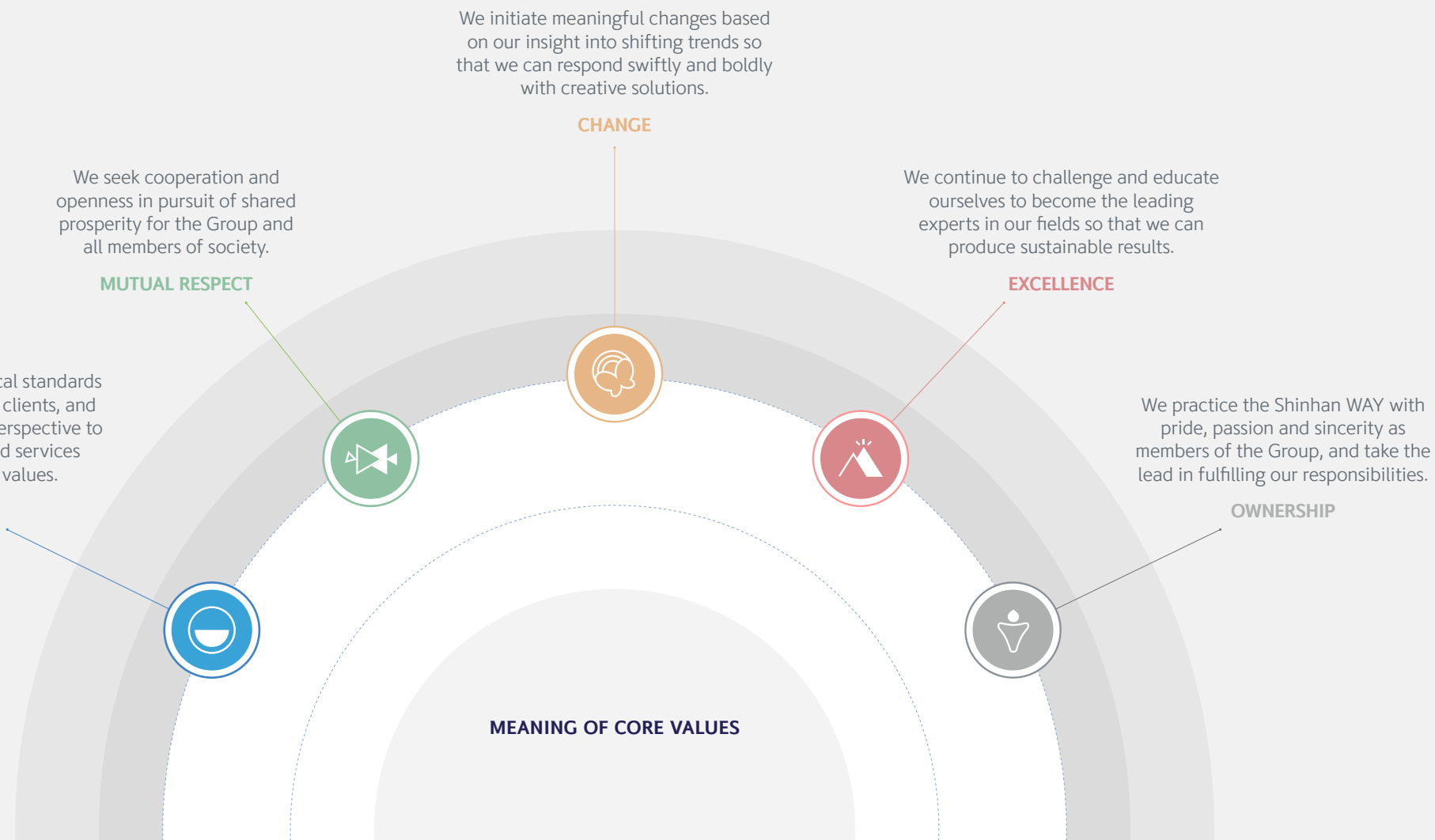
We maintain high ethical standards to build trust with our clients, and see things from their perspective to provide products and services that raise clients' values.

CLIENTS

We practice the Shinhan WAY with pride, passion and sincerity as members of the Group, and take the lead in fulfilling our responsibilities.






OWNERSHIP

MEANING OF CORE VALUES



Code of Conduct

The code of conduct outlines the standards for employees' judgment and actions when applying the core values to their duties.

Core Values	Keyword	Code of Conduct
 Clients	Client-oriented thinking	Provide products and services based on in-depth understanding of clients' needs and their perspectives
	Client value	Make every effort to increase client value as the client's companion for the future
	Trust	Build trust with clients by adhering to strict ethical standards and principles
 Mutual Respect	Coordination and integration	Have respect and consideration of the others, while actively achieving teamwork under "One Shinhan" collaborative system
	Openness	Form a broad and diverse network of stakeholders beyond financial businesses with emphasis on open communication
	Shared prosperity	Make judgments and take action to raise the value of Shinhan and society at large
 Change	Insight	Predict the direction and implication of changes from a broad and comprehensive standpoint
	Creativity	Think outside the box to discover new solutions and implement new approaches
	Innovation	Take bold and swift action to introduce meaningful changes without being afraid of failure
 Excellence	Challenge and execution	Set challenging goals and follow through with specific plans and perseverance
	Sustainable performance	Strive to produce results that can be sustained over the long term
	Self-development	Continue learning to gain the highest level of expertise and constantly explore new pursuits
 Ownership	Role model for the Shinhan WAY	Set an example through actions based on a deep and sincere understanding of the Shinhan WAY
	Pride	Take pride and satisfaction in doing good work as a member of Shinhan
	Self-motivation	Harness one's passion to inspire passion in others and take the initiative in fulfilling one's responsibilities

Shinhan Leader

Shinhan Financial Group has defined what an ideal “Shinhan Leader” should be like by listing leadership qualities that a “Shinhan Leader” should possess. “Shinhan Leader” reflects not only our corporate culture, mission, core values, and the opinions of our management and employees, but also external factors affecting the Group, including the values required by the industry and our stakeholders.





Code of Conduct for the Shinhan Leader

The Shinhan Leader serves as the management’s role model when implementing the Shinhan WAY and as the management’s guide when preparing for the future in a changing environment. Leading the way toward achieving Shinhan’s mission and vision, all members of management abide by the code of conduct when making decisions and carrying out their responsibilities.



Ownership

Ambassador for Shinhan culture

Practice and promote the Shinhan WAY with conviction and sincerity, and uphold and develop the Group’s culture in step with changes in the business environment

Role model for the Shinhan WAY

Promote the Shinhan WAY and foster an organizational culture where employees are recognized for following its principles

Innovator Find solutions by taking an interest in cultural issues and continue developing Shinhan’s culture in step with changes in the business environment



Mutual Respect

Partner with open and cooperative mindset

Combine resources and capabilities for optimal Group-wide performance and cultivate strategic partnerships through cooperation

Cooperation/integration Establish strategies from the perspective of One Shinhan, find common ground through communication and constructive feedback, and allocate resources to suit changes in the business environment

Openness Develop a broad and diverse network of stakeholders beyond financial businesses, and enter into strategic partnerships to create new value



Excellence

Entrepreneur producing sustainable results

Discover new business opportunities from a comprehensive standpoint, and deliver sustainable results through preemptive risk management

Business leading Embrace an integrated view to discover business opportunities, strive for sustainable performance, and take responsibility for the outcome

Risk management Embrace an expansive view to identify risk factors in an evolving business environment and take preemptive action to manage the risks



Clients

Creator of client value

Think from the client’s perspective when making judgments and decisions, and build a relationship of trust by observing high ethical standards

Client-oriented thinking Gain a thorough understanding of the client’s needs and ensure delivery of products and services from the client’s perspective

Trust Foster trust by following strict ethical guidelines and aspire to increasing value for the client, Shinhan and society



Change

Trailblazer for progress

Predict the future based on knowledge and insight, and make changes through honest communication and cooperation

Insight Anticipate changes based on in-depth expertise with a broad and comprehensive perspective

Creativity/change (communication) Foster an atmosphere that encourages creative thinking, and reach consensus by sharing concrete visions about change

Global outlook Evaluate and respond to the consequences of changes in the world, and satisfy global standards in communication and other aspects

Digital capability Help employees adapt to changing times by presenting a vision for the digital future and reflect their input in setting the strategic direction

Advocate for personal development

Make a long-term commitment to nurturing talented employees, create an open corporate culture, and continue to acquire new skills and knowledge

Nurturing talent Strengthen the Group by helping employees grow capabilities in preparation for the future and by creating an open culture receptive to talented outsiders

Self-development Continue education to become the top expert in a specific field and keep exploring new areas of interest



Board of Directors & Management

Executive Director

Cho Yong-byoung

Date of Birth June 30, 1957

Current Position CEO, Shinhan Financial Group

Education B.A. in Law, Korea University

Main Work Experience

2017–Current CEO, Shinhan Financial Group

2015–2017 President & CEO, Shinhan Bank

2013–2015 CEO, Shinhan BNP Paribas Asset Management

2011–2013 Deputy President, Shinhan Bank

Non-Executive Director

Jin Ok-dong

Date of Birth February 21, 1961

Current Position President & CEO, Shinhan Bank

Education MBA, Chung Ang University

Main Work Experience

2019–Current President & CEO, Shinhan Bank

2017–2018 Deputy President, Shinhan Financial Group

2017 Deputy President, Shinhan Bank

2015–2016 CEO, Shinhan Bank Japan

Independent Directors

Park Ansoon

Date of Birth January 24, 1945

Current Position Chairman, Taisei Group Co., Ltd.

Education B.A. in Philosophy, Waseda University

Main Work Experience

2010–Current Chairman, Taisei Group Co., Ltd.

2018–Current Chairman, the Korean Residents Union in Japan

2012–2018 Vice Chairman, the Korean Residents Union in Japan

Bae Hoon

Date of Birth March 30, 1953

Current Position Representative Attorney,
Orbis Legal Profession Corporation

Education MBA, Kobe University Graduate School
B.A in Economics, Kyoto University

Main Work Experience

2003–Current Representative Attorney,
Orbis Legal Profession Corporation

2006–2012 Director, LAZAK
(Lawyers Association of Zainichi Korea)

2002–2006 Co-representative Attorney,
LAZAK (Lawyers Association of Zainichi Korea)



Independent Directors (continued)

Lee Yong Guk

Date of Birth	May 11, 1964
Current Position	Clinical Professor, Seoul National University, School of Law
Education	J.D., Harvard University Law School B.A. Princeton University, Woodrow Wilson School of Public and International Affairs
Main Work Experience	
2020–Current	Clinical Professor, Seoul National University, School of Law
1992–2019	Attorney, Cleary Gottlieb Steen & Hamilton LLP.
2014–2019	Director, Foreign Law Firm Association

Choi Jae Boong

Date of Birth	February 18, 1965
Current Position	Professor, Sung Kyun Kwan University, College of Engineering
Education	Ph.D. in Mechanical Engineering, University of Waterloo M.A. in Mechanical Engineering, University of Waterloo B.A. in Mechanical Engineering, Sung Kyun Kwan University
Main Work Experience	
2009–Current	Professor, Sung Kyun Kwan University, College of Engineering
2019–Current	Director, Sung Kyun Kwan University, Human-centered Convergence Design Project (BK21+)
2018–2019	Policy Advisor, Innovative Growth Committee, Ministry of Strategy and Finance
2014–2021	Independent Director, E-mart

Byeon Yang-ho

Date of Birth	July 30, 1954
Current Position	Company Advisor, VIG Partners
Education	Ph.D. in Economics, Northern Illinois University M.A in Economics, Northern Illinois University B.A in International Trade, Seoul National University
Main Work Experience	
2016–Current	Company Advisor, VIG Partners
2011–2015	Non-Executive Director, TongYang Life Insurance
2005	Founder of Korean 1st Private Equity Fund, Vogo Fund
2004–2005	President, Korea Financial Intelligence Unit

Sung Jae-ho

Date of Birth	March 18, 1960
Current Position	Professor, Sung Kyun Kwan University School of Law
Education	Ph.D. in Law, Sung Kyun Kwan University LL.M., Sung Kyun Kwan University LL.B., Sung Kyun Kwan University
Main Work Experience	
1994–Current	Professor, Sung Kyun Kwan University School of Law
2018–2019	Independent Director, NICE Holdings
2015–2019	Independent Director, Shinhan Card
2015	Chairman, Korea Council of International Law

Yoon Jaewon

Date of Birth	August 29, 1970
Current Position	Professor, College of Business Administration, Hongik University
Education	Ph.D. in Accounting, Korea University
Main Work Experience	
2004–Current	Professor, College of Business Administration, Hongik University
2017–Current	Member, Committee on Development Tax System, Ministry of Economy and Finance
2017–Current	Member, Committee on National Accounting Policy, Ministry of Economy and Finance
2013–2019	Non-executive Judge, Tax Tribunal

Lee Yoon-jae

Date of Birth	November 3, 1950
Current Position	Retired CEO, KorEI
Education	AMP, Harvard Business School MBA, Stanford Graduate School of Business
Main Work Experience	
2015–2018	Independent Director, CJ Freshway
2012–2016	Independent Director, Busan Bank
2009–2014	Independent Director, LG
2001–2010	CEO, KorEI

Independent Directors (continued)

Jin Hyun-duk

Date of Birth September 10, 1955
Current Position CEO, PHOEDRA Co., Ltd.
Education MBA, Keio Business School
Main Work Experience
 1988–Current CEO, PHOEDRA Co., Ltd.
 Current Councilor, The Korea Educational Foundation
 2014–Current Visiting Professor, Business administration, Sakushin-gakuin University, Japan
 2014–Current Visiting Professor, Engineering, Utsunomiya University, Graduate School, Japan

Choi Kyong-rok

Date of Birth May 25, 1966
Current Position CEO, CYS Corporation
Education M.S. in Computational Science, Keio University
Main Work Experience
 2002–Current CEO, CYS Corporation
 2010–2015 Independent Director, Shinhan Life Insurance
 2001–2004 Deputy President, CYS Corporation
 1999–2000 Research Associate, Information Technology Center at Keio University

Huh Yong-hak

Date of Birth September 10, 1958
Current Position CEO, First Bridge Strategy Ltd.
Education M.S. in International Affairs, Columbia University
Main Work Experience
 2015–Current CEO, First Bridge Strategy Ltd.
 2008–2014 CIO of Alternative Investment, Hong Kong Monetary Authority
 2004–2008 Executive Director of Asia Investment Banking Division, HSBC
 2003–2004 Managing Director, Olympus Capital Investment

Kwak Su Keun

Date of Birth August 16, 1953
Current Position Honorary Professor of Accounting, Seoul National University, Business School
Education Ph.D. in Business Administration, University of North Carolina Chapel Hill
 M.A in Business Administration, Seoul National University
 B.B.A, Seoul National University
Main Work Experience
 2018–Current Honorary Professor of Accounting, Seoul National University, Business School
 2019–Current Chair of Corporate Governance Advisory Board, Korea Listed Companies Association
 2012–2014 Chair of Financial Supervisory Advisory Committee, Financial Supervisory Service
 2011–2020 Independent Director, LS
 2004–2012 Non-executive member, Securities and Futures Commission

Deputy Presidents and Executive Directors

Heo Young Taeg

Date of Birth August 13, 1961
Current Position Deputy President & Chief Management Officer (CMO), Shinhan Financial Group
Education B.A. in Business Administration, Korea University
Main Work Experience
 2021–Current Deputy President & CMO, Shinhan Financial Group
 2019–2020 CEO, Shinhan Capital
 2016–2018 Head of Global Business, Shinhan Bank

Sunny Yi

Date of Birth March 25, 1962
Current Position Chief Digital Officer (CDO), Shinhan Financial Group
 CEO of Shinhan DS
Education Ph.D. Seoul Integrated Science and Business School, Korea, Service Management
 DBA, Lausanne Business School, Switzerland, Data Marketing
 MBA, Harvard Business School, USA, General Management
 MS, University of Southern California, USA, Information Technology
 BS, US Military Academy, West Point, USA, Aerospace Engineering
Main Work Experience
 2019–Current CDO of Shinhan Financial Group, CEO of Shinhan DS
 2000–2017 Global Director & Managing Partner (Korea), Bain & Company
 1991–2000 Managing Partner (Asia), AT Kearney



Deputy Presidents and Executive Directors (continued)

Jang Dong-ki

Date of Birth January 2, 1964

Current Position Deputy President & Head of Global Markets and Securities (GMS), Shinhan Financial Group

Education B.A. in Economics, Seoul National University

Main Work Experience

2019–Current Deputy President & Head of GMS, Shinhan Financial Group

2018–2019 Deputy President & CFO, Shinhan Financial Group

Lee Byeong Cheol

Date of Birth January 22, 1963

Current Position Deputy President & Head of Pension, Shinhan Financial Group

Education M.S. in Law, Soongsil University

Main Work Experience

2019–Current Deputy President & Head of Pension, Shinhan Financial Group

2017–2019 Managing Director, Shinhan Financial Group

Roh Yong-hoon

Date of Birth March 16, 1964

Current Position Deputy President & Chief Financial Officer (CFO), Shinhan Financial Group

Education B.A. in Business Administration, Yonsei University

Main Work Experience

2020–Current Deputy President & CFO, Shinhan Financial Group

2017–2020 Head of Global Business Division, Shinhan Bank

An Hyo Ryul

Date of Birth May 26, 1965

Current Position Deputy President & Head of Wealth Management (WM), Shinhan Financial Group

Education B.A. in Business Administration, Korea University

Main Work Experience

2021–Current Deputy President & Head of WM, Shinhan Financial Group

2020–2021 Executive Director & Head of Pension, Shinhan Financial Group

2018–2020 Head of Management Planning and Consumer Protection, Shinhan Bank

Wang Ho-min

Date of Birth March 4, 1964

Current Position Deputy President & Chief Compliance Officer (CCO), Shinhan Financial Group

Education B.A. in Law, Hankuk University of Foreign Studies

Main Work Experience

2019–Current Executive Director & CCO, Shinhan Financial Group

2017–2019 General Manager of Jamsil-nam Branch, Shinhan Bank

Lee Een-Kyoon

Date of Birth April 1, 1967

Current Position Deputy President & Chief Operation Officer (COO), Shinhan Financial Group

Education B.A. in English Literature, Hanyang University

Main Work Experience

2019–Current Executive Director & COO, Shinhan Financial Group

2017–2019 Head of Management Support Team, Shinhan Financial Group

Park Sung-Hyun

Date of Birth November 8, 1965

Current Position Deputy President & Chief Strategy and Sustainability Officer (CSSO), Shinhan Financial Group

Education M.A. in Law, Northwestern University
M.A. in Business Administration, Seoul National University
B.A. in Economics, Seoul National University

Main Work Experience

2020–Current Deputy President & CSSO, Shinhan Financial Group

2018–2020 Head of Strategic Planning Team, Shinhan Financial Group

Deputy Presidents and Executive Directors (continued)

Ahn Jun Sik

Date of Birth May 1, 1965
Current Position Deputy President & Chief Public Relation Officer (CPRO), Shinhan Financial Group
Education B.A. in Economics, Pusan National University
Main Work Experience
 2021–Current Deputy President & CPRO, Shinhan Financial Group
 2019–2020 Head of Seocho Division, Shinhan Bank

Jung Keun Soo

Date of Birth April 11, 1966
Current Position Deputy President & Head of Group and Global Investment Banking (GIB), Shinhan Financial Group
Education B.A. in Chinese Language & Literature, Korea University
Main Work Experience
 2021–Current Deputy President & Head of GIB, Shinhan Financial Group
 2019–2020 Managing Director, Investment & Finance Division, Shinhan Bank

Kim Soung Jo

Date of Birth January 18, 1967
Current Position Deputy President, Shinhan Financial Group
Education B.A. in Economics, Seoul National University
Main Work Experience
 2021–Current Deputy President and Head of Audit, Shinhan Financial Group
 2018–2020 Head of Audit Team, Shinhan Financial Group

Kang Shin-tae

Date of Birth April 5, 1965
Current Position Deputy President, Head of Global Business, Shinhan Financial Group
Education B.A. in Economics, Seoul National University
Main Work Experience
 2021–Current Deputy President & Head of Global Business, Shinhan Financial Group
 2017–2020 Head of Large Corporate Banking Group, Shinhan Bank

Bang Dong Kwon

Date of Birth February 10, 1966
Current Position Executive Director & Chief Risk Officer (CRO), Shinhan Financial Group
Education B.A. in Statistics, Korea University
Main Work Experience
 2020–Current Executive Director & CRO, Shinhan Financial Group
 2019–2020 General Manager, Risk Management Department, Shinhan Bank

Kim Hye joo

Date of Birth May 31, 1970
Current Position Executive Director & Chief Bigdata Officer (CBO), Shinhan Financial Group
Education Ph. D. in Statistics, Seoul National University
 M.S. in Statistics, Seoul National University
 B.S. in Statistics, Ewha Womans University
Main Work Experience
 2021–Current Executive Director & CBO, Shinhan Financial Group, Head of Mydata Unit, Shinhan Bank
 2015–2020 Head of AI & Bigdata Convergence, KT
 2013–2015 Head of CRM, Samsung Electronics

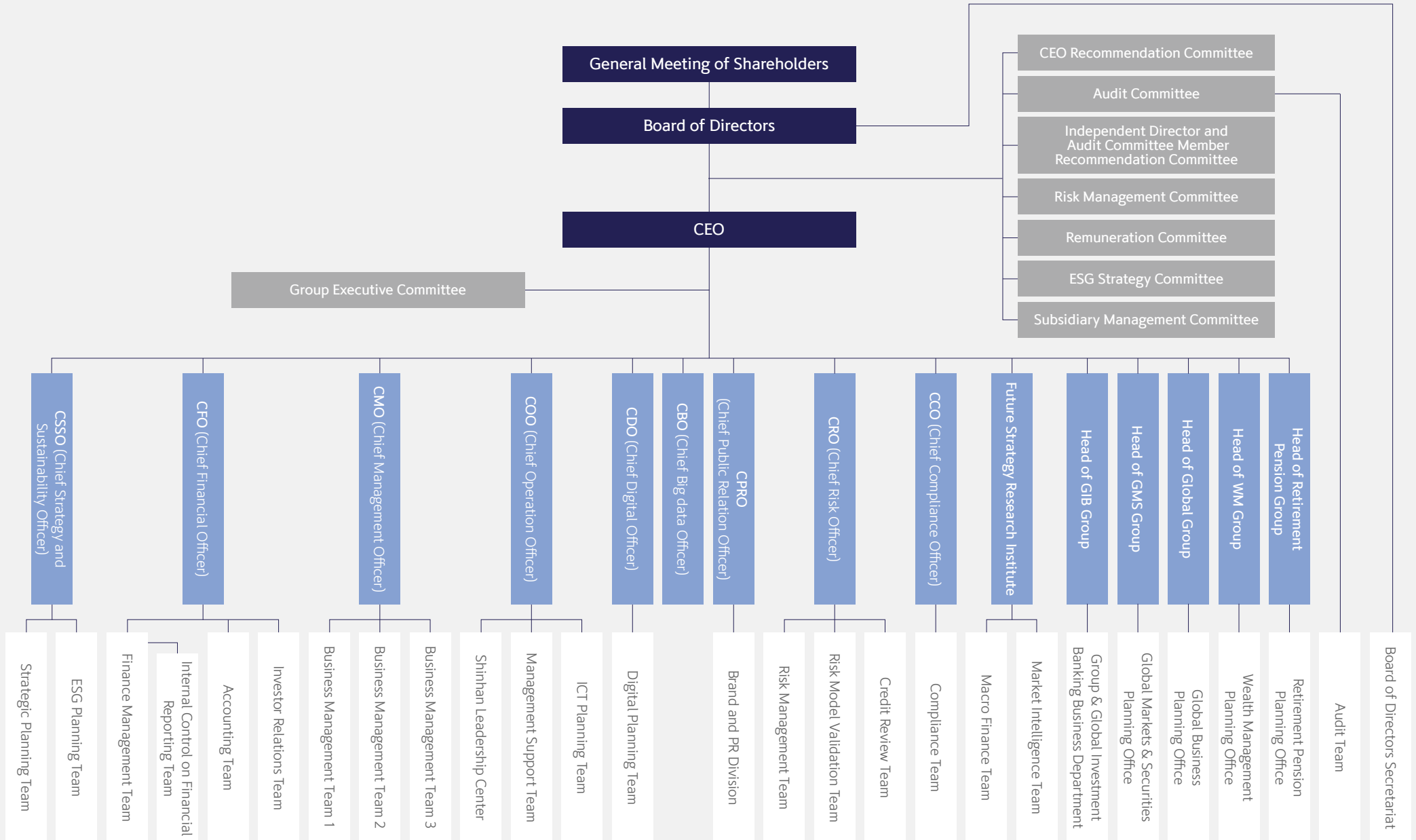
Lee Keon Hyok

Date of Birth July 17, 1963
Current Position Head of Future Strategy Research Institute, Shinhan Financial Group
Education M.A. and Ph. D. in Economics, London School of Economics (LSE)
Main Work Experience
 2020–Current Head of Future Strategy Research Institute, Shinhan Financial Group
 2018–2019 Senior Advisor, Kim & Chang Law Firm
 2016–2017 Vice President, Samsung Economic Research Institute



Organization

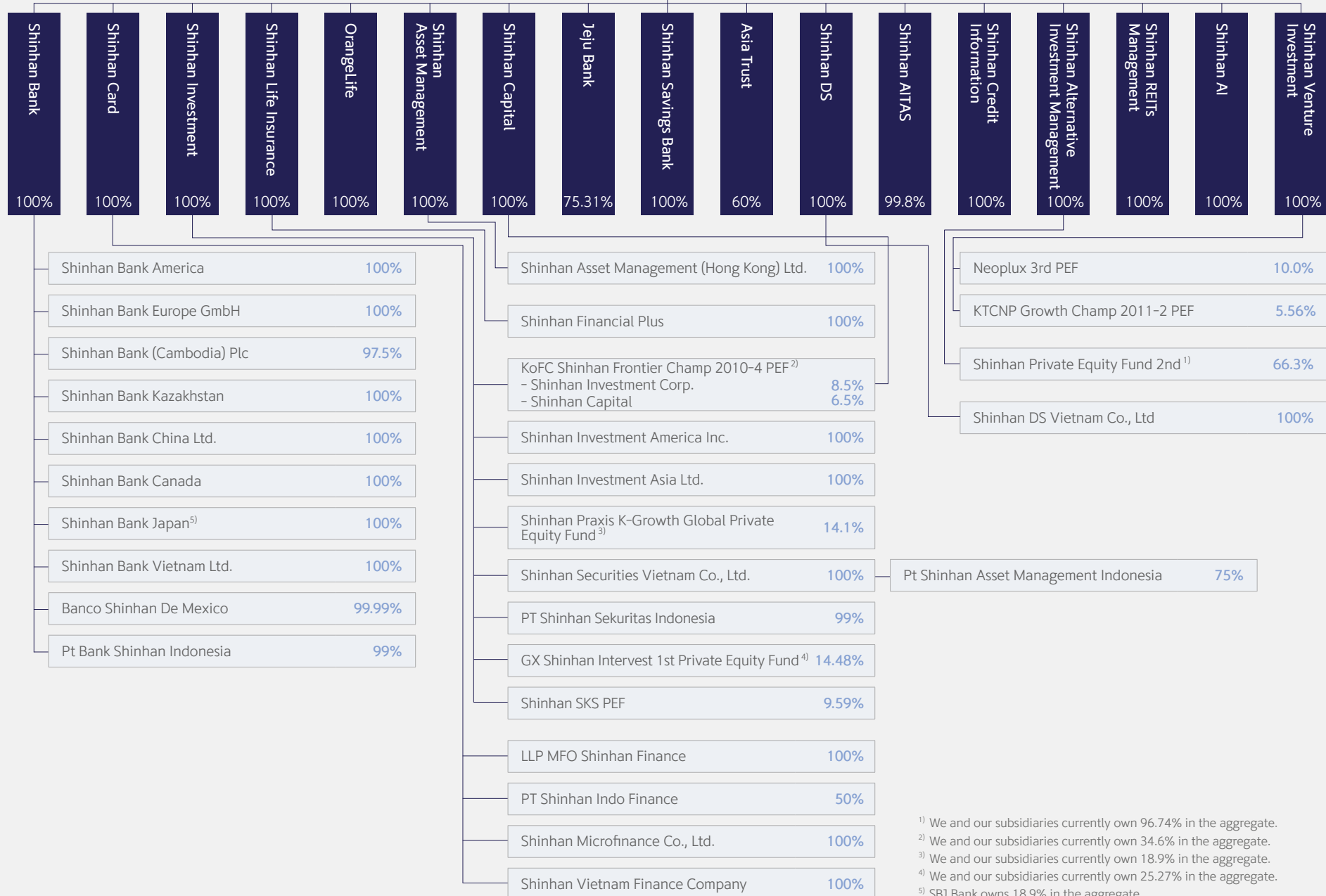
Shinhan Financial Group





Business Portfolio

Shinhan Financial Group



¹⁾ We and our subsidiaries currently own 96.74% in the aggregate.

²⁾ We and our subsidiaries currently own 34.6% in the aggregate.

³⁾ We and our subsidiaries currently own 18.9% in the aggregate.

⁴⁾ We and our subsidiaries currently own 25.27% in the aggregate.

⁵⁾ SBJ Bank owns 18.9% in the aggregate.



Global Network

Shinhan Bank

Country	Name	Telephone	Address
Japan	Shinhan Bank Japan	+81-3-6403-0505	The Mita Bellju Building 5F, 108-0014 5-36-7 Shiba, Minato-ku, Tokyo, Japan
China	Shinhan Bank (China)	+86-10-8529-0088	12th Fl. Zhongyu Plaza No.6, Workers' Stadium Road N., Chaoyang District, Beijing 100027, China
Vietnam	Shinhan Bank Vietnam	+84-8-3829-1581	Ground Floor, Mezzanine, 2nd & 3rd floor, Empress Tower, 138 – 142 Hai Ba Trung, Dakao Ward, District 1, Ho Chi Minh City, Vietnam
USA	Shinhan Bank America	+1-646-843-7300	475 Park Ave South 4th(5th) FL New York, NY 10016, USA
Indonesia	PT Bank Shinhan Indonesia	+62-21-2975-1500	International Financial Centre Tower 2, Ground floor, Mezzanine, 30th and 31st floor, Jl. Jenderal Sudirman Kav.22-23 South Jakarta, Indonesia
Germany	Shinhan Bank Europe GmbH	+49-69-975-7130	An der Welle 7, 60322 Frankfurt am Main, Germany
Canada	Shinhan Bank Canada	+1-416-250-3500	5140 Yonge Street Suite 2300 Toronto, Ontario, M2N6L7, Canada
Cambodia	Shinhan Bank (Cambodia) Plc	+855-23-971-100	No.79 Kampuchea Krom, Sangkat Mororom, Khan 7 Makara, Phnom Penh, Cambodia
Kazakhstan	Shinhan Bank Kazakhstan	+7-727-356-9620	38 Dostyk ave. Almaty, 050010, Kazakhstan
Mexico	Banco Shinhan de Mexico	+52-55-6722-8000	Av. Paseo de la Reforma 250, Reforma Capital Torre B Cuauhtemoc, Juarez, 06600, Mexico D.F., Mexico
Hong Kong	Hong Kong Branch	+852-2867-0100	Unit 7703, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
USA	New York Branch	+1-212-371-8000	600 3rd Ave, 17th Floor, New York, NY10016, USA
UK	London Branch	+44-207-600-0606	6th Floor, 77 Gracechurch Street, London, EC3V 0AS. UK
Singapore	Singapore Branch	+65-6536-1144	1 George St. #15-03, Singapore 049145
India	Mumbai Branch	+91-22-6199-2000	Unit no 1, Peninsula Tower 1, Peninsula Corporate Park, G K Marg, Lower Parel, Mumbai, 400013, India
India	New Delhi Branch	+91-11-4500-4800	2nd & 3rd Floor, D-5, South Extension, Part-2, New Delhi, India
India	Kancheepuram Branch	+91-44-2714-3500	Survey No:69/4A1 B No.101A, Bangalore Highway Road, Thandalam Village, Kancheepuram, Tamildadu, India 602105
India	Pune Branch	+91-20-3086-4800	Ground Floor, Red Building. Plot No.2, Galaxy Society, Boat Club Road, Pune, Maharashtra, India 411001
India	Ahmedabad Branch	+91-79-7117-0400	FF2&FF3, 1st Floor, Shapath V Building, Opp. Karnavati Club, S.G.Highway, Ahmedabad, Gujarat, India 380015
India	Ranga Reddy Branch	+91-40-6635-2000	SLN Terminus, 1st Floor, Survey No 133, Gachibowli, Serilingampally, Mandal, Ranga Reddy District, Telangana State, India 500032
Myanmar	Yangon Branch	+95-1-9345-170	No.192, 10th Floor, Myanmar Centre Tower 1, Kabaraye Pagoda Road, Bahan Township, Yangon, Myanmar
Australia	Sydney Branch	+61-2-9224-7901	Level 25, 52 Martin Place, Sydney, NSW 2000, Australia
Philippines	Manila Branch	+63-2-405-6300	21st Floor, RCBC Savings Bank Corporate Center (RSBCC), 26th & 25th Street, Bonifacio South, Bonifacio Global City, Taguig City, Manila, Philippines
UAE	Dubai Branch	+971-4-551-2820	S1204, Emirates Financial Tower, DIFC, P.O. Box 507001, Dubai, UAE
Uzbekistan	Shinhan Bank Uzbekistan Representative Office	+998-71-150-1184	Neworld Bldg. 3rd Fl., Oybek St. 22 Tashkent, Uzbekistan 100015



Shinhan Card

Country	Name	Telephone	Address
Indonesia	PT Shinhan Indo Finance	+62-21-857+9095	Wisma Indomobil 1, 10th Floor, Jl. Letjen M.T. Haryono Kav. 8, Jakarta 13330, Indonesia
Kazakhstan	LLP MFO Shinhan Finance	+7-727-355-2550	2nd Floor, 48 Auezov street, Almaty, Kazakhstan
Myanmar	Shinhan Microfinance Co., Ltd.	+95-94-5296-7837	No.206, Thiri Mingalar Street, East Ywama, Insein Township, Yangon, Myanmar
Vietnam	Shinhan Vietnam Finance Limited (SVFC)	+84 1900 5454 49	Units 2301-06 & 2311 23F, Saigon Trade Center, No. 37 Ton Duc Thang Street, Ben Nghe, District 1, Ho Chi Minh City, Vietnam
Myanmar	Shinhancard Co., LTD (Representative Office)	+95-9251890332	Level 3, Business Suite 03-08, No.1, Kaba Aye Pagoda Road Ward, Yankin Township, Yangon, Myanmar

Shinhan Investment

Country	Name	Telephone	Address
Indonesia	PT. Shinhan Sekuritas Indonesia	+62-21-8086-9900	Jalan Jendral Sudirman Kav. 22-23, RT.10/RW.1, Karet, Setia Budi, Kota Jakarta Selatan, DKI Jakarta 12920, Indonesia
Hong Kong	Shinhan Investment Asia Ltd.	+852-3713-5301	Units 7705A, Level 77 International Commerce Center (ICC), 1 Austin Road West, Kowloon, Hong Kong
Vietnam	Shinhan Securities Vietnam Co., Ltd.	+84-28-6299-8000	22nd floor, Centec Tower, 72-74 Nguyen Thi Minh Khai, Phuong 6, District 3, Ho Chi Minh City, Vietnam
USA	Shinhan Investment America Inc.	+1-212-397-4000	1325 Avenue of the Americas #2002A, New York, NY 10019, USA
China	Shinhan Investment Shanghai Representative Office	+86-21-6194-6624	#2262, 22/F, One Lujiazui, 68 Yin Cheng Road, Pudong, Shanghai, China
Vietnam	Shinhan Investment Ho-Chi-Minh City Representative Office	+84-28-6287-8034	22nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai, Phuong 6, District 3, Ho Chi Minh City, Vietnam
Indonesia	Shinhan Asset Management Indonesia	+62 21 3100078	Sucaco, Jl. Kebon Sirih No.71, RT.3/RW.2, Kb. Sirih, Menteng, Kota Jakarta Pusat, Daerah Khusus Ibukota, Jakarta 10340, Indonesia

Shinhan Life Insurance

Country	Name	Telephone	Address
Vietnam	Shinhan Life Hanoi Office	+84-24-3766-2000	2501-2 Keangnam Hanoi Landmark Tower, Plot E6, Cau Giay, New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi City, Vietnam
UK	Shinhan Life London Office	+44-7494-712945	Level 30, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB, UK

Shinhan Asset Management

Country	Name	Telephone	Address
Hong Kong	Shinhan Asset Management (HK) Ltd.	+852-2525-9110	Unit 7702B, Level 77, International Commerce Centre, 1 Austin Road West Kowloon, Hong Kong

Shinhan DS

Country	Name	Telephone	Address
Vietnam	Shinhan DS Vietnam Company Limited	+84-28-3823-7255	Room 201, 2nd Floor, Center Tower, 72-74 Nguyen Thi Minh Khai, Ward 6, District 3, Ho Chi Minh City, Vietnam
Indonesia	Shinhan DS Indonesia Office	+62-813-8604-2138	COHIVE 101, 12th Floor, Jl. Mega Kuningan Barat Blok E.4.7 No.1, Kawasan Mega Kuningan, Jakarta Selatan 12950, Indonesia



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

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

1. Expected Credit Losses on Loans Measured at Amortized Cost

Why it is determined to be a key audit matter:

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

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

As described in Note 12, loans measured at amortized cost subject to individual or collective assessments amount to ₩ 359,282,485 million, with allowances for credit losses of ₩ 3,060,966 million as of December 31, 2020.

How our audit addressed the key audit matter:

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

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

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

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

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

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

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

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

2. Valuation of Over-The-Counter Derivatives

Why it is determined to be a key audit matter :

Fair value of large portion of over-the-counter derivatives in the consolidated financial statements is calculated through the use of an internally developed valuation system. Judgment is required in estimating the fair value of these derivatives held by Shinhan Investment Co., Ltd. in determining appropriate models, assumptions and inputs. Given the complexity of estimation and the extent of judgment involved in valuing these over-the-counter derivatives, we considered this to be a key audit matter. Over-the-counter derivatives of Shinhan Investment Co., Ltd. subject to fair value measurement are financial liabilities designated as fair value through profit or loss related to derivative linked securities and financial assets at fair value through profit or loss (See Note 4(5)) that amount to ₩ 8,834,694 million as of December 31, 2020.

How our audit addressed the key audit matter :

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

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

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 4 and Note 48 of the financial statements. As explained in Note 4 and Note 48, the rapid spread of the COVID-19 has had a negative impact on the global economy, which can result in an increase in expected credit losses, potential impairment of assets, and negatively affecting the Group's ability to generate revenue.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by Samjong KPMG auditor who expressed an unqualified opinion on those statements on March 5, 2020.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Korean IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Korean Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

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

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

/s/ Samil PricewaterhouseCoopers
Seoul, Korea
March 3, 2021

<p>This report is effective as of March 3, 2021, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.</p>
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SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2020 and 2019

(In millions of won)

	Note	2020	2019
Assets			
Cash and due from banks at amortized cost	4, 8, 19	₩ 33,410,542	28,423,744
Financial assets at fair value through profit or loss	4, 9, 19	59,091,403	53,163,143
Derivative assets	4, 10	5,633,915	2,829,274
Securities at fair value through other comprehensive income	4, 11, 19	58,316,112	59,381,053
Securities at amortized cost	4, 11, 19	47,282,623	45,582,065
Loans at amortized cost	4, 12, 19	356,221,519	323,244,979
Property and equipment, net	13, 18, 19	3,989,697	4,083,328
Intangible assets	14	5,480,619	5,558,714
Investments in associates	15	2,657,768	1,452,861
Current tax receivable		51,894	88,433
Deferred tax assets	41	215,345	218,254
Investment property	16	615,235	488,610
Defined benefit assets	25	18,374	1,682
Other assets	4, 17	32,194,666	27,878,281
Assets held for sale		54,392	25,160
Total assets		₩ 605,234,104	552,419,581

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

As of December 31, 2020 and 2019

<i>(In millions of won)</i>	<u>Note</u>	<u>2020</u>	<u>2019</u>
Liabilities			
Deposits	4, 20	₩ 326,416,868	294,874,256
Financial liabilities at fair value through profit or loss	4, 21	1,436,694	1,632,457
Financial liabilities designated at fair value through profit or loss	4, 22	8,455,724	9,409,456
Derivative liabilities	4, 10	5,016,567	2,303,012
Borrowings	4, 23	41,594,064	34,863,156
Debt securities issued	4, 24	75,134,394	75,363,364
Defined benefit liabilities	25	62,514	121,140
Provisions	26	804,736	557,024
Current tax payable		389,586	512,757
Deferred tax liabilities	41	579,656	451,603
Liabilities under insurance contracts	27	53,460,230	52,163,417
Other liabilities	4, 28	45,526,213	38,237,558
Total liabilities		<u>558,877,246</u>	<u>510,489,200</u>
Equity			
	29		
Capital stock		2,969,641	2,732,463
Hybrid bonds		2,179,934	1,731,235
Capital surplus		12,234,939	10,565,353
Capital adjustments		(687,935)	(1,116,770)
Accumulated other comprehensive loss		(404,181)	(260,156)
Retained earnings		27,777,169	25,525,821
Total equity attributable to equity holders of Shinhan Financial Group Co., Ltd.		<u>44,069,567</u>	<u>39,177,946</u>
Non-controlling interests		2,287,291	2,752,435
Total equity		<u>46,356,858</u>	<u>41,930,381</u>
Total liabilities and equity	₩	<u><u>605,234,104</u></u>	<u><u>552,419,581</u></u>

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

<i>(In millions of won)</i>	Note	2020	2019
Interest income			
Financial assets at fair value through other comprehensive income and at amortized cost	₩	13,943,159	14,878,516
Financial assets at fair value through profit or loss		830,837	828,846
		14,773,996	15,707,362
Interest expense		(4,891,296)	(5,969,398)
Net interest income	31	9,882,700	9,737,964
Fees and commission income			
Fees and commission income		3,814,474	3,557,013
Fees and commission expense		(1,431,541)	(1,416,494)
Net fees and commission income	32	2,382,933	2,140,519
Insurance income			
Insurance income		7,247,753	7,569,425
Insurance expenses		(7,851,685)	(8,066,351)
Net insurance expenses	27	(603,932)	(496,926)
Dividend income			
Dividend income	33	97,956	82,158
Net gain on financial instruments at fair value through profit or loss			
Net gain on financial instruments at fair value through profit or loss	34	272,830	1,385,482
Net loss on financial instruments at fair value through profit or loss (overlay approach)			
Net loss on financial instruments at fair value through profit or loss (overlay approach)	9	(136,255)	(247,585)
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	35	198,239	(846,046)
Net foreign currency transaction gain			
Net foreign currency transaction gain		526,615	440,948
Net gain on disposal of financial asset at fair value through other comprehensive income			
Net gain on disposal of financial asset at fair value through other comprehensive income	11	273,793	152,278
Net gain (loss) on disposal of securities at amortized cost			
Net gain (loss) on disposal of securities at amortized cost	11	(25)	66
Provision for allowance for credit loss			
Provision for allowance for credit loss	36	(1,382,179)	(980,692)
General and administrative expenses			
General and administrative expenses	37	(5,212,473)	(5,134,674)
Other operating expenses, net			
Other operating expenses, net	39	(1,370,466)	(1,187,242)
Operating income		4,929,736	5,046,250
Equity method income			
Equity method income	15	159,533	53,287
Other non-operating expense, net			
Other non-operating expense, net	40	(335,398)	(188,029)
Profit before income taxes		4,753,871	4,911,508
Income tax expense			
Income tax expense	41	1,255,795	1,269,124
Profit for the year	₩	3,498,076	3,642,384

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

For the years ended December 31, 2020 and 2019

<i>(In millions of won, except earnings per share data)</i>	Note	2020	2019
Other comprehensive income for the year, net of income tax	29		
Items that are or may be reclassified to profit or loss:			
Gain (loss) on financial asset at fair value through other comprehensive income	₩	(86,784)	352,085
Gain on financial instruments at fair value through profit or loss (overlay approach)	9	90,298	162,967
Equity in other comprehensive income (loss) of associates		(3,318)	3,302
Foreign currency translation adjustments for foreign operations		(161,365)	105,771
Net change in unrealized fair value of cash flow hedges		(14,460)	(18,589)
Other comprehensive income of separate account		3,884	10,427
		<u>(171,745)</u>	<u>615,963</u>
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		15,812	(54,644)
Equity in other comprehensive loss of associates		(10)	(8)
Valuation gain on financial asset at fair value through other comprehensive income		6,841	18,885
Loss on disposal of financial asset at fair value through other comprehensive income		(27,826)	(5,861)
Changes in own credit risk on financial liabilities designated at fair value through profit of loss		3,084	(8,425)
		<u>(2,099)</u>	<u>(50,053)</u>
Total other comprehensive income, net of income tax		<u>(173,844)</u>	<u>565,910</u>
Total comprehensive income for the year	₩	<u>3,324,232</u>	<u>4,208,294</u>
Profit attributable to:			
Equity holders of Shinhan Financial Group Co., Ltd.	29, 42 ₩	3,414,595	3,403,497
Non-controlling interests		83,481	238,887
	₩	<u>3,498,076</u>	<u>3,642,384</u>
Total comprehensive income attributable to:			
Equity holders of Shinhan Financial Group Co., Ltd.	₩	3,242,745	3,890,701
Non-controlling interests		81,487	317,593
	₩	<u>3,324,232</u>	<u>4,208,294</u>
Earnings per share:	29, 42		
Basic and diluted earnings per share in won	₩	<u>6,654</u>	<u>7,000</u>

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019

(In millions of won)

	Equity attributable to equity holders of Shinhan Financial Group Co., Ltd.								Non-controlling interests	Total
	Capital stock	Hybrid bonds	Capital surplus	Capital adjustments	Accumulated other comprehensive income (loss)	Retained earnings	Sub-total			
Balance at January 1, 2019	₩	2,645,053	1,531,759	9,895,488	(552,895)	(753,220)	22,959,440	35,725,625	925,805	36,651,430
Total comprehensive income for the year										
Profit for the year		-	-	-	-	-	3,403,497	3,403,497	238,887	3,642,384
Other comprehensive income (loss), net of income tax:										
Gain on financial asset at fair value through other comprehensive income		-	-	-	-	297,652	-	297,652	67,457	365,109
Gain on financial instruments at fair value through profit or loss (overlay approach)		-	-	-	-	150,678	-	150,678	12,289	162,967
Equity in other comprehensive income of associates		-	-	-	-	3,294	-	3,294	-	3,294
Foreign currency translation adjustments		-	-	-	-	104,388	-	104,388	1,383	105,771
Net change in unrealized fair value of cash flow hedges		-	-	-	-	(15,960)	-	(15,960)	(2,629)	(18,589)
Other comprehensive income of separate account		-	-	-	-	10,427	-	10,427	-	10,427
Remeasurements of defined benefit plans		-	-	-	-	(54,850)	-	(54,850)	206	(54,644)
Changes in own credit risk on financial liabilities designated at fair value through profit or loss		-	-	-	-	(8,425)	-	(8,425)	-	(8,425)
Total other comprehensive income		-	-	-	-	487,204	-	487,204	78,706	565,910
Total comprehensive income		-	-	-	-	487,204	3,403,497	3,890,701	317,593	4,208,294
Other changes in equity										
Dividends		-	-	-	-	-	(753,041)	(753,041)	-	(753,041)
Dividends to hybrid bonds		-	-	-	-	-	(61,993)	(61,993)	-	(61,993)
Issuance of hybrid bonds		-	199,476	-	-	-	-	199,476	-	199,476
Issuance of convertible preferred shares		87,410	-	660,381	-	-	-	747,791	-	747,791
Acquisition of treasury stock		-	-	-	(444,077)	-	-	(444,077)	-	(444,077)
Change in other capital adjustments		-	-	9,484	(119,798)	-	(16,222)	(126,536)	-	(126,536)
Change in other non-controlling interests		-	-	-	-	-	-	-	1,509,037	1,509,037
		87,410	199,476	669,865	(563,875)	-	(831,256)	(438,380)	1,509,037	1,070,657
Reclassification of OCI retained earnings		-	-	-	-	5,860	(5,860)	-	-	-
Balance at December 31, 2019	₩	2,732,463	1,731,235	10,565,353	(1,116,770)	(260,156)	25,525,821	39,177,946	2,752,435	41,930,381

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (Continued)

For the years ended December 31, 2020

(In millions of won)

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

See accompanying notes to the consolidated financial statements

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

<i>(In millions of won)</i>	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Profit before income taxes	₩	4,753,871	4,911,508
Adjustments for:			
Interest income	31	(14,773,996)	(15,707,362)
Interest expense	31	4,891,296	5,969,398
Dividend income	33	(97,956)	(82,158)
Net fees and commission expense	32	187,304	125,975
Net insurance loss	27	1,726,150	2,098,617
Net loss (gain) on financial instruments at fair value through profit or loss	34	136,191	(38,738)
Net gain on derivatives	10	(245,681)	(388,880)
Net loss on financial instruments at fair value through profit or loss (overlay approach)	9	136,255	247,585
Net foreign currency translation loss(gain)		(232,723)	147,952
Net loss (gain) on financial instruments designated at fair value through profit or loss	35	(241,066)	33,872
Net gain on disposal of financial asset at fair value through other comprehensive income	11	(273,793)	(152,278)
Net loss (gain) on disposal of securities at amortized cost	11	25	(66)
Provision for allowance for credit loss	36	1,382,179	980,692
Employee costs	25	175,539	188,313
Depreciation and amortization	37	768,488	677,152
Other operating expense	39	202,178	305,781
Equity method income, net	15	(159,533)	(53,287)
Other non-operating expense	40	153,360	148,091
		<u>(6,265,783)</u>	<u>(5,499,341)</u>
Changes in assets and liabilities:			
Cash and due from banks at amortized cost		(4,915,143)	(10,059,356)
Securities at fair value through profit or loss		(7,088,599)	(3,977,211)
Due from banks at fair value through profit or loss		862,047	73,904
Loans at fair value through profit or loss		132,172	(943,321)
Financial asset designated at fair value through profit or loss		(708,627)	847,715
Derivative instruments		(65,288)	58,532
Loans at amortized cost		(32,897,127)	(18,831,825)
Other assets		(7,866,826)	(4,452,651)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2020 and 2019

<i>(In millions of won)</i>	<u>Note</u>	<u>2020</u>	<u>2019</u>
Deposits	₩	33,139,123	29,123,272
Liabilities for defined benefit obligations		(243,428)	(263,882)
Provisions		51,567	28,380
Other liabilities		8,503,803	7,851,505
		<u>(11,096,326)</u>	<u>(544,938)</u>
Income taxes paid		(1,184,910)	(1,130,148)
Interest received		14,570,884	15,200,114
Interest paid		(5,267,781)	(5,793,865)
Dividends received		80,728	35,716
Net cash inflow (outflow) from operating activities		<u>(4,409,317)</u>	<u>7,179,046</u>
Cash flows from investing activities			
Decrease in financial instruments at fair value through profit or loss		4,537,421	3,690,283
Increase in financial instruments at fair value through profit or loss		(4,982,663)	(6,712,873)
Proceeds from disposal of securities at fair value through other comprehensive income		53,048,284	36,334,241
Acquisition of securities at fair value through other comprehensive income		(52,657,353)	(46,908,632)
Proceeds from disposal of securities at amortized cost		5,923,611	6,722,627
Acquisition of securities at amortized cost		(7,645,000)	(12,209,898)
Proceeds from disposal of property and equipment	13, 40	248,037	51,942
Acquisition of property and equipment	13	(279,654)	(270,386)
Proceeds from disposal of intangible assets	14, 40	5,298	24,825
Acquisition of intangible assets	14	(362,415)	(318,930)
Proceeds from disposal of investments in associates	15	266,322	182,604
Acquisition of investments in associates		(776,799)	(669,341)
Proceeds from disposal of investment property	16, 40	113,038	86,422
Acquisition of investment property	16	(243,806)	(2,774)
Proceeds from disposal of assets held for sale		2,048	137
Other, net		11,233	(264,585)
Proceeds from settlement of hedging derivative financial instruments for financial assets		25,722	19,303
Payment of settlement of hedging derivative financial instruments for financial assets		(186,169)	(195,900)
Net cash flow from business combination	47	<u>(73,081)</u>	<u>(2,246,932)</u>
Net cash outflow from investing activities		<u>(3,025,926)</u>	<u>(22,687,867)</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2020 and 2019

<i>(In millions of won)</i>	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flows from financing activities			
Issuance of hybrid bonds	₩	448,698	199,476
Net increase in borrowings		7,465,106	5,017,269
Proceeds from debt securities issued		21,480,455	31,083,390
Repayments of debt securities issued		(21,508,827)	(19,881,717)
Other liabilities		(30,526)	(33,619)
Dividends paid		(968,847)	(830,772)
Proceeds from settlement of hedging derivative financial instruments for debt securities issued		851,381	1,694,362
Payment of settlement of hedging derivative financial instruments for debt securities issued		(807,705)	(1,716,320)
Acquisition of treasury stock		(150,182)	(444,077)
Disposal of treasury stock		161,863	-
Increase in non-controlling interests		566,673	312,390
Redemption of lease liabilities		(781,867)	(269,362)
Paid-in capital increase		1,154,347	-
Issuance of convertible preferred shares		-	747,791
Net cash inflow from financing activities		<u>7,880,569</u>	<u>15,878,811</u>
Effect of changes in foreign exchange rate on cash and cash equivalents held		<u>(61,518)</u>	<u>29,428</u>
Increase in cash and cash equivalents		383,808	399,418
Cash and cash equivalents at beginning of year	44	<u>8,579,174</u>	<u>8,179,756</u>
Cash and cash equivalents at end of year	44	<u>₩ 8,962,982</u>	<u>8,579,174</u>

See accompanying notes to the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

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 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, 2020 and 2019 are as follows:

Investor	Investee(*1)	Location	Date of financial information	Ownership (%)	
				December 31, 2020	December 31, 2019
Shinhan Financial Group Co., Ltd.	Shinhan Bank	Korea	December 31	100.0	100.0
"	Shinhan Card Co., Ltd.	"	"	100.0	100.0
"	Shinhan Investment Corp.	"	"	100.0	100.0
"	Shinhan Life Insurance Co., Ltd.	"	"	100.0	100.0
"	Orange Life Insurance Co., Ltd. (*2)	"	"	100.0	59.2
"	Shinhan Capital Co., Ltd.	"	"	100.0	100.0
"	Jeju Bank	"	"	75.3	75.3
"	Shinhan Credit Information Co., Ltd.	"	"	100.0	100.0
"	Shinhan Alternative Investment Management Inc.	"	"	100.0	100.0
"	Shinhan BNP Paribas Asset Management Co., Ltd.	"	"	65.0	65.0
"	SHC Management Co., Ltd.	"	"	100.0	100.0
"	Shinhan DS	"	"	100.0	100.0
"	Shinhan Savings Bank	"	"	100.0	100.0
"	Asia Trust Co., Ltd.	"	"	60.0	60.0
"	Shinhan AITAS Co., Ltd.	"	"	99.8	99.8
"	Shinhan REITs Management Co., Ltd.	"	"	100.0	100.0
"	Shinhan AI Co., Ltd.	"	"	100.0	100.0
"	Neoplux Co., Ltd.(*3)	"	"	100.0	-
Shinhan Bank	Shinhan Asia Limited (*4)	Hong Kong	"	-	99.9
"	Shinhan Bank America	USA	"	100.0	100.0
"	Shinhan Bank Europe GmbH	Germany	"	100.0	100.0
"	Shinhan Bank Cambodia	Cambodia	"	97.5	97.5
"	Shinhan Bank Kazakhstan Limited	Kazakhstan	"	100.0	100.0
"	Shinhan Bank Canada	Canada	"	100.0	100.0
"	Shinhan Bank (China) Limited	China	"	100.0	100.0
"	Shinhan Bank Japan	Japan	"	100.0	100.0
"	Shinhan Bank Vietnam Ltd	Vietnam	"	100.0	100.0
"	Banco Shinhan de Mexico	Mexico	"	99.9	99.9
"	PT Bank Shinhan Indonesia	Indonesia	"	99.0	99.0
Shinhan Bank Japan	SBJDNX (*5)	Japan	"	100.0	-
Shinhan Card Co., Ltd.	LLP MFO Shinhan Finance	Kazakhstan	"	100.0	100.0
"	PT. Shinhan Indo Finance	Indonesia	"	50.0	50.0
"	Shinhan Microfinance Co., Ltd.	Myanmar	"	100.0	100.0
"	Prudential Vietnam Finance	Vietnam	"	100.0	100.0

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. Reporting entity (continued)

(b) Ownership of Shinhan Financial Group and its major consolidated subsidiaries as of December 31, 2020 and 2019 are as follows (continued):

Investor	Investee(*1)	Location	Date of financial information	Ownership (%)	
				December 31, 2020	December 31, 2019
Shinhan Investment Corp.	Shinhan Investment Corp. USA Inc.	USA	December 31	100.0	100.0
"	Shinhan Investment Corp. Asia Ltd.	Hong Kong	"	100.0	100.0
"	SHINHAN SECURITIES VIETNAM CO., LTD.	Vietnam	"	100.0	100.0
"	PT. Shinhan Sekuritas Indonesia	Indonesia	"	99.0	99.0
PT Shinhan Sekuritas Indonesia	PT. Shinhan Asset Management Indonesia	"	"	75.0	75.0
Shinhan Life Insurance Co., Ltd.	Shinhan Financial Plus (*5)	Korea	"	100.0	-
Shinhan BNP Paribas Asset Management Co., Ltd.	Shinhan BNP ASSET MGT HK Ltd.	Hong Kong	"	100.0	100.0
Shinhan DS	SHINHAN DS VIETNAM CO., LTD.	Vietnam	"	100.0	100.0

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

(*2) The Group acquired additional shares of Orange Life Insurance Co., Ltd. for the year ended December 31, 2020, and Orange Life Insurance Co., Ltd. became a wholly owned subsidiary of the Group.

(*3) The Group acquired a 96.77% stake in Neoplux.Co., Ltd. for the year ended December 31, 2020. The entity became a wholly owned subsidiary as the Group acquired residual shares additionally.

(*4) As of December 31, 2020, liquidation procedure has been completed.

(*5) Newly invested subsidiaries subject to consolidation are included for the year ended December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

1. Reporting entity (continued)

(c) Consolidated structured entities

Consolidated structured entities are as follows:

Category	Consolidated structured entities	Description
Trust	Shinhan Bank (including development trust) and 17 others	A trust is consolidated when the Group as a trustee is exposed to variable returns, if principle or interest amounts of the entrusted properties falls below guaranteed amount, the Group should compensate it, and the Group has the ability to affect those returns.
Asset-Backed Securitization	MPC Yulchon Green I and 210 others	An entity for asset backed securitization is consolidated when the Group has sole decision-making authority to dispose assets or change the conditions of the assets, and the Group is exposed to, or has rights to related variable returns by providing credit enhancement and purchases of subordinated securities.
Structured Financing	SHPE Holdings One Co., Ltd.	An entity established for structured financing relating to real estate, shipping, or mergers and acquisitions is consolidated, when the Group has the greatest credit to the entity, has sole decision-making authority of these Entities due to the entities default, and is exposed to, or has rights to related variable returns.
Investment Fund	KoFC Shinhan Frontier Champ 2010-4 PEF and 124 others	An investment fund is consolidated, when the Group manages or invests assets of the investment funds on behalf of other investors as a collective investor or a business executive, or has the ability to dismiss the manager of the investment funds, and is exposed to, or has rights to, the variable returns.

(*) The Group provides credit contribution (ABCP purchase agreements) of ₩4,162,593 million for the purpose of credit enhancement of structured companies.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements are authorized for issue by the Board of Directors on February 5, 2021, which will be submitted for approval to the stockholder's meeting to be held on March 25, 2021.

(b) Basis of measurement

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

- derivative financial instruments measured at fair value
- financial instruments at fair value through profit or loss measured at fair value
- financial instruments at fair value through other comprehensive income measured at fair value
- liabilities for cash-settled share-based payment arrangements measured at fair value
- financial 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

These consolidated financial statements are presented in Korean won, which is the Controlling Company's functional currency and the currency of the primary economic environment in which the Group operates.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. If the estimates and assumptions based on management's best judgment as of December 31, 2020 are different from the actual environment, these estimates and actual results may be different.

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

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

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2019.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

2. Basis of preparation (continued)

(e) Change in accounting policy

Except for the following new standards, which have been applied from January 1, 2020, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2019.

i) Amendments to Korean IFRS No.1001 'Presentation of financial statements' and Korean IFRS No.1008 'Accounting policies, changes in accounting estimates and errors' – Definition of materiality

The amendments clarify the explanation of the definition of material and Korean IFRS No.1001 and Korean IFRS No.1008 are amended in accordance with the clarified definitions. Materiality is assessed by reference to omission or misstatement of material information as well as effects of immaterial information, and to the nature of the users when determining the information to be disclosed by the Group. The amendments do not have a significant impact on the consolidated financial statements.

ii) Amendments to Korean IFRS No. 1103 'Business combination' – Definition of business

To consider the integration of the acquired activities and assets as a business, the amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs and excludes economic benefits from lowering the costs. If all of the fair value of gross assets acquired is substantially concentrated in a single identifiable asset or a group of similar assets, an entity may elect to apply a concentration test, an optional test, to permit a simplified assessment of whether an acquired asset of activities and assets is not a business. The amendments do not have a significant impact on the consolidated financial statements.

(iii) Amendments to Korean IFRS No.1116 'Lease' - The practical expedient for the exemption, discount or deferral of rent related to COVID-19

As a practical expedient, the lessee may not evaluate whether a rent concession, such as the rent discount directly resulting from COVID-19, constitutes a change in the lease. The lessee with this choice shall account for changes in lease payments, such as rent discounts, consistently with the way the Standard specifies when those changes are not lease changes. The Group changed its accounting policy in accordance with the amendments made to Korean IFRS No.1116. The amended accounting policies are applied retrospectively in accordance with the transitional provisions in Korean IFRS No.1116. Retrospective application of accounting policies has no cumulative effect on the initial application to be reflected in retained earnings at the beginning of January 1, 2020 and the comparative financial statements presented have not been restated. The amount recognized in profit or loss is ₩ 24,928 million to reflect the change in lease payments arising from the same lease discount for the year ended December 31, 2020 as a result of the amendment to the Korean IFRS No.1116 'Lease'.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies

Except for the new standards and the amendment to the following standard, which are applied from January 1, 2020, the accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2020 and have mentioned 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 five reporting segments as described in Note 7. The reporting segments are operated separately according to the nature of the goods and services provided and the organizational structure of the Group.

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

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

(b) Basis of consolidation

i) Subsidiaries

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

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

ii) Structured entity

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

iii) Intra-group transactions eliminated on consolidation

Intra-group balances, transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealized intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

iv) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the non-controlling interests balance is reduced to below zero.

(c) Business combinations

i) Business combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

- Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors
- Only those contingent liabilities assumed in a business combination that are a present obligation and can be measured reliably are recognized
- Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No.1012, 'Income Taxes'
- Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019, 'Employee Benefits'
- Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset
- Reacquired rights are measured in accordance with special provisions
- Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in K-IFRS No.1102, 'Share-based Payment'
- Non-current assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No.1105, 'Non-current Assets Held for Sale and Discontinued Operations'

As of the acquisition date, non-controlling interests in the acquired are measured as the non-controlling interests' proportionate share of the acquired's identifiable net assets.

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(d) Investments in associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The investment in an associate and a joint venture is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate and the joint venture after the date of acquisition. 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. Intra-group losses are recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

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

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Equity instruments are excluded from cash equivalents unless they are, in substance, cash equivalents, like in the case of preferred shares acquired within a short period of their maturity and with a specified redemption date.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(f) Non-derivative financial assets

Financial assets are recognized in the consolidated statement of financial position when the Group becomes a party to the contract. In addition, a standardized purchase or sale (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market concerned) is recognized on the trade date.

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

i) Financial assets designated at FVTPL

Financial assets can be irrevocably designated as measured at FVTPL despite of classification standards stated below, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

ii) Equity instruments

For the equity instruments that are not held for short-term trading, at initial recognition, the Group may make an irrevocable election to present subsequent changes in fair value in other comprehensive income. Equity instruments that are not classified as financial assets at Fair Value through Other Comprehensive Income (“FVOCI”) are classified as financial assets at FVTPL.

The Group subsequently measures all equity investments at fair value. Valuation gains or losses of the equity instruments that are classified as financial assets at FVOCI previously recognized as other comprehensive income is not reclassified as profit or loss on recognition. The Group recognizes dividends in profit or loss when the Group’s right to receive payments of the dividend is established.

Valuation gains or losses due to changes in fair value of the financial assets at FVTPL are recognized in the consolidated statement of comprehensive income gains or losses on financial assets at FVTPL. Impairment loss (reversal) on equity instruments at FVOCI is not recognized separately.

iii) Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model in which the asset is managed and the contractual cash flow characteristics of the asset. Debt instruments are classified as financial assets at amortized cost, at FVOCI, or at FVTPL. Debt instruments are reclassified only when the Group’s business model changes.

① Financial assets at amortized cost

Assets that are held within a business model whose objective is to hold assets to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a financial asset measured at amortized cost that is not subject to a hedging relationship is recognized in profit or loss when the financial asset is derecognized or impaired. Interest income on the effective interest method is included in the ‘Interest income’ in the consolidated statement of comprehensive income.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(f) Non-derivative financial assets (continued)

② Financial assets at FVOCI

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Other than 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 on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

iv) Embedded derivatives

Financial assets with embedded derivatives are classified regarding the entire hybrid contract, and the embedded derivatives are not separately recognized. The entire hybrid contract is considered when it is determined whether the contractual cash flows represent solely payments of principal and interest.

v) Derecognition of financial assets

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

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

vi) Offsetting

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(g) Derivative financial instruments

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction. In addition, this document describes the hedging instrument, hedged item, and the method of evaluating the effect of the hedging instrument offsetting changes in the fair value or cash flow of the hedged item due to the hedged risk at the initiation of the hedging relationship and in subsequent periods.

① Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the separate statement of comprehensive income.

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

② Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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

③ Net investment hedge

The portion of the change in fair value of a financial instrument designated as a hedging instrument that meets the requirements for hedge accounting for a net investment in a foreign operation is recognized in other comprehensive income and the ineffective portion of the hedge is recognized in profit or loss. The portion recognized as other comprehensive income that is effective as a hedge is recognized in the statement of comprehensive income as a result of reclassification adjustments in accordance with K-IFRS No. 1021, "Effect of Changes in Foreign Exchange Rates" at the time of disposing of its overseas operations or disposing of a portion of its overseas operations To profit or loss.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(g) Derivative financial instruments (continued)

ii) *Other derivative financial instruments*

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

iii) *Unobservable valuation differences at 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 recognized 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) Impairment: Financial assets and contract assets

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

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

The Group, meanwhile, only recognizes the cumulative changes in lifetime expected credit losses since the initial recognition as an allowance for credit loss for purchased or originated credit-impaired financial assets. The total period refers to the expected life span of the financial instrument up to the contract expiration date.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(h) Impairment: Financial assets and contract assets (continued)

i) Reflection of forward-looking information

The Group reflects forward-looking information presented by internal experts based on a variety of information when measuring expected credit losses. For the purpose of estimating these forward-looking information, the Group utilizes the economic outlook published by domestic and overseas research institutes or government and public agencies. 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.

ii) Measurement of amortization cost regarding the expected credit loss of financial assets

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

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

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

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

(i) Property and equipment

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

The Group recognizes in the carrying amount of an item of property and equipment the cost of replacing part of property and equipment when that cost is incurred if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Land is not depreciated. Other property and equipment are depreciated on a straight-line basis over the estimated useful lives, which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives for the current and comparative periods are as follows:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(i) Property and equipment (continued)

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

(j) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

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

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

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

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

(k) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or both. An investment property is initially recognized at cost including any directly attributable expenditure. Subsequent to initial recognition, the asset is measured at cost less accumulated depreciation and accumulated impairment losses, if any.

The depreciation method and the estimated useful lives for the current and comparative periods are as follows:

Descriptions	Depreciation method	Useful lives
Buildings	Straight-line	40 years

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
December 31, 2020 and 2019

3. Significant accounting policies (continued)

(I) Leases

i) Accounting treatment as the lessee

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

At the commencement date of the lease, the Group recognizes the right-of-use assets and the lease liabilities. Each lease payment is allocated to payment for the principal portion of the lease liability and financial costs. The Group recognizes in profit or loss the amount calculated to produce a constant periodic rate of interest on the lease liability balance for each period as financial costs. Right-of-use assets are depreciated using a straight-line method from the commencement date over the lease term.

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

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

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

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

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

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

Additional considerations for the Group when accounting for lessees include:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(l) Leases (continued)

ii) Accounting treatment as the lessor

The Group leases out to lessees various tangible assets, including vehicles under operating and finance lease contracts, and the each 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.

(n) Assets held for sale

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

The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036 'Impairment of Assets'.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(o) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, 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"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or the CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Non-derivative financial liabilities

The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

Transaction costs on the financial liabilities at FVTPL are recognized in profit or loss as incurred.

i) Financial liabilities designated at FVTPL

Financial liabilities can be irrevocably designated as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or a group of financial instruments is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The amount of change in the fair value of the financial liabilities designated at FVTPL that is attributable to changes in the credit risk of that liabilities shall be presented in other comprehensive income.

ii) Financial liabilities at FVTPL

Since initial recognition, financial liabilities at FVTPL is measured at fair value, and changes in the fair value are recognized as profit or loss.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(p) Non-derivative financial liabilities (continued)

iii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities, and other financial liabilities include deposits, borrowings, debentures 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).

(q) Foreign currencies

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency using the exchange rate at the end of the reporting period. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedging instrument of the net investment in a foreign operation or a qualifying cash flow hedge, which are recognized in other comprehensive income. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognized in other comprehensive income.

ii) Foreign operations

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

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

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

When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(q) Foreign currencies (continued)

iii) Net investment in a foreign operation

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

(r) Equity capital

i) Capital stock

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

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

ii) Hybrid bonds

The Group classifies an issued financial instrument, or its component parts, as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. Hybrid bonds where the Group has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as an equity instrument and presented in equity. Hybrid bonds issued by subsidiaries of the group are classified as non-controlling interests according to this classification criteria. In addition, distributions paid are treated as net income attributable to non-controlling interests in the consolidated statement of comprehensive income.

iii) Capital adjustment

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(s) Employee benefits

i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

ii) Other long-term employee benefits

The Group's net obligation in respect of other long-term employee benefits that are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

iii) Retirement benefits: defined contribution plans

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

iv) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted.

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(s) Employee benefit (continued)

v) *Termination benefits*

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

(t) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

(u) Provisions

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

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions shall be used only for expenditures for which the provisions are originally recognized.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(v) Financial guarantee contract

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognized initially at their fair value, and the initial fair value is amortized over the life of the financial guarantee contract.

After initial recognition, financial guarantee contracts are measured at the higher of:

- Loss allowance in accordance with K-IFRS No.1109, 'Financial Instruments'
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of K-IFRS No.1115, 'Revenue from Contracts with Customers'

(w) Insurance contracts

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

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

i-1) Premium reserves

The present value of the premiums payable to the policy holders after the balance sheet date is the present value of the net premium to be paid after the end of the reporting period. The amount is deducted from the value.

i-2) Prepaid premium reserves

As of the end of the reporting period, premiums that have paid due are calculated based on premiums and the liability reserve 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 and limits of stock investment portion

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(w) Insurance contracts (continued)

② General account guarantee reserve

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

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

i-4) Reserve for outstanding claims

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

i-5) Reserves for participating policyholders' dividends

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

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

① Excess crediting rate reserve

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

② Mortality dividend reserve

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

③ Interest dividend reserve

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

④ Reserves for long-term special dividends

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(w) Insurance contracts (continued)

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

i-6) Reserve for interest dividends

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

i-7) Reserve for dividend insurance loss reserve

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

ii) Contractor's equity adjustment

The Group classifies the gains and losses on available-for-sale financial assets as of the end of the reporting period as contractor's equity and shareholder's equity based on the ratio of the average liability reserves of the dividend and non-dividend policies for the fiscal year. The amount corresponding to the contractor's equity is categorized as the adjustment of the contractor's equity.

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 amount of the insurance liability is deemed to be inappropriate in terms of the estimated future cash flows. The reserve for premiums is added to the profit or loss by the amount corresponding to the deficiency.

iv) Reinsurance assets

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

v) Deferred acquisition cost

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(x) Recognition of revenues and expenses

Other than revenues under the scope of K-IFRS No.1017, '*Leases*', K-IFRS No.1028, '*Investments in Associates and Joint Ventures*', K-IFRS No.1109, '*Financial Instruments*', K-IFRS No.1110, '*Consolidated Financial Statements*', and K-IFRS No.1111, '*Joint Arrangements*', the Group's revenues are recognized using five-step revenue recognition model as follows: ① 'Identifying the contract' → ② 'Identifying performance obligations' → ③ 'Determining the transaction price' → ④ 'Allocating the transaction price to performance obligations' → ⑤ 'Recognizing the revenue by satisfying performance obligations'.

i) Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, and all other premiums or discounts. When it is not possible to estimate reliably the cash flows or the expected life of a financial instrument, the Group uses the contractual cash flows over the full contractual term of the financial instrument.

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

ii) Fees and commission

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any associated financial instrument.

① Fees that are an integral part of the effective interest rate of a financial instrument

Such fees are generally treated as an adjustment to the effective interest rate. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, preparing and processing documents, closing the transaction and the origination fees received on issuing financial liabilities. However, when the financial instrument is measured at fair value with the change in fair value recognized in profit or loss, the fees are recognized as revenue when the instrument is initially recognized.

② Fees earned as services are provided

Fees and commission income, including investment management fees, sales commission, and account servicing fees, are recognized as the related services are provided.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(x) Recognition of revenues and expenses (continued)

③ Fees that are earned on the execution of a significant act

The fees that are earned on the execution of a significant act including commission on the allotment of shares or other securities to a client, placement fee for arranging a loan between a borrower and an investor and sales commission, are recognized as revenue when the significant act has been completed.

iii) Insurance income

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

iv) Dividends

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

(y) Revenue from Contracts with Customers

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(z) Income tax

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

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

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

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

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

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

The carrying 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.

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(z) Income tax (continued)

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

(aa) Accounting for trust accounts

The Group accounts for trust accounts separately from its bank accounts under the Financial Investment Services and Capital Markets Act and thus the trust accounts are not included in the accompanying consolidated financial statements. In this regard, the funds lent to the trust account are counted as trust account loans and loans borrowed from the trust account as other accounting accounts (non-payment of the trust account). In accordance with the Financial Investment Business Regulations, trust remuneration is acquired in connection with the operation, management, and disposal of trust property, and it is counted as the operating profit of trust business.

(ab) Earnings per share

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

(ac) Issued/Amended Accounting Standards that are not applied

The following new standards and amendments to existing standards have been published and are mandatory for the Group to adopt for annual periods beginning after January 1, 2020, and the Group has not early adopted them.

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

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. This amendments will take effect for annual periods beginning after January 1, 2021 and are permitted for early application. The Group is checking the impact of the amendments on the consolidated financial statements.

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

For liabilities and contingent liabilities, an exception has been added to apply within K-IFRS No. 1037, 'Provisions, Contingent Liabilities and Contingent Assets' and K-IFRS No 2121, even though the definition of assets and liabilities to be recognized is amended to refer to the revised conceptual framework for financial reporting. In addition, it is clarified that contingent assets are not recognized at the acquisition date. This amendment will take effect for annual periods beginning after January 1, 2022 and are permitted for early application. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

3. Significant accounting policies (continued)

(ac) Issued/Amended Accounting Standards that are not applied (continued)

(iii) K-IFRS No. 1016 'Property, Plant and Equipment' amended – the amount of the sale before the intended use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, the Group recognise such sales proceeds and related costs in profit or loss. This amendments will take effect for annual periods beginning after January 1, 2022 and are permitted for early application. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. This amendments will take effect for annual periods beginning after January 1, 2022 and are permitted for early application. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

(v) Annual Improvements to K-IFRSs 2018-2020 Cycle

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

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

vi) K-IFRS No. 1001 'Presentation of Financial Statements' amended - Classification of Liabilities as Current or Non-current

It is classified as current or non-current according to the actual rights existing as of the end of fiscal year. The Company does not consider the possibility of exercising the right to postpone the payment of the liability or the expectations of management. The payment of the liability includes the transfer of the equity instrument, except that the option to settle the equity instrument from a compound financial instrument meets the definition of the equity instrument and is recognized separately from the liability. This amendment is effective for annual periods beginning on or after January 1, 2023. The Group expects that the amendment will not have a significant impact on its consolidated financial statements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management

(a) Overview

(a) Overview

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

i) Risk management principles

The risk management principles of the Group are as follows:

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

ii) Risk management organization

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(a) Overview (continued)

ii) Risk management organization (continued)

① Group Risk Management Committee

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

The resolution of the Committee is as follows:

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

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

② Group Risk Management Council

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

iii) Group Risk Management System

① Management of the risk capital

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(a) Overview (continued)

iii) Group Risk Management System (continued)

② Risk Monitoring

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

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

③ Risk Reviewing

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

④ Risk management

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(b) Credit risk

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

Shinhan Bank's basic policy on credit risk management is determined by the Risk Policy Committee. The Risk Policy Committee consists of the chairman of the CRO, the Chief Credit Officer (CCO), the head of the business group, and the head of the risk management department, and decides the credit risk management plan and the direction of the loan policy for the entire bank. Apart from the Risk Policy Committee, the Credit Review Committee is established to separate credit monitoring, such as large loans and limit approval, and the CCO is composed of the chairman, 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 soundness 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 the bank's internal information and external credit information, and the corporate customers are evaluated by considering financial and non-financial items such as industrial risk, operating risk, and management risk. The evaluated credit rating is used for credit approval, limit management, pricing, credit loss provisioning, etc., and is the basis for credit risk management. The credit evaluation system is divided into an evaluation system for retail customers, a SOHO evaluation system, and an evaluation system for corporate customers. It is subdivided and refined by each model to reflect the Basel III requirements. The corporate credit decision is based on a collective decision-making system, making objective and prudent decisions. In the case of a general credit of loans, the credit is approved based on the consultation between the credit officer of the branch and the headquarters' Review Committee. 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.

Credits for corporate customers are performed by the loan officers and reviewers of branch offices by automatically searching for anticipated insolvent companies among business loan partners, and the credit department independent of the business sector evaluates the adequacy of the result of the loan review 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. 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.

Shinhan Card's credit scoring system is divided into ASS (Application Scoring System) and BSS (Behavior Scoring System). For applications that meet the eligibility criteria for card issuance, the card will be issued only if the AS credit rating is above the standard. the company's internal information, CB company's external information, and personal information on the application are used to calculate the AS credit rating. The BS, which is recalculated monthly, predicts the delinquency probability of cardholders, and utilizes it to monitor members and monitor portfolio risk.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(b) Credit risk (continued)

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

The Group accumulates information after analyzing the information regarding exposure to credit risk and default information by the type of product and borrower and results of internal credit risk assessment. For some portfolios, the Group uses information obtained from external credit rating agencies when performing these analyses.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

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

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

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

i-1-3) Significant increases in credit risk

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

<u>Corporate exposures</u>	<u>Retail exposures</u>	<u>Card exposures</u>
Significant change in credit ratings Continued past due more than 30 days	Significant change in credit ratings Continued past due more than 30 days	Significant change in credit ratings Continued past due more than 7 days(personal card)
Loan classification of and below precautionary	Loan classification of and below precautionary	Loan classification of and below precautionary
Borrower with early warning signals	Borrower with early warning signals	Specific pool segment
Negative net assets	Specific pool segment	
Adverse audit opinion or disclaimer of opinion	Loans relating to constructor whose collective loans are insolvent	
Interest coverage ratios of below 1 for consecutive three years		
Negative cash flows from operating activities for consecutive two years		

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, financial instruments shall not be to move too frequently between the 12-month expected credit losses measurement and the lifetime expected credit losses measurement.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(b) Credit risk (continued)

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

i-2) Modified financial assets

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

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

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

i-3) Risk of default

The Group considers a financial asset to be in default if it meets one or more of the following conditions:

- If a borrower is overdue 90 days or more from the contractual payment date,
- If the Group judges that it is not possible to recover principal and interest without enforcing the collateral on a financial asset

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
 December 31, 2020 and 2019

4. Financial risk management (continued)

(b) Credit risk (continued)

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

i-4) Reflection of forward-looking information

The Group reflects forward-looking information presented by internal experts based on a variety of information when measuring expected credit losses. For the purpose of estimating these forward-looking information, the Group utilizes the economic outlook published by domestic and overseas research institutes or government and public agencies.

The Group reflects future macroeconomic conditions anticipated from a neutral standpoint that is free from bias in measuring expected credit losses and the expected credit loss from this point of view reflects the most likely situation. The Group is based on the assumptions consistent with that are based on the business plan and management strategy.

The Group identified the key macroeconomic variables needed to forecast credit risk and credit losses for each portfolio as follows by analyzing past experience data and drew correlations across credit risk for each variable. For the year ended December 31, 2020, macroeconomic variables used by the Group are as follows for each scenario.

① Upside scenario

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

② Central scenario

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(b) Credit risk (continued)

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

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

③ Downside scenario

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

(*1) Shinhan Bank applied the private consumption index and facility investment growth rate as the major variables. In addition, Shinhan Card applied the GDP growth rate, consumer price index growth rate, balance on current account, and government bond 3y yields as the major variables.

(*2) Considering the forecast period of the company's bankruptcy, we 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.

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

Due to the spread of the COVID-19, the economic recession is expected to be greater than the previous forecast. The forecast default rate for the year ended December 31, 2020 is re-estimated using changed forward-looking information on economic growth rate, private consumption index, KOSPI, which are major variables for calculating the default rate. As a result, the forecast default rate for some portfolios have increased.

Shinhan Bank has set aside an additional ₩ 286 billion in COVID-19 provisions by Shinhan Bank has set aside an additional ₩ 286 billion in COVID-19 provisions by reflecting the future outlook information above and the effect of Stage 2 classification of interest payment/divisional repayment. Shinhan Card has accumulated an additional ₩ 52.4 billion in COVID-19 provisions by updating the correlation model between expected credit losses and forward-looking information.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(b) Credit risk (continued)

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

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

Shinhan Bank has considered multiple economic scenarios in applying forward-looking information to measure expected credit losses. The sensitivity analysis of the impact on the Group's expected credit loss allowance if the weights of the upside and downside scenarios are assumed to be 100% and other assumptions are the same is as follows:

	Sensitivity : Change amount for provisions		
	(In millions of won)		
	Upside(100%)	Downside(100%)	
Shinhan Bank	(3,332)	26,507	Forward-looking information update
Shinhan Card	(24,109)	35,205	

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

4. Financial risk management (continued)

(b) Credit risk (continued)

i-5) Measurement of expected credit losses

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

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

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

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

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

EAD refers to the expected exposure at the time of default. The Group derives EAD reflecting a rate at which the current exposure is expected to be used additionally up to the point of default within the contractual limit. EAD of financial assets is equal to the total carrying 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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

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

i-6) Write-off of financial assets

The Group writes off a portion of or entire loan or debt security that is not expected to receive its principal and interest. In general, the Group conducts write-off when it is deemed that the borrower has no sufficient resources or income to repay the principal and interest. Such determination on write-off is carried out in accordance with the internal rules of the Group and is carried out with the approval of an external institution, if necessary. Apart from write-off, the Group may continue to exercise its right of collection under its own recovery policy even after the write-off of financial assets.

ii) Maximum exposure to credit risk

Exposure to credit risk is the exposure related to due from banks, loans, investments in debt securities, derivative transactions, off-balance sheet accounts such as loan commitment. The exposures of due from banks and loans are classified into government, bank, corporation or retail based on the exposure classification criteria of BASEL III credit risk weights, and the net carrying 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, 2020 and 2019 is as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Due from banks and loans at amortized cost (*1)(*3):		
Banks	₩ 17,016,263	12,950,561
Retail	170,314,316	152,840,826
Government/Public sector/Central bank	24,778,332	19,461,567
Corporations	152,895,324	140,718,619
Card receivable	<u>22,822,546</u>	<u>23,114,264</u>
	<u>387,826,781</u>	<u>349,085,837</u>
Due from banks and loans at fair value through profit or loss(*3):		
Banks	93,109	897,525
Corporations	<u>1,986,804</u>	<u>2,154,821</u>
	<u>2,079,913</u>	<u>3,052,346</u>
Securities at fair value through profit or loss	55,275,031	48,512,857
Securities at fair value through other comprehensive income	57,409,433	58,573,094
Securities at amortized cost(*1)	47,282,623	45,582,065
Derivative assets	5,633,915	2,829,274
Other financial assets(*1)(*2)	20,341,191	17,477,778
Financial guarantee contracts	4,481,506	4,698,558
Loan commitments and other credit liabilities	<u>187,067,821</u>	<u>177,660,547</u>
	<u>₩ 767,398,214</u>	<u>707,472,356</u>

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

(*2) Other financial assets mainly comprise of receivables, accrued income, secured key money deposits, prepayment, and domestic exchange settlement debit settled in a day.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

iii) The maximum amount of exposure to credit risk by type of collateral as of December, 31, 2020 and 2019 is as follows:

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

Classification	December 31, 2019			
	12 months Expected credit loss	Life time expected credit loss		Total
		Not impaired	Impaired	
Guarantee	₩ 12,232,197	3,756,006	64,386	16,052,589
Deposits and Savings	1,058,353	266,407	2,437	1,327,197
Property and equipment	1,021,002	307,502	12,840	1,341,344
Real estate	128,098,318	14,932,637	370,361	143,401,316
Securities	3,340,337	137,105	-	3,477,442
Others	5,035,192	4,437	364	5,039,993
Total	₩ 150,785,399	19,404,094	450,388	170,639,881

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

iv) Impairment information by credit risk of financial assets

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

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

Details of impaired financial assets due to credit risk as of December 31, 2019 are as follows:

	December 31, 2019								
	12-month expected loss		Life time expected loss			Total	Allowances	Net	Mitigation of credit risk due to collateral
	Grade 1	Grade 2	Grade 1	Grade 2	Impaired				
Due from banks and loans at amortized cost:									
Banks	₩ 11,703,863	1,179,294	77,675	1,804	-	12,962,636	(12,075)	12,950,561	57,087
Retail	136,124,712	7,443,675	5,694,210	3,608,216	476,897	153,347,710	(506,884)	152,840,826	87,826,564
Government/Public sector/									
Central bank	19,274,854	111,987	80,648	-	-	19,467,489	(5,922)	19,461,567	-
Corporations	85,202,285	32,112,103	10,219,343	13,546,622	956,772	142,037,125	(1,318,506)	140,718,619	77,732,792
Card receivable	17,161,184	2,249,276	1,879,073	2,233,942	444,311	23,967,786	(853,522)	23,114,264	8,728
	<u>269,466,898</u>	<u>43,096,335</u>	<u>17,950,949</u>	<u>19,390,584</u>	<u>1,877,980</u>	<u>351,782,746</u>	<u>(2,696,909)</u>	<u>349,085,837</u>	<u>165,625,171</u>
Securities at fair value through other comprehensive income(*)	49,276,299	9,057,701	-	239,094	-	58,573,094	-	58,573,094	-
Securities at amortized cost	44,296,882	1,271,681	23,272	-	-	45,591,835	(9,770)	45,582,065	-
	<u>₩ 363,040,079</u>	<u>53,425,717</u>	<u>17,974,221</u>	<u>19,629,678</u>	<u>1,877,980</u>	<u>455,947,675</u>	<u>(2,706,679)</u>	<u>453,240,996</u>	<u>165,625,171</u>

(*) Credit loss allowance recognized as other comprehensive income of securities at fair value through other comprehensive income amounted to ₩ 23,171 million and ₩ 28,236 million as of December 31, 2020 and 2019.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

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

Credit risk exposures per credit grade of off-balance items as of December 31, 2020 and 2019 are as follows:

		December 31, 2020			
		Grade 1	Grade 2	Impaired	Total
Financial guarantee:					
12-month expected credit loss	₩	2,884,641	1,110,945	-	3,995,586
Life time expected credit loss		308,785	176,977	-	485,762
Impaired		-	-	158	158
		<u>3,193,426</u>	<u>1,287,922</u>	<u>158</u>	<u>4,481,506</u>
Loan commitment and other credit line					
12-month expected credit loss		156,787,448	20,715,236	-	177,502,684
Life time expected credit loss		6,738,016	2,822,003	-	9,560,019
Impaired		-	-	5,118	5,118
		<u>163,525,464</u>	<u>23,537,239</u>	<u>5,118</u>	<u>187,067,821</u>
	₩	<u><u>166,718,890</u></u>	<u><u>24,825,161</u></u>	<u><u>5,276</u></u>	<u><u>191,549,327</u></u>

		December 31, 2019			
		Grade 1	Grade 2	Impaired	Total
Financial guarantee:					
12 months expected credit loss	₩	2,805,417	1,495,091	-	4,300,508
Life time expected credit loss		248,544	148,696	-	397,240
Impaired		-	-	810	810
		<u>3,053,961</u>	<u>1,643,787</u>	<u>810</u>	<u>4,698,558</u>
Loan commitment and other credit line					
12 months expected credit loss		146,010,944	21,044,977	-	167,055,921
Life time expected credit loss		7,850,945	2,730,143	-	10,581,088
Impaired		-	-	23,538	23,538
		<u>153,861,889</u>	<u>23,775,120</u>	<u>23,538</u>	<u>177,660,547</u>
	₩	<u><u>156,915,850</u></u>	<u><u>25,418,907</u></u>	<u><u>24,348</u></u>	<u><u>182,359,105</u></u>

v) 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 (Credit card bonds)	Internal credit rating of BBB+ or above	Internal credit rating of below BBB+
Card receivables (Individuals)	Behavior scoring system of 7 grade or above	Behavior scoring system of below 7 grade

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

vi) Credit risk exposures per credit quality of derivative assets

Credit quality of derivative assets as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Grade 1	₩	4,994,809	2,377,548
Grade 2		639,106	451,726
	₩	<u>5,633,915</u>	<u>2,829,274</u>

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

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

vii) Concentration by geographic location

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2020 and 2019 are as follows:

	December 31, 2020								
	Korea	USA	UK	Japan	Germany	Vietnam	China	Other	Total
Due from banks and loans at amortized cost									
Banks	₩ 6,990,520	823,698	156,002	784,538	316,293	1,166,397	2,889,115	3,889,700	17,016,263
Retail	161,434,788	392,499	6,724	4,124,680	2,386	1,780,361	1,329,067	1,243,811	170,314,316
Government	20,998,640	952,215	-	1,418,805	121,663	209,395	441,863	635,751	24,778,332
Corporations	133,827,181	3,278,234	435,135	3,796,824	103,647	2,319,327	3,039,177	6,095,799	152,895,324
Card	22,614,285	8,867	351	1,983	194	152,141	27,926	16,799	22,822,546
	<u>345,865,414</u>	<u>5,455,513</u>	<u>598,212</u>	<u>10,126,830</u>	<u>544,183</u>	<u>5,627,621</u>	<u>7,727,148</u>	<u>11,881,860</u>	<u>387,826,781</u>
Deposits and loans at FVTPL									
Bank	61,476	31,633	-	-	-	-	-	-	93,109
Corporations	1,057,690	466,812	-	19,807	-	744	-	441,751	1,986,804
	<u>1,119,166</u>	<u>498,445</u>	<u>-</u>	<u>19,807</u>	<u>-</u>	<u>744</u>	<u>-</u>	<u>441,751</u>	<u>2,079,913</u>
Securities measured at FVTPL	51,574,884	2,129,355	198,567	46,086	4,486	24,539	168,863	1,128,251	55,275,031
Securities at FVOCI	53,386,556	1,464,611	112,001	221,917	36,412	172,904	886,080	1,128,952	57,409,433
Securities at amortized cost	44,537,890	723,287	-	243,592	-	710,106	45,121	1,022,627	47,282,623
	<u>₩ 496,483,910</u>	<u>10,271,211</u>	<u>908,780</u>	<u>10,658,232</u>	<u>585,081</u>	<u>6,535,914</u>	<u>8,827,212</u>	<u>15,603,441</u>	<u>549,873,781</u>

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

vii) Concentration by geographic location (continued)

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019								
	Korea	USA	UK	Japan	Germany	Vietnam	China	Other	Total
Due from banks and loans at amortized cost									
Banks	₩ 5,124,738	1,263,568	423,788	289,233	203,166	1,068,822	2,816,320	1,760,926	12,950,561
Retail	144,700,885	371,602	5,444	3,888,964	1,548	1,612,761	1,211,857	1,047,765	152,840,826
Government	16,805,176	529,096	-	1,080,381	-	140,960	445,526	460,428	19,461,567
Corporations	122,926,428	3,116,777	187,856	3,403,806	99,083	2,140,573	2,758,888	6,085,208	140,718,619
Card	22,916,799	9,068	321	2,233	214	141,844	25,513	18,272	23,114,264
	<u>312,474,026</u>	<u>5,290,111</u>	<u>617,409</u>	<u>8,664,617</u>	<u>304,011</u>	<u>5,104,960</u>	<u>7,258,104</u>	<u>9,372,599</u>	<u>349,085,837</u>
Deposits and loans at FVTPL									
Bank	177,713	719,812	-	-	-	-	-	-	897,525
Corporations	2,146,949	-	-	-	-	-	-	7,872	2,154,821
	<u>2,324,662</u>	<u>719,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,872</u>	<u>3,052,346</u>
Securities measured at FVTPL	45,635,765	1,662,249	194,591	49,067	6,346	21,625	220,837	722,377	48,512,857
Securities at FVOCI	53,939,143	1,955,627	97,710	195,165	93,769	294,095	798,068	1,199,517	58,573,094
Securities at amortized cost	42,927,646	769,884	-	163,112	-	604,019	40,741	1,076,663	45,582,065
	<u>₩ 457,301,242</u>	<u>10,397,683</u>	<u>909,710</u>	<u>9,071,961</u>	<u>404,126</u>	<u>6,024,699</u>	<u>8,317,750</u>	<u>12,379,028</u>	<u>504,806,199</u>

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

viii) Concentration by industry sector

An analysis of concentration by industry sector of financial instrument, net of allowance, as of and December 31, 2020 and 2019 is as follows:

	December 31, 2020								
	Finance and insurance	Manu -facturing	Retail and wholesale	Real estate and business	Construction service	Lodging and Restaurant	Other	Retail customers	Total
Due from banks and loans at amortized cost:									
Banks	₩ 16,656,030	-	-	-	-	-	360,233	-	17,016,263
Retail	-	-	-	-	-	-	-	170,314,316	170,314,316
Government/Public sector/Central bank Corporations	24,671,308	-	-	1,796	-	-	105,228	-	24,778,332
Card receivable	10,403,261	48,430,680	18,679,397	35,920,334	3,521,216	6,479,253	29,461,183	-	152,895,324
	44,980	169,900	252,537	36,372	38,456	23,150	1,685,293	20,571,858	22,822,546
	<u>51,775,579</u>	<u>48,600,580</u>	<u>18,931,934</u>	<u>35,958,502</u>	<u>3,559,672</u>	<u>6,502,403</u>	<u>31,611,937</u>	<u>190,886,174</u>	<u>387,826,781</u>
Due from banks and loans at FVTPL									
Banks	63,112	-	-	29,997	-	-	-	-	93,109
Corporations	1,114,789	641,554	19,210	51,008	3,000	-	157,243	-	1,986,804
	<u>1,177,901</u>	<u>641,554</u>	<u>19,210</u>	<u>81,005</u>	<u>3,000</u>	<u>-</u>	<u>157,243</u>	<u>-</u>	<u>2,079,913</u>
Securities at fair value through profit or loss	34,294,362	2,978,991	1,223,958	574,547	248,399	46,177	15,908,597	-	55,275,031
Securities at fair value through other comprehensive income	26,528,743	3,448,765	577,781	830,988	974,333	22,643	25,026,180	-	57,409,433
Securities at amortized cost	10,361,913	21,750	-	1,053,779	963,348	-	34,881,833	-	47,282,623
	<u>₩ 124,138,498</u>	<u>55,691,640</u>	<u>20,752,883</u>	<u>38,498,821</u>	<u>5,748,752</u>	<u>6,571,223</u>	<u>107,585,790</u>	<u>190,886,174</u>	<u>549,873,781</u>

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(b) Credit risk (continued)

viii) Concentration by industry sector (continued)

An analysis of concentration by industry sector of financial instrument, net of allowance, as of December 31, 2020 and 2019 is as follows (continued):

	December 31, 2019								
	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	₩ 12,461,379	-	-	-	-	-	489,182	-	12,950,561
Retail	-	-	-	-	-	-	-	152,840,826	152,840,826
Government/Public sector/Central bank	19,342,308	-	-	2,295	-	-	116,964	-	19,461,567
Corporations	9,456,194	44,781,794	17,004,407	30,029,000	3,485,602	6,003,383	29,958,239	-	140,718,619
Card receivable	39,003	212,863	170,873	49,000	41,664	23,397	22,427,544	149,920	23,114,264
	<u>41,298,884</u>	<u>44,994,657</u>	<u>17,175,280</u>	<u>30,080,295</u>	<u>3,527,266</u>	<u>6,026,780</u>	<u>52,991,929</u>	<u>152,990,746</u>	<u>349,085,837</u>
Due from banks and loans at FVTPL:									
Banks	897,525	-	-	-	-	-	-	-	897,525
Corporations	1,301,066	505,198	120,636	7,872	3,500	900	215,649	-	2,154,821
	<u>2,198,591</u>	<u>505,198</u>	<u>120,636</u>	<u>7,872</u>	<u>3,500</u>	<u>900</u>	<u>215,649</u>	<u>-</u>	<u>3,052,346</u>
Securities at fair value through profit or loss	29,826,338	2,466,874	1,112,688	350,720	262,183	75,152	14,418,902	-	48,512,857
Securities at fair value through other comprehensive income	28,673,958	3,500,514	673,614	807,274	1,164,947	12,889	23,739,898	-	58,573,094
Securities at amortized cost	9,930,409	49,876	-	884,072	1,076,086	-	33,641,622	-	45,582,065
	<u>₩ 111,928,180</u>	<u>51,517,119</u>	<u>19,082,218</u>	<u>32,130,233</u>	<u>6,033,982</u>	<u>6,115,721</u>	<u>125,008,000</u>	<u>152,990,746</u>	<u>504,806,199</u>

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(c) Market risk

i) Market risk management from trading positions

i-1) Concept of Market risk

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

i-2) Market Risk Management Method

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

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

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

i) Market risk management from trading positions (continued)

i-2) Managements (continued)

An analysis of the Group's requisite capital in light of the market risk for trading positions as of and for the years ended December 31, 2020 and 2019 based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, is as follows:

		December 31, 2020			
		Average	Maximum	Minimum	December 31
Interest rate risk	₩	525,465	592,668	495,292	592,668
Stock price risk		222,277	240,535	202,036	222,544
Foreign exchange risk		120,088	124,915	113,497	113,497
Commodity risk		13,818	22,982	9,539	9,539
Option volatility risk		8,910	23,224	3,234	3,234
	₩	890,560	1,004,324	823,597	941,482

		December 31, 2019			
		Average	Maximum	Minimum	December 31
Interest rate risk	₩	508,039	527,349	479,121	504,948
Stock price risk		191,019	210,589	162,595	210,589
Foreign exchange risk		143,317	151,779	138,543	139,562
Commodity risk		7,691	10,558	4,953	10,558
Option volatility risk		57,972	74,892	39,591	67,160
	₩	908,038	975,167	824,803	932,817

i-3) Shinhan Bank

The analyses of the ten-day 99% confidence level-based VaR for managing market risk for trading positions of Shinhan Bank as of and for the years ended December 31, 2020 and 2019 are as follows:

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

		December 31, 2019			
		Average	Maximum	Minimum	December 31
Interest rate risk	₩	21,208	32,430	12,709	28,313
Stock price risk		18,136	49,424	8,171	15,386
Foreign exchange risk (*)		24,727	29,085	22,259	25,910
Option volatility risk		161	325	60	212
Commodity risk		15	104	-	10
Portfolio diversification risk					(21,879)
	₩	47,925	81,553	31,482	47,952

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

i) Market risk management from trading positions (continued)

i-4) Shinhan Card

The analyses of Shinhan Card's requisite capital in light of the market risk for trading positions as of and for the years ended December 31, 2020, and 2019, based on the standard guidelines for risk management promulgated by the Financial Supervisory Service, are as follows:

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

		December 31, 2019			
		Average	Maximum	Minimum	December 31
Interest rate risk	₩	1,417	2,000	1,000	2,000

(*) Foreign subsidiaries are excluded from the calculation.

i-5) Shinhan Investment

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Investment as of and for the years ended December 31, 2020 and 2019 are as follows:

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

		December 31, 2019			
		Average	Maximum	Minimum	December 31
Interest rate risk	₩	13,725	20,857	5,671	11,946
Stock price risk		31,330	74,421	15,449	25,691
Foreign exchange risk		4,107	37,970	368	4,369
Option volatility risk		9,889	31,711	2,504	9,876
Portfolio diversification risk					(15,150)
	₩	38,262	85,597	5,780	36,732

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

i) Market risk management from trading positions (continued)

i-6) Shinhan Life Insurance

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Shinhan Life Insurance as of and for the years ended December 31, 2020 and 2019 are as follows:

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

		December 31, 2019			
		Average	Maximum	Minimum	December 31
Interest rate risk	₩	1,853	8,856	313	600
Stock price risk		5,015	6,520	4,374	4,978
Foreign exchange risk		1,581	3,434	3	2,050
Option volatility risk		316	632	124	472
	₩	8,765	19,442	4,814	8,100

i-6) Orange Life Insurance Co., Ltd.

The analyses of the ten-day 99.9% confidence level-based VaR for managing market risk for trading positions of Orange Life Insurance as of and for the years ended December 31, 2020 and 2019 are as follows:

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

		December 31, 2019			
		Average	Maximum	Minimum	December 31
Foreign exchange risk	₩	18,578	23,614	12,577	16,710

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

ii) Interest rate risk management from non-trading positions

ii-1) Principle

Interest rate risk refers to the possibility of a decrease in net interest income or in net asset value that occurs when interest rates fluctuate unfavorably from the Group's financial position. The Group manages net interest income or changes in 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 earnings calculation for the immediately following one-year period, in each case, as a result of negative movements in interest rates.

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

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

The details of interest rate VaR and EaR for major subsidiaries for as of December 31, 2020 and 2019 are as follows:

ii-3) Shinhan Bank

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
△EVE (*1)	₩	468,327	369,944
△NII (*2)		115,221	161,385

ii-4) Shinhan Card

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
△EVE (*1)	₩	463,647	696,505
△NII (*2)		594,210	554,499

ii-5) Shinhan Investment

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
△EVE (*1)	₩	209,929	77,436
△NII (*2)		89,925	127,476

ii-6) Shinhan Life Insurance

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
△EVE (*1)	₩	4,140,109	4,831,042
△NII (*2)		46,073	77,000

ii-7) Orange Life Insurance Co., Ltd.

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
△EVE (*1)	₩	2,007,029	2,800,603
△NII (*2)		38,733	46,372

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

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 FX & Derivatives Department. Dealers in the FX & Derivatives Department manage Shinhan Bank's overall position within the set limits through spot trading, forward contracts, currency options, futures and swaps and foreign exchange swaps. Shinhan Bank sets a limit for net open positions by currency and the limits for currencies other than the U.S. dollars (USD), Japanese yen (JPY), Euros (EUR) and Chinese yuan (CNY) are set in order to minimize exposures from the other foreign exchange trading.

Foreign currency denominated assets and liabilities as of December 31, 2020 and 2019 are as follows:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(c) Market risk (continued)

iii) Foreign exchange risk (continued)

Foreign currency denominated assets and liabilities as of December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019					
	USD	JPY	EUR	CNY	Other	Total
Assets:						
Cash and due from banks at amortized cost	₩ 4,235,225	1,532,661	354,686	1,714,524	1,715,443	9,552,539
Due from banks at FVTPL	719,812	-	-	-	-	719,812
Loan receivables measured at FVTPL	479,950	-	7,872	-	-	487,822
Loan at amortized cost	18,275,153	8,256,756	955,836	3,350,557	7,960,731	38,799,033
Securities at FVTPL	5,391,450	32,565	303,917	-	357,018	6,084,950
Derivative assets	342,120	1,403	16,922	391	80,506	441,342
Securities at FVOCI	4,775,714	83,713	337,573	436,236	917,335	6,550,571
Securities at amortized cost	1,392,901	183,133	67,080	40,769	1,482,574	3,166,457
Other financial assets	3,176,509	136,419	171,080	380,955	462,734	4,327,697
	₩ 38,788,834	10,226,650	2,214,966	5,923,432	12,976,341	70,130,223
Liabilities:						
Deposits	₩ 14,658,624	9,057,393	843,946	4,426,507	6,906,741	35,893,211
Financial liabilities at FVTPL	-	-	-	-	474,080	474,080
Derivative liabilities	320,176	6,466	20,833	1,163	15,564	364,202
Borrowings	8,938,762	347,881	190,366	407,767	139,658	10,024,434
Debt securities issued	7,882,293	319,041	960,890	-	1,526,661	10,688,885
Financial liabilities designated at FVTPL	1,444,254	-	-	-	-	1,444,254
Other financial liabilities	4,391,046	155,736	125,172	567,860	978,153	6,217,967
	₩ 37,635,155	9,886,517	2,141,207	5,403,297	10,040,857	65,107,033
Net assets	₩ 1,153,679	340,133	73,759	520,135	2,935,484	5,023,190
Off-balance derivative exposure	(1,335,794)	(160,734)	273,571	(114,015)	(844,534)	(2,181,506)
Net position	₩ (182,115)	179,399	347,330	406,120	2,090,950	2,841,684

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(d) Liquidity risk

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

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

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

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

- Raise funding in sufficient amounts, at the optimal time at reasonable costs;
- Maintain risk at appropriate levels and preemptively manage them through a prescribed risk limit system and an early warning signal detection system;
- Secure stable sources of revenue and minimize actual losses by implementing an effective asset-liability management system based on diversified sources of funding with varying maturities;
- Monitor and manage daily and intra-daily liquidity positions and risk exposures for timely payment and settlement of financial obligations due under both normal and crisis situations;
- Conduct periodic contingency analysis in anticipation of any potential liquidity crisis and establish and implement emergency plans in case of a crisis actually happening; and
- Consider liquidity-related costs, benefits of and risks in determining the pricing of the Group's products and services, employee performance evaluations and approval of launching of new products and services.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(d) Liquidity risk (continued)

The details of the composition of non-derivative financial instruments and derivative financial instruments by remaining period are as of December 31, 2020 and 2019 are as follows:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(d) Liquidity risk (continued)

The details of the composition of non-derivative financial instruments and derivative financial instruments by remaining period are as of December 31, 2020 and 2019 are as follows (continued):

		December 31, 2019						
		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	₩	25,543,400	1,039,822	421,453	1,145,323	50,070	249,503	28,449,571
Due from banks at fair value through profit or loss		130,780	150,217	594,643	21,885	-	-	897,525
Loans at fair value through profit or loss		29,961	783,429	12,638	142,756	773,305	488,326	2,230,415
Loans at amortized cost		28,857,297	36,706,993	46,672,732	74,931,639	103,334,861	70,169,035	360,672,557
Securities at fair value through profit or loss		39,736,655	1,852,680	728,518	1,120,791	2,716,677	3,774,694	49,930,015
Securities at fair value through other comprehensive income		57,317,802	-	-	40,145	30,195	2,111,220	59,499,362
Securities at amortized cost		1,214,108	2,015,590	1,704,574	2,098,374	17,491,024	32,951,459	57,475,129
Other financial assets		13,291,239	122,258	122,893	562,793	249,166	3,122,107	17,470,456
	₩	<u>166,121,242</u>	<u>42,670,989</u>	<u>50,257,451</u>	<u>80,063,706</u>	<u>124,645,298</u>	<u>112,866,344</u>	<u>576,625,030</u>
Liabilities:								
Deposits(*2)	₩	149,773,324	31,415,213	38,077,790	61,746,589	14,972,484	3,590,916	299,576,316
Financial liabilities at fair value through profit or loss		1,558,186	1,096	12,095	17,997	48,609	-	1,637,983
Borrowings		15,314,322	3,690,803	3,608,178	4,028,183	5,244,109	3,002,243	34,887,838
Debt securities issued		5,367,601	4,370,308	4,876,333	8,945,916	49,804,651	6,467,621	79,832,430
Financial liabilities designated at fair value through profit or loss		487,743	110,965	678,041	1,651,198	5,414,944	1,066,565	9,409,456
Other financial liabilities		23,504,746	118,689	253,779	510,768	416,868	3,449,392	28,254,242
	₩	<u>196,005,922</u>	<u>39,707,074</u>	<u>47,506,216</u>	<u>76,900,651</u>	<u>75,901,665</u>	<u>17,576,737</u>	<u>453,598,265</u>
Off balance(*3):								
Finance guarantee contracts	₩	4,698,558	-	-	-	-	-	4,698,558
Loan commitments and other		178,516,047	-	-	-	-	-	178,516,047
	₩	<u>183,214,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>183,214,605</u>
Derivatives:								
Net and gross settlement of derivatives	₩	407,885	9,640	34,228	18,196	160,292	176,976	807,217

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Notes to the Consolidated Financial Statements

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4. Financial risk management (continued)

(d) Liquidity risk (continued)

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

(*2) Demand deposits amounting to ₩148,725,197 million and ₩116,282,706 million as of December 31, 2020 and 2019 are included in the 'Less than 1 month' category, respectively.

(*3) Financial instruments held for trading measured at market price are included in the 'Less than 1 month' category.

(*4) Financial guarantees such as financial guarantee contracts and loan commitments and other credit contributions provided by the Group are classified based on the earliest date at which the Group should fulfill the obligation under the guarantee when the counterparty requests payment.

(e) Measurement of fair value

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

The Group uses its judgment to select a variety of methods and make rational assumptions that are mainly based on market conditions existing at the end of each reporting period. The fair value of financial instruments is determined using valuation techniques; a method of using recent transactions between independent parties with reasonable judgment and willingness to trade, a method of referring to the current fair value of other financial instruments that are substantially identical, discounted cash flow model and option pricing models. For example, the fair value of an interest rate swap is calculated as the present value of the expected future cash flows, and the fair value of foreign exchange forwarding contract is calculated by applying the public forward exchange rate at the end of the reporting period.

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value

i-1) The fair value hierarchy of financial instruments presented at their fair values in the statements of financial position as of December 31, 2020 and 2019 are as follows:

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

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

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

i) *Financial instruments measured at fair value*

i-1) The fair value hierarchy of financial instruments presented at their fair values in the statements of financial position as of December 31, 2020 and 2019 are as follows (continued):

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

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Financial assets					
Due from banks measured at FVTPL	₩	-	66,870	830,655	897,525
Loan receivables measured at FVTPL		-	686,446	1,468,375	2,154,821
Financial assets at FVTPL:					
Debt securities and other securities		6,304,161	33,145,583	8,951,398	48,401,142
Equity securities		890,714	195,395	511,831	1,597,940
Gold/silver deposits		111,715	-	-	111,715
		<u>7,306,590</u>	<u>33,340,978</u>	<u>9,463,229</u>	<u>50,110,797</u>
Derivative assets:					
Trading		35,711	2,088,307	462,050	2,586,068
Hedging		-	240,430	2,776	243,206
		<u>35,711</u>	<u>2,328,737</u>	<u>464,826</u>	<u>2,829,274</u>
Securities measured at FVOCI:					
Debt securities		16,892,704	41,645,124	35,266	58,573,094
Equity securities		183,107	-	624,852	807,959
		<u>17,075,811</u>	<u>41,645,124</u>	<u>660,118</u>	<u>59,381,053</u>
	₩	<u>24,418,112</u>	<u>78,068,155</u>	<u>12,887,203</u>	<u>115,373,470</u>
Financial liabilities:					
Financial liabilities measured at FVTPL:					
Securities sold	₩	1,164,697	-	-	1,164,697
Gold/silver deposits		467,760	-	-	467,760
		<u>1,632,457</u>	<u>-</u>	<u>-</u>	<u>1,632,457</u>
Financial liabilities designated at fair value through profit or loss:					
Derivatives-combined securities		-	897,967	8,511,489	9,409,456
Derivative liabilities:					
Trading		46,854	1,834,930	119,220	2,001,004
Hedging		-	112,258	189,750	302,008
		<u>46,854</u>	<u>1,947,188</u>	<u>308,970</u>	<u>2,303,012</u>
	₩	<u>1,679,311</u>	<u>2,845,155</u>	<u>8,820,459</u>	<u>13,344,925</u>

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4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value

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

The Group determines the fair value of the Group's fair value of assets using value from external independent and qualified valuers or internal valuation model at the end of every financial year. Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020			
	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
Beginning balance	₩ 11,762,259	660,118	(8,511,489)	155,856
Recognized in total comprehensive income for the year:				
Recognized in profit (loss) for the year(*1)	(59,931)	(2,094)	(196,743)	136,386
Recognized in other comprehensive income (loss) for the year	69,819	(2,521)	(9,689)	-
	9,888	(4,615)	(206,432)	136,386
Purchase	4,461,802	61,919	-	1,171
Issue	-	-	(9,043,503)	-
Settlement	(5,231,666)	(14)	9,928,472	(74,584)
Reclassification(*3)	(377,641)	-	-	-
Transfer to level3(*2)	358,123	-	(308,552)	625
Transfer from level3(*2)	(57,513)	-	-	21
Business combination (Note 47)	463	-	-	-
Ending balance	₩ 10,925,715	717,408	(8,141,504)	219,475

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value(continued)

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

The Group determines the fair value of the Group's fair value of assets using value from external independent and qualified valuers or internal valuation model at the end of every financial year. Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019			
	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
Beginning balance	₩ 7,122,565	550,505	(6,833,737)	(526,223)
Recognized in total comprehensive income for the year:				
Recognized in profit (loss) for the year(*1)	61,738	1,461	(826,594)	591,332
Recognized in other comprehensive income (loss) for the year	125,037	34,716	(13,654)	-
	186,775	36,177	(840,248)	591,332
Purchase	5,941,978	103,564	-	2,221
Issue	-	-	(8,821,680)	-
Settlement	(2,332,781)	(22,842)	7,984,176	88,312
Reclassification	-	(7,286)	-	-
Transfer to level3(*2)	162,906	-	-	248
Transfer from level3(*2)	(27,075)	-	-	(34)
Business combination (Note 47)	707,891	-	-	-
Ending balance	₩ 11,762,259	660,118	(8,511,489)	155,856

(*1) Recognized profit or loss of the changes in carrying value of financial instruments classified as Level 3 for the years ended December 31, 2020 and 2019 are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows:

	December 31, 2020	
	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31
Net gain (loss) on financial assets at fair value through profit or loss	₩ (8,304)	(180,419)
Net gain (loss) on financial liabilities designated at fair value through profit or loss	(196,743)	189,885
Net gain (loss) on securities at fair value through other comprehensive income	(2,094)	(2,094)
Other operating expenses	84,759	19,495
	₩ (122,382)	26,867

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value(continued)

i-2) Changes in carrying values of financial instruments classified as Level 3 for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019	
	Amounts recognized in profit or loss	Recognized profit or loss from the financial instruments held as of December 31
Net gain (loss) on financial assets at fair value through profit or loss	₩ 544,849	23,912
Net gain (loss) on financial liabilities designated at fair value through profit or loss	(826,594)	(66,113)
Net gain (loss) on securities at fair value through other comprehensive income	1,461	1,191
Other operating expenses	108,221	109,547
	₩ <u>(172,063)</u>	<u>68,537</u>

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

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

i-3-1) Valuation techniques and inputs used in measuring the fair value of financial instruments classified as level 2 as of December 31, 2020 and 2019 are as follows:

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

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

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

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

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

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

i-3-1) Valuation techniques and inputs used in measuring the fair value of financial instruments classified as level 2 as of December 31, 2020 and 2019 are as follows (continued):

Type of financial instrument	Valuation technique	December 31, 2019		Significant inputs
		Carrying Value		
Assets				
Financial asset at fair value through profit or loss				
Debt securities	DCF	₩	33,898,899	Discount rate, interest rate, stock price, and etc. Price of underlying assets such as stocks, bonds
Equity securities	NAV		195,395	
			<u>34,094,294</u>	
Derivative assets				
Trading	Option model,		2,088,307	Discount rate, foreign exchange rate, volatility, stock price, and commodity index, etc.
Hedging	DCF		240,430	
			<u>2,328,737</u>	
Securities at fair value through other comprehensive income	DCF		41,645,124	Discount rate, growth rate and price of underlying assets such as stock, bonds
		₩	<u>78,068,155</u>	
Liabilities				
Financial liabilities designated at fair value through profit or loss				
Borrowings	DCF	₩	897,967	Discount rate
Derivative liabilities				
Trading	Option model,		1,834,930	Discount rate, foreign exchange rate, volatility, stock price, and commodity index, etc.
Hedging	DCF		112,258	
			<u>1,947,188</u>	
		₩	<u>2,845,155</u>	

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

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

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2020 and 2019 are as follows:

Type of financial instrument	Valuation technique	Carrying value(*2)	December 31, 2020	
			Significant unobservable inputs	Range
Financial assets				
Financial asset at fair value through profit or loss				
Debt securities	DCF, Option model(*1), Comparable company analysis	₩ 10,093,302	The volatility of the underlying asset, Discount rate, and Correlations	5.06%~61.32% 0.35%~27.17% 0.00%~100.00%
Equity securities	DCF, NAV, Option model(*1), Comparable company analysis	832,413	The volatility of the underlying asset, and Correlations	21.00%~40.00% 5.83%~16.87% 20.00%~79.00%
		10,925,715		
Derivative assets				
Equity and foreign exchange related	Option model(*1)	113,496	The volatility of the underlying asset, and Correlations	4.30%~127.00% -3.00%~82.00%
Interest rates related	Option model(*1)	23,112	The volatility of the underlying asset, Regression coefficient, and Correlations	0.47%~1.00% 0.30%~0.58% 26.00%~90.45%
Credit and commodity related	Option model(*1)	273,042	The volatility of the underlying asset, and Correlations	1.00%~40.00% -43.00%~92.00%
		409,650		
Securities at fair value through other comprehensive income				
Debt securities	DCF, NAV, Option model(*1), Comparable company analysis	32,805	The volatility of the underlying asset, Discount rate, and Growth rate	22.11% 0.05%~19.05% 0.00%~2.00%
Equity securities		684,603		
		717,408		
		₩ 12,052,773		

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

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

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2020 and 2019 are as follows (continued):

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

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

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2020 and 2019 are as follows (continued):

Type of financial instrument	Valuation technique	Carrying value(*2)	December 31, 2019	
			Significant unobservable inputs	Range
Financial assets				
Financial asset at fair value through profit or loss				
Debt securities	DCF, Option model(*1)	₩ 11,250,428	The volatility of the underlying asset, and Discount rate	0.00%~46.36% 1.14%~30.70%
Equity securities	DCF, NAV	511,831	The volatility of the underlying asset, Correlations, and Discount rate	1.00%~43.00% 5.00%~88.00% 5.06%~15.42%
		<u>11,762,259</u>		
Derivative assets				
Equity and foreign exchange related	Option model(*1)	145,011	The volatility of the underlying asset, and Correlations	1.51%~56.00% -42.00%~82.00%
Interest rates related	Option model(*1)	30,983	The volatility of the underlying asset, Regression coefficient, and Correlations	0.50%~0.67% 1.30%~1.57% 59.53%
Credit and commodity related	Option model(*1)	288,832	The volatility of the underlying asset, and Correlations	0.00%~39.00% 0.00%~93.00%
		<u>464,826</u>		
Securities at fair value through other comprehensive income				
Debt securities	DCF	35,266	Discount rate, and Growth rate	7.78%~19.32% 0.00%~2.00%
Equity securities	NAV	624,852		
		<u>660,118</u>		
		₩ <u>12,887,203</u>		
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Equity related	Option model(*1)	₩ 8,511,489	The volatility of the underlying asset, and Correlations	0.00%~140.00% -46.00%~93.00%
Derivative liabilities				
Equity and foreign exchange related	Option model(*1)	30,412	The volatility of the underlying asset, and Correlations	0.00%~140.00% 0.00%~78.00%

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

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

i-3-2) Valuation techniques and significant inputs, but not observable, used in measuring the fair value of financial instruments classified as level 3 as of December 31, 2020 and 2019 are as follows (continued):

Type of financial instrument	Valuation technique	Carrying value(*2)	December 31, 2019	
			Significant unobservable inputs	Range
Interest rates related	Option model(*1)	₩ 213,170	The volatility of the underlying asset Regression coefficient, and Correlations	0.00%~55.00% 1.30%~2.77% 45.06%~90.34%
Credit and commodity related	Option model(*1)	65,388	The volatility of the underlying asset, and Correlations	0.00%~109.00% -46.00%~93.00%
		<u>308,970</u>		
		<u>₩ 8,820,459</u>		

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

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

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Notes to the Consolidated Financial Statements

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4. Financial risk management (continued)

(e) Measurement of fair value (continued)

i) Financial instruments measured at fair value (continued)

i-4) Sensitivity for changing in unobservable inputs

For level 3 fair value measurement, changing one or more of the unobservable inputs used to reasonably possible alternative assumptions would have the following effects on profit or loss, or other comprehensive income as of December 31, 2020 and 2019.

	December 31, 2020	
	Favorable changes	Unfavorable changes
Financial assets:		
Effects on profit or loss for the period(*1):		
Financial asset at fair value through profit or loss	₩ 53,821	(48,547)
Derivative assets	23,011	(21,532)
Securities at fair value through other comprehensive income(*2)	26,817	(21,044)
	₩ 103,649	(91,123)
Financial liabilities:		
Effects on profit or loss for the period(*1):		
Financial liabilities designated at fair value through profit or loss	₩ 72,042	(71,690)
Derivative liabilities	17,976	(18,368)
	₩ 90,018	(90,058)
	December 31, 2019	
	Favorable changes	Unfavorable changes
Financial assets:		
Effects on profit or loss for the period(*1):		
Financial asset at fair value through profit or loss	₩ 44,108	(23,618)
Derivative assets	24,792	(22,184)
Securities at fair value through other comprehensive income(*2)	36,258	(22,183)
	₩ 105,158	(67,985)
Financial liabilities:		
Effects on profit or loss for the period(*1):		
Financial liabilities designated at fair value through profit or loss	₩ 55,224	(53,294)
Derivative liabilities	16,830	(22,535)
	₩ 72,054	(75,829)

(*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset (-10~10%) or correlations (-10~10%).

(*2) Fair value changes are calculated by increasing or decreasing discount rate (-1~1%) or growth rate (0~1%).

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost

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 value approximates fair value.
Loans	The fair value of the loans is measured by discounting the expected cash flow at the market interest rate and credit risk of the borrower.
Securities measured at amortized cost	The minimum price between the Korea Asset Pricing's valuation, and KIS Pricing's is used as a fair value.
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.
Other financial assets and other financial liabilities	The carrying amounts are measured at fair value for short-term and suspense accounts, such as spot exchange, inter-bank fund transfer, and domestic exchange of payments, and for the remaining financial instruments, the present value is calculated by discounting the contractual cash flows at a discount rate which considered residual risk at the market interest rate.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost (continued)

ii-2) The carrying value and the fair value of financial instruments measured at amortized cost as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Deposits measured at amortized cost	₩ 31,605,262	31,607,122	25,840,858	25,852,497
Loans measured at amortized cost				
Retails	146,843,366	147,634,589	134,510,282	135,620,862
Corporations	177,046,416	178,420,230	159,560,873	160,818,205
Public and other funding loans	4,021,926	4,048,167	3,427,855	3,446,485
Loans between banks	5,487,147	5,495,236	2,629,999	2,644,603
Credit card	22,822,664	23,220,987	23,115,970	23,489,180
	<u>356,221,519</u>	<u>358,819,209</u>	<u>323,244,979</u>	<u>326,019,335</u>
Securities measured at amortized cost				
Government bonds	31,816,320	33,391,597	30,385,084	32,242,339
Financial institution bonds	3,835,577	3,987,172	4,770,204	4,882,081
Corporation bonds	11,630,726	12,075,175	10,426,777	10,878,059
	<u>47,282,623</u>	<u>49,453,944</u>	<u>45,582,065</u>	<u>48,002,479</u>
Other financial assets	20,341,191	20,359,778	17,477,778	17,493,331
	<u>₩ 455,450,595</u>	<u>460,240,053</u>	<u>412,145,680</u>	<u>417,367,642</u>
Deposit liabilities:				
Demand deposits	₩ 148,725,197	148,725,197	116,282,707	116,282,707
Time deposits	157,833,891	157,936,969	158,427,447	158,478,949
Certificate of deposit	5,946,704	5,965,139	9,707,791	9,714,806
Issued bill deposit	6,226,937	6,226,855	4,579,587	4,579,425
CMA deposits	4,006,319	4,006,319	3,987,372	3,987,372
Other	3,677,820	3,678,316	1,889,352	1,889,700
	<u>326,416,868</u>	<u>326,538,795</u>	<u>294,874,256</u>	<u>294,932,959</u>
Borrowing debts:				
Call-money	1,760,042	1,760,042	712,247	712,247
Bills sold	10,706	10,696	19,070	19,035
Bonds sold under repurchase agreements	11,065,584	11,065,584	9,089,736	9,089,736
Borrowings	28,757,732	28,863,015	25,042,103	25,205,292
	<u>41,594,064</u>	<u>41,699,337</u>	<u>34,863,156</u>	<u>35,026,310</u>
Debts:				
Borrowings in Korean won	64,083,920	64,842,258	64,717,212	65,322,413
Borrowings in foreign currency	11,050,474	11,262,332	10,646,152	10,783,027
	<u>75,134,394</u>	<u>76,104,590</u>	<u>75,363,364</u>	<u>76,105,440</u>
Other financial liabilities	34,129,626	34,136,128	28,231,911	27,949,306
	<u>₩ 477,274,952</u>	<u>478,478,850</u>	<u>433,332,687</u>	<u>434,014,015</u>

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

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

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

ii-3) The fair value hierarchy of financial assets and liabilities which are not measured at their fair values in the statements of financial position but with their fair value disclosed as of December 31, 2020 and 2019 are as follows:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

ii-3) The fair value hierarchy of financial assets and liabilities which are not measured at their fair values in the statements of financial position but with their fair value disclosed as of December 31, 2020 and 2019 are as follows (continued):

		December 31, 2019			
		Level 1	Level 2	Level 3	Total
Assets:					
Deposits measured at amortized cost	₩	3,133,425	22,149,706	569,366	25,852,497
Loans measured at amortized cost					
Retails		-	-	135,620,862	135,620,862
Corporations		108	-	160,818,097	160,818,205
Public and other funding loans		-	-	3,446,485	3,446,485
Loans between banks		-	960,827	1,683,776	2,644,603
Credit card		-	-	23,489,180	23,489,180
		108	960,827	325,058,400	326,019,335
Securities measured at amortized cost:					
Government bonds		20,524,820	11,717,519	-	32,242,339
Financial institution bonds		2,252,484	2,629,597	-	4,882,081
Debentures		-	10,792,000	86,059	10,878,059
		22,777,304	25,139,116	86,059	48,002,479
Other financial assets					
		526,813	10,813,821	6,152,697	17,493,331
	₩	26,437,650	59,063,470	331,866,522	417,367,642
Deposit liabilities:					
Demand deposits	₩	1,053,963	115,216,336	12,408	116,282,707
Time deposits		-	-	158,478,949	158,478,949
Certificate of deposit		-	-	9,714,806	9,714,806
Issued bill deposit		-	-	4,579,425	4,579,425
CMA deposits		-	3,987,372	-	3,987,372
Other		1,747,509	-	142,191	1,889,700
		2,801,472	119,203,708	172,927,779	294,932,959
Borrowing debts:					
Call-money		174,000	538,247	-	712,247
Bills sold		-	-	19,035	19,035
Bonds sold under repurchase agreements		6,734,162	-	2,355,574	9,089,736
Borrowings		-	-	25,205,292	25,205,292
		6,908,162	538,247	27,579,901	35,026,310
Debts:					
Borrowings in won		-	43,747,553	21,574,860	65,322,413
Borrowings in foreign currency		-	7,535,065	3,247,962	10,783,027
		-	51,282,618	24,822,822	76,105,440
Other financial liabilities					
		526,685	7,932,723	19,489,898	27,949,306
	₩	10,236,319	178,957,296	244,820,400	434,014,015

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost (continued)

ii-4) Valuation techniques and inputs used in the fair value measurements categorized within Level 2 and Level 3 for fair value disclosures, which are not recognized at fair value, as at December 31, 2020 and 2019, are as follows:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

ii) Financial instruments measured at amortized cost (continued)

- For financial instruments not measured at fair value in the statement of financial position but for which the fair value is disclosed, information on valuation technique and inputs used in measuring fair value of financial instruments classified as level 2 or level 3 at December 31, 2020 and 2019 are as follows:

	December 31, 2019		
	Fair value(*)	Valuation technique	Inputs
Financial instruments classified as level 2 :			
Assets			
Due from banks measured at amortized cost	₩ 22,149,706	DCF	Discount rate
Loans measured at amortized cost	960,827	DCF	Discount rate, credit spread, prepayment rate
Securities measured at amortized cost	25,139,116	DCF	Discount rate
Other financial assets	<u>10,813,821</u>	DCF	Discount rate
Financial instruments classified as level 3 :			
Assets			
Due from banks measured at amortized cost	569,366	DCF	Discount rate
Loans measured at amortized cost	325,058,400	DCF	Discount rate, credit spread, prepayment rate
Securities measured at amortized cost	86,059	DCF	Discount rate
Other financial assets	6,152,697	DCF	Discount rate
	<u>₩ 390,929,992</u>		
Financial instruments classified as level 2 :			
Liabilities			
Deposits	₩ 119,203,708	DCF	Discount rate
Borrowings	538,247	DCF	Discount rate
Debt securities issued	51,282,618	DCF	Discount rate
Other financial liabilities	<u>7,932,723</u>	DCF	Discount rate
Financial instruments classified as level 3 :			
Liabilities			
Deposits	172,927,779	DCF	Discount rate
Borrowings	27,579,901	DCF	Discount rate
		DCF	Discount rate, regression coefficient, correlation coefficient
Debt securities issued	24,822,822		
Other financial liabilities	19,489,898	DCF	Discount rate
	<u>₩ 423,777,696</u>		

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(e) Measurement of fair value (continued)

iii) Changes in gains or losses on valuation at the transaction date for the years ended December 31, 2020 and 2019, are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance	₩	(172,859)	(126,111)
New transactions		(347,030)	(178,223)
Recognized in profit for the year		227,290	131,475
Ending balance	₩	<u>(292,599)</u>	<u>(172,859)</u>

(f) Classification by categories of financial instruments

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

The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2020 and 2019 are as follows:

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

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

The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2020 and 2019 are as follows (continued):

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

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

The carrying amounts of each category of financial assets and financial liabilities as of December 31, 2020 and 2019 are as follows (continued):

		December 31, 2019				
		FVTPL	FVOCI	Amortized cost	Derivatives held for hedging	Total
Assets:						
Cash and due from banks at amortized cost	₩	-	-	28,423,744	-	28,423,744
Due from banks at fair value through profit or loss		897,525	-	-	-	897,525
Securities at fair value through profit or loss		50,110,797	-	-	-	50,110,797
Derivatives assets		2,586,068	-	-	243,206	2,829,274
Loans at fair value through profit or loss		2,154,821	-	-	-	2,154,821
Loans at amortized cost		-	-	323,244,979	-	323,244,979
Securities at fair value through other comprehensive income		-	59,381,053	-	-	59,381,053
Securities at amortized cost		-	-	45,582,065	-	45,582,065
Other		-	-	17,477,778	-	17,477,778
	₩	<u>55,749,211</u>	<u>59,381,053</u>	<u>414,728,566</u>	<u>243,206</u>	<u>530,102,036</u>
December 31, 2019						
		FVTPL	FVTPL liabilities designated	Financial liabilities measured at amortized cost	Derivatives held for hedging	Total
Liabilities:						
Deposits	₩	-	-	294,874,256	-	294,874,256
Financial liabilities at fair value through profit or loss		1,632,457	-	-	-	1,632,457
Financial liabilities designated at FVTPL		-	9,409,456	-	-	9,409,456
Derivatives liabilities		2,001,004	-	-	302,008	2,303,012
Borrowings		-	-	34,863,156	-	34,863,156
Debt securities issued		-	-	75,363,364	-	75,363,364
Other		-	-	28,231,911	-	28,231,911
	₩	<u>3,633,461</u>	<u>9,409,456</u>	<u>433,332,687</u>	<u>302,008</u>	<u>446,677,612</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

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

(g) **Transfer of financial instruments**

i) *Transfers that do not qualify for derecognition*

① Sale of repurchase bonds

Among the Group's sale of repurchase bonds, followings are the details of financial instruments that do not qualify for derecognition because the Group sold under repurchase agreement at a fixed price as of December 31, 2020 and 2019:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Transferred asset:		
Securities at FVTPL	₩ 8,915,488	7,924,953
Securities at FVOCI	1,638,651	1,867,470
Securities at amortized cost	205,639	818,470
	<u>₩ 10,759,778</u>	<u>10,610,893</u>
Associated liabilities:		
Bonds sold under repurchase agreements	₩ 11,075,004	8,717,336

② Securities loaned

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

Securities loaned as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Borrowers</u>
Government bonds	₩ 3,213,719	3,951,869	Korea Securities Finance Corp., Korea Securities Depository
Financial institutions bonds	220,324	460,052	Korea Securities Finance Corp., Korea Securities Depository
Equity securities	99,670	30,242	Korea Securities Finance Corp.
	<u>₩ 3,533,713</u>	<u>4,442,163</u>	

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

There is no financial instruments which qualify for derecognition and in which the Group has continuing involvements as of December 31, 2020, and 2019.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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4. Financial risk management (continued)

(h) Offsetting financial assets and financial liabilities

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

	December 31, 2020					
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the statement of financial position	Net amounts of financial assets/ liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets:						
Derivatives(*1)	₩ 5,361,225	-	5,361,225			
Other financial instruments(*1)	18,033,663	6,502,695	11,530,968	4,448,496	314,328	12,129,369
Securities repurchased under repurchase agreements and bonds purchased under repurchase agreements(*2)	13,694,305	-	13,694,305	13,185,633	-	508,672
Securities loaned(*2)	1,202,494	-	1,202,494	1,202,494	-	-
Domestic exchange settlement debit(*3)	29,911,693	25,785,507	4,126,186	116,290	-	4,009,896
Receivables from disposal of securities(*4)	29,341	3,140	26,201	-	-	26,201
Insurance receivables	8,374	-	8,374	5,526	-	2,848
	₩ <u>68,241,095</u>	<u>32,291,342</u>	<u>35,949,753</u>	<u>18,958,439</u>	<u>314,328</u>	<u>16,676,986</u>
Liabilities:						
Derivatives(*1)	₩ 13,153,952	-	13,153,952			
Other financial instruments(*1)	17,340,722	6,502,695	10,838,027	5,490,974	1,000	18,500,005
Bonds purchased under repurchase agreements(*2)	11,065,584	-	11,065,584	10,260,684	-	804,900
Securities borrowed(*2)	897,129	-	897,129	897,129	-	-
Domestic exchange settlement pending(*3)	31,605,249	25,785,507	5,819,742	4,099,248	-	1,720,494
Payable from purchase of securities(*4)	3,148	3,140	8	8	-	-
Insurance payables	5,742	-	5,742	5,526	-	216
	₩ <u>74,071,526</u>	<u>32,291,342</u>	<u>41,780,184</u>	<u>20,753,569</u>	<u>1,000</u>	<u>21,015,615</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

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

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows:

December 31, 2019						
	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial assets/ liabilities set off in the statement of financial position	Net amounts of financial assets/ liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Assets:						
Derivatives(*1)	₩ 2,694,236	-	2,694,236	8,090,372	263,541	1,645,802
Other financial instruments(*1)	8,624,844	1,319,365	7,305,479			
Securities repurchased under repurchase agreements and bonds purchased under repurchase agreements(*2)	11,828,135	-	11,828,135	11,051,075	-	777,060
Securities loaned(*2)	1,927,674	-	1,927,674	1,927,674	-	-
Domestic exchange settlement debit(*3)	31,814,310	27,008,189	4,806,121	526,653	-	4,279,468
Receivables from disposal of securities(*4)	25,808	1,134	24,674	-	-	24,674
Insurance receivables	10,353	-	10,353	8,008	-	2,345
	₩ <u>56,925,360</u>	<u>28,328,688</u>	<u>28,596,672</u>	<u>21,603,782</u>	<u>263,541</u>	<u>6,729,349</u>
Liabilities:						
Derivatives(*1)	₩ 12,803,450	-	12,803,450	8,279,924	11,693	10,704,107
Other financial instruments(*1)	7,511,639	1,319,365	6,192,274			
Bonds purchased under repurchase agreements(*2)	8,717,336	-	8,717,336	8,717,336	-	-
Securities borrowed(*2)	1,135,614	-	1,135,614	1,135,614	-	-
Domestic exchange settlement pending(*3)	28,936,661	27,008,189	1,928,472	1,857,152	-	71,320
Payable from purchase of securities(*4)	1,607	1,134	473	473	-	-
Insurance payables	8,202	-	8,202	8,008	-	194
	₩ <u>59,114,509</u>	<u>28,328,688</u>	<u>30,785,821</u>	<u>19,998,507</u>	<u>11,693</u>	<u>10,775,621</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

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

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2020 and 2019 are as follows (continued):

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

(*2) Resale and repurchase agreement, securities borrowing and lending agreement are also similar to ISDA agreement with respect to enforceable netting agreements.

(*3) The Group has legally enforceable right to set off and settles financial assets and liabilities on a net basis under normal business terms. Therefore, domestic exchanges settlement receivables (payables) are recorded on a net basis in the consolidated statements of financial position.

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

(*5) As of December 31, 2020, the total amount of financial liabilities includes ₩ 8,455,724 million (₩ 9,409,456 million as of December 31, 2019) of ELS (equity-linked securities) products and of DLS (derivative linked securities) products. In the course of this transaction, the Group has provided collateral for some transactions. The financial instruments provided as collateral of ₩ 1,087,349 million (₩ 122,129 million as of December 31, 2019) are included in the related instruments not offset in the statement of financial position. The total amount of financial liabilities recognized as of December 31, 2020 is ₩ 693,017 million for transactions with the other party with collective offset contracts or similar arrangements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

4. Financial risk management (continued)

(i) Capital risk management

The criteria for capital adequacy to be complied with by the Group are 8.0% or more of the total equity capital ratio, 6.0% or higher of the basic capital ratio, and 4.5% or more of the common stock capital ratio. In addition, the minimum regulatory BIS capital ratio, which should be maintained additionally to increase the ability to absorb losses, has been raised to up to 14% as the capital regulation based on the Basel III standard is enforced from 2016. This is based on the addition of capital conservation capital (2.5%p) and domestic system-critical banks (D-SIB) capital (1.0%p) and economic response capital (2.5%p) to the existing lowest common equity capital ratio, and economic response capital can be charged up to 2.5%p during credit expansion period. As of December 31, 2020, the minimum regulatory BIS capital ratio to be observed is 11.5%, which is the standard for applying capital conservation capital (2.5%p), D-SIB capital (1.0%p), and economic response capital (0%p).

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

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

The capital ratio of the Group based on Basel III is as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Capital :		
Tier I common equity capital	₩ 32,461,864	28,561,566
Additional tier 1 capital	3,805,372	3,138,262
Tier I capital	36,267,236	31,699,828
Tier II capital	3,441,841	4,014,740
Total capital (A)	₩ 39,709,077	35,714,568
Total risk-weighted assets (B)	₩ 252,321,426	256,891,664
Capital adequacy ratio (A/B)	15.74%	13.90%
Tier I capital adequacy ratio	14.37%	12.34%
Common stock ratio	12.87%	11.12%

(*) As of December 31, 2020, the Group has maintained an appropriate consolidated equity capital ratio according to the BIS equity capital regulation.

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5. Significant estimates and judgments

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

The present value of a defined benefit obligation that is measured by actuarial valuation methods uses various assumptions which can change according to various elements. The assumptions used to determine the net cost (profit) of an annuity include a discount rate, and these changes will affect the carrying amount of the defined benefit obligation. The Group is deciding the appropriate discount rate for each half year. The discount rate represents the interest rate that should be used to determine the present value of the estimated future cash outflow expected to occur in settlement of the defined benefit obligation. The Group determines the appropriate discount rate by considering the interest rate of blue-chip corporate bonds that are denominated in the currency in which the pension is paid and have a maturity similar to the period of the associated defined benefit obligation. Other significant assumptions related to defined benefit obligations are based on current market situations.

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5. Significant estimates and judgments (continued)

(f) Hedging relationship

The Group expects a high risk hedging effect throughout the hedging period in designating the hedging relationship and it is probable that the hedged transaction will be highly probable in the cash flow hedge.

6. Investment in subsidiaries

(a) The summarized financial information of the controlling company and the Group's major subsidiaries as of December 31, 2020 and 2019 is as follows:

Investees(*1)(*2)	December 31, 2020			December 31, 2019		
	Asset balance	Liability balance	Equity balance	Asset balance	Liability balance	Equity balance
Shinhan Financial Group(separate) ₩	35,483,914	10,426,817	25,057,097	32,261,322	9,795,896	22,465,426
Shinhan Bank	427,675,103	400,009,589	27,665,514	392,723,044	366,629,929	26,093,115
Shinhan Card Co., Ltd.	34,885,223	28,465,675	6,419,548	32,917,910	26,769,044	6,148,866
Shinhan Investment Corp.	46,632,433	42,258,341	4,374,092	37,375,487	33,138,930	4,236,557
Shinhan Life Insurance Co., Ltd.	36,777,496	34,232,052	2,545,444	34,133,649	32,062,490	2,071,159
Orange Life Insurance Co., Ltd.	33,813,587	30,574,073	3,239,514	32,841,359	29,654,711	3,186,648
Shinhan Capital Co., Ltd.	8,901,349	7,710,010	1,191,339	7,566,428	6,612,519	953,909
Jeju Bank	6,531,838	6,022,397	509,441	6,192,927	5,695,223	497,704
Shinhan Credit Information Co., Ltd.	27,806	10,826	16,980	25,292	10,044	15,248
Shinhan Alternative Investment Management Inc.	87,053	71,591	15,462	87,694	75,665	12,029
Shinhan BNP Paribas Asset Management Co., Ltd.	191,127	20,530	170,597	184,203	19,678	164,525
SHC Management Co., Ltd.	9,644	-	9,644	9,639	-	9,639
Shinhan DS	95,150	70,916	24,234	89,141	67,954	21,187
Shinhan Savings Bank	1,842,231	1,635,433	206,798	1,602,902	1,418,317	184,585
Asia Trust Co., Ltd.	259,899	85,274	174,625	172,793	43,933	128,860
Shinhan AITAS Co., Ltd.	87,378	12,159	75,219	77,086	10,962	66,124
Shinhan REITs Management Co., Ltd.	52,555	8,582	43,973	45,832	5,619	40,213
Shinhan AI Co., Ltd.	42,903	1,890	41,013	42,402	1,674	40,728
Neoplux Co., Ltd.	72,550	12,697	59,853	-	-	-

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

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

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6. Investment in subsidiaries (continued)

(b) The summarized income information of the controlling company and the Group's major subsidiaries for the years ended December 31, 2020 and 2019 is as follows:

Investees(*1)(*2)	December 31, 2020			December 31, 2019		
	Operating Revenue	Net Income	Comprehensive Income	Operating Revenue	Net Income	Comprehensive Income
Shinhan Financial Group (separate)	₩ 1,718,407	1,274,443	1,274,892	1,480,030	1,129,173	1,127,202
Shinhan Bank	25,049,392	2,078,232	1,911,575	23,145,476	2,329,268	2,527,665
Shinhan Card Co., Ltd.	4,091,178	606,554	599,451	3,892,257	509,032	486,114
Shinhan Investment Corp.	9,290,965	154,531	147,210	6,139,926	220,764	225,963
Shinhan Life Insurance Co., Ltd.	5,405,933	177,834	227,596	5,413,175	123,870	326,783
Orange Life Insurance Co., Ltd.(*3)	4,456,340	279,282	132,425	4,662,085	271,455	433,510
Shinhan Capital Co., Ltd.	626,455	160,583	162,134	455,246	126,050	123,032
Jeju Bank	214,615	17,521	16,557	239,732	27,934	30,519
Shinhan Credit Information Co., Ltd.	42,658	1,493	1,650	38,648	507	658
Shinhan Alternative Investment Management Inc.	17,219	3,433	3,433	32,401	2,144	2,144
Shinhan BNP Paribas Asset Management Co., Ltd.	88,870	26,663	26,663	84,256	23,090	22,655
SHC Management Co., Ltd.	70	5	5	154	82	82
Shinhan DS	164,327	1,862	2,845	138,697	2,074	1,292
Shinhan Savings Bank	123,590	26,953	26,888	116,849	23,122	22,972
Asia Trust Co., Ltd.(*3)	102,816	45,791	45,765	54,920	18,098	18,128
Shinhan AITAS Co., Ltd.	58,599	13,020	12,954	51,823	10,821	10,821
Shinhan REITs Management Co., Ltd.	12,176	3,764	3,764	7,342	7,414	7,411
Shinhan AI Co., Ltd.	10,246	304	284	3,088	(654)	(654)
Neoplux Co., Ltd.(*3)	3,500	(1,146)	(1,015)	-	-	-

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

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

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

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6. Investment in subsidiaries (continued)

(c) Change in the scope of consolidation

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

	Company	Description
Included	Neoplux Co., Ltd.	Newly acquired subsidiary
Included	SBJDNX	Newly invested subsidiary
Included	Shinhan Financial Plus	Newly invested subsidiary
Excluded	Shinhan Asia Ltd.	Liquidation

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

ii) Change in consolidated subsidiaries for the year ended December 31, 2019 are as follows:

	Company	Description
	Orange Life Insurance Co., Ltd.	Newly acquired subsidiary
Included	Asia Trust Co., Ltd.	Newly acquired subsidiary
	Prudential Vietnam Finance	Newly acquired subsidiary
	Shinhan AI Co., Ltd.	Newly invested subsidiary

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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7. Operating segments

(a) Segment information

The general descriptions by operating segments as of December 31, 2020 are as follows:

Segment	Description
Banking	Credit to customers, lending to and receiving deposits from customers, and their accompanying work
Credit card	Sales of credit cards, cash services, card loan services and their accompanying work
Securities	Securities trading, consignment trading, underwriting and their accompanying work
Life insurance	Life insurance business and its accompanying work
Others	Business segments that do not belong to the above segments, such as leasing, rental, collection of bonds, assets management and other remaining business

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7. Operating segments (continued)

(b) The following tables provide information of income and expense for each operating segment for the years ended December 31, 2020 and 2019:

		December 31, 2020					Consolidati	
		Banking	Credit card	Securities	Life insurance	Others	on adjustment	Total
Net interest income	₩	6,037,632	1,755,039	517,044	1,608,953	166,622	(202,590)	9,882,700
Net fees and commission income		822,408	483,486	544,183	162,284	368,350	2,222	2,382,933
Reversal of (provision for) allowance for credit loss ("ACL")		(690,084)	(483,883)	(111,796)	(12,236)	(85,951)	1,771	(1,382,179)
General and administrative expenses		(3,237,641)	(698,796)	(565,485)	(463,439)	(372,591)	125,479	(5,212,473)
Other income (expense), net		(130,488)	(169,304)	(11,348)	(727,530)	260,873	36,552	(741,245)
Operating income		2,801,827	886,542	372,598	568,032	337,303	(36,566)	4,929,736
Equity method income (loss)		(811)	-	37,760	(1,244)	29,644	94,184	159,533
Income tax expense		673,972	251,357	48,464	156,698	94,094	31,210	1,255,795
Profit for the year	₩	<u>1,999,002</u>	<u>703,305</u>	<u>154,531</u>	<u>457,116</u>	<u>273,575</u>	<u>(89,453)</u>	<u>3,498,076</u>
Controlling interest	₩	1,998,563	703,204	154,772	457,116	273,575	(172,635)	3,414,595
Non-controlling interests		439	101	(241)	-	-	83,182	83,481

		December 31, 2019					Consolidati	
		Banking	Credit card	Securities	Life insurance	Others	on adjustment	Total
Net interest income	₩	5,989,462	1,753,966	457,852	1,647,795	127,564	(238,675)	9,737,964
Net fees and commission income		950,389	403,259	351,303	167,324	272,244	(4,000)	2,140,519
Reversal of (provision for) allowance for credit loss ("ACL")		(389,004)	(566,415)	1,325	(797)	(25,030)	(771)	(980,692)
General and administrative expenses		(3,177,158)	(745,848)	(511,418)	(443,013)	(335,090)	77,853	(5,134,674)
Other income (expense), net		(211,882)	(33,204)	(59,006)	(786,103)	129,272	244,056	(716,867)
Operating income		3,161,807	811,758	240,056	585,206	168,960	78,463	5,046,250
Equity method income (loss)		(764)	-	18,163	(1,296)	12,265	24,919	53,287
Income tax expense		718,650	205,863	68,311	187,608	73,213	15,479	1,269,124
Profit for the year	₩	<u>2,256,652</u>	<u>609,582</u>	<u>220,764</u>	<u>395,325</u>	<u>100,259</u>	<u>59,802</u>	<u>3,642,384</u>
Controlling interest	₩	2,256,576	609,350	220,850	395,325	100,259	(178,863)	3,403,497
Non-controlling interests		76	232	(86)	-	-	238,665	238,887

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7. Operating segments (continued)

(c) Interest gains and losses from segment external customers and cross-sector interest gains and losses for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020						
		Banking	Credit card	Securities	Life insurance	Others	Consolidation adjustment(*)	Total
Net interest income from:								
External customers (*)	₩	6,037,205	1,809,149	526,167	1,605,575	114,290	(209,686)	9,882,700
Internal transactions		427	(54,110)	(9,123)	3,378	52,332	7,096	-
	₩	<u>6,037,632</u>	<u>1,755,039</u>	<u>517,044</u>	<u>1,608,953</u>	<u>166,622</u>	<u>(202,590)</u>	<u>9,882,700</u>

(*) The consolidated adjustment amount for interest income from external customers is the amount that occurs as a result of fair value evaluation of securities, etc., when processing business combination accounting.

		December 31, 2019						
		Banking	Credit card	Securities	Life insurance	Others	Consolidation adjustment(*)	Total
Net interest income from:								
External customers (*)	₩	5,995,097	1,781,266	450,268	1,647,988	103,161	(239,816)	9,737,964
Internal transactions		(5,635)	(27,300)	7,584	(193)	24,403	1,141	-
	₩	<u>5,989,462</u>	<u>1,753,966</u>	<u>457,852</u>	<u>1,647,795</u>	<u>127,564</u>	<u>(238,675)</u>	<u>9,737,964</u>

(*) The consolidated adjustment amount for interest income from external customers is the amount that occurs as a result of fair value evaluation of securities, etc., when processing business combination accounting.

(d) The following tables provide information of net fees and commission income (expense) of each operating segment for the years ended December 31, 2020 and 2019.

		December 31, 2020						
		Banking	Credit card	Securities	Life insurance	Others	Consolidation adjustment	Total
Net fees and commission income from:								
External customers	₩	859,225	531,394	553,308	173,865	265,141	-	2,382,933
Internal transactions		(36,817)	(47,908)	(9,125)	(11,581)	103,209	2,222	-
	₩	<u>822,408</u>	<u>483,486</u>	<u>544,183</u>	<u>162,284</u>	<u>368,350</u>	<u>2,222</u>	<u>2,382,933</u>

		December 31, 2019						
		Banking	Credit card	Securities	Life insurance	Others	Consolidation adjustment	Total
Net fees and commission income from:								
External customers	₩	974,636	436,523	361,526	175,171	192,663	-	2,140,519
Internal transactions		(24,247)	(33,264)	(10,223)	(7,847)	79,581	(4,000)	-
	₩	<u>950,389</u>	<u>403,259</u>	<u>351,303</u>	<u>167,324</u>	<u>272,244</u>	<u>(4,000)</u>	<u>2,140,519</u>

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7. Operating segments (continued)

(e) Financial information of geographical area

The following table provides information of income from external consumers by geographical area for the years ended December 31, 2020 and 2019.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic	₩ 4,436,252	4,378,239
Overseas	493,484	668,011
	<u>₩ 4,929,736</u>	<u>5,046,250</u>

The following table provides information of non-current assets by geographical area as of December 31, 2020 and 2019.

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Domestic	₩ 9,734,468	9,816,600
Overseas	351,083	314,052
	<u>₩ 10,085,551</u>	<u>10,130,652</u>

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

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8. Cash and due from banks at amortized cost

(a) Cash and due from banks at amortized cost as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and cash equivalents		
Cash	₩ 1,782,301	2,573,579
Cash equivalents	22,979	9,307
	<u>1,805,280</u>	<u>2,582,886</u>
Deposits in won:		
Reserve deposits	16,957,521	13,840,988
Time deposits	950,624	1,413,964
Other	3,953,337	1,890,541
	<u>21,861,482</u>	<u>17,145,493</u>
Deposits in foreign currency:		
Deposits	5,576,206	5,616,049
Time deposits	2,721,849	2,393,885
Other	1,455,732	697,505
	<u>9,753,787</u>	<u>8,707,439</u>
Allowance for credit losses	(10,007)	(12,074)
	<u>₩ 33,410,542</u>	<u>28,423,744</u>

(b) Restricted due from banks at amortized cost as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Related Regulations or Acts</u>
Deposits denominated in Korean won:			
Reserve deposits	₩ 16,957,521	13,840,988	Article 55 of the Bank of Korea Act Article 28 and 70 of the Bank of Korea Act, Article 74 of the Capital Markets and Financial Investment Business Act, etc.
Other	2,390,761	1,081,698	
	<u>19,348,282</u>	<u>14,922,686</u>	
Deposits denominated in foreign currency	2,621,129	1,584,239	Article of the Bank of Korea Act, New York State Banking Act, derivatives, etc.
	<u>₩ 21,969,411</u>	<u>16,506,925</u>	

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9. Financial assets at fair value through profit or loss

(a) Financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Debt instruments:		
Governments	₩ 4,248,448	2,873,419
Financial institutions	13,997,922	12,711,074
Corporations	9,356,842	8,541,514
Stocks with put option	583,590	598,858
Equity investment with put option	1,860,195	1,458,933
Beneficiary certificates	12,451,709	10,678,620
Commercial papers	6,369,854	5,160,063
CMA	2,806,485	3,723,401
Others(*)	3,411,647	2,655,260
	<u>55,086,692</u>	<u>48,401,142</u>
Equity instruments:		
Stocks	1,627,020	1,488,743
Equity investment	1,697	-
Others	107,742	109,197
	<u>1,736,459</u>	<u>1,597,940</u>
	<u>56,823,151</u>	<u>49,999,082</u>
Other:		
Loans at fair value	2,016,801	2,154,821
Due from banks at fair value	63,112	897,525
Gold/silver deposits	188,339	111,715
	<u>₩ 2,268,252</u>	<u>3,164,061</u>

(*) As of December 31, 2020 and 2019, restricted reserve for claims of customers' deposits (trusts) are ₩1,907,210 million and ₩ 1,103,050 million, respectively.

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Notes to the Consolidated Financial Statements

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

(b) Financial assets to which overlay approach are applied in accordance with K-IFRS No. 1109 'Financial Instruments' and K-IFRS No. 1104 'Insurance Contracts' as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Due from banks at fair value through profit or loss	₩	63,112	897,525
Securities at fair value through profit or loss		4,865,908	5,139,380
	₩	<u>4,929,020</u>	<u>6,036,905</u>

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

The reclassified amounts between profit or loss and other comprehensive income due to the overlay approach as of and for the years ended December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>			
		<u>Profit or loss</u>		<u>Other comprehensive income(*)</u>	
		<u>By K-IFRS No. 1109</u>	<u>By K-IFRS No. 1039</u>	<u>Amount</u>	<u>Tax effect</u>
Net gain (loss) on valuation of financial assets at fair value through profit or loss	₩	123,808	(21,488)	145,296	(39,140)
Net gain (loss) on disposal of financial assets at fair value through profit or loss		53,806	62,926	(9,120)	4,086
Net gain (loss) on foreign currency conversion of financial assets at fair value through profit or loss		74	-	74	(20)
	₩	<u>177,688</u>	<u>41,438</u>	<u>136,250</u>	<u>(35,074)</u>

(*) The amount of the policyholders equity adjustment for the reclassification of other comprehensive income is ₩(10,878) million.

		<u>December 31, 2019</u>			
		<u>Profit or loss</u>		<u>Other comprehensive income(*)</u>	
		<u>By K-IFRS No. 1109</u>	<u>By K-IFRS No. 1039</u>	<u>Amount</u>	<u>Tax effect</u>
Net gain (loss) on valuation of financial assets at fair value through profit or loss	₩	150,865	(74,586)	225,451	(50,042)
Net gain (loss) on disposal of financial assets at fair value through profit or loss		65,627	43,493	22,134	(4,672)
	₩	<u>216,492</u>	<u>(31,093)</u>	<u>247,585</u>	<u>(54,714)</u>

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10. Derivatives

(a) The notional amounts of derivatives outstanding as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Foreign currency related:		
Over the counter:		
Currency forwards	₩ 117,566,233	137,383,704
Currency swaps	33,562,251	40,826,444
Currency options	2,501,983	2,758,801
	153,630,467	180,968,949
Exchange traded:		
Currency futures	1,102,534	1,045,138
	154,733,001	182,014,087
Interest rates related:		
Over the counter:		
Interest rate swaps	36,205,843	37,801,528
Interest rate options	324,238	286,000
	36,530,081	38,087,528
Exchange traded:		
Interest rate futures	2,465,374	2,455,450
Interest rate swaps(*)	68,475,400	65,868,540
	70,940,774	68,323,990
	107,470,855	106,411,518
Credit related:		
Over the counter:		
Credit swaps	4,536,626	5,404,257
Equity related:		
Over the counter:		
Equity swaps and forwards	2,628,661	4,255,831
Equity options	508,686	864,038
	3,137,347	5,119,869
Exchange traded:		
Equity futures	1,638,126	876,220
Equity options	4,277,882	4,039,226
	5,916,008	4,915,446
	9,053,355	10,035,315
Commodity related:		
Over the counter:		
Commodity swaps and forwards	537,351	758,533
Exchange traded:		
Commodity futures and options	263,460	344,329
	800,811	1,102,862
Hedge:		
Currency forwards	1,281,945	1,869,518
Currency swaps	4,328,333	4,532,114
Interest rate swaps	7,844,392	10,091,632
	13,454,670	16,493,264
	₩ 290,049,318	321,461,303

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

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10. Derivatives (continued)

(b) Fair values of derivative instruments as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
Foreign currency related:				
Over the counter:				
Currency forwards	₩ 3,135,319	3,021,258	1,360,384	1,056,760
Currency swaps	1,145,619	979,022	473,797	519,445
Currency options	33,253	31,871	9,007	9,430
	<u>4,314,191</u>	<u>4,032,151</u>	<u>1,843,188</u>	<u>1,585,635</u>
Exchange traded:				
Currency futures	90	186	-	-
	<u>4,314,281</u>	<u>4,032,337</u>	<u>1,843,188</u>	<u>1,585,635</u>
Interest rates related:				
Over the counter:				
Interest rate swaps	311,403	363,297	260,020	247,723
Interest rate options	2,148	2,217	835	5,626
	<u>313,551</u>	<u>365,514</u>	<u>260,855</u>	<u>253,349</u>
Exchange traded:				
Interest rate futures	900	422	697	595
	<u>314,451</u>	<u>365,936</u>	<u>261,552</u>	<u>253,944</u>
Credit related:				
Over the counter:				
Credit swaps	273,578	29,682	283,015	38,598
Equity related:				
Over the counter:				
Equity swap and forwards	122,034	48,218	144,276	39,422
Equity options	2,750	9,840	4,526	9,402
	<u>124,784</u>	<u>58,058</u>	<u>148,802</u>	<u>48,824</u>
Exchange traded:				
Equity futures	34,816	7,711	4,318	6,417
Equity options	77,973	153,461	28,355	29,741
	<u>112,789</u>	<u>161,172</u>	<u>32,673</u>	<u>36,158</u>
	<u>237,573</u>	<u>219,230</u>	<u>181,475</u>	<u>84,982</u>
Commodity related:				
Over the counter:				
Commodity swaps and forwards	5,949	32,693	14,496	27,745
Exchange traded:				
Commodity futures and options	11,580	186	2,342	10,100
	<u>17,529</u>	<u>32,879</u>	<u>16,838</u>	<u>37,845</u>
Hedge:				
Currency forwards	91,747	10,507	14,380	21,121
Currency swaps	65,256	186,150	74,240	48,396
Interest rate forwards and swaps	319,500	139,846	154,586	232,491
	<u>476,503</u>	<u>336,503</u>	<u>243,206</u>	<u>302,008</u>
₩	<u>5,633,915</u>	<u>5,016,567</u>	<u>2,829,274</u>	<u>2,303,012</u>

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Notes to the Consolidated Financial Statements

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(In millions of won)

10. Derivatives (continued)

(c) Gain or loss on valuation of derivatives for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Foreign currency related:		
Over the counter:		
Currency forwards	₩ (108,854)	174,340
Currency swaps	210,072	(24,827)
Currency options	4,979	4,056
	<u>106,197</u>	<u>153,569</u>
Exchange traded:		
Currency futures	(96)	-
	<u>106,101</u>	<u>153,569</u>
Interest rates related:		
Over the counter:		
Interest rate swaps	(73,926)	(75,349)
Interest rate options	(372)	(1,938)
	<u>(74,298)</u>	<u>(77,287)</u>
Exchange traded:		
Interest rate futures	4,236	1,008
	<u>(70,062)</u>	<u>(76,279)</u>
Credit related:		
Over the counter:		
Credit swaps	7,255	213,754
Equity related:		
Over the counter:		
Equity swap and forwards	(15,979)	46,770
Equity options	(2,082)	(841)
	<u>(18,061)</u>	<u>45,929</u>
Exchange traded:		
Equity futures	26,305	(2,275)
Equity options	196,288	58,721
	<u>222,593</u>	<u>56,446</u>
	<u>204,532</u>	<u>102,375</u>
Commodity related:		
Over the counter:		
Commodity swaps and forwards	(13,519)	3,191
Commodity options	-	29
	<u>(13,519)</u>	<u>3,220</u>
Exchange traded:		
Commodity futures and options	11,374	(7,759)
	<u>(2,145)</u>	<u>(4,539)</u>
Hedge	<u>120,700</u>	<u>332,778</u>
	₩ <u><u>366,381</u></u>	<u><u>721,658</u></u>

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10. Derivatives (continued)

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

i) Gains(losses) on fair value hedged items and hedging instruments attributable to the hedged ineffectiveness for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020		
		Gains (losses) on fair value hedges (hedged items)	Gains (losses) on fair value hedges (hedging instruments)	Hedge ineffectiveness recognized in profit or loss (*2)
Fair value hedges:				
Interest rate swaps(*1)	₩	(228,266)	233,008	4,742
Foreign exchange risk(*1)		(21,336)	12,071	(9,265)
	₩	<u>(249,602)</u>	<u>245,079</u>	<u>(4,523)</u>

		December 31, 2019		
		Gains (losses) on fair value hedges (hedged items)	Gains (losses) on fair value hedges (hedging instruments)	Hedge ineffectiveness recognized in profit or loss (*2)
Fair value hedges:				
Interest rate swaps(*1)	₩	(370,787)	377,121	6,334
Foreign exchange risk(*1)		13,725	(18,786)	(5,061)
	₩	<u>(357,062)</u>	<u>358,335</u>	<u>1,273</u>

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

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

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

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

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(In millions of won)

10. Derivatives (continued)

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

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

		December 31, 2019		
		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)	₩	(11,126)	-	-
Foreign exchange risk(*1)		52,932	(25,709)	(57,870)
Discontinuation of cash flow hedges		(7,986)	-	7,986
Hedge of net investments				
Foreign exchange risk(*1)		(49,463)	(2,327)	-
	₩	(15,643)	(28,036)	(49,884)

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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10. Derivatives (continued)

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

i) Purpose and strategy of risk avoidance

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

ii) Nominal amounts and average hedge ratios for hedging instruments as of December 31, 2020 and 2019 are as follows:

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

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

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

		December 31, 2019						
		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:	₩	750,469	704,985	717,948	1,228,424	575,481	6,114,325	10,091,632
Average hedge ratio:		100%	100%	100%	100%	100%	100%	100%
Exchange risk:								
Nominal values:		3,651,118	1,075,886	1,269,520	968,770	84,275	534,898	7,584,467
Average hedge ratio:		100%	100%	100%	100%	100%	100%	100%

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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10. Derivatives (continued)

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

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

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

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

		December 31, 2019			
		Nominal amount	Carrying value of asset(*)	Carrying value of liabilities(*)	Changes if fair value in the period
Fair value hedges					
	₩	9,371,632	154,586	210,079	314,766
		-	-	248	(1,813)
		261,486	776	1,358	(582)
Cash flow hedge					
		720,000	-	22,412	(11,126)
		4,532,114	74,240	48,148	(29,829)
		1,376,472	11,854	19,763	(4,426)
Hedge of net investments in foreign operations					
		231,560	1,750	-	(4,036)
		1,182,835	-	1,177,897	(47,755)

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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10. Derivatives (continued)

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

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

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

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

		December 31, 2019						
		Carrying value of asset(*)	Carrying value of liabilities(*)	Assets of Cumulative fair value hedge adjustment	Liabilities of Cumulative fair value hedge adjustment	Changes if fair value in the year	Cash flow hedge reserve	Foreign currency conversion reserves
Fair value hedges								
Interest rate risk								
Borrowings and etc	₩	432,172	8,859,022	4,846	(56,292)	(308,463)	-	-
Foreign exchange risk								
Securities in foreign currency		306,638	-	-	-	1,671	-	-
Cash flow hedge								
Interest rate risk								
Debentures in won and debentures in foreign currency		645,723	1,740,000	-	-	(11,126)	80,674	-
Foreign exchange risk								
Debentures in foreign currency and loans in foreign currency		4,116,068	3,035,423	-	-	115,867	(11,188)	-
Hedge of net investments in foreign operations								
Foreign exchange risk								
Net assets in foreign business establishment		-	-	-	-	(49,463)	-	(88,953)

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

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10. Derivatives (continued)

(f) Hedge relationships affected by an interest rate index

The revised Standard requires exceptions to the analysis of future information in relation to the application of hedge accounting, while uncertainty exists due to movements of the interest rate indicator reform. The exception assumes that when assessing whether the expected cash flows that comply with existing interest rate indicators are highly probable, whether there is an economic relationship between the hedged item and the hedging instrument, and whether there is a high hedge effectiveness between the hedged item and the hedging instrument, the interest rate indicators that are based on the hedged item do not change due to the effect of the interest rate index reform. The nominal amount of the hedging instrument related to the interest rate index exposed to the hedging relationship due to the Group's reform of the interest rate index as of December 31, 2020 is as follows:

Interest rate index	Nominal amount of hedge	Carrying amount of non- derivative financial assets	Carrying amount of non-derivative financial liabilities(*2)
KRW 3M CD (*1)	-	3,329,556	3,440,000
USD 1M LIBOR	-	1,537,051	1,540,608
USD 3M LIBOR (*1)	357,072	3,438,080	3,790,651
EUR 1M LIBOR	-	264,074	264,450
EUR 3M LIBOR	-	267,648	267,648

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

(*2) Include the nominal amount that will mature before the end of 2022, the transition point of LIBOR.

From 2022, the USD LIBOR interest rate will be replaced by a Secured Overnight Financing Rate (SOFR) based on actual transactions, and the EUR LIBOR interest rate will be replaced by the next day's unsecured rate, Euro Short-Term Rate (ESTER). The Risk-Free Reference rate (RFR) is under development, and the RFR rate will be unveiled during the first half of 2021 in South Korea. The Group has assumed that in this hedging relationship, the spread changed on the basis of SOFR, ESTER and RFR in 2022 would be similar to the spread included in the interest rate swap and interest rate forward used as the hedging instrument. The Group does not assume any changes in other conditions. The Group is working on a project to convert contracts that refer to existing interest rate indicators into alternative indicators with the aim of minimizing business disruptions, mitigating operational risks and reducing possible financial losses.

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

(a) Details of securities at FVOCI and securities at amortized cost as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities at FVOCI:		
Debt securities:		
Government bonds	₩ 19,370,393	17,597,910
Financial institutions bonds	20,053,716	21,527,242
Corporate bonds and others	17,985,324	19,447,942
	<u>57,409,433</u>	<u>58,573,094</u>
Equity securities(*):		
Stocks	777,901	728,311
Equity investments	4,445	5,356
Others	124,333	74,292
	<u>906,679</u>	<u>807,959</u>
	<u>58,316,112</u>	<u>59,381,053</u>
Securities at amortized cost:		
Debt securities:		
Government bonds	31,816,320	30,385,084
Financial institutions bonds	3,835,577	4,770,204
Corporate bonds and others	11,630,726	10,426,777
	<u>47,282,623</u>	<u>45,582,065</u>
	<u>₩ 105,598,735</u>	<u>104,963,118</u>

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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

(b) Changes in carrying value of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020					
		Securities at fair value through other comprehensive income			Securities at amortized cost		
		12-month expected credit loss	Life time expected credit loss	Total	12-month expected credit loss	Life time expected credit loss	Total
Beginning allowance	₩	58,334,000	239,094	58,573,094	45,568,563	23,272	45,591,835
Transfer to 12-month expected credit loss		30,233	(30,233)	-	-	-	-
Transfer to life time expected credit loss		(83,132)	83,132	-	-	-	-
Transfer to impaired financial asset		-	-	-	-	-	-
Purchase		52,637,678	19,675	52,657,353	7,645,000	-	7,645,000
Disposal		(34,969,744)	(21,247)	(34,990,991)	-	-	-
Repayment		(17,610,988)	(12)	(17,611,000)	(5,900,311)	(23,272)	(5,923,583)
Others (*)		(1,195,749)	(23,274)	(1,219,023)	(20,143)	-	(20,143)
Ending balance	₩	<u>57,142,298</u>	<u>267,135</u>	<u>57,409,433</u>	<u>47,293,109</u>	<u>-</u>	<u>47,293,109</u>

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

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

(b) Changes in carrying value of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows (continued):

		December 31, 2019					
		Securities at fair value through other comprehensive income			Securities at amortized cost		
		12-month expected credit loss	Life time expected credit loss	Total	12-month expected credit loss	Life time expected credit loss	Total
Beginning allowance	₩	37,571,814	105,831	37,677,645	28,464,921	22,475	28,487,396
Transfer to 12-month expected credit loss		34,555	(34,555)	-	20,198	(20,198)	-
Transfer to life time expected credit loss		(64,928)	64,928	-	-	-	-
Transfer to impaired financial asset		-	-	-	-	-	-
Purchase		46,847,222	61,410	46,908,632	12,209,898	-	12,209,898
Disposal		(16,109,006)	(10,222)	(16,119,228)	-	-	-
Repayment		(21,129,182)	-	(21,129,182)	(6,722,560)	-	(6,722,560)
Others (*)		230,733	51,702	282,435	322,107	20,995	343,102
Business combination		10,952,792	-	10,952,792	11,273,999	-	11,273,999
Ending balance	₩	58,334,000	239,094	58,573,094	45,568,563	23,272	45,591,835

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

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

(c) Changes in allowance for credit loss of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020					
		Securities at fair value through other comprehensive income			Securities at amortized cost		
		12 months expected credit loss	Life time expected credit loss	Total	12 months expected credit loss	Life time expected credit loss	Total
Beginning allowance	₩	27,581	655	28,236	9,759	11	9,770
Transfer to 12 months expected credit loss		22	(22)	-	-	-	-
Transfer to life time expected credit loss		(193)	193	-	-	-	-
Transfer to impaired financial asset		-	-	-	-	-	-
Provision (reversal)		3,480	349	3,829	1,086	(11)	1,075
Disposal		(9,019)	(487)	(9,506)	-	-	-
Others (*)		622	(10)	612	(359)	-	(359)
Ending balance	₩	<u>22,493</u>	<u>678</u>	<u>23,171</u>	<u>10,486</u>	<u>-</u>	<u>10,486</u>

(*) Included the effects from changes in foreign exchange rate, debt restructuring, debt-equity swap.

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Notes to the Consolidated Financial Statements

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(In millions of won)

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

(c) Changes in allowance for credit loss of debt securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2019					
		Securities at fair value through other comprehensive income			Securities at amortized cost		
		12 months expected credit loss	Life time expected credit loss	Total	12 months expected credit loss	Life time expected credit loss	Total
Beginning allowance	₩	25,722	362	26,084	9,243	17	9,260
Transfer to 12 months expected credit loss		33	(33)	-	4,301	(4,301)	-
Transfer to life time expected credit loss		(60)	60	-	-	-	-
Transfer to impaired financial asset		-	-	-	-	-	-
Provision (reversal)		8,403	(2,616)	5,787	(3,752)	4,295	543
Disposal		(5,340)	(258)	(5,598)	-	-	-
Others (*)		(1,177)	3,140	1,963	(33)	-	(33)
Ending balance	₩	27,581	655	28,236	9,759	11	9,770

(*) Included the effects from changes in foreign exchange rate, debt restructuring, debt-equity swap.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

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

(d) Gain or loss on disposal of securities at fair value through other comprehensive income and securities at amortized cost for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Gain on disposal of securities at FVOCI	₩ 301,920	159,883
Loss on disposal of securities at FVOCI	(28,127)	(7,605)
Gain on disposal of securities at amortized cost (*)	42	86
Loss on disposal of securities at amortized cost (*)	(67)	(20)
	₩ <u>273,768</u>	<u>152,344</u>

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

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

i) The Group recognizes dividends, amounting to ₩21,503 million and ₩16,586 million, related to equity securities at fair value through other comprehensive income for the years ended December 31, 2020 and 2019, respectively.

ii) The details of disposal of equity securities at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Fair value at the date of disposal	₩ 69,969	45,074
Cumulative net gain at the time of disposal	(38,380)	(10,843)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets

(a) Loans at amortized cost as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Household loans	₩ 146,789,916	134,423,473
Corporate loans	179,011,251	161,029,877
Public and other loans	3,734,629	3,311,735
Loans to banks	5,492,400	2,633,532
Credit card receivables	23,759,422	24,024,491
	<u>358,787,618</u>	<u>325,423,108</u>
Discount	(21,948)	(27,824)
Deferred loan origination costs	516,815	534,530
	<u>359,282,485</u>	<u>325,929,814</u>
Less: Allowance for credit loss	(3,060,966)	(2,684,835)
	<u>₩ 356,221,519</u>	<u>323,244,979</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(b) Changes in carrying value of loans at amortized cost and other assets as of December 31, 2020 and 2019 are as follows:

i) Loans at amortized cost

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(b) Changes in carrying value of loans at amortized cost and other assets as of December 31, 2020 and 2019 are as follows (continued):

ii) *Other financial assets*

	December 31, 2020			
	12 month expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩ 43,245,002	106,517	45,965	43,397,484
Transfer (from) to 12 month expected credit losses	15,157	(15,123)	(34)	-
Transfer (from) to lifetime expected credit losses	(25,839)	25,848	(9)	-
Transfer (from) to credit- impaired financial assets	(1,628)	(7,342)	8,970	-
Net increase and decrease(*2)	8,633,124	(10,001)	30,490	8,653,613
Charge off	-	-	(26,814)	(26,814)
Disposal	-	-	(910)	(910)
Business combination(Note 47)	15,982	-	-	15,982
Ending balance	₩ 51,881,798	99,899	57,658	52,039,355

(*1) The amortized cost includes the gross carrying amount of deposits and other assets.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(b) Changes in carrying value of loans at amortized cost and other assets as of December 31, 2020 and 2019 are as follows (continued):

i) *Loans at amortized cost (continued)*

		December 31, 2019												Total
		Retail			Corporate			Credit card			Others			
		12 months expected credit loss	Life time expected credit loss	Impaired financial asset	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	
Beginning balance	₩	114,279,870	6,820,058	348,722	129,468,766	21,782,590	919,381	18,155,156	3,830,509	413,175	5,695,187	605,440	15,686	302,334,540
Transfer (from) to 12 months expected credit losses		2,619,036	(2,614,416)	(4,620)	4,093,725	(4,088,373)	(5,352)	320,288	(320,129)	(159)	37,430	(37,430)	-	-
Transfer (from) to lifetime expected credit losses		(5,385,659)	5,406,091	(20,432)	(16,484,206)	16,597,346	(113,140)	(603,069)	603,280	(211)	(210,161)	210,333	(172)	-
Transfer (from) to credit-impaired financial assets		(627,950)	(43,168)	671,118	(1,088,270)	(76,177)	1,164,447	(36,483)	(22,473)	58,956	(39,844)	-	39,844	-
Net increase and decrease(*1)		13,234,263	(1,700,287)	(222,961)	19,326,283	(9,567,098)	(443,468)	1,583,714	33,389	305,336	(315,219)	(148,875)	(11,979)	22,073,098
Charge off		-	-	(257,742)	-	-	(259,400)	-	-	(332,862)	-	-	(8,718)	(858,722)
Disposal		-	(5,122)	(108,624)	(117,453)	(3,806)	(283,747)	-	-	-	-	-	(18,398)	(537,150)
Business combination		2,466,991	7,752	10,431	392,828	17,180	22,866	-	-	-	-	-	-	2,918,048
Ending balance	₩	126,586,551	7,870,908	415,892	135,591,673	24,661,662	1,001,587	19,419,606	4,124,576	444,235	5,167,393	629,468	16,263	325,929,814

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

(*2) The amount of uncollected loans currently in recovery (principal and interest) is ₩10,155,562 million, which is written off as of December 31, 2019.

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(b) Changes in carrying value of loans at amortized cost and other assets as of December 31, 2020 and 2019 are as follows (continued):

ii) *Other financial assets (continued)*

	December 31, 2019			
	12 month expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩ 31,508,694	99,461	32,003	31,640,158
Transfer (from) to 12 month expected credit losses	12,685	(12,675)	(10)	-
Transfer (from) to lifetime expected credit losses	(253,546)	253,575	(29)	-
Transfer (from) to credit- impaired financial assets	(3,124)	(5,324)	8,448	-
Net increase and decrease(*2)	10,746,289	(230,014)	25,245	10,541,520
Charge off	-	-	(29,456)	(29,456)
Disposal (*3)	(182,212)	(3)	(1,062)	(183,277)
Others	261,019	42	-	261,061
Business combination	1,416,216	1,497	10,826	1,428,539
Ending balance	₩ 43,245,002	106,517	45,965	43,397,484

(*1) The amortized cost includes the gross carrying amount of deposits and other assets.

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

(*3) Included the disposal amount of financial instruments for the purpose of collecting loans for credit concentration risk management of non-current assets, which recognized gains of ₩13,317 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2020 and 2019 are as follows:

i) Loans at amortized cost

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2020 and 2019 are as follows (continued):

ii) Other financial assets

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

(*1) The amortized cost includes the gross carrying amount of deposits and other assets.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2020 and 2019 are as follows (continued):

i) *Loans at amortized cost*

		December 31, 2019												
		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	₩	115,295	88,360	156,459	434,793	581,915	519,683	170,242	351,765	280,098	10,670	5,882	9,906	2,725,068
Transfer (from) to 12 months expected credit losses		18,079	(17,592)	(487)	50,720	(48,295)	(2,425)	55,815	(55,712)	(103)	757	(757)	-	-
Transfer (from) to lifetime expected credit losses		(9,411)	17,342	(7,931)	(35,790)	118,605	(82,815)	(20,607)	20,756	(149)	(159)	289	(130)	-
Transfer (from) to credit- impaired financial assets		(942)	(3,739)	4,681	(565)	(13,332)	13,897	(1,250)	(3,916)	5,166	-	-	-	-
Provision (reversal)		(7,751)	19,130	214,260	(43,230)	(31,265)	277,436	57,062	280,047	147,332	(4,067)	1,907	37	910,898
Charge off		-	-	(257,742)	-	-	(259,400)	-	-	(332,862)	-	-	(8,718)	(858,722)
Amortization of discount		-	-	(274)	-	-	(19,396)	-	-	(5,541)	-	-	-	(25,211)
Disposal		-	(241)	(21,561)	(6)	(245)	(30,436)	-	-	-	-	-	(820)	(53,309)
Collection		-	-	70,319	-	-	62,973	-	-	190,738	-	-	1,876	325,906
Others (*)		2,484	(15,353)	4,522	13,810	(76,711)	(27,910)	(87,378)	(227,692)	30,171	300	160	-	(383,597)
Business combination (Note 47)		15,658	3,118	6,792	20	614	17,600	-	-	-	-	-	-	43,802
Ending balance	₩	133,412	91,025	169,038	419,752	531,286	469,207	173,884	365,248	314,850	7,501	7,481	2,151	2,684,835

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

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

12. Loans at amortized cost and other assets (continued)

(c) Changes in allowance for credit loss of loans at amortized cost and other financial assets as of December 31, 2020 and 2019 are as follows (continued):

ii) *Other financial assets*

	December 31, 2019			
	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	Total
Beginning balance	₩ 39,927	6,930	24,764	71,621
Transfer (from) to 12 months expected credit losses	458	(453)	(5)	-
Transfer (from) to lifetime expected credit losses	(231)	244	(13)	-
Transfer (from) to credit- impaired financial assets	(172)	(2,310)	2,482	-
Provision	2,822	2,667	28,456	33,945
Charge off	-	-	(29,456)	(29,456)
Collection	-	-	1,873	1,873
Others (*2)	(9,738)	9	435	(9,294)
Business combination	921	185	9,054	10,160
Ending balance	₩ 33,987	7,272	37,590	78,849

(*1) The amortized cost includes the gross carrying amount of deposits and other assets.

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

(d) Changes in deferred loan origination costs for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Beginning balance	₩ 534,530	497,368
Loan origination	257,034	232,943
Amortization	(274,749)	(208,998)
Business combination	-	13,217
Ending balance	₩ 516,815	534,530

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

13. Property and equipment

(a) Details of property and equipment as of December 31, 2020 and 2019 are as follows:

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

		December 31, 2019		
		<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Carrying value</u>
Land	₩	1,815,112	-	1,815,112
Buildings		1,167,514	(377,065)	790,449
Right-of-use assets		1,357,206	(244,410)	1,112,796
Others		2,130,805	(1,765,834)	364,971
	₩	<u>6,470,637</u>	<u>(2,387,309)</u>	<u>4,083,328</u>

(b) Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

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

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

(*2) Included buildings, and land.

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

13. Property and equipment (continued)

(b) Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019				
	Land	Buildings	Right-of-use assets	Others	Total
Beginning balance	₩ 1,827,711	852,569	583,576	313,853	3,577,709
Acquisition(*1)	69,045	16,946	805,783	184,630	1,076,404
Disposal(*1)	(249)	(1,719)	(12,595)	(29,081)	(43,644)
Depreciation	-	(55,450)	(298,538)	(125,669)	(479,657)
Amounts transferred from(to) investment property	(81,311)	(23,262)	-	-	(104,573)
Amounts transferred from(to) intangible assets	-	-	-	271	271
Amounts transferred from(to) non-current assets held for sale(*2)	(410)	(45)	-	-	(455)
Effects of foreign currency movements	326	1,410	2,981	9,314	14,031
Business combination	-	-	31,589	11,653	43,242
Ending balance	₩ 1,815,112	790,449	1,112,796	364,971	4,083,328

(*1) ₩76,004 million transferred from assets-under-construction is included.

(*2) Included buildings, and land.

(c) Insured assets and liability insurance as of December 31, 2020 are as follows:

Type of insurance	Insured assets and objects	December 31, 2020	
		Amount covered	Insurance company
Comprehensive insurance for financial institutions	Cash(including ATM)	25,200	Samsung Fire & Marine Insurance Co., Ltd., etc.
Comprehensive Property insurance	Property Total Risk, Machine Risk, General Liability Liability Collateral	1,510,644	Samsung Fire & Marine Insurance Co., Ltd., etc.
Fire insurance	Business property and real estate	24,235	Meritz Fire & Marine Insurance Co., Ltd., etc.
Compensation liability insurance for officers	Officer liability	110,000	Meritz Fire & Marine Insurance Co., Ltd., etc.
Compensation liability insurance for employee accident	Executives	71,287	Meritz Fire & Marine Insurance Co., Ltd., etc.
Burglary insurance	Cash and securities	80,165	Samsung Fire & Marine Insurance Co., Ltd., etc.
Others	Personal information liability insurance etc.	32,549	Samsung Fire & Marine Insurance Co., Ltd., etc.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

14. Intangible assets

(a) Details of intangible assets as of December 31, 2020 and 2019 are as follows:

		December 31, 2020	December 31, 2019
Goodwill	₩	4,689,792	4,690,049
Software		144,535	129,235
Development cost		183,592	144,100
Others		462,700	595,330
	₩	<u>5,480,619</u>	<u>5,558,714</u>

(b) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

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

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

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

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

14. Intangible assets

(b) Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019					Total
	Goodwill	Software	Development cost	Others		
Beginning balance	₩ 3,903,518	102,393	82,536	231,687		4,320,134
Acquisition	-	56,834	71,713	675,070		803,617
Business combination (Note 47)	786,531	9,469	30,435	44,850		871,285
Disposal	-	(428)	(1,310)	(16,476)		(18,214)
Amounts transferred from(to) property and equipment	-	697	(968)	-		(271)
Impairment(*1)(*2)	-	-	(474)	(151,169)		(151,643)
Amortization(*3)	-	(40,578)	(37,832)	(189,533)		(267,943)
Effects of foreign currency movements	-	848	-	901		1,749
Ending balance	₩ <u>4,690,049</u>	<u>129,235</u>	<u>144,100</u>	<u>595,330</u>		<u>5,558,714</u>

(*1) The Group reviewed the recoverable value of intangible assets related to the rights to be the depository bank of local governments due to the performance below forecast and future prospects. For the year ended December 31, 2019, the impairment loss amounted to ₩151,523 million. The impairment loss is included in the non-operating expenses in the consolidated statement of comprehensive income.

(*2) Memberships were impaired. Memberships such as golf and condominium memberships are intangible assets that cannot be limited to a specific period of time. If the market value of the exchanges is less than the carrying amount as of December 31, 2019, the impairment loss is recognized.

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

14. Intangible asset (continued)

(c) Goodwill

i) Goodwill allocated in the Group's CGUs as of December 31, 2020 and 2019

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Banking	₩ 795,823	810,058
Credit card	2,880,383	2,880,383
Securities	7,904	7,904
Life insurance (Shinhan Life Insurance)	275,371	275,371
Life insurance (Orange Life Insurance Co., Ltd.)	564,576	564,576
Others	165,735	151,757
	<u>₩ 4,689,792</u>	<u>4,690,049</u>

ii) Changes in goodwill for the years ended December 31, 2020 and 2019

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance	₩ 4,690,049	3,903,518
Acquisitions through business combinations (*1)(*2)	13,978	786,531
Impairment losses	(14,235)	-
Ending balance	<u>₩ 4,689,792</u>	<u>4,690,049</u>

(*1) It is the goodwill recognized by the Group as it newly acquired the Neoflux Co., Ltd. (Note 47)

(*2) It is the goodwill recognized by the Group as it newly acquired the Orange Life Insurance Co., Ltd. ("Orange Life"), Asia Trust Co., and the Shinhan Card's acquisition of the new business for the year ended December 31, 2019.

iii) Goodwill impairment test

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

- Explanation on evaluation method

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

- Projection period

When evaluating the value in use, 5.5 years of cash flow estimates are used in projection and the value thereafter is reflected as terminal value. 30 years and 60 years of cash flow estimates for Shinhan Life and Orange Life, respectively are applied and the present value of the future cash flows thereafter is not applied as it is not significant.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

14. Intangible assets, net (continued)

- Discount rates and terminal growth rates

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

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

	<u>Discount rate(%)</u>	<u>Terminal growth rate(%)</u>
Banking	9.3 ~ 13.1	1.0 ~ 2.0
Credit card	8.4 ~ 12.9	1.0 ~ 2.0
Securities	12.3 ~ 13.0	2.0
Life insurance (Shinhan Life Insurance)	7.0	-
Life insurance (Orange Life Insurance Co., Ltd.)	7.0	-
Others	10.9 ~ 13.5	1.0

iv) *Key assumptions*

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
CPI growth(%)	0.4	1.2	1.8	1.7	1.7	1.7
Private consumption growth(%)	(3.2)	2.6	2.8	2.6	2.4	2.4
Real GDP growth(%)	(1.8)	2.6	2.9	2.7	2.7	2.7

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

	<u>Key assumptions</u>
Rate of return on investment(%)	2.40 ~ 2.80
Risk-based capital ratio(%)	150.00

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

	<u>Amount</u>
Total recoverable amount	₩ 49,034,706
Total carrying value(*1)	43,690,747
	<u>₩ 5,343,959</u>

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

(*2) The goodwill that the fair value assessment of the intangible asset identification and identification assets for allocation of the consideration for Neoplux Co., Ltd. is excluded because the valuations are not completed(Note 47).

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

15. Investments in associates

(a) Investments in associates as of December 31, 2020 and 2019 are as follows:

Investees	Country	Reporting date	Ownership (%)	
			December 31, 2020	December 31, 2019
BNP Paribas Cardif Life Insurance (*1)(*2)	Korea	September 30	14.99	14.99
Songrim Partners (*1)(*3)	Korea	December 31	35.34	35.34
Neoplux Technology Valuation Investment Fund (*11)	Korea	-	-	33.33
Partners 4th Growth Investment Fund (*1)	Korea	September 30	25.00	25.00
KTB Newlake Global Healthcare PEF (*1)	Korea	September 30	30.00	30.00
Daekwang Semiconductor Co., Ltd. (*1)(*3)	Korea	September 30	20.94	20.94
Shinhan-Neoplux Energy Newbiz Fund	Korea	December 31	31.66	23.33
Shinhan-Albatross tech investment Fund(*4)	Korea	December 31	49.97	50.00
Plutus-SG Private Equity Fund(*6)	Korea	-	-	26.67
Eum Private Equity Fund No.3	Korea	December 31	20.76	20.76
KTB Confidence Private Placement(*6)	Korea	-	-	31.43
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	Korea	December 31	23.89	23.89
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	Korea	December 31	20.16	20.16
VOGO Debt Strategy Qualified INV Private	Korea	December 31	20.00	20.00
Shinhan-Midas Donga Secondary Fund(*5)	Korea	December 31	50.00	50.00
ShinHan – Soo Young Entrepreneur Investment Fund No.1	Korea	December 31	24.00	24.00
Synergy-Shinhan Mezzanine New Technology Investment Fund(*6)	Korea	-	-	47.62
Shinhan Praxis K-Growth Global Private Equity Fund(*8)	Korea	December 31	18.87	18.87
Credian Healthcare Private Equity Fund II	Korea	December 31	34.07	34.07
Kiwoom Milestone Professional Private Real Estate Trust 19	Korea	December 31	50.00	50.00
AIP EURO Green Private Real Estate Trust No.3	Korea	December 31	21.28	21.28
Hanhwa US Equity Strategy Private Real Estate Fund No.1	Korea	December 31	44.84	44.84
Shinhan Global Healthcare Fund 1(*8)	Korea	December 31	4.41	4.41
JB Power TL Investment Type Private Placement Special Asset Fund 7	Korea	December 31	33.33	33.33
IBK AONE convertible 1(*6)	Korea	-	-	47.25
Rico synergy collabo Multi-Mezzanine 3(*6)	Korea	-	-	50.03
KB NA Hickory Private Special Asset Fund	Korea	December 31	37.50	37.50
Koramco Europe Core Private Placement Real Estate Fund No.2-2	Korea	December 31	44.02	44.02
BNP Paribas Cardif General Insurance(*1)(*2)	Korea	September 30	7.46	10.00
Axis Global Growth New Technology Investment Association(*6)	Korea	-	-	31.85
Hermes Private Investment Equity Fund	Korea	December 31	29.17	29.17
SHC ULMUS Fund No.1(*6)	Korea	-	-	29.41
Shinhan-Nvestor Liquidity Solution Fund	Korea	December 31	24.92	24.92
Shinhan AIM FoF Fund 1a	Korea	December 31	25.00	25.00
IGIS Global Credit Fund 150-1	Korea	December 31	25.00	25.00
GX Shinhan Intervest 1st Private Equity Fund(*6)	Korea	-	-	25.27
Soo Commerce Platform Growth Fund	Korea	December 31	24.62	24.62
Partner One Value up I Private Equity Fund	Korea	December 31	27.91	27.91
Genesis No.1 Private Equity Fund	Korea	December 31	22.80	22.80
GMB ICT New Technology Investment Fund(*6)	Korea	-	-	26.75

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	Country	Reporting date	Ownership (%)	
			December 31, 2020	December 31, 2019
Korea Omega Project Fund III	Korea	December 31	23.53	23.53
Soo Delivery Platform Growth Fund	Korea	December 31	30.00	30.00
Genesis North America Power Company No.1 PEF	Korea	December 31	39.96	39.92
Hyungje art printing(*1)(*3)	Korea	December 31	31.54	31.54
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	Korea	December 31	23.33	23.33
Shinhan-Rhinos 1 Fund	Korea	December 31	22.48	22.48
Pacific Private Investment Trust No.20	Korea	December 31	21.74	21.74
Susung Mezzanine project P1 Private Investment Trust	Korea	December 31	41.31	41.18
Korea Finance Security(*1)(*8)	Korea	September 30	14.91	14.91
Multimedia Tech Co.Ltd(*1)(*3)	Korea	December 31	21.06	21.06
MIEL CO.,LTD(*1)(*3)	Korea	December 31	28.77	28.77
AIP Transportation Specialized Privately Placed Fund Trust #1	Korea	December 31	35.73	35.73
DB Epic Convertiblebond Private Trust No.2(*7)(*9)	Korea	December 31	50.98	50.00
PCC S/W 2nd Fund(*6)	Korea	-	-	29.56
E&Healthcare Investment Fund No.6	Korea	December 31	21.05	20.37
One Shinhan Global Fund1(*4)(*8)	Korea	December 31	19.96	19.98
Kiwoom-Shinhan Innovation Fund I(*5)	Korea	December 31	50.00	50.00
Daishin-K&T New Technology Investment Fund	Korea	December 31	31.25	31.25
Midas Asset Global CRE Debt Private Fund No.6	Korea	December 31	41.16	20.05
Richmond Private Investment Trust No.82(*7)	Korea	December 31	60.00	60.00
Tiger Alternative Real Estate Professional Private5	Korea	December 31	48.71	48.71
Samchully Midstream Private Placement Special Asset Fund 5-4	Korea	December 31	42.92	42.92
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	Korea	December 31	20.00	20.00
AUCTUS FITRIN Corporate Recovery Private Equity Fund(*6)	Korea	-	-	21.43
NH-Amundi Global Infrastructure Trust 14	Korea	December 31	30.00	30.00
Pacific Private Real Estate Fund Investment Trust No.30(*6)	Korea	-	-	37.50
Jarvis Memorial Private Investment Trust 1(*7)	Korea	December 31	99.01	99.01
Mastern Private Private Investment Trust 68(*7)	Korea	December 31	53.76	53.76
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37(*7)	Korea	December 31	60.00	60.00
Milestone Private Real Estate Fund 3 (Derivative Type)	Korea	December 31	32.06	32.06
IGIS Private Real Estate Investment Trust 286	Korea	December 31	41.44	41.56
Nomura-Rifa Private Real Estate Investment Trust 31	Korea	December 31	31.31	31.31
Lime Pricing Private Equity Fund(*6)	Korea	-	-	25.85
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	Korea	December 31	21.27	21.27
DS Solid.II Hedge Fund(*6)	Korea	-	-	27.41
Hana Semiconductor New Technology Fund	Korea	December 31	24.30	24.30
J&Magnet Startup Venture Specialized Private Equity Fund	Korea	December 31	24.39	24.39
Cape IT Fund No.3	Korea	December 31	32.89	32.89
FuturePlay-Shinhan TechInnovation Fund 1(*5)	Korea	December 31	50.00	50.00
Stonebridge Corporate 1st Fund	Korea	December 31	44.12	44.12

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	Country	Reporting date	Ownership (%)	
			December 31, 2020	December 31, 2019
Vogo Realty Partners Private Real Estate Fund V	Korea	December 31	21.64	21.64
IL GU FARM CO.,LTD(*6)	Korea	-	-	28.47
Korea Credit Bureau(*1)(*8)	Korea	September 30	9.00	9.00
Goduck Gangil PFV Co., Ltd(*1)(*8)	Korea	September 30	1.04	1.04
SBC PFV Co., Ltd(*1)(*10)	Korea	September 30	25.00	25.00
Sprott Global Renewable Private Equity Fund II(*6)	Korea	-	-	23.10
NH-amundi global infra private fund 16	Korea	December 31	50.00	50.00
IMM Global Private Equity Fund	Korea	December 31	33.00	31.85
HANA Alternative Estate Professional Private122(*7)	Korea	December 31	75.19	75.19
Hanwha-Incus Plus New Technology Fund No.1	Korea	December 31	42.64	42.64
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond]	Korea	December 31	45.96	45.96
SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust(*12)	Korea	December 31	72.39	57.50
PSA EMP Private Equity Fund	Korea	December 31	28.99	28.99
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24(*7)	Korea	December 31	52.28	52.28
SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF)(*6)	Korea	-	-	25.70
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF)(*6)	Korea	-	-	25.42
BRAIN DO PROFESSIONALE PRIVATE No. 27	Korea	December 31	29.13	29.13
VISION US Muni US Local Debt Opportunities Professional Private1(*11)	Korea	-	-	25.00
UI Venture Fund 7th(*5)	Korea	December 31	24.39	-
Sparklabs-Shinhan Opportunity Fund 1(*5)	Korea	December 31	49.50	-
BNW Tech-Innovation Private Equity Fund(*5)	Korea	December 31	29.85	-
IGIS Real-estate Private Investment Trust No.33	Korea	December 31	40.86	-
Findvalue PreIPO 6th Professional Investment Type Private Investment Trust	Korea	December 31	31.58	-
WWG Global Real Estate Investment Trust no.4	Korea	December 31	29.55	-
Fidelis Global Private Real Estate Trust No.2(*7)	Korea	December 31	78.26	-
IGIS PRIVATE REAL ESTATE TRUST NO.331	Korea	December 31	30.77	-
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	Korea	December 31	28.70	-
Pebblestone CGV Private Real Estate Trust No.1	Korea	December 31	48.53	-
Shinhan AIM Real Estate Fund No.2	Korea	December 31	30.00	-
Shinhan AIM Real Estate Fund No.1	Korea	December 31	21.01	-
SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business]	Korea	December 31	22.02	-
SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business]	Korea	December 31	29.19	-
SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2(USD)(*7)	Korea	December 31	71.43	-
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative]	Korea	December 31	30.00	-
Korea Omega-Shinhan Project Fund I(*5)	Korea	December 31	50.00	-
New Green Shinhan Mezzanine Fund(*5)	Korea	December 31	39.22	-
KORAMKO-Daum Professional Private Investment Trust No.12	Korea	December 31	33.33	-
Samsung SRA Real Estate Professional Private 45[FoFs]	Korea	December 31	25.00	-
IBK Global New Renewable Energy Special Asset Professional Private2	Korea	December 31	28.98	-

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	Country	Reporting date	Ownership (%)	
			December 31, 2020	December 31, 2019
VS Cornerstone Fund	Korea	December 31	41.18	-
Aone Mezzanine Opportunity Professional Private (*7)	Korea	December 31	66.12	-
Kiwoom Unicorn 3 New Technology Business Investment Fund	Korea	December 31	21.28	-
Multi Asset The United States Thortons Professional Private 1	Korea	December 31	25.00	-
Kiwoom Milestone US Real Estate Professional Private 20(*7)	Korea	December 31	75.27	-
NH-Amundi US Infrastructure Private Fund 2	Korea	December 31	25.91	-
KB Distribution Private Real Estate 1(*7)	Korea	December 31	62.00	-
SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust [Infra business]	Korea	December 31	28.93	-
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 [Loan-Derivative]	Korea	December 31	30.00	-
Kakao-Shinhan 1st TNYT Fund(*5)	Korea	December 31	48.62	-
IMM Special Situation 1-2 PRIVATE EQUITY FUND(*5)	Korea	December 31	20.02	-
Pacific Private Placement Real Estate Fund No.40	Korea	December 31	24.73	-
Mastern Private Real Estate Loan Fund No.2	Korea	December 31	33.57	-
LB Scotland Amazon Fulfillment Center Fund 29(*7)	Korea	December 31	70.14	-
JR AMC Hungary Budapest Office Fund 16	Korea	December 31	32.57	-
IGIS 372 Real Estate Professional Private	Korea	December 31	28.39	-
KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund(*4)	Korea	December 31	19.00	-
Future-Creation Neoplux Venture Capital Fund(*4)	Korea	December 31	16.25	-
Gyeonggi-Neoplux Superman Fund(*4)	Korea	December 31	21.76	-
NewWave 6th Fund(*4)	Korea	December 31	30.00	-
Neoplux No.3 Private Equity Fund(*4)	Korea	December 31	10.00	-
PCC Amberstone Private Equity Fund I	Korea	December 31	21.67	-
KIAMCO POWERLOAN TRUST 4TH	Korea	December 31	47.37	-
Mastern Opportunity Seeking Real Estate Fund II	Korea	December 31	20.00	-
AION ELFIS PROFESSIONAL PRIVATE 1	Korea	December 31	20.00	-
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	Korea	December 31	29.68	-
Neoplux Market-Frontier Secondary Fund(*4)	Korea	December 31	19.74	-
Synergy Green New Deal 1st New Technology Business Investment Fund	Korea	December 31	28.17	-
KAIM Real-estate Private Investment Trust 20	Korea	December 31	38.46	-
KIAMCO Vietnam Solar Special Asset Private Investment Trust	Korea	December 31	50.00	-
CSQUARE SNIPER PROFESSIONAL PRIVATE 10(*7)	Korea	December 31	62.50	-
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1(*7)	Korea	December 31	97.85	-
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2(*7)	Korea	December 31	97.85	-
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	Korea	December 31	25.00	-
IGIS Professional Investors Private Investment Real Estate Investment LLC No.395(*7)	Korea	December 31	58.82	-
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	Korea	December 31	30.00	-
Eum Private Equity Fund No.7	Korea	December 31	21.00	-
Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund	Korea	December 31	25.00	-
Kiwoom Hero No.4 Private Equity Fund	Korea	December 31	21.05	-
Vogo Canister Professional Trust Private Fund I	Korea	December 31	36.68	-

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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15. Investments in associates (continued)

(a) Investments in associates as of December 31, 2020 and 2019 are as follows (continued):

(*1) The latest financial statements are used for the equity method since the financial statements as of December 31, 2020 are not available. Significant trades and events occurred within the period are properly reflected.

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

(*3) As a part of the rehabilitation process, the Group acquired shares through the conversion of equity investments, as the Group cannot exercise voting rights during the process, the Group has classified the shares as investments at fair value through profit or loss. The Group reclassified Securities at fair value through profit or loss to investments in associates as the reorganization procedures are completed and now the Group can normally exercise its voting rights to the investees.

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

(*5) 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.

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

(*7) Although the ownership interests 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.

(*8) 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.

(*9) For the year ended December 31, 2020, the name is changed from 'Lime Neptune Professional Private 6' to 'DB Epic Convertible bond Private Trust No.2'.

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

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

(*12) It has a significant impact with a 50% or more stake. However, the full payment guarantee for the investment does not expose the variable profit. Therefore, the investment amount is classified as an investment assets in the associates.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows:

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

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

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

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

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

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2020					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF]	₩ 5,729	(5,729)	-	-	-	-
BRAIN DO PROFESSIONALE PRIVATE No. 27	3,065	-	376	-	-	3,441
VISION US Muni US Local Debt Opportunities Professional Private1(*3)	9,869	(10,032)	163	-	-	-
UI Venture Fund 7th	-	3,000	279	-	-	3,279
Sparklabs-Shinhan Opportunity Fund 1	-	4,999	(167)	-	-	4,832
BNW Tech-Innovation Private Equity Fund	-	6,000	(58)	-	-	5,942
IGIS Real-estate Private Investment Trust No.33	-	13,945	154	-	-	14,099
Findvalue PreIPO 6th Professional Investment Type Private Investment Trust.	-	3,000	2	-	-	3,002
WWG Global Real Estate Investment Trust no.4	-	16,874	878	-	-	17,752
Fidelis Global Private Real Estate Trust No.2	-	18,582	903	-	-	19,485
IGIS PRIVATE REAL ESTATE TRUST NO.331	-	3,932	(167)	-	-	3,765
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	-	45,082	3,262	-	-	48,344
Pebblestone CGV Private Real Estate Trust No.1	-	12,793	553	-	-	13,346
Shinhan AIM Real Estate Fund No.2(*2)	-	36,186	(7,652)	-	(6,070)	22,464
Shinhan AIM Real Estate Fund No.1(*2)	-	45,415	1,530	-	-	46,945
SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business](*2)	-	32,258	686	-	-	32,944
SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business](*2)	-	22,003	(1,101)	-	-	20,902
SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2(USD)	-	7,273	(581)	-	-	6,692
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative](*2)	-	4,859	(14)	-	-	4,845
Korea Omega-Shinhan Project Fund I	-	6,000	(69)	-	-	5,931
New Green Shinhan Mezzanine Fund	-	4,000	916	-	-	4,916
KORAMKO-Daum Professional Private Investment Trust No.12	-	6,930	598	-	-	7,528
Samsung SRA Real Estate Professional Private 45[FoFs]	-	10,701	(35)	-	-	10,666
IBK Global New Renewable Energy Special Asset Professional Private2	-	29,177	3,172	-	-	32,349
VS Cornerstone Fund	-	3,500	(36)	-	-	3,464
Aone Mezzanine Opportunity Professional Private	-	8,000	1,580	-	-	9,580
Kiwoom Unicorn3 New Technology Business Investment Fund	-	3,000	1,283	-	-	4,283

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December 31, 2020 and 2019

(In millions of won)

15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

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

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2020					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2	₩ -	44,780	(9)	(177)	-	44,594
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	-	16,000	(145)	-	-	15,855
IGIS Professional Investors Private Investment Real Estate Investment LLC No.395	-	30,000	(356)	-	-	29,644
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	-	21,142	-	-	-	21,142
Eum Private Equity Fund No.7	-	7,872	-	-	-	7,872
Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund	-	5,034	-	-	-	5,034
Kiwoom Hero No.4 Private Equity Fund	-	4,707	-	-	-	4,707
Vogo Canister Professional Trust Private Fund I(*2)	-	43,975	-	-	-	43,975
Others	85,517	25,964	19,814	(5)	-	131,292
	₩ 1,452,861	1,056,236	159,533	(1,457)	(9,407)	2,657,768

(*1) The Group has stopped recognizing its equity method income or loss due to carrying amount of '0'.

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

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

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

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	Beginning balance	Investment and dividend	December 31, 2019				Ending balance
			Equity method income (loss)	Change in other comprehensive income	Impairment loss		
BNP Paribas Cardif Life Insurance	₩ 49,816	(373)	(517)	3,660	-	52,586	
Songrim Partners.(*1)	-	-	-	-	-	-	
Neoplux Technology Valuation Investment Fund	18,738	(1,661)	(693)	-	-	16,384	
Partners 4th Growth Investment Fund	16,612	(1,219)	(476)	-	-	14,917	
KTB Newlake Global Healthcare PEF	9,885	1,500	(105)	-	-	11,280	
Daekwang Semiconductor Co., Ltd.	3,334	-	52	2	-	3,388	
Shinhan-Neoplux Energy Newbiz Fund	3,974	4,200	(294)	-	-	7,880	
Shinhan-Albatross tech investment Fund	8,908	-	132	(306)	-	8,734	
KCLAVIS Meister Fund No.17	3,083	(1,801)	(84)	-	-	1,198	
Plutus-SG Private Equity Fund	4,252	(132)	111	-	-	4,231	
SG ARGES Private Equity Fund No.1	4,341	(4,796)	455	-	-	-	
Eum Private Equity Fund No.3	4,889	(2,476)	1,161	-	-	3,574	
KTB Confidence Private Placement	5,302	(215)	980	-	-	6,067	
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	5,432	(1,266)	90	-	-	4,256	
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	8,429	242	245	-	-	8,916	
VOGO Debt Strategy Qualified INV Private R/E INV TR 4	4,831	4,820	279	-	-	9,930	
Platform Partners brick save Private Investment trust	8,120	(8,197)	77	-	-	-	
Shinhan-Midas Donga Secondary Fund	2,061	1,750	(325)	-	-	3,486	
ShinHan – Soo Young Entrepreneur Investment Fund No.1	2,554	1,968	27	-	-	4,549	
Synergy-Shinhan Mezzanine New Technology Investment Fund	10,149	(6,492)	255	-	-	3,912	
Shinhan Praxis K-Growth Global Private Equity Fund	16,527	(8,745)	2,520	-	-	10,302	
Credian Healthcare Private Equity Fund II	4,553	(2,526)	350	-	-	2,377	
Kiwoom Milestone Professional Private Real Estate Trust 19	10,419	(241)	229	-	-	10,407	
AIP EURO Green Private Real Estate Trust No.3	20,544	(1,248)	1,588	-	-	20,884	
Brain Professional Private Trust No.4	5,244	(5,175)	(69)	-	-	-	
Hanhwa US Equity Strategy Private Real Estate Fund No.1	26,232	(1,866)	1,598	-	-	25,964	
Brain KS Qualified Privately Placed Fund No.6	5,097	(5,041)	(56)	-	-	-	
Shinhan Global Healthcare Fund 1	3,285	-	(76)	-	-	3,209	

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
JB Power TL Investment Type Private Placement Special Asset Fund 7	₩ 17,484	(1,513)	829	-	-	16,800
IBK AONE convertible 1	5,906	-	171	-	-	6,077
Rico synergy collabo Multi-Mezzanine 3	5,290	(2,501)	428	-	-	3,217
KB NA Hickory Private Special Asset Fund	34,360	445	1,125	-	-	35,930
GB Professional Private Investment Trust 6	8,588	(8,588)	-	-	-	-
Koramco Europe Core Private Placement Real Estate Fund No.2-2	18,616	(1,458)	2,404	-	-	19,562
SHBNPP Private Korea Equity Long-Short Professional Feeder	14,370	(14,325)	(45)	-	-	-
Shinhan-Stonebridge Petro PEF	18,681	(19,589)	909	-	-	1
BNP Paribas Cardif General Insurance	3,423	-	(1,296)	(14)	-	2,113
Axis Global Growth New Technology Investment Association	4,875	(1,592)	(78)	-	-	3,205
Polaris No7 Start up and Venture Private Equity Fund	4,338	(2,300)	265	-	-	2,303
Hermes Private Investment Equity Fund	7,065	-	(689)	-	-	6,376
SHC ULMUS Fund No.1	2,890	-	259	-	-	3,149
Shinhan-Nvestor Liquidity Solution Fund	2,689	2,700	(524)	-	-	4,865
Shinhan AIM FoF Fund 1a	4,351	2,363	528	-	-	7,242
Daishin Heim Qualified Investor Private Investment Trust No.1808	10,126	(10,297)	171	-	-	-
Heungkuk High Class Professional Trust Private Fund 37	9,438	(9,505)	67	-	-	-
IGIS Global Credit Fund 150-1	8,896	781	41	-	-	9,718
GX Shinhan Intervest 1st Private Equity Fund	31,831	-	1,335	-	-	33,166
Soo Commerce Platform Growth Fund Partner One Value up I Private Equity Fund	6,378	-	(35)	-	-	6,343
Genesis No.1 Private Equity Fund	11,939	-	(48)	-	-	11,891
GMB ICT New Technology Investment Fund	45,758	404	4,988	-	-	51,150
Korea Omega Project Fund III	7,934	-	(80)	-	-	7,854
Soo Delivery Platform Growth Fund	1,992	-	1,024	-	-	3,016
Genesis North America Power Company No.1 PEF	8,983	(171)	110	-	-	8,922
Hyungje art printing(*1)	20,824	(4,035)	1,486	-	-	18,275
	-	-	-	-	-	-

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	₩ 6,204	14,147	361	-	-	20,712
Shinhan-Rhinos 1 Fund	-	3,000	29	-	-	3,029
Pacific Private Investment Trust No.20	-	3,819	257	-	-	4,076
Susung Mezzanine project P1 Private Investment Trust	-	4,000	1,128	-	-	5,128
Korea Finance Security (*2)	-	3,448	(213)	-	-	3,235
MIEL CO.,LTD(*3)	-	-	-	-	-	-
AIP Transportation Specialized Privately Placed Fund Trust #1	-	31,136	444	-	-	31,580
Lime Neptune Professional Private 6	-	5,000	63	-	-	5,063
PCC S/W 2nd Fund	-	3,000	1	-	-	3,001
E&Healthcare Investment Fund No.6	-	7,030	746	-	-	7,776
One Shinhan Global Fund 1	-	4,520	(79)	-	-	4,441
Kiwoom-Shinhan Innovation Fund I	-	7,500	(216)	-	-	7,284
Daishin-K&T New Technology Investment Fund	-	7,000	57	-	-	7,057
Midas Asset Global CRE Debt Private Fund No.6	-	23,194	537	-	-	23,731
Richmond Private Investment Trust No.82	-	14,569	551	-	-	15,120
Tiger Alternative Real Estate Professional Private5	-	19,876	(56)	-	-	19,820
Samchully Midstream Private Placement Special Asset Fund 5-4	-	29,436	1,306	-	-	30,742
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	-	52,048	1,783	-	-	53,831
AUCTUS FITRIN Corporate Recovery Private Equity Fund	-	14,250	108	-	-	14,358
NH-Amundi Global Infrastructure Trust 14	-	17,769	728	-	-	18,497
Pacific Private Real Estate Fund Investment Trust No.30	-	14,236	580	-	-	14,816
Jarvis Memorial Private Investment Trust 1	-	9,888	278	-	-	10,166
Mastern Private Private Investment Trust 68	-	9,764	235	-	-	9,999
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	-	4,434	(37)	-	-	4,397
Milestone Private Real Estate Fund 3 (Derivative Type)	-	17,016	170	-	-	17,186
IGIS Private Real Estate Investment Trust 286 (2 class)	-	10,100	(332)	-	-	9,768
Nomura-Rifa Private Real Estate Investment Trust 31 (2 class)	-	9,018	(104)	-	-	8,914
Lime Pricing Private Equity Fund	-	8,400	(100)	-	-	8,300

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15. Investments in associates (continued)

(b) Changes in investments in associates for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Beginning balance	Investment and dividend	Equity method income (loss)	Change in other comprehensive income	Impairment loss	Ending balance
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	₩ -	39,376	2,615	-	-	41,991
DS Solid.II Hedge Fund	-	4,300	(177)	-	-	4,123
Hana Semiconductor New Technology Fund	-	13,000	(144)	-	-	12,856
J&Magnet Startup Venture Specialized Private Equity Fund	-	6,000	(21)	-	-	5,979
Cape IT Fund No.3	-	10,000	(33)	-	-	9,967
Vogo Realty Partners Private Real Estate Fund V	-	10,611	(235)	-	-	10,376
IL GU FARM CO.,LTD	-	-	-	-	-	-
Korea Credit Bureau(*2)	-	4,500	2,312	-	-	6,812
SBC PFV Co., Ltd	-	20,000	-	-	-	20,000
Sprott Global Renewable Private Equity Fund II	-	20,131	(1,115)	-	-	19,016
NH-amundi global infra private fund 16	-	49,530	(1,372)	-	-	48,158
IMM Global Private Equity Fund	-	28,945	(20)	-	-	28,925
HANA Alternative Estate Professional Private122	-	28,487	(2,282)	-	-	26,205
Hanwha-Incus Plus New Technology Fund No.1	-	5,500	(1)	-	-	5,499
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond]	-	51,293	-	-	-	51,293
SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust	-	146,045	4,272	-	-	150,317
PSA EMP Private Equity Fund	-	10,000	(73)	-	-	9,927
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	-	28,314	1,149	-	-	29,463
SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF]	-	5,727	-	-	-	5,727
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF]	-	5,729	-	-	-	5,729
BRAIN DO PROFESSIONALE PRIVATE No. 27	-	3,000	65	-	-	3,065
VISION US Muni US Local Debt Opportunities Professional Private1(S)	-	9,500	369	-	-	9,869
Others	81,490	(14,513)	18,954	-	-	85,931
	₩ 671,330	724,902	53,287	3,342	-	1,452,861

(*1) The Group has stopped recognizing its equity method income or loss due to carrying amount of '0'.

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

(*3) No gains or losses from the equity method investees have been recognized after the acquisition of a debt-equity swap in 2019.

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows:

Investees	December 31, 2020						
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
BNP Paribas Cardif Life Insurance ₩	3,526,148	3,188,562	38,669	(6,555)	(7,052)	(13,607)	
Songrim Partners	1,003	1,065	548	-	-	-	
Partners 4th Growth Investment Fund	48,678	846	7,231	6,059	-	6,059	
KTB Newlake Global Healthcare PEF	31,005	225	598	244	-	244	
Daekwang Semiconductor Co., Ltd.	23,682	6,339	3,836	1,163	-	1,163	
Shinhan-Neoplux Energy Newbiz Fund	44,615	25	4,221	1,749	-	1,749	
Shinhan-Albatross tech investment Fund	27,685	385	982	594	-	594	
Eum Private Equity Fund No.3	20	4	13,445	9,875	-	9,875	
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	1	1	89	89	-	89	
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	2	2	363	361	-	361	
VOGO Debt Strategy Qualified INV Private	43,540	28	6,361	2,359	-	2,359	
Shinhan-Midas Donga Secondary Fund	9,504	-	365	233	-	233	
ShinHan – Soo Young Entrepreneur Investment Fund No.1	41,532	-	16,561	16,349	-	16,349	
Shinhan Praxis K-Growth Global Private Equity Fund	52,890	183	201	(2,306)	-	(2,306)	
Credian Healthcare Private Equity Fund II	17,141	15	25,926	24,638	-	24,638	
Kiwoom Milestone Professional Private Real Estate Trust 19	58,393	38,558	2,772	(449)	-	(449)	
AIP EURO Green Private Real Estate Trust No.3	98,866	86	6,893	6,231	-	6,231	
Hanhwa US Equity Strategy Private Real Estate Fund No.1	5,798	721	32,667	7,180	-	7,180	
Shinhan Global Healthcare Fund I	55	2,104	1,034	(74,736)	-	(74,736)	
JB Power TL Investment Type Private Placement Special Asset Fund 7	48,605	45	23,547	2,251	-	2,251	
KB NA Hickory Private Special Asset Fund	93,236	69	13,464	4,312	-	4,312	
Koramco Europe Core Private Placement Real Estate Fund No.2-2	46,239	3,948	4,920	877	-	877	
BNP Paribas Cardif General Insurance	85,278	33,063	23,632	(7,972)	(161)	(8,133)	
Hermes Private Investment Equity Fund	20,919	8	11	(948)	-	(948)	
Shinhan-Nvestor Liquidity Solution Fund	18,032	-	2,704	2,537	-	2,537	
Shinhan AIM FoF Fund 1a	35,060	20	4,378	777	-	777	
IGIS Global Credit Fund 150-1	29,153	24	10,076	6,263	-	6,263	
Soo Commerce Platform Growth Fund	4,661	3	13,172	13,314	-	13,314	
Partner One Value up I Private Equity Fund	42,205	-	457	(329)	-	(329)	
Genesis No.1 Private Equity Fund	382,353	31,024	158,070	125,312	-	125,312	

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows(continued):

Investees	December 31, 2020						
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
Korea Omega Project Fund III	₩ 15,141	-	2,383	2,323	-	2,323	
Soo Delivery Platform Growth Fund	13,563	3	11,300	10,249	-	10,249	
Genesis North America Power Company No.1 PEF	48,221	5,727	6,976	6,449	-	6,449	
Hyungje art printing	866	1,130	253	-	-	-	
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	46,514	1,164	11,240	2,846	-	2,846	
Shinhan-Rhinos 1 Fund	11,561	1	2,784	2,554	-	2,554	
Pacific Private Investment Trust No.20	13,805	11	974	974	-	974	
Susung Mezzanine project P1 Private Investment Trust	3,220	-	3,412	(373)	-	(373)	
Korea Finance Security	37,522	17,032	118,906	(1,174)	-	(1,174)	
Multimedia Tech Co.Ltd	593	662	555	(158)	-	(158)	
MIEL CO.,LTD	474	559	585	(169)	-	(169)	
AIP Transportation Specialized Privately Placed Fund Trust #1	92,454	101	17,221	132	-	132	
DB Epic Convertiblebond Private Trust No.2	11,382	34	1,169	1,021	-	1,021	
E&Healthcare Investment Fund No.6	72,023	-	36,332	33,844	-	33,844	
One Shinhan Global Fund1	22,244	-	92	(406)	-	(406)	
Kiwoom-Shinhan Innovation Fund I	32,096	158	2,984	2,371	-	2,371	
Daishin-K&T New Technology Investment Fund	55,501	33,101	64	(183)	-	(183)	
Midas Asset Global CRE Debt Private Fund No.6	115,240	118	7,041	5,153	-	5,153	
Richmond Private Investment Trust No.82	49,961	24,879	1,658	1,306	-	1,306	
Tiger Alternative Real Estate Professional Private5	38,064	86	7,827	113	-	113	
Samchully Midstream Private Placement Special Asset Fund 5-4	67,177	36	8,012	(2,228)	-	(2,228)	
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	327,973	56	13,607	12,656	-	12,656	
NH-Amundi Global Infrastructure Trust 14	62,729	1	7,216	2,606	-	2,606	
Jarvis Memorial Private Investment Trust 1	10,147	4	651	647	-	647	
Mastern Private Private Invetstment Trust 68	18,620	-	878	877	-	877	
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	59,422	20	6,374	1,224	-	1,224	
Milestone Private Real Estate Fund 3	57,792	2	7,083	6,797	-	6,797	
IGIS Private Real Estate Investment Trust 286	74,406	53,065	5,298	696	-	696	
Nomura-Rifa Private Real Estate Investment Trust 31	98,291	71,442	7,584	1,356	-	1,356	
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	62,682	45	6,511	6,169	-	6,169	

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(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows(continued):

Investees	December 31, 2020					
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Hana Semiconductor New Technology Fund	₩ 111,661	12,346	70,303	56,926	-	56,926
J&Magnet Startup Venture Specialized Private Equity Fund	24,381	50	8,291	8,638	-	8,638
Cape IT Fund No.3	32,448	75	4,145	3,837	-	3,837
FuturePlay-Shinhan TechInnovation Fund 1	8,621	31	5	(469)	-	(469)
Stonebridge Corporate 1st Fund	7,342	1	679	584	-	584
Vogo Realty Partners Private Real Estate Fund V	50,139	99	8,137	4,701	-	4,701
Korea Credit Bureau	114,571	37,062	93,275	3,992	-	3,992
Goduck Gangil1 PFV Co., Ltd	334,349	348,276	-	(10,065)	-	(10,065)
SBC PFV Co., Ltd	119,994	7,199	-	(7,169)	-	(7,169)
NH-amundi global infra private fund 16	87,908	230	20,499	(6,215)	-	(6,215)
IMM Global Private Equity Fund	367,570	1,368	17,222	2,995	-	2,995
HANA Alternative Estate Professional Private122	39,449	38	6,836	5,487	-	5,487
Hanwha-Incus Plus New Technology Fund No.1	25,860	-	13,169	12,961	-	12,961
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond]	198,644	87,218	4,479	3,329	-	3,329
SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust	395,815	-	14,737	11,688	-	11,688
PSA EMP Private Equity Fund	33,953	97	8	(393)	-	(393)
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	57,026	784	13,342	339	-	339
BRAIN DO PROFESSIONALE PRIVATE No. 27	11,827	12	1,414	1,292	-	1,292
UI Venture Fund 7th	13,466	21	2,044	1,145	-	1,145
Sparklabs-Shinhan Opportunity Fund 1	9,760	-	-	(340)	-	(340)
BNW Tech-Innovation Private Equity Fund	20,119	213	45	(194)	-	(194)
IGIS Real-estate Private Investment Trust No.33	88,319	53,812	1,570	378	-	378
Findvalue PreIPO 6th Professional Investment Type Private Investment Trust	9,505	-	5	5	-	5
WWG Global Real Estate Investment Trust no.4	60,083	12	8,431	2,971	-	2,971
Fidelis Global Private Real Estate Trust No.2	24,901	2	1,902	1,214	-	1,214
IGIS PRIVATE REAL ESTATE TRUST NO.331	57,655	45,417	20	(388)	-	(388)
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	173,538	783	40,882	13,425	-	13,425
Pebblestone CGV Private Real Estate Trust No.1	63,907	36,405	7,451	1,141	-	1,141
Shinhan AIM Real Estate Fund No.2	75,018	138	7,611	(45,741)	-	(45,741)
Shinhan AIM Real Estate Fund No.1	223,471	28	22,855	7,284	-	7,284

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows(continued):

Investees	December 31, 2020					
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business]	₩ 149,686	75	3,342	3,117	-	3,117
SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business]	71,774	169	4,948	(3,773)	-	(3,773)
SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	9,380	12	576	(814)	-	(814)
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative]	61,389	45,239	47,240	(46)	-	(46)
Korea Omega-Shinhan Project Fund I	11,861	-	-	(139)	-	(139)
New Green Shinhan Mezzanine Fund	12,538	1	2,387	2,337	-	2,337
KORAMKO-Daum Professional Private Investment Trust No.12	22,740	157	1,949	1,792	-	1,792
Samsung SRA Real Estate Professional Private 45[FoFs]	42,895	230	4,155	(355)	-	(355)
IBK Global New Renewable Energy Special Asset Professional Private2	116,284	4,679	19,514	10,943	-	10,943
VS Cornerstone Fund	8,413	-	2	(87)	-	(87)
Aone Mezzanine Opportunity Professional Private	14,530	40	2,507	2,390	-	2,390
KiwoomUnicorn3New Technology Business Investment Fund	20,132	-	6,112	6,031	-	6,031
Multi Asset The United States Thortons Professional Private1	165,775	15	2,111	671	-	671
Kiwoom Milestone US Real Estate Professional Private20	68,591	157	3,508	2,286	-	2,286
NH-Amundi US Infrastructure Private Fund2	99,409	1,248	16,758	3,025	-	3,025
KB Distribution Private Real Estate1	50,013	500	1,174	1,151	-	1,151
SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust [Infra business]	71,647	54	2,677	2,571	-	2,571
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 [Loan-Derivative]	97,412	248	5,176	2,993	-	2,993
Kakao-Shinhan 1st TNYT Fund	12,014	331	2	(657)	-	(657)
IMM Special Situation 1-2 PRIVATE EQUITY FUND	54,328	33	4,378	4,344	-	4,344
Pacific Private Placement Real Estate Fund No.40	145,123	98,029	2,554	1,511	-	1,511
Mastern Private Real Estate Loan Fund No.2	17,156	201	98	(143)	-	(143)
LB Scotland Amazon Fulfillment Center Fund 29	44,483	28	1,975	612	-	612
JR AMC Hungary Budapest Office Fund 16	38,581	1,112	2,531	2,531	-	2,531

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows(continued) :

Investees	December 31, 2020					
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
IGIS 372 Real Estate Professional Private	₩ 628,769	428,577	10,221	(4,808)	-	(4,808)
KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund	18,460	2,824	1,673	240	-	240
Future-Creation Neoplux Venture Capital Fund	27,271	4,137	7,270	4,300	-	4,300
Gyeonggi-Neoplux Superman Fund	31,898	186	533	(212)	-	(212)
NewWave 6th Fund	20,501	-	2,757	1,528	-	1,528
Neoplux No.3 Private Equity Fund	103,712	756	9,114	(7,108)	-	(7,108)
PCC Amberstone Private Equity Fund I	104,930	1,194	12,280	5,501	-	5,501
KIAMCO POWERLOAN TRUST 4TH	92,817	23	815	1,193	-	1,193
Mastern Opportunity Seeking Real Estate Fund II	99,087	93	1,391	1,453	-	1,453
AION ELFIS PROFESSIONAL PRIVATE 1	27,672	30	2,710	2,642	-	2,642
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	15,074	73	-	(160)	-	(160)
Neoplux Market-Frontier Secondary Fund	56,363	1,636	1,359	(339)	-	(339)
Synergy Green New Deal 1st New Technology Business Investment Fund	35,539	12	39	27	-	27
KAIM Real-estate Private Investment Trust 20	13,254	-	254	254	-	254
KIAMCO Vietnam Solar Special Asset Private Investment Trust	15,902	6	-	(404)	-	(404)
CSQUARE SNIPER PROFESSIONAL PRIVATE 10	5,010	10	10	-	-	-
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1	45,582	9	-	(9)	-	(9)
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2	45,582	9	-	(9)	-	(9)
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	141,811	93,336	1	1,290	-	1,290
IGIS Professional Investors Private Investment Real Estate Investment LLC No.395	116,853	66,459	-	(605)	-	(605)
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	70,487	14	194	180	-	180
Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund	20,174	40	4,210	4,134	-	4,134
Kiwoom Hero No.4 Private Equity Fund	22,359	1	-	3,358	-	3,358
Vogo Canister Professional Trust Private Fund I	119,968	76	17,022	4,148	-	4,148

(*) Excluded the financial information of associates that are not subject to equity method due to disposal or of which the financial information is not available as of end of the year.

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows(continued):

Investees	December 31, 2019						
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
BNP Paribas Cardif Life Insurance Neoplux Technology Valuation Investment Fund	₩ 3,896,875	3,545,682	37,067	(3,919)	24,402	20,483	
Partners 4th Growth Investment Fund	49,890	738	3,953	(2,078)	-	(2,078)	
KTB Newlake Global Healthcare PEF	60,775	1,106	14	(1,904)	-	(1,904)	
Daekwang Semiconductor Co., Ltd. Shinhan-Neoplux Energy Newbiz Fund	37,187	151	387	(349)	-	(349)	
Shinhan-Albatross tech investment Fund	23,507	7,328	1,248	248	9	257	
KCLAVIS Meister Fund No.17	33,791	18	26	(1,259)	-	(1,259)	
Plutus-SG Private Equity Fund	17,681	182	1,263	551	(917)	(366)	
Eum Private Equity Fund No.3	4,689	96	425	(322)	-	(322)	
KTB Confidence Private Placement	16,006	138	700	419	-	419	
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	17,243	27	6,305	5,604	-	5,604	
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	19,369	64	7,328	3,122	-	3,122	
VOGO Debt Strategy Qualified INV Private R/E INV TR 4	17,821	1	1,280	377	-	377	
Shinhan-Midas Donga Secondary Fund	44,228	2	3,445	1,217	-	1,217	
ShinHan – Soo Young Entrepreneur Investment Fund No.1	49,683	33	4,198	1,391	-	1,391	
Synergy-Shinhan Mezzanine New Technology Investment Fund	6,973	1	88	(651)	-	(651)	
Shinhan Praxis K-Growth Global Private Equity Fund	18,963	9	1,656	113	-	113	
Credian Healthcare Private Equity Fund II	8,266	51	834	535	-	535	
Kiwoom Milestone Professional Private Real Estate Trust 19	54,786	185	27,588	13,361	-	13,361	
AIP EURO Green Private Real Estate Trust No.3	7,001	24	1,542	1,031	-	1,031	
Hanhwa US Equity Strategy Private Real Estate Fund No.1	59,559	38,744	3,100	470	-	470	
Shinhan Global Healthcare Fund 1	98,221	86	18,362	7,462	-	7,462	
	59,652	1,750	14,838	3,742	-	3,742	
	73,388	701	5,480	(1,722)	-	(1,722)	

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
JB Power TL Investment Type Private Placement Special Asset Fund 7	₩ 50,468	66	15,476	2,487	-	2,487
IBK AONE convertible 1	12,861	0	1,515	410	-	410
Rico synergy collabo Multi-Mezzanine 3	6,433	2	1,296	856	-	856
KB NA Hickory Private Special Asset Fund	96,289	476	16,132	2,489	-	2,489
Koramco Europe Core Private Placement Real Estate Fund No.2-2	46,742	2,304	9,328	5,462	-	5,462
Shinhan-Stonebridge Petro PEF	1,388	1,350	52,928	49,878	-	49,878
BNP Paribas Cardif General Insurance	43,064	21,936	17,613	(12,962)	(136)	(13,098)
Axis Global Growth New Technology Investment Association	10,064	-	1	(244)	-	(244)
Polaris No7 Start up and Venture Private Equity Fund	8,113	52	1,037	928	-	928
Hermes Private Investment Equity Fund	21,954	95	45	(2,366)	-	(2,366)
SHC ULMUS Fund No.1	10,706	-	1,073	881	-	881
Shinhan-Nvestor Liquidity Solution Fund	19,524	-	209	(2,101)	-	(2,101)
Shinhan AIM FoF Fund 1a	28,987	20	5,556	2,111	-	2,111
IGIS Global Credit Fund 150-1	38,912	38	2,674	166	-	166
GX Shinhan Intervest 1st Private Equity Fund	131,237	-	6,689	5,283	-	5,283
Soo Commerce Platform Growth Fund	25,765	3	36	(140)	-	(140)
Partner One Value up I Private Equity Fund	42,602	-	457	(173)	-	(173)
Genesis No.1 Private Equity Fund	224,322	7	23,180	21,872	-	21,872
GMB ICT New Technology Investment Fund	29,359	-	2	(298)	-	(298)
Korea Omega Project Fund III	12,818	-	4,432	4,351	-	4,351
Soo Delivery Platform Growth Fund	29,743	3	675	367	-	367
Genesis North America Power Company No.1 PEF	46,041	281	4,323	3,756	-	3,756
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	89,450	687	4,262	1,546	-	1,546
Shinhan-Rhinos 1 Fund	13,474	-	143	129	-	129
Pacific Private Investment Trust No.20	18,764	15	1,247	1,187	-	1,187
Susung Mezzanine project P1 Private Investment Trust	10,023	351	22	(91)	-	(91)

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(In millions of won)

15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows (continued):

Investees	Asset	Liability	December 31, 2019				
			Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	
Korea Finance Security AIP Transportation Specialized Privately Placed Fund Trust #1	₩ 32,079	10,386	64,964	(1,297)	-	(1,297)	
Lime Neptune Professional Private 6	94,437	6,042	12,473	1,242	-	1,242	
PCC S/W 2nd Fund	10,166	41	460	125	-	125	
E&Healthcare Investment Fund No.6	10,154	-	151	4	-	4	
One Shinhan Global Fund 1	38,181	2	4,405	3,664	-	3,664	
Kiwoom-Shinhan Innovation Fund I Daishin-K&T New Technology Investment Fund	22,244	-	92	(406)	-	(406)	
Midas Asset Global CRE Debt Private Fund No.6	14,719	151	13	(432)	-	(432)	
Richmond Private Investment Trust No.82	55,686	33,103	1,292	183	-	183	
Tiger Alternative Real Estate Professional Private5	118,438	70	3,907	2,677	-	2,677	
Samchully Midstream Private Placement Special Asset Fund 5-4	50,079	24,879	1,155	919	-	919	
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	40,792	103	1,628	(116)	-	(116)	
AUCTUS FITRIN Corporate Recovery Private Equity Fund	71,680	55	14,423	3,015	-	3,015	
NH-Amundi Global Infrastructure Trust 14	269,203	48	8,854	8,289	-	8,289	
Pacific Private Real Estate Fund Investment Trust No.30	67,222	218	1,187	449	-	449	
Jarvis Memorial Private Investment Trust 1	61,696	39	7,404	2,427	-	2,427	
Mastern Private Private Investment Trust 68	39,779	270	1,817	1,547	-	1,547	
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	10,279	12	293	281	-	281	
Milestone Private Real Estate Fund 3 (Derivative Type)	18,600	2	533	437	-	437	
IGIS Private Real Estate Investment Trust 286 (2 class)	7,336	7	214	(61)	-	(61)	
Nomura-Rifa Private Real Estate Investment Trust 31 (2 class)	53,610	3	603	532	-	532	
Lime Pricing Private Equity Fund	75,372	51,870	2,838	(798)	-	(798)	
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	99,976	71,507	2,383	(331)	-	(331)	
DS Solid.II Hedge Fund	32,231	118	10	(388)	-	(388)	
	197,536	119	12,963	12,296	-	12,296	
	15,042	-	4	(605)	-	(605)	

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15. Investments in associates (continued)

(c) The statement of financial information as of and for the years ended December 31, 2020 and 2019 are as follows (continued) :

Investees	December 31, 2019					
	Asset	Liability	Operating revenue	Net profit (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Hana Semiconductor New Technology Fund	₩ 52,905	-	73	(595)	-	(595)
J&Magnet Startup Venture Specialized Private Equity Fund	24,513	-	-	(87)	-	(87)
Cape IT Fund No.3	30,333	35	-	(101)	-	(101)
Vogo Realty Partners Private Real Estate Fund V	47,992	34	281	(1,084)	-	(1,084)
Korea Credit Bureau	95,764	20,075	66,314	10,604	-	10,604
SBC PFV Co., Ltd	120,000	40,000	-	-	-	-
Sprott Global Renewable Private Equity Fund II	82,721	3	1,416	(4,833)	-	(4,833)
NH-amundi global infra private fund 16	100,513	4,197	4,128	(2,744)	-	(2,744)
IMM Global Private Equity Fund	90,870	63	-	(63)	-	(63)
HANA Alternative Estate Professional Private122	34,897	45	1,561	(3,035)	-	(3,035)
Hanwha-Incus Plus New Technology Fund No.1	12,900	1	-	(1)	-	(1)
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond]	127,339	15,732	-	-	-	-
SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust	402,633	141,200	10,036	7,256	-	7,256
PSA EMP Private Equity Fund	34,535	285	1	(250)	-	(250)
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	57,088	728	2,735	2,198	-	2,198
SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF]	22,926	641	-	-	-	-
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF]	23,865	1,329	-	-	-	-
BRAIN DO PROFESSIONALE PRIVATE No. 27	10,305	10	58	(5)	-	(5)
VISION US Muni US Local Debt Opportunities Professional Private1(S)	39,175	80	1,440	1,088	-	1,088

(*) Excluded the associates' financial information that are not subject to recognizing equity method income or loss or financial information is not available.

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows:

Investees	December 31, 2020					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
BNP Paribas Cardif Life Insurance	₩ 337,586	14.99	50,632	(32)	-	50,600
Songrim Partners(*1)	(62)	35.34	(22)	-	22	-
Partners 4th Growth Investment Fund	47,832	25.00	11,958	-	-	11,958
KTB Newlake Global Healthcare PEF(*2)	30,780	30.00	9,234	-	170	9,404
Daekwang Semiconductor Co., Ltd.	17,343	20.94	3,631	-	-	3,631
Shinhan-Neoplux Energy Newbiz Fund	44,590	31.66	14,470	-	-	14,470
Shinhan-Albatross tech investment Fund	27,300	49.97	13,322	-	-	13,322
Eum Private Equity Fund No.3	16	20.76	3	-	-	3
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	-	23.89	-	-	-	-
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	-	20.16	-	-	-	-
VOGO Debt Strategy Qualified INV Private	43,512	20.00	8,702	-	-	8,702
Shinhan-Midas Donga Secondary Fund	9,504	50.00	4,752	-	-	4,752
ShinHan – Soo Young Entrepreneur Investment Fund No.1	41,532	24.00	9,968	-	-	9,968
Shinhan Praxis K-Growth Global Private Equity Fund	52,707	18.87	9,945	-	-	9,945
Credian Healthcare Private Equity Fund II	17,126	34.07	5,835	-	-	5,835
Kiwoom Milestone Professional Private Real Estate Trust 19	19,835	50.00	9,918	-	-	9,918
AIP EURO Green Private Real Estate Trust No.3	98,780	21.28	21,021	-	-	21,021
Hanhwa US Equity Strategy Private Real Estate Fund No.1	5,077	44.84	2,277	-	-	2,277
Shinhan Global Healthcare Fund 1	(2,049)	4.41	(90)	-	90	-
JB Power TL Investment Type Private Placement Special Asset Fund 7	48,560	33.33	16,186	-	-	16,186
KB NA Hickory Private Special Asset Fund	93,167	37.50	34,938	-	-	34,938
Koramco Europe Core Private Placement Real Estate Fund No.2-2	42,291	44.02	18,618	-	-	18,618
BNP Paribas Cardif General Insurance	52,215	7.46	3,895	-	-	3,895
Hermes Private Investment Equity Fund	20,911	29.17	6,099	-	-	6,099
Shinhan-Nvestor Liquidity Solution Fund	18,032	24.92	4,493	-	-	4,493
Shinhan AIM FoF Fund 1a	35,040	25.00	8,760	-	-	8,760
IGIS Global Credit Fund 150-1	29,129	25.00	7,282	-	-	7,282
Soo Commerce Platform Growth Fund	4,658	24.62	1,147	-	-	1,147
Partner One Value up I Private Equity Fund	42,205	27.91	11,779	-	-	11,779
Genesis No.1 Private Equity Fund	351,329	22.80	80,113	-	-	80,113

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows:

Investees	December 31, 2020					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
Korea Omega Project Fund III	₩ 15,141	23.53	3,563	-	-	3,563
Soo Delivery Platform Growth Fund	13,560	30.00	4,068	-	-	4,068
Genesis North America Power Company No.1 PEF	42,494	39.96	16,983	-	-	16,983
Hyungje art printing(*1)	(264)	31.54	(83)	-	83	-
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	45,350	23.33	10,582	-	-	10,582
Shinhan-Rhinos 1 Fund	11,560	22.48	2,599	-	-	2,599
Pacific Private Investment Trust No.20	13,794	21.74	2,999	-	-	2,999
Susung Mezzanine project P1 Private Investment Trust	3,220	41.31	1,345	-	-	1,345
Korea Finance Security	20,490	14.91	3,055	-	-	3,055
Multimedia Tech Co.Ltd.(*1)	(69)	21.06	(15)	-	15	-
MIEL CO.,LTD(*1)	(85)	28.77	(25)	-	25	-
AIP Transportation Specialized Privately Placed Fund Trust #1	92,353	35.73	32,993	-	-	32,993
DB Epic Convertiblebond Private Trust No.2	11,348	50.98	5,785	-	-	5,785
E&Healthcare Investment Fund No.6	72,023	21.05	15,163	-	-	15,163
One Shinhan Global Fund1	22,244	19.96	4,029	-	-	4,029
Kiwoom-Shinhan Innovation Fund I	31,938	50.00	15,969	-	-	15,969
Daishin-K&T New Technology Investment Fund	22,400	31.25	7,000	-	-	7,000
Midas Asset Global CRE Debt Private Fund No.6	115,122	41.16	47,389	-	-	47,389
Richmond Private Investment Trust No.82	25,082	60.00	15,049	-	-	15,049
Tiger Alternative Real Estate Professional Private5	37,978	48.71	18,499	-	-	18,499
Samchully Midstream Private Placement Special Asset Fund 5-4	67,141	42.92	28,818	-	-	28,818
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	327,917	20.00	65,616	-	-	65,616
NH-Amundi Global Infrastructure Trust 14	62,728	30.00	18,819	-	-	18,819
Jarvis Memorial Private Investment Trust 1	10,143	99.01	10,043	-	-	10,043
Mastern Private Private Investtment Trust 68	18,620	53.76	10,010	-	-	10,010
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	59,402	60.00	35,641	-	-	35,641
Milestone Private Real Estate Fund 3	57,790	32.06	18,528	-	-	18,528
IGIS Private Real Estate Investment Trust 286	21,341	41.44	8,844	-	-	8,844
Nomura-Rifa Private Real Estate Investment Trust 31	26,849	31.31	8,407	-	-	8,407
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	62,637	21.27	13,323	-	-	13,323

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows:

Investees	December 31, 2020					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
Hana Semiconductor New Technology Fund ₩	99,315	24.30	24,131	-	-	24,131
J&Magnet Startup Venture Specialized Private Equity Fund	24,331	24.39	5,935	-	-	5,935
Cape IT Fund No.3	32,373	32.89	10,649	-	-	10,649
FuturePlay-Shinhan TechInnovation Fund 1	8,590	50.00	4,295	-	-	4,295
Stonebridge Corporate 1st Fund	7,341	44.12	3,239	-	-	3,239
Vogo Realty Partners Private Real Estate Fund V	50,040	21.64	10,827	-	-	10,827
Korea Credit Bureau	77,509	9.00	6,976	-	-	6,976
Goduck Gangil PFV Co., Ltd(*1)	(13,927)	1.04	(145)	-	145	-
SBC PFV Co., Ltd	112,795	25.00	18,208	-	-	18,208
NH-amundi global infra private fund 16	87,678	50.00	43,839	-	-	43,839
IMM Global Private Equity Fund	366,202	33.00	120,855	-	-	120,855
HANA Alternative Estate Professional Private122	39,411	75.19	29,631	-	-	29,631
Hanwha-Incus Plus New Technology Fund No.1	25,860	42.64	11,026	-	-	11,026
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond]	111,426	45.96	51,210	-	-	51,210
SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust	395,815	72.39	286,531	-	-	286,531
PSA EMP Private Equity Fund	33,856	28.99	9,814	-	-	9,814
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	56,242	52.28	29,401	-	-	29,401
BRAIN DO PROFESSIONALE PRIVATE No. 27	11,815	29.13	3,441	-	-	3,441
UI Venture Fund 7th	13,445	24.39	3,279	-	-	3,279
Sparklabs-Shinhan Opportunity Fund 1	9,760	49.50	4,832	-	-	4,832
BNW Tech-Innovation Private Equity Fund	19,906	29.85	5,942	-	-	5,942
IGIS Real-estate Private Investment Trust No.33	34,507	40.86	14,099	-	-	14,099
Findvalue PreIPO 6th Professional Investment Type Private Investment Trust.	9,505	31.58	3,002	-	-	3,002
WWG Global Real Estate Investment Trust no.4	60,071	29.55	17,752	-	-	17,752
Fidelis Global Private Real Estate Trust No.2	24,899	78.26	19,485	-	-	19,485
IGIS PRIVATE REAL ESTATE TRUST NO.331	12,238	30.77	3,765	-	-	3,765
AIP EURO PRIVATE REAL ESTATE TRUST No. 12	172,755	28.70	48,344	-	-	48,344
Pebblestone CGV Private Real Estate Trust No.1	27,502	48.53	13,346	-	-	13,346
Shinhan AIM Real Estate Fund No.2	74,880	30.00	22,464	-	-	22,464
Shinhan AIM Real Estate Fund No.1	223,443	21.01	46,945	-	-	46,945

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(In millions of won)

15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows:

Investees	December 31, 2020					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
SHBNPP Daegu Green Power Cogeneration System Professional Investment Type Private Special Asset Investment Trust [Infra business]	₩ 149,611	22.02	32,944	-	-	32,944
SHBNPP Sangju YC Expressway Professional Investment Type Private Special Asset Investment Trust [Infra business]	71,605	29.19	20,902	-	-	20,902
SHBNPP Global Infrastructure Professional Investment Type Private Special Asset Investment Trust No.7-2	9,368	71.43	6,692	-	-	6,692
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No. 1 [Equity securities-Derivative]	16,150	30.00	4,845	-	-	4,845
Korea Omega-Shinhan Project Fund I	11,861	50.00	5,931	-	-	5,931
New Green Shinhan Mezzanine Fund	12,537	39.22	4,916	-	-	4,916
KORAMKO-Daum Professional Private Investment Trust No.12	22,583	33.33	7,528	-	-	7,528
Samsung SRA Real Estate Professional Private 45[FoFs]	42,665	25.00	10,666	-	-	10,666
IBK Global New Renewable Energy Special Asset Professional Private2	111,605	28.98	32,349	-	-	32,349
VS Cornerstone Fund	8,413	41.18	3,464	-	-	3,464
Aone Mezzanine Opportunity Professional Private	14,490	66.12	9,580	-	-	9,580
KiwoomUnicorn3New Technology Business Investment Fund	20,132	21.28	4,283	-	-	4,283
Multi Asset The United States Thortons Professional Private1(*2)	165,760	25.00	41,440	-	-	41,440
Kiwoom Milestone US Real Estate Professional Private20	68,434	75.27	51,512	-	-	51,512
NH-Amundi US Infrastructure Private Fund2(*2)	98,161	25.91	25,430	-	-	25,430
KB Distribution Private Real Estate1(*2)	49,513	62.00	30,698	-	-	30,698
SHBNPP Jigae Namsan BTO professional Investment Type Private Special Asset Investment Trust [Infra business](*2)	71,593	28.93	20,712	-	-	20,712
SHBNPP Japan Photovoltaic Private Special Asset Investment Trust No.2 [Loan-Derivative](*2)	97,164	30.00	29,149	-	-	29,149
Kakao-Shinhan 1st TNYT Fund	11,683	48.62	5,681	-	-	5,681
IMM Special Situation 1-2 PRIVATE EQUITY FUND	54,295	20.02	10,870	-	-	10,870
Pacific Private Placement Real Estate Fund No.40	47,094	24.73	11,647	-	-	11,647
Mastern Private Real Estate Loan Fund No.2	16,955	33.57	5,692	-	-	5,692
LB Scotland Amazon Fulfillment Center Fund 29	44,455	70.14	31,182	-	-	31,182
JR AMC Hungary Budapest Office Fund 16	37,469	32.57	12,204	-	-	12,204
IGIS 372 Real Estate Professional Private	200,192	28.39	56,835	-	-	56,835
KoFC-Neoplux R&D-Biz Creation 2013-1 Venture Capital Fund	15,636	19.00	3,830	-	-	3,830
Future-Creation Neoplux Venture Capital Fund	23,134	16.25	3,796	-	-	3,796
Gyeonggi-Neoplux Superman Fund	31,712	21.76	6,399	-	-	6,399
NewWave 6th Fund	20,501	30.00	6,150	-	-	6,150
Neoplux No.3 Private Equity Fund	102,956	10.00	10,295	-	-	10,295

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2020					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
PCC Amberstone Private Equity Fund I	₩ 103,736	21.67	22,480	-	-	22,480
KIAMCO POWERLOAN TRUST 4TH Mastern Opportunity Seeking Real Estate Fund II	92,794	47.37	43,955	-	-	43,955
AION ELFIS PROFESSIONAL PRIVATE I	98,994	20.00	19,799	-	-	19,799
T&F 2020 SS Private Equity Fund Specializing in Start-up and Venture Business	27,642	20.00	5,528	-	-	5,528
Neoplux Market-Frontier Secondary Fund Synergy Green New Deal 1st New Technology Business Investment Fund	15,001	29.68	4,453	-	-	4,453
KAIM Real-estate Private Investment Trust 20	54,727	19.74	11,545	-	-	11,545
KIAMCO Vietnam Solar Special Asset Private Investment Trust	35,527	28.17	10,008	-	-	10,008
CSQUARE SNIPER PROFESSIONAL PRIVATE 10	13,254	38.46	5,098	-	-	5,098
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-1	15,896	50.00	7,948	-	-	7,948
IGIS GLIP Professional Investment Private Real Estate Investment Trust No. 1-2	5,000	62.50	3,125	-	-	3,125
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	45,573	97.85	44,594	-	-	44,594
IGIS Professional Investors Private Investment Real Estate Investment LLC No.395	45,573	97.85	44,594	-	-	44,594
SHBNPP Green New Deal Energy Professional Investment Type Private Special Asset Investment Trust No.2	48,475	25.00	15,855	-	-	15,855
Kiwoom Private Equity Ant-Man Startup Venture Specialized Private Equity Fund	50,394	58.82	29,644	-	-	29,644
Kiwoom Hero No.4 Private Equity Fund	70,473	30.00	21,142	-	-	21,142
Vogo Canister Professional Trust Private Fund I	20,134	25.00	5,034	-	-	5,034
Others	22,358	21.05	4,707	-	-	4,707
	119,892	36.68	43,975	-	-	43,975
	519,091		139,466	-	-	139,466
	₩ 8,101,037		2,657,552	(32)	550	2,657,768

(*1) Other adjustments represent the unrecognized equity method losses because the Group has stopped recognizing its equity method losses as the balance of the investment has been reduced to zero.

(*2) Other represents the adjustments of fair value when acquired.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
BNP Paribas Cardif Life Insurance	₩ 351,193	14.99	52,665	(79)	-	52,586
Songrim Partners.(*1)	(62)	35.34	(22)	-	22	-
Neoplux Technology Valuation Investment Fund	49,152	33.33	16,384	-	-	16,384
Partners 4th Growth Investment Fund	59,669	25.00	14,917	-	-	14,917
KTB Newlake Global Healthcare PEF(*2)	37,036	30.00	11,110	-	170	11,280
Daekwang Semiconductor Co., Ltd.	16,179	20.94	3,388	-	-	3,388
Shinhan-Neoplux Energy Newbiz Fund	33,773	23.33	7,880	-	-	7,880
Shinhan-Albatross tech investment Fund	17,499	50.00	8,734	-	-	8,734
KCLAVIS Meister Fund No.17	4,593	26.09	1,198	-	-	1,198
Plutus-SG Private Equity Fund	15,868	26.67	4,231	-	-	4,231
Eum Private Equity Fund No.3	17,216	20.76	3,574	-	-	3,574
KTB Confidence Private Placement	19,305	31.43	6,067	-	-	6,067
Meritz AI-SingA330-A Investment Type Private Placement Special Asset Fund	17,820	23.89	4,256	-	-	4,256
Meritz AI-SingA330-B Investment Type Private Placement Special Asset Fund	44,226	20.16	8,916	-	-	8,916
VOGO Debt Strategy Qualified INV Private R/E INV TR 4	49,650	20.00	9,930	-	-	9,930
Shinhan-Midas Donga Secondary Fund	6,972	50.00	3,486	-	-	3,486
ShinHan – Soo Young Entrepreneur Investment Fund No.1	18,954	24.00	4,549	-	-	4,549
Synergy-Shinhan Mezzanine New Technology Investment Fund	8,215	47.62	3,912	-	-	3,912
Shinhan Praxis K-Growth Global Private Equity Fund	54,601	18.87	10,302	-	-	10,302
Credian Healthcare Private Equity Fund II	6,977	34.07	2,377	-	-	2,377
Kiwoom Milestone Professional Private Real Estate Trust 19	20,816	50.00	10,407	-	-	10,407
AIP EURO Green Private Real Estate Trust No.3	98,135	21.28	20,884	-	-	20,884
Hanhwa US Equity Strategy Private Real Estate Fund No.1	57,901	44.84	25,964	-	-	25,964
Shinhan Global Healthcare Fund 1	72,687	4.41	3,209	-	-	3,209
JB Power TL Investment Type Private Placement Special Asset Fund 7	50,402	33.33	16,800	-	-	16,800
IBK AONE convertible 1	12,861	47.25	6,077	-	-	6,077
Rico synergy collabo Multi-Mezzanine 3	6,431	50.03	3,217	-	-	3,217
KB NA Hickory Private Special Asset Fund	95,813	37.50	35,930	-	-	35,930
Koramco Europe Core Private Placement Real Estate Fund No.2-2	44,438	44.02	19,562	-	-	19,562
Shinhan-Stonebridge Petro PEF	38	1.82	1	-	-	1
BNP Paribas Cardif General Insurance	21,128	10.00	2,113	-	-	2,113

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
Axis Global Growth New Technology Investment Association	₩ 10,064	31.85	3,205	-	-	3,205
Polaris No7 Start up and Venture Private Equity Fund	8,061	28.57	2,303	-	-	2,303
Hermes Private Investment Equity Fund	21,859	29.17	6,376	-	-	6,376
SHC ULMUS Fund No.1	10,706	29.41	3,149	-	-	3,149
Shinhan-Nvestor Liquidity Solution Fund	19,524	24.92	4,865	-	-	4,865
Shinhan AIM FoF Fund 1a	28,967	25.00	7,242	-	-	7,242
IGIS Global Credit Fund 150-1	38,874	25.00	9,718	-	-	9,718
GX Shinhan Intervest 1st Private Equity Fund	131,237	25.27	33,166	-	-	33,166
Soo Commerce Platform Growth Fund	25,762	24.62	6,343	-	-	6,343
Partner One Value up I Private Equity Fund	42,602	27.91	11,891	-	-	11,891
Genesis No.1 Private Equity Fund	224,315	22.80	51,150	-	-	51,150
GMB ICT New Technology Investment Fund	29,359	26.75	7,854	-	-	7,854
Korea Omega Project Fund III	12,818	23.53	3,016	-	-	3,016
Soo Delivery Platform Growth Fund	29,740	30.00	8,922	-	-	8,922
Genesis North America Power Company No.1 PEF	45,759	39.92	18,275	-	-	18,275
Hyungje art printing(*1)	(264)	31.54	(83)	-	83	-
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	88,763	23.33	20,712	-	-	20,712
Shinhan-Rhinos 1 Fund	13,474	22.48	3,029	-	-	3,029
Pacific Private Investment Trust No.20	18,749	21.74	4,076	-	-	4,076
Susung Mezzanine project P1 Private Investment Trust	9,672	41.18	5,128	-	-	5,128
Korea Finance Security	21,693	14.91	3,235	-	-	3,235
MIEL CO.,LTD(*1)	(119)	28.77	(34)	-	34	-
AIP Transportation Specialized Privately Placed Fund Trust #1	88,395	35.73	31,580	-	-	31,580
Lime Neptune Professional Private 6	10,125	50.00	5,063	-	-	5,063
PCC S/W 2nd Fund	10,154	29.56	3,001	-	-	3,001
E&Healthcare Investment Fund No.6	38,179	20.37	7,776	-	-	7,776
One Shinhan Global Fund 1	22,244	19.98	4,441	-	-	4,441
Kiwoom-Shinhan Innovation Fund I	14,568	50.00	7,284	-	-	7,284
Daishin-K&T New Technology Investment Fund	22,583	31.25	7,057	-	-	7,057
Midas Asset Global CRE Debt Private Fund No.6	118,368	20.05	23,731	-	-	23,731
Richmond Private Investment Trust No.82	25,200	60.00	15,120	-	-	15,120
Tiger Alternative Real Estate Professional Private5	40,689	48.71	19,820	-	-	19,820

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December 31, 2020 and 2019

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
Samchully Midstream Private Placement Special Asset Fund 5-4	₩ 71,625	42.92	30,742	-	-	30,742
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.3	269,155	20.00	53,831	-	-	53,831
AUCTUS FITRIN Corporate Recovery Private Equity Fund	67,004	21.43	14,358	-	-	14,358
NH-Amundi Global Infrastructure Trust 14 Pacific Private Real Estate Fund	61,657	30.00	18,497	-	-	18,497
Investment Trust No.30	39,509	37.50	14,816	-	-	14,816
Jarvis Memorial Private Investment Trust 1	10,267	99.01	10,166	-	-	10,166
Mastern Private Private Investment Trust 68	18,598	53.76	9,999	-	-	9,999
Vestas Qualified Investors Private Real Estate Fund Investment Trust No.37	7,329	60.00	4,397	-	-	4,397
Milestone Private Real Estate Fund 3 (Derivative Type)	53,608	32.06	17,186	-	-	17,186
IGIS Private Real Estate Investment Trust 286 (2 class)	23,502	41.56	9,768	-	-	9,768
Nomura-Rifa Private Real Estate Investment Trust 31 (2 class)	28,469	31.31	8,914	-	-	8,914
Lime Pricing Private Equity Fund	32,113	25.85	8,300	-	-	8,300
SHBNPP Senior Loan Professional Investment Type Private Mixed Asset Investment Trust No.2	197,417	21.27	41,991	-	-	41,991
DS Solid.II Hedge Fund	15,042	27.41	4,123	-	-	4,123
Hana Semiconductor New Technology Fund	52,905	24.30	12,856	-	-	12,856
J&Magnet Startup Venture Specialized Private Equity Fund	24,513	24.39	5,979	-	-	5,979
Cape IT Fund No.3	30,298	32.89	9,967	-	-	9,967
Vogo Realty Partners Private Real Estate Fund V	47,958	21.64	10,376	-	-	10,376
IL GU FARM CO.,LTD(*1)	(316)	28.47	(90)	-	90	-
Korea Credit Bureau	75,689	9.00	6,812	-	-	6,812
SBC PFV Co., Ltd	80,000	25.00	20,000	-	-	20,000
Sprott Global Renewable Private Equity Fund II	82,718	23.10	19,016	-	-	19,016
NH-amundi global infra private fund 16	96,316	50.00	48,158	-	-	48,158
IMM Global Private Equity Fund	90,807	31.85	28,925	-	-	28,925
HANA Alternative Estate Professional Private]22	34,853	75.19	26,205	-	-	26,205
Hanwha-Incus Plus New Technology Fund No.1	12,899	42.64	5,499	-	-	5,499

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

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15. Investments in associates (continued)

(d) Reconciliation of the financial information to the carrying values of its interests in the associates as of December 31, 2020 and 2019 are as follows (continued):

Investees	December 31, 2019					
	Net assets (a)	Ownership (%)(b)	Interests in the net assets (a)*(b)	Intra-group transactions	Other	Carrying Value
SHBNPP Corporate Professional Investment Type Private Security Investment Trust No.7[Bond]	₩ 111,607	45.96	51,293	-	-	51,293
SHBNPP BNCT Professional Investment Type Private Special Asset Investment Trust	261,433	57.50	150,317	-	-	150,317
PSA EMP Private Equity Fund	34,250	28.99	9,927	-	-	9,927
Deutsche Global Professional Investment Type Private Real Estate Investment Trust No. 24	56,360	52.28	29,463	-	-	29,463
SHBNPP Peace of Mind TDF 2035 Security Investment Trust [Equity Balanced-FoF]	22,285	25.70	5,727	-	-	5,727
SHBNPP Peace of Mind TDF 2040 Security Investment Trust [Equity Balanced-FoF]	22,536	25.42	5,729	-	-	5,729
BRAIN DO PROFESSIONALE PRIVATE No. 27	10,295	29.13	3,065	-	-	3,065
VISION US Muni US Local Debt Opportunities Professional Private1(S)	39,095	25.00	9,869	-	-	9,869
Other	337,794	-	85,931	-	-	85,931
	₩ <u>4,951,196</u>	<u>-</u>	<u>1,452,541</u>	<u>(79)</u>	<u>399</u>	<u>1,452,861</u>

(*1) Other adjustments represent the unrecognized equity method losses because the Group has stopped recognizing its equity method losses as the balance of the investment has been reduced to zero.

(*2) Other represents the adjustments of fair value when acquired.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

15. Investments in associates (continued)

(e) The unrecognized equity method losses as of and for the years ended December 31, 2020 and 2019 are as follows:

<u>Investees</u>	December 31, 2020	
	Unrecognized equity method losses	Cumulative unrecognized equity method losses
Songrim Partners.	₩ -	(22)
Multimedia Tech Co.Ltd	(15)	(15)
Hyungje art printing	(83)	(83)
MIEL CO.,LTD	(25)	(25)
Goduck Gangil1 PFV Co., Ltd	(145)	(145)
	₩ <u>(268)</u>	<u>(290)</u>

<u>Investees</u>	December 31, 2019	
	Unrecognized equity method losses	Cumulative unrecognized equity method losses
Songrim Partners.	₩ (14)	(22)
Hyungje art printing	(45)	(83)
MIEL CO.,LTD	(34)	(34)
IL GU FARM CO.,LTD	(90)	(90)
	₩ <u>(183)</u>	<u>(229)</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

16. Investment properties

(a) Investment properties as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Acquisition cost	₩ 767,118	605,773
Accumulated depreciation	(151,883)	(117,163)
Carrying value	₩ 615,235	488,610

(b) Changes in investment properties for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Beginning balance	₩ 488,610	474,820
Acquisition	244,100	2,767
Disposal	(92,337)	(73,588)
Depreciation	(20,165)	(17,565)
Amounts transferred from (to) property and equipment	(4,064)	104,573
Amounts transferred to assets held for sale(*)	(910)	(15,795)
Foreign currency adjustment	1	(169)
Business combination (Note 47)	-	13,567
Ending balance	₩ 615,235	488,610

(*) Comprise land and buildings, etc.

(c) Income and expenses on investment property for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Rental income	₩ 23,890	43,777
Direct operating expenses for investment properties that generated rental income	11,951	12,107

(d) The fair value of investment property as of December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Land and buildings(*)	₩ 1,254,149	1,062,195

(*) Fair value of investment properties is estimated based in the recent market transaction conditions with an independent third party and certain significant unobservable inputs. Accordingly, fair value of investment properties is classified as level 3.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

17. **Other assets**

(a) Other assets as of December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Accounts receivable	₩ 12,511,880	9,355,388
Domestic exchange settlement debit	4,055,744	4,337,628
Guarantee deposits	1,145,045	1,184,572
Present value discount on guarantee deposits	(33,062)	(45,316)
Accrued income	2,535,847	2,612,823
Prepaid expense	202,218	193,849
Suspense payments	183,935	71,764
Sundry assets	106,341	93,766
Separate account assets	9,267,722	8,253,351
Advance payments	203,023	317,365
Unamortized deferred acquisition cost	979,942	907,868
Other	1,118,926	661,998
Allowances for credit loss of other assets	(82,895)	(66,775)
	<u>₩ 32,194,666</u>	<u>27,878,281</u>

(b) Changes in deferred acquisition cost by insurance type for the year ended December 31, 2020 are as follows:

	December 31, 2020					Ending balance
	Beginning balance	Acquisition cost incurred		Amortiza- -tion		
		Cost	Expensed	Deferral		
Individual insurance						
Survival insurance	₩ 67,856	11,602	(6,450)	5,152	(35,504)	37,504
Mortality insurance	834,415	771,973	(298,355)	473,618	(375,111)	932,922
Endowment insurance	4,764	19,024	(11,001)	8,023	(3,862)	8,925
	<u>907,035</u>	<u>802,599</u>	<u>(315,806)</u>	<u>486,793</u>	<u>(414,477)</u>	<u>979,351</u>
Group insurance						
Protection type	833	343	(164)	179	(421)	591
	<u>₩ 907,868</u>	<u>802,942</u>	<u>(315,970)</u>	<u>486,972</u>	<u>(414,898)</u>	<u>979,942</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

18. Leases

(a) Gross investment and present value of minimum lease payment of finance lease as of December 31, 2020 and 2019, are as follows:

		December 31, 2020		
		Gross investment	Unearned finance income	Present value of minimum lease payment
Not later than 1 year	₩	678,790	73,230	605,560
1 ~ 2 years		527,757	43,701	484,056
2 ~ 3 years		391,447	21,169	370,278
3 ~ 4 years		219,040	6,089	212,951
4 ~ 5 years		93,975	432	93,543
Later than 5 years		6,320	53	6,267
	₩	<u>1,917,329</u>	<u>144,674</u>	<u>1,772,655</u>

(*) Interest income on finance lease receivables recognized for the year ended December 31, 2020 is ₩76,742 million.

		December 31, 2019		
		Gross investment	Unearned finance income	Present value of minimum lease payment
Not later than 1 year	₩	529,326	94,809	434,517
1 ~ 2 years		443,708	63,226	380,482
2 ~ 3 years		469,754	37,725	432,029
3 ~ 4 years		289,798	16,773	273,025
4 ~ 5 years		150,811	4,225	146,586
Later than 5 years		16,782	44	16,738
	₩	<u>1,900,179</u>	<u>216,802</u>	<u>1,683,377</u>

(*) Interest income on finance lease receivables recognized for the year ended December 31, 2019 is ₩74,933 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

18. Leases (continued)

(b) Minimum lease payment receivable schedule for lease contracts of the Group as lessor as of December 31, 2020 and 2019 are as follows:

i) *Finance lease*

		December 31, 2020		
		Minimum lease payment	Present value adjustment	Present value of minimum lease payment
Not later than 1 year	₩	678,790	73,230	605,560
1 ~ 2 years		527,757	43,701	484,056
2 ~ 3 years		391,447	21,169	370,278
3 ~ 4 years		219,040	6,089	212,951
4 ~ 5 years		93,975	432	93,543
Later than 5 years		6,320	53	6,267
	₩	<u>1,917,329</u>	<u>144,674</u>	<u>1,772,655</u>
		December 31, 2019		
		Minimum lease payment	Present value adjustment	Present value of minimum lease payment
Not later than 1 year	₩	529,326	94,809	434,517
1 ~ 2 years		443,708	63,226	380,482
2 ~ 3 years		469,754	37,725	432,029
3 ~ 4 years		289,798	16,773	273,025
4 ~ 5 years		150,811	4,225	146,586
Later than 5 years		16,782	44	16,738
	₩	<u>1,900,179</u>	<u>216,802</u>	<u>1,683,377</u>

ii) *Operating lease*

		Minimum lease payment	
		December 31, 2020	December 31, 2019
Not later than 1 year	₩	276,590	142,140
1 ~ 2 years		233,443	118,781
2 ~ 3 years		182,261	76,379
3 ~ 4 years		124,556	37,047
4 ~ 5 years		52,997	14,984
Later than 5 years		95,414	83
	₩	<u>965,261</u>	<u>389,414</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

18. Leases (continued)

(c) Changes in operating lease assets for the years ended December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance	₩	549,741	370,868
Acquisition		681,607	411,971
Disposal		(54,042)	(134,810)
Depreciation		(163,006)	(98,288)
Ending balance	₩	<u>1,014,300</u>	<u>549,741</u>

(d) The details of the right-of-use assets by the lessee's underlying asset type as of December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>		
		<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Carrying value</u>
Real estate	₩	953,135	(396,716)	556,419
Vehicle		36,680	(16,059)	20,621
Others		26,368	(12,991)	13,377
	₩	<u>1,016,183</u>	<u>(425,766)</u>	<u>590,417</u>

		<u>December 31, 2019</u>		
		<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Carrying value</u>
Real estate	₩	1,306,759	(228,956)	1,077,803
Vehicle		30,051	(8,057)	21,994
Others		20,396	(7,397)	12,999
	₩	<u>1,357,206</u>	<u>(244,410)</u>	<u>1,112,796</u>

(e) The details of the changes in the right-of-use assets for the years ended December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>			
		<u>Real estate</u>	<u>Vehicle</u>	<u>Others</u>	<u>Total</u>
Beginning balance	₩	1,077,803	21,994	12,999	1,112,796
Acquisition		286,981	12,556	6,421	305,958
Disposal		(21,763)	(2,394)	(16)	(24,173)
Depreciation		(268,376)	(11,625)	(6,027)	(286,028)
Substitution		(513,437)	-	-	(513,437)
Effects of foreign currency movements		(5,375)	(5)	-	(5,380)
Business combination (Note 47)		586	95	-	681
Ending balance	₩	<u>556,419</u>	<u>20,621</u>	<u>13,377</u>	<u>590,417</u>

		<u>December 31, 2019</u>			
		<u>Real estate</u>	<u>Vehicle</u>	<u>Others</u>	<u>Total</u>
Beginning balance	₩	554,478	16,528	12,570	583,576
Acquisition		781,097	16,523	8,163	805,783
Disposal		(10,808)	(1,638)	(149)	(12,595)
Depreciation		(280,691)	(10,094)	(7,753)	(298,538)
Effects of foreign currency movements		2,890	91	-	2,981
Business combination		30,837	584	168	31,589
Ending balance	₩	<u>1,077,803</u>	<u>21,994</u>	<u>12,999</u>	<u>1,112,796</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

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18. Leases (continued)

(f) The details of the maturity of the lease liability as of December 31, 2020 and 2019 are as follows:

		December 31, 2020						
		1 month or less	1 month ~ 3 months or less	3 months ~ 6 months or less	6 months ~ 1 year or less	1 year ~ 5 years or less	More than 5 years	Total
Real estate	₩	22,560	36,746	49,746	90,057	287,932	69,083	556,124
Vehicle		3,404	1,840	2,490	4,765	11,632	-	24,131
Others		520	806	1,203	2,031	9,345	1	13,906
	₩	<u>26,484</u>	<u>39,392</u>	<u>53,439</u>	<u>96,853</u>	<u>308,909</u>	<u>69,084</u>	<u>594,161</u>

		December 31, 2019						
		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	₩	20,967	34,357	47,644	86,228	848,699	28,973	1,066,868
Vehicle		1,378	1,542	2,178	4,108	14,410	-	23,616
Others		959	994	1,288	2,057	8,477	-	13,775
	₩	<u>23,304</u>	<u>36,893</u>	<u>51,110</u>	<u>92,393</u>	<u>871,586</u>	<u>28,973</u>	<u>1,104,259</u>

(*) The above amounts are based on undiscounted cash flows, and have been classified at the earliest maturity that the Group has the obligation to pay.

(g) The lease payments for low-value assets and short-term leases for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
Low-value assets	₩	6,181		5,045
Short-term lease (*)		836		907
Total	₩	<u>7,017</u>		<u>5,952</u>

(*) The payments for leases with terms less than 1 month are included.

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19. Pledged assets

(a) Assets pledged as collateral as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Reasons for collateral</u>
Loans at amortized cost	₩ -	128,163	Borrowings
Securities:			
Securities at FVTPL	15,328,573	15,016,057	Customer RP
Securities at FVOCI	4,058,033	2,387,555	Borrowings, Settlement security for Bank of Korea, Borrowing securities, etc
Securities at amortized cost	14,516,567	12,791,744	Borrowings, Settlement security for Bank of Korea, Customer RP, etc
	<u>33,903,173</u>	<u>30,195,356</u>	
Deposits at amortized cost	784,626	1,090,161	Borrowings
Property and Equipment (real estate)	301,098	121,446	Set for near mortgage, etc
Other financial assets	355	404	Performance guarantee, etc
	<u>₩ 34,989,252</u>	<u>31,535,530</u>	

(*) 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, 2020 and 2019 are ₩11,190,218 million and ₩9,696,487 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, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>		<u>The fair value of collateral sold or re-provided as collateral</u>
		<u>Collateral held</u>		
		<u>Assets pledged as collateral</u>	<u>Assets received as collateral</u>	
Securities	₩	10,487,095	2,871,910	-
		<u>December 31, 2019</u>		<u>The fair value of collateral sold or re-provided as collateral</u>
		<u>Collateral held</u>		
		<u>Assets pledged as collateral</u>	<u>Assets received as collateral</u>	
Securities	₩	9,240,573	2,007,036	

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20. Deposits

Deposits as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Demand deposits:		
Korean won	₩ 132,444,929	103,048,895
Foreign currencies	16,280,268	13,233,812
	<u>148,725,197</u>	<u>116,282,707</u>
Time deposits:		
Korean won	137,719,464	139,824,896
Foreign currencies	20,114,427	18,602,551
	<u>157,833,891</u>	<u>158,427,447</u>
Negotiable certificates of deposits	5,946,704	9,707,791
Note discount deposits	6,226,937	4,579,587
CMA	4,006,319	3,987,372
Others	3,677,820	1,889,352
	<u>₩ 326,416,868</u>	<u>294,874,256</u>

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21. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities sold:		
Stocks	₩ 387,857	298,008
Bonds	503,920	825,942
Others	5,352	40,747
	<u>897,129</u>	<u>1,164,697</u>
Gold/silver deposits	539,565	467,760
	₩ <u>1,436,694</u>	<u>1,632,457</u>

22. Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Reason for designation</u>
Equity-linked securities sold	₩ 6,556,288	6,880,811	
Securities sold with embedded derivatives	1,899,436	2,528,645	Combined instrument
	₩ <u>8,455,724</u>	<u>9,409,456</u>	

(*) The Group designated the financial liabilities at the initial recognition(or subsequently) in accordance with paragraph 6.7.1 of K-IFRS No. 1109 as financial liabilities at fair value through profit or loss.

Maximum credit risk exposure of the financial liabilities designated at fair value through profit or loss amounts to ₩8,455,724 million as of December 31, 2020. Decrease in values of the liability due to credit risk changes is ₩9,689 million for the year ended December 31, 2020 and the accumulated changes in values are ₩(-)7,133 million as of December 31, 2020.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

23. Borrowings

Borrowings as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Borrowings in Korean won:				
Borrowings from Bank of Korea	0.25~0.25	₩ 5,351,110	0.50~0.75	₩ 2,429,346
Others	0.00~6.20	16,375,272	0.00~6.00	14,202,096
		<u>21,726,382</u>		<u>16,631,442</u>
Borrowings in foreign currencies:				
Overdraft due to banks	0.00	71,309	0.00	86,791
Borrowings from banks	0.00~8.00	5,423,571	0.11~7.50	6,576,849
Others	0.00~12.45	1,538,021	1.94~13.65	1,748,031
		<u>7,032,901</u>		<u>8,411,671</u>
Call money	0.35~ 0.55	1,760,042	0.00~ 5.25	712,247
Bill sold	0.00~ 1.10	10,706	0.80~ 1.60	19,070
Bonds sold under repurchase agreements:	0.00~ 5.15	11,065,584	0.95~ 5.40	9,089,736
Deferred origination costs		(1,551)		(1,010)
		<u>₩ 41,594,064</u>		<u>₩ 34,863,156</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

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24. Debt securities issued

Debt securities issued as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Interest rate (%)	Amount	Interest rate (%)	Amount
Debt securities issued in Korean won:				
Debt securities issued	0.67~8.00	₩ 59,816,756	0.71~8.00	₩ 60,501,093
Subordinated debt securities issued	2.20~4.60	4,370,125	2.20~4.60	4,370,145
Loss on fair value hedges	-	(63,652)	-	(87,692)
Discount on debt securities issued	-	(39,309)	-	(66,334)
		<u>64,083,920</u>		<u>64,717,212</u>
Debt securities issued in foreign currencies:				
Debt securities issued	0.25~7.59	7,182,619	0.01~7.59	6,750,085
Subordinated debt securities issued	3.34~5.10	3,598,624	3.34~5.10	3,797,536
Gain on fair value hedges	-	309,880	-	141,264
Discount on debt securities issued	-	(40,649)	-	(42,733)
		<u>11,050,474</u>		<u>10,646,152</u>
		<u>₩ 75,134,394</u>		<u>₩ 75,363,364</u>

25. Defined benefit assets

(a) Defined benefit obligations and plan assets

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, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	₩ 2,182,464	2,063,102
Fair value of plan assets	(2,138,324)	(1,943,644)
Recognized liabilities for defined benefit obligations(*)	<u>₩ 44,140</u>	<u>119,458</u>

(*) The net defined benefit obligation of ₩44,140 million as of December 31, 2020 is the net defined benefit liability of ₩62,514 million less the net plan assets of ₩18,374 million. In addition, the net defined benefit obligation of ₩119,458 million as of December 31, 2019 is the net defined benefit liability of ₩121,140 million less the net plan assets of ₩1,682 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

25. Defined benefit assets (continued)

(b) Changes in the present value of defined benefit obligation and plan assets for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020		
	Defined benefit obligation	Plan assets	Net defined benefit liability
Beginning balance	₩ 2,063,102	(1,943,644)	119,458
Included in profit or loss:			
Current service cost	179,390	-	179,390
Past service cost	9,069	-	9,069
Interest expense (income)	57,674	(55,466)	2,208
Settlement expense	(306)	-	(306)
	<u>245,827</u>	<u>(55,466)</u>	<u>190,361</u>
Included in other comprehensive income:			
Remeasurement loss (gain):			
- Actuarial gains (losses) arising from :			
Demographic assumptions	18	-	18
Financial assumptions	(44,424)	-	(44,424)
Experience adjustment	2,957	-	2,957
- Return on plan assets excluding interest income	-	20,027	20,027
	<u>(41,449)</u>	<u>20,027</u>	<u>(21,422)</u>
Other:			
Benefits paid by the plan	(83,614)	77,567	(6,047)
Contributions paid into the plan	(268)	(239,570)	(239,838)
Settlement gain or loss	(2,695)	4,053	1,358
Business combination (Note 47)	2,139	(1,291)	848
Effect of movements in exchange rates	(578)	-	(578)
	<u>(85,016)</u>	<u>(159,241)</u>	<u>(244,257)</u>
Ending balance	₩ <u>2,182,464</u>	<u>(2,138,324)</u>	<u>44,140</u>

(*) Profit and loss related to defined benefit plans are included in the general administrative expense.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

25. Defined benefit assets (continued)

(b) Changes in the present value of defined benefit obligation and plan assets for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019		
	Defined benefit obligation	Plan assets	Net defined benefit liability
Beginning balance	₩ 1,841,982	(1,714,634)	127,348
Included in profit or loss:			
Current service cost	172,490	-	172,490
Past service cost	(1,588)	-	(1,588)
Interest expense (income)	57,253	(54,336)	2,917
Settlement expense (income)	(29)	-	(29)
	<u>228,126</u>	<u>(54,336)</u>	<u>173,790</u>
Included in other comprehensive income:			
Remeasurement loss (gain):			
- Actuarial gains (losses) arising from :			
Demographic assumptions	(7,584)	-	(7,584)
Financial assumptions	53,475	-	53,475
Experience adjustment	8,001	-	8,001
- Return on plan assets excluding interest income	-	21,719	21,719
	<u>53,892</u>	<u>21,719</u>	<u>75,611</u>
Other:			
Benefits paid by the plan	(87,066)	80,063	(7,003)
Contributions paid into the plan	-	(252,858)	(252,858)
Settlement gain or loss	216	-	216
Business combination (Note 47)	25,965	(23,598)	2,367
Effect of movements in exchange rates	(13)	-	(13)
	<u>(60,898)</u>	<u>(196,393)</u>	<u>(257,291)</u>
Ending balance	₩ <u>2,063,102</u>	<u>(1,943,644)</u>	<u>119,458</u>

(*) Profit and loss related to defined benefit plans are included in the general administrative expense.

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25. Defined benefit assets (continued)

(c) The composition of plan assets as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Plan assets comprise:		
Equity securities	₩ 74,631	256,353
Debt securities	23,713	28,094
Due from banks	1,900,963	1,577,274
Others	139,017	81,923
	<u>₩ 2,138,324</u>	<u>1,943,644</u>

(d) Actuarial assumptions as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>Description</u>
Discount rate	2.68%~3.30%	2.71%~3.17%	AA0 corporate bond yields
Future salary increase rate	1.90%~4.00%	1.80%~4.00%	Average for 5 years
	+ Upgrade rate	+ Upgrade rate	
Weighted average maturity	7.6 years~ 15.4 years	8.2 years~ 16.2 years	

(e) Sensitivity analysis

As of December 31, 2020 and 2019, reasonably possible changes in one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	<u>December 31, 2020</u>	
	<u>Defined benefit obligation</u>	
	<u>Increase</u>	<u>Decrease</u>
Discount rate (1%p movement)	₩ (207,093)	233,570
Future salary increase rate (1%p movement)	232,892	(210,305)
	<u>December 31, 2019</u>	
	<u>Defined benefit obligation</u>	
	<u>Increase</u>	<u>Decrease</u>
Discount rate (1%p movement)	₩ (201,770)	233,057
Future salary increase rate (1%p movement)	231,967	(204,242)

(f) The Group's estimated contribution is ₩ 188,055 million as of December 31, 2021

26. Provisions

(a) Provisions as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Asset retirement obligations	₩ 65,659	64,922
Expected loss related to litigation	12,468	8,789
Unused credit commitments	305,719	263,752
Financial guarantee contracts issued	83,851	100,430
Others	337,039	119,131
	<u>₩ 804,736</u>	<u>557,024</u>

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December 31, 2020 and 2019

(In millions of won)

26. Provisions (continued)

(b) Changes in provision for unused credit commitments and financial guarantee contracts issued for the years ended December 31, 2020 and 2019 are as follows.:

	December 31, 2020							
	Unused credit commitments			Financial guarantee contracts issued			Total	
	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	12 months expected credit loss	Life time expected credit loss	Impaired financial asset		
Beginning allowance	₩	132,028	119,839	11,885	68,467	5,569	811	338,599
Transfer to 12 months expected credit loss		63,818	(55,295)	(8,523)	2,059	(2,059)	-	-
Transfer to life time expected credit loss		(9,883)	11,365	(1,482)	(3,951)	3,951	-	-
Transfer to impaired financial asset		(244)	(875)	1,119	-	-	-	-
Provided (reversed)		(20,377)	65,455	(1,564)	8,258	1,845	(822)	52,795
FX change		(1,195)	(352)	-	(1,335)	(223)	(49)	(3,154)
Others (*)		-	-	-	(18,948)	(1,748)	70	(20,626)
Ending balance	₩	164,147	140,137	1,435	54,550	7,335	10	367,614

(*) Others include effects of the provision from the new financial guarantee contracts measured at fair value, and the expired contracts, and the change of discount rate.

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December 31, 2020 and 2019

(In millions of won)

26. Provisions (continued)

(b) Changes in provision for unused credit commitments and financial guarantee contracts issued for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019							
	Unused credit commitments			Financial guarantee contracts issued			Total	
	12 months expected credit loss	Life time expected credit loss	Impaired financial asset	12 months expected credit loss	Life time expected credit loss	Impaired financial asset		
Beginning allowance	₩	126,402	100,808	5,137	64,194	5,904	1,757	304,202
Transfer to 12 months expected credit loss		42,838	(42,728)	(110)	2,629	(2,629)	-	-
Transfer to life time expected credit loss		(9,286)	9,314	(28)	(1,245)	1,245	-	-
Transfer to impaired financial asset		(229)	(752)	981	(12)	-	12	-
Provided (reversed)		(28,611)	53,076	5,905	(4)	96	(943)	29,519
FX change		914	121	-	1,302	323	102	2,762
Others (*)		-	-	-	1,603	630	(117)	2,116
Ending balance	₩	<u>132,028</u>	<u>119,839</u>	<u>11,885</u>	<u>68,467</u>	<u>5,569</u>	<u>811</u>	<u>338,599</u>

(*) Others include effects of the provision from the new financial guarantee contracts measured at fair value, and the expired contracts, and the change of discount rate.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

26. Provisions (continued)

(c) Changes in provisions for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	Asset retirement	Litigation	Guarantee	Other	Total
Beginning balance	₩ 64,922	8,789	25,583	119,131	218,425
Provision(reversal)	898	4,317	(2,709)	261,983	264,489
Provision used	(2,463)	(638)	-	(46,654)	(49,755)
Foreign exchange translation	(3)	-	(1,030)	570	(463)
Others(*)	2,305	-	112	1,814	4,231
Business combination (Note 47)	-	-	-	195	195
Ending balance	₩ 65,659	12,468	21,956	337,039	437,122

(*)Others include the effects of unwinding and changes in discount rate.

	December 31, 2019				
	Asset retirement	Litigation	Guarantee	Other	Total
Beginning balance	₩ 49,183	25,554	43,470	86,007	204,214
Provision(reversal)	(1,280)	(981)	(19,329)	(5,753)	(27,343)
Provision used	(1,930)	(17,365)	-	(47,217)	(66,512)
Foreign exchange translation	-	-	1,420	382	1,802
Others(*)	4,476	-	22	3,784	8,282
Business combination (Note 47)	14,473	1,581	-	81,928	97,982
Ending balance	₩ 64,922	8,789	25,583	119,131	218,425

(*)Others include the effects of unwinding and changes in discount rate.

(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, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Outstanding guarantees and acceptances	₩ 10,249,827	9,317,412
Contingent guarantees and acceptances	3,433,953	3,669,681
ABS and ABCP purchase commitments	1,604,958	2,116,354
Endorsed bill	1,650	11,287
	₩ 15,290,388	15,114,734
Allowance for loss on guarantees and acceptances	₩ 83,851	100,430
Ratio	%	0.66

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December 31, 2020 and 2019

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27. Liability under insurance contracts

(a) Insurance liabilities as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Policy reserve	₩ 53,391,401	52,086,132
Policyholder's equity adjustment	68,829	77,285
	₩ <u>53,460,230</u>	<u>52,163,417</u>

(b) Policy reserve as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest rate linked	₩ 29,977,303	30,058,020
Fixed interest rate	23,414,098	22,028,112
	₩ <u>53,391,401</u>	<u>52,086,132</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(c) The details of policy reserves as of December 31, 2020 and 2019 are as follows:

	December 31, 2020							
	Individual insurance				Group insurance			
	Pure endowment	Death	Endowment	Subtotal	Pure protection	Savings	Subtotal	Total
Premium reserve	₩ 14,597,735	26,634,537	9,981,880	51,214,152	18,430	62	18,492	51,232,644
Guarantee reserve	28,168	267,154	762	296,084	-	-	-	296,084
Unearned premium reserve	1	1,640	-	1,641	13	-	13	1,654
Reserve for outstanding claims	240,324	1,111,052	363,688	1,715,064	15,384	-	15,384	1,730,448
Interest rate difference guarantee reserve	1,937	141	9	2,087	-	-	-	2,087
Mortality gains reserve	7,865	37,553	124	45,542	1	-	1	45,543
Interest gains reserve	23,651	256	14	23,921	-	-	-	23,921
Expense gains reserve	6,606	8,336	-	14,942	-	-	-	14,942
Long term duration dividend reserve	28,737	13,775	12	42,524	-	-	-	42,524
Reserve for policyholder's profit dividend	1,080	-	-	1,080	-	-	-	1,080
Reserve for losses on dividend insurance contract	474	-	-	474	-	-	-	474
	₩ <u>14,936,578</u>	<u>28,074,444</u>	<u>10,346,489</u>	<u>53,357,511</u>	<u>33,828</u>	<u>62</u>	<u>33,890</u>	<u>53,391,401</u>

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December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(c) The details of policy reserves as of December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019							
	Individual insurance				Group insurance			
	Pure endowment	Death	Endowment	Subtotal	Pure protection	Savings	Subtotal	Total
Premium reserve	₩ 14,668,777	24,979,936	10,443,287	50,092,000	21,912	60	21,972	50,113,972
Guarantee reserve	29,400	249,845	744	279,989	-	-	-	279,989
Unearned premium reserve	2	945	-	947	291	-	291	1,238
Reserve for outstanding claims	212,641	1,084,472	233,259	1,530,372	16,858	-	16,858	1,547,230
Interest rate difference guarantee reserve	2,158	149	10	2,317	-	-	-	2,317
Mortality gains reserve	8,945	42,173	153	51,271	2	-	2	51,273
Interest gains reserve	24,486	267	17	24,770	-	-	-	24,770
Expense gains reserve	6,211	9,434	1	15,646	-	-	-	15,646
Long term duration dividend reserve	31,202	15,388	13	46,603	-	-	-	46,603
Reserve for policyholder's profit dividend	2,268	-	-	2,268	-	-	-	2,268
Reserve for losses on dividend insurance contract	826	-	-	826	-	-	-	826
	₩ 14,986,916	26,382,609	10,677,484	52,047,009	39,063	60	39,123	52,086,132

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(d) Changes in insurance contract liabilities

Changes in insurance contract liabilities for the year ended December 31, 2020 are as follows:

		December 31, 2020		Total
		Insurance contracts with fixed-interest	Insurance contracts with variable-interest	
Beginning balance	₩	22,028,112	30,058,020	52,086,132
Reserve (*)		1,385,986	(80,717)	1,305,269
Business combination		-	-	-
Ending balance	₩	23,414,098	29,977,303	53,391,401

(*) This is the amount of provision for insurance contract liabilities less changes in reinsurance assets.

(e) Changes in insurance contract liabilities by insurance risk classification

Changes in insurance contract liabilities by insurance risk classification for the year ended December 31, 2020 are as follows:

		December 31, 2020							Total
		Individual insurance				Group insurance			
		Survival	Mortality	Endowment	Sub-total	Protection	Savings	Sub-total	
Beginning balance	₩	14,986,916	26,382,609	10,677,484	52,047,009	39,063	60	39,123	52,086,132
Reserve (reversal) (*)		(50,338)	1,691,835	(330,995)	1,310,502	(5,235)	2	(5,233)	1,305,269
Ending balance	₩	14,936,578	28,074,444	10,346,489	53,357,511	33,828	62	33,890	53,391,401

(*) This is the amount of provision for insurance contract liabilities less changes in reinsurance assets.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(f) Reinsurance credit risk as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Reinsurance assets	Reinsurance account receivable	Reinsurance assets	Reinsurance account receivable
AAA	₩ 10,611	47,690	11,477	18,192
AA- to AA+	29,294	23,348	34,498	46,302
A- to A+	2,375	4,018	2,287	4,113
	₩ 42,280	75,056	48,262	68,607

(g) Income or expenses on insurance for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Insurance income:		
Premium income	₩ 7,037,308	7,386,854
Reinsurance income	152,892	146,564
Separate account income	57,553	36,007
	7,247,753	7,569,425
Insurance expenses:		
Claims paid	5,564,875	5,436,069
Reinsurance premium expenses	167,215	165,979
Provision for policy reserves (*)	1,311,252	1,724,816
Separate account expenses	57,553	36,007
Discount charge	1,087	657
Acquisition costs	802,942	805,508
Collection expenses	18,835	19,049
Deferred acquisition costs	(486,972)	(495,534)
Amortization of deferred acquisition costs	414,898	373,800
	7,851,685	8,066,351
Net loss on insurance	₩ (603,932)	(496,926)

(*) Provision for insurance contract liabilities recognized for life insurance include interest expenses for ₩1,866,609 million and ₩1,907,954 million accumulatively as of December 31, 2020 and 2019.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. **Liability under insurance contracts (continued)**

(h) Maturity of premium reserve as of December 31, 2020 and 2019 are as follows:

		December 31, 2020						
		Less than or equal to 1 year	1 ~ 3 years	3 ~ 7 years	7 ~ 10 years	10 ~ 20 years	More than 20 years	Total
Interest rate linked	₩	929,268	1,944,710	1,819,554	820,964	2,056,906	19,729,536	27,300,938
Fixed interest rate		164,890	418,574	983,635	594,667	2,090,669	19,679,271	23,931,706
Ending balance	₩	<u>1,094,158</u>	<u>2,363,284</u>	<u>2,803,189</u>	<u>1,415,631</u>	<u>4,147,575</u>	<u>39,408,807</u>	<u>51,232,644</u>

		December 31, 2019						
		Less than or equal to 1 year	1 ~ 3 years	3 ~ 7 years	7 ~ 10 years	10 ~ 20 years	More than 20 years	Total
Interest rate linked	₩	845,304	2,079,125	2,118,652	941,413	2,236,313	20,732,909	28,953,716
Fixed interest rate		213,892	329,647	1,032,366	572,153	2,058,859	16,953,339	21,160,256
Ending balance	₩	<u>1,059,196</u>	<u>2,408,772</u>	<u>3,151,018</u>	<u>1,513,566</u>	<u>4,295,172</u>	<u>37,686,248</u>	<u>50,113,972</u>

(i) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd.

i) Scope

Liability adequacy tests are performed on the premium reserve, unearned premium reserve and guarantee reserve for the contracts held at December 31, 2020 and 2019. The premium reserve considered the amount net level premium reserve less, where appropriate, deferred acquisition cost in accordance with the article 6-3 of Regulation on Supervision of Insurance Business Act.

ii) Output overview

In the debt appraisal system, the insurance premium surplus method is applied to calculate premium deficits.

Premium deficiency refers to deficiency when the amount of accumulated reserve is insufficient due to a decrease in the interest rate after the sale of the product or an increase in the risk rate compared with the expected basic rate at the time of product development.

The insurance premium standard inspection method is a method of calculating the reserve amount based on the present value of total income reflecting the interest rate, the risk rate, the business ratio, the cancellation rate, etc. and the present value of the total expenditure, that is, (discount rate), business ratio, risk rate, and cancellation rate calculated based on the Group's own experience, which reflects company-specific characteristics, and does not reflect subjective factors such as management's willingness to improve management.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(i) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd. (continued)

iii) The assumptions of the current estimation used to assessment and their basis for calculation is as follows:

	Assumptions			Measurement basis
	December 31, 2020	December 31, 2019	January 1, 2019	
Discount rate	1.30% ~ 12.01%	1.04% ~ 5.79%	2.10% ~ 7.45%	The scenario adding liquidity premium to risk-free rate, which is suggested from Financial Supervisory Service
Mortality rate	10.38% ~ 585.90%	11.36% ~ 497.99%	2.58% ~ 247.65%	Ratio by claims paid per premium paid on risk premium based on experience-based rate by products, collateral of last 5 years.
Operating expense rate	Acquisition cost - The first time : 90.00% ~ 1,022.75% - From the second time : 0.00% ~ 193.50% Maintenance expense (each case): 1,559 won ~ 4,675 won Collection expenses (on gross premium): 0.06% ~ 1.28%	Acquisition cost - The first time : 90.00% ~ 1,022.75% - From the second time : 0.00% ~ 193.50% Maintenance expense (each case): 1,229 won ~ 3,332 won Collection expenses (on gross premium): 0.05% ~ 1.27%	Acquisition cost - The first time : 90.00% ~ 982.70% - From the second time : 0.00% ~ 193.50% Maintenance expense (each case): 207 won ~ 3,531 won Collection expenses (on gross premium): 0.04% ~ 1.10%	Business rate on insurance premium or expenses per contract based on experience-based rate of last 1 year
Surrender ratio	0.53% ~ 29.83%	0.76% ~ 33.03%	0.95% ~ 48.35%	Surrender ratio by elapsed period, classes of sales channel, product of last 5 years

iv) The result of liability adequacy test as of December 31, 2020 and 2019, and January 1, 2019 are as follows:

	December 31, 2020		
	Provisions for test	LAT base	Premium surplus (loss)
Participating:			
Fixed interest	₩ 598,793	1,301,878	(703,085)
Variable interest	7,230,482	3,543,525	3,686,957
Non- Participating:			
Fixed interest	915,382	1,013,181	(97,799)
Variable interest	14,456,394	12,882,865	1,573,529
Variable type	165,259	36,127	129,132
	₩ 23,366,310	18,777,576	4,588,734

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(i) Liability adequacy test, LAT – Shinhan Life Insurance Co., Ltd. (continued)

iv) The result of liability adequacy test as of December 31, 2020 and 2019 and January 1, 2019 are as follows (continued):

				December 31, 2019		
				Provisions for test	LAT base	Premium surplus (loss)
Participating:						
Fixed interest	₩		595,317	1,307,717	(712,400)	
Variable interest			6,608,221	3,168,333	3,439,888	
Non- Participating:						
Fixed interest			900,378	1,039,624	(139,246)	
Variable interest			14,481,697	13,045,229	1,436,468	
Variable type			155,751	33,678	122,073	
	₩		<u>22,741,364</u>	<u>18,594,581</u>	<u>4,146,783</u>	
				January 1, 2019		
				Provisions for test	LAT base	Premium surplus (loss)
Participating:						
Fixed interest	₩		589,618	1,382,718	(793,100)	
Variable interest			6,009,771	2,850,853	3,158,918	
Non- Participating:						
Fixed interest			859,858	962,368	(102,510)	
Variable interest			14,008,270	12,532,933	1,475,337	
Variable type			143,230	(122,055)	265,285	
	₩		<u>21,610,747</u>	<u>17,606,817</u>	<u>4,003,930</u>	

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. Liability under insurance contracts (continued)

(j) Liability adequacy test, LAT – Orange Life Insurance Co., Ltd.

i) Scope

Liability adequacy tests are performed on the premium reserve, unearned premium reserve and guarantee reserve for the contracts held at December 31, 2020 and 2019. The premium reserve considered the amount net level premium reserve less, where appropriate, deferred acquisition cost in accordance with the article 6-3 of Regulation on Supervision of Insurance Business Act.

ii) Output overview

In the debt appraisal system, the insurance premium surplus method is applied to calculate premium deficits.

Premium deficiency refers to deficiency when the amount of accumulated reserve is insufficient due to a decrease in the interest rate after the sale of the product or an increase in the risk rate compared with the expected basic rate at the time of product development.

The insurance premium standard inspection method is a method of calculating the reserve amount based on the present value of total income reflecting the interest rate, the risk rate, the business ratio, the cancellation rate, etc. and the present value of the total expenditure, that is, (discount rate), business ratio, risk rate, and cancellation rate calculated based on the Group's own experience, which reflects company-specific characteristics, and does not reflect subjective factors such as management's willingness to improve management.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. **Liability under insurance contracts (continued)**

(j) Liability adequacy test, LAT – Orange Life Insurance Co., Ltd. (continued)

iii) The assumptions of the current estimation used to assessment and their basis for calculation is as follows:

	Assumptions			Measurement basis
	December 31, 2020	December 31, 2019	January 1, 2019	
Discount rate	0.79% ~ 10.54%	1.26% ~ 10.60%	1.95% ~ 8.57%	The scenario adding liquidity premium to risk-free rate, which is suggested from Financial Supervisory Service
Mortality rate	15.00% ~ 255.00%	20.00% ~ 255.00%	20.00% ~ 210.00%	Ratio by claims paid per premium paid on risk premium based on experience-based rate by products, collateral of last 5 years.
Operating expense rate	Acquisition cost (each case): 0 won ~ 1,547,000 won - Proportional to annualized premium: 0.00% ~ 15.99% Maintenance expense (each case): 0 won ~ 36,000 won - Proportional to premium income: 0.12% ~ 0.85% - Proportional to surrender value: 0.12%	Acquisition cost (each case): 5,500 won ~ 1,227,000 won - Proportional to annualized premium: 0.00% ~ 12.55% Maintenance expense (each case): 50 won ~ 32,500 won - Proportional to premium income: 0.42% ~ 3.45% - Proportional to surrender value: 0.12%	Acquisition cost (each case): 9,000 won ~ 959,000 won - Proportional to annualized premium: 0.64% ~ 7.05% Maintenance expense (each case): 2,000 won ~ 34,500 won - Proportional to premium income: 0.48% ~ 0.60% - Proportional to surrender value: 0.12%	Based on the recent one-year experience statistics, the Company reflects the company's future business cost policy to calculate the unit business cost by cost driver by division (new contract cost / maintenance cost) and sales channel. However, temporary expenses incurred unusually is excluded.
Surrender ratio	0.00% ~ 61.00%	0.00% ~ 50.00%	0.00% ~ 50.00%	Based on experience statistics for the last five years or more, annual premiums are calculated based on product group, payment method, channel, and elapsed period. Payment status (full payment and pension initiation) and tax benefits are included.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

27. **Liability under insurance contracts (continued)**

(j) Liability adequacy test, LAT – Orange Life Insurance Co., Ltd. (continued)

iv) The result of liability adequacy test as of December 31, 2020 and 2019 and January 1, 2019 are as follows:

				December 31, 2020		
				Provisions for test	LAT base	Premium surplus (loss)
Participating:						
	Fixed interest	₩		745,614	694,536	51,078
	Variable interest			1,174,807	1,649,073	(474,266)
				<u>1,920,421</u>	<u>2,343,609</u>	<u>(423,188)</u>
Non- Participating:						
	Fixed interest			10,061,004	4,810,110	5,250,894
	Variable interest			9,190,507	8,743,848	446,659
	Performance allocation type			(15,032)	(1,589,500)	1,574,468
				<u>19,236,479</u>	<u>11,964,458</u>	<u>7,272,021</u>
				₩ <u>21,156,900</u>	<u>14,308,067</u>	<u>6,848,833</u>

December 31, 2020								
		Provisions for test		LAT base		Premium surplus (loss)		
		After	Before	After	Before	After	Before	
Participating:								
	Fixed interest	₩	716,607	716,607	697,291	644,715	19,316	71,892
	Variable interest		1,134,245	1,134,245	1,620,247	1,541,967	(486,002)	(407,722)
			<u>1,850,852</u>	<u>1,850,852</u>	<u>2,317,538</u>	<u>2,186,682</u>	<u>(466,686)</u>	<u>(335,830)</u>
Non- Participating:								
	Fixed interest		9,296,542	9,296,542	5,150,200	4,629,266	4,146,342	4,667,276
	Variable interest		9,236,730	9,236,730	8,924,855	8,635,022	311,875	601,708
	Performance allocation type		(54,457)	(268,818)	(1,692,928)	(1,882,573)	1,638,471	1,613,755
			<u>18,478,815</u>	<u>18,264,454</u>	<u>12,382,127</u>	<u>11,381,715</u>	<u>6,096,688</u>	<u>6,882,739</u>
		₩	<u>20,329,667</u>	<u>20,115,306</u>	<u>14,699,665</u>	<u>13,568,397</u>	<u>5,630,002</u>	<u>6,546,909</u>

January 1, 2020								
		Provisions for test		LAT base		Premium surplus (loss)		
		After	Before	After	Before	After	Before	
Participating:								
	Fixed interest	₩	688,330	687,732	644,225	659,900	44,105	27,832
	Variable interest		1,097,211	1,096,934	1,472,060	1,490,867	(374,849)	(393,933)
			<u>1,785,541</u>	<u>1,784,666</u>	<u>2,116,285</u>	<u>2,150,767</u>	<u>(330,744)</u>	<u>(366,101)</u>
Non- Participating:								
	Fixed interest		8,603,714	8,573,992	5,070,060	5,134,552	3,533,654	3,439,440
	Variable interest		9,380,809	9,372,747	8,806,781	8,880,657	574,028	492,090
	Performance allocation type		(98,279)	(315,565)	(1,744,683)	(1,937,570)	1,646,404	1,622,005
			<u>17,886,244</u>	<u>17,631,174</u>	<u>12,132,158</u>	<u>12,077,639</u>	<u>5,754,086</u>	<u>5,553,535</u>
		₩	<u>19,671,785</u>	<u>19,415,840</u>	<u>14,248,443</u>	<u>14,228,406</u>	<u>5,423,342</u>	<u>5,187,434</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

28. Other liabilities

Other liabilities as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Lease liabilities(*)	₩ 594,161	1,104,259
Accounts payable	14,568,962	11,894,764
Accrued expenses	3,054,247	3,502,538
Dividend payable	32,508	31,599
Advance receipts	164,885	173,850
Unearned income	317,283	294,710
Withholding value-added tax and other taxes	692,719	720,053
Securities deposit received	2,198,722	1,903,119
Foreign exchange remittances pending	259,138	243,532
Domestic exchange remittances pending	5,745,338	1,452,955
Borrowing from trust account	5,086,459	5,350,285
Due to agencies	790,486	744,660
Deposits for subscription	148,506	60,500
Separate account liabilities	10,120,258	8,700,695
Sundry liabilities	1,617,449	1,968,823
Others	185,027	151,056
Present value discount	(49,935)	(59,840)
	₩ <u>45,526,213</u>	<u>38,237,558</u>

(*) As of December 31, 2020, the Group accounts for the lease liabilities as other liabilities. For the year ended December 31, 2020, the amount of variable lease payments that are not included in the measurement of lease liabilities is ₩114 million, cash outflows from leases are ₩788,532 million, and interest expense on lease liabilities is ₩14,504 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

29. Equity

(a) Equity as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Capital stock:		
Common stock(*1)	₩ 2,608,176	2,370,998
Preferred stock	361,465	361,465
	<u>2,969,641</u>	<u>2,732,463</u>
Hybrid bond	2,179,934	1,731,235
Capital surplus:		
Share premium	11,352,924	10,155,150
Others	882,015	410,203
	<u>12,234,939</u>	<u>10,565,353</u>
Capital adjustments	(687,935)	(1,116,770)
Accumulated other comprehensive income, net of tax:		
Gain on financial assets at fair value through other comprehensive income	226,811	306,470
Gain(Loss) on financial assets at fair value through profit or loss (Overlay approach)	161,919	71,621
Equity in other comprehensive income of associates	4,849	8,177
Foreign currency translation adjustments for foreign operations	(377,061)	(217,465)
Net loss from cash flow hedges	(48,171)	(33,711)
Other comprehensive income of separate account	18,423	14,539
Actuarial losses	(385,780)	(401,532)
Changes in own credit risk on financial liabilities designated under fair value option	(5,171)	(8,255)
	<u>(404,181)</u>	<u>(260,156)</u>
Retained earnings(*2)(*3)(*4)	27,777,169	25,525,821
Non-controlling interest(*5)(*6)	2,287,291	2,752,435
	<u>₩ 46,356,858</u>	<u>41,930,381</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won, except per share data)

29. Equity (continued)

(a) Equity as of December 31, 2020 and 2019 are as follows (continued):

(*1) For the year ended December 31, 2020, it increased due to common stock and third-party allocation paid-in capital increase issued when Orange Life Insurance Co., Ltd and Neoplux Co, Ltd acquired residual shares. The cost deducted from the issuing capital is ₩13,300 million. Affinity Equity Partners and Baring Private Equity Asia who have participated in third-party allocation-based capital increase have a right to practically appoint one director, respectively.

(*2) As of December 31, 2020 and 2019, profits reserved by the Group as of Article 53 of the Financial Holding Companies Act amounted to ₩2,304,595 million and ₩2,191,677 million, respectively.

(*3) As of December 31, 2020 and 2019, the regulatory reserves for loan losses the Group appropriated in retained earnings are ₩11,988 million and ₩8,728 million, respectively.

(*4) As of December 31, 2020, profit dividends within retained earnings of subsidiaries of the Group subject to a restricted dividend in accordance with laws, etc. are amounted to ₩6,824,002 million.

(*5) The non-controlling interest of ₩1,330,337 million decreased due to taking over for Orange Life Insurance Co.,Ltd. for the year ended December 31, 2020.

(*6) As of December 31, 2020 and 2019, the total amounts of hybrid bonds that Shinhan Bank, Jeju Bank and Shinhan Capital have recognized as non-controlling interests are ₩2,035,762 million and ₩1,147,635 million, respectively. And, for the years ended December 31, 2020 and 2019, the amounts of dividends paid for the hybrid bonds by Shinhan Bank, Jeju Bank, and Shinhan Capital, ₩54,619 million and ₩36,729 million, respectively, are allocated to profit attributed to non-controlling interest.

(b) Capital stock

Capital stock of the Group as of December 31, 2020 and 2019 are as follows:

Number of authorized shares	1,000,000,000
Par value per share in won	₩ 5,000
Number of issued common stocks outstanding as of December 31, 2020	516,599,554
Number of issued common stocks outstanding as of December 31, 2019	474,199,587
Number of issued preferred stocks outstanding as of December 31, 2020 and 2019	17,482,000

The details of changes in the average number of common shares outstanding as of December 31, 2020 and 2019 are as follows:

	December 31, 2020
Beginning balance	460,317,525
Increase	60,626,827
Decrease	(5,049,594)
Ending balance	515,894,758

(c) The details of preferred stock are as follows:

	The number of shares	Contracted dividend rate	Conversion request period(*)
Convertible preferred stock	17,482,000	4.0% per year based on issue price (non-cumulative participating)	2020.05.01~2023.04.30

(*) Preferred stocks that have not been converted for 4 years from the issuance date and until the expiration date of the period of existence are automatically converted to common stocks at the expiration date of the period of existence.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won, except per share data)

29. Equity (continued)

(d) Hybrid bonds

Hybrid bonds classified as other equity instruments as of December 31, 2020 and December 31, 2019 are as follows:

<u>Issue date</u>	<u>Currency</u>	<u>Maturity date</u>	<u>Interest rate (%)</u>		<u>December 31, 2020</u>	<u>December 31, 2019</u>
June 25, 2015	KRW	June 25, 2045	4.38	₩	199,455	199,455
September 15, 2017	"	-	3.77		134,683	134,683
September 15, 2017	"	-	4.25		89,783	89,783
April 13, 2018	"	-	4.08		134,678	134,678
April 13, 2018	"	-	4.56		14,955	14,955
August 29, 2018	"	-	4.15		398,679	398,679
June 28, 2019	"	-	3.27		199,476	199,476
September 17, 2020	"	-	3.12		448,699	-
August 13, 2018	USD	-	5.88		559,526	559,526
				₩	<u>2,179,934</u>	<u>1,731,235</u>

(*) For the year ended December 31, 2020, the deduction for capital related to hybrid bonds issued is ₩1,302 million.

The hybrid bonds above can be repaid early after 5 or 10 years from the date of issuance, and the controlling company has an unconditional right to extend the maturity under the same condition. In addition, if no dividend is to be paid for common stocks, the agreed interest is also not paid.

(e) Capital adjustments

Changes in capital adjustments for the years ended December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance	₩	(1,116,770)	(552,895)
Acquisition of treasury stocks		(150,467)	(444,077)
Disposal and Retirement of treasury stocks		601,809	-
The Acquisition commitment amount for subsidiaries' remaining shares		(22,019)	(125,830)
Other transactions with owners		(488)	6,032
Ending balance	₩	<u>(687,935)</u>	<u>(1,116,770)</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

29. Equity (continued)

(e) Accumulated other comprehensive income

Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020										
	Items that are or may be reclassified to profit or loss						Items that will never be reclassified to profit or loss				
	Gain (loss) on financial asset 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	Remeasurements of the defined benefit plans	Equity in other comprehensive income of associates	Gain (loss) on financial asset at fair value through other comprehensive income	Gain (loss) on financial Liabilities measured at FVTPL attributable to changes in credit risk	Total
Beginning balance	₩ 233,328	71,621	8,193	(217,465)	(33,711)	14,539	(401,532)	(16)	73,142	(8,255)	(260,156)
Change due to fair value	(3,601)	125,298	(1,080)	-	-	5,358	-	(15)	(19,133)	(9,689)	97,138
Reclassification:											
Change due to impairment or disposal	(105,274)	-	-	5,858	-	-	-	-	-	13,942	(85,474)
Effect of hedge accounting	-	-	-	-	144,750	-	-	-	-	-	144,750
Hedging	(4,395)	-	-	45,083	(164,708)	-	-	-	-	-	(124,020)
Effects from changes in foreign exchange rate	-	74	(355)	(219,306)	-	-	-	-	721	-	(218,866)
Remeasurements of the defined benefit plans	-	-	-	-	-	-	21,422	-	-	-	21,422
Deferred income taxes	26,486	(35,074)	(1,883)	7,000	5,498	(1,474)	(5,610)	5	(2,573)	(1,169)	(8,794)
Transfer to other account	-	-	-	-	-	-	-	-	27,825	-	27,825
Non-controlling interests	285	-	-	1,769	-	-	(60)	-	-	-	1,994
Ending balance	₩ 146,829	161,919	4,875	(377,061)	(48,171)	18,423	(385,780)	(26)	79,982	(5,171)	(404,181)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

29. Equity (continued)

(e) Accumulated other comprehensive income (continued)

Changes in accumulated other comprehensive income for the years ended December 31, 2020 and 2019 are as follows (continued):

	December 31, 2019										
	Items that are or may be reclassified to profit or loss						Items that will never be reclassified to profit or loss				
	Gain (loss) on financial asset at fair value through other comprehensive income	Gain (loss) on valuation of financial asset measured at FVTPL (overlay approach)	Equity in other comprehensiv e income of associates	Foreign currency translation adjustments for foreign operations	Net gain (loss) from cash flow hedges	Other comprehend- sive income of separate account	Remeasure- ments of the defined benefit plans	Equity in other comprehensiv e income of associates	Gain (loss) on financial asset at fair value through other comprehe -nsive income	Gain (loss) on financial Liabilities meas ured at FVTPL attributable to changes in credit risk	Total
Beginning balance	₩ (51,300)	(79,057)	4,891	(321,853)	(17,751)	4,112	(346,682)	(8)	54,258	170	(753,220)
Change due to fair value	491,953	225,706	3,353	-	-	14,382	-	(11)	19,935	(11,621)	743,697
Reclassification:											
Change due to impairment or disposal	(23,281)	-	-	-	-	-	-	-	-	-	(23,281)
Effect of hedge accounting	-	-	-	-	(75,020)	-	-	-	-	-	(75,020)
Hedging	(731)	-	-	(49,361)	50,083	-	-	-	-	-	(9)
Effects from changes in foreign exchange rate	-	-	-	147,899	-	-	-	-	293	-	148,192
Remeasurements of the defined benefit plans	-	-	-	-	-	-	(75,595)	-	-	-	(75,595)
Deferred income taxes	(115,856)	(62,739)	(51)	7,233	6,348	(3,955)	20,951	3	(7,204)	3,196	(152,074)
Transfer to other account	-	-	-	-	-	-	-	-	5,860	-	5,860
Non-controlling interests	(67,457)	(12,289)	-	(1,383)	2,629	-	(206)	-	-	-	(78,706)
Ending balance	₩ 233,328	71,621	8,193	(217,465)	(33,711)	14,539	(401,532)	(16)	73,142	(8,255)	(260,156)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

29. Equity (continued)

(f) Appropriation of retained earnings

Statements of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
	March 25, 2021	March 26, 2020
Date of appropriation:		
Unappropriated retained earnings:		
Balance at beginning of year	₩ 5,251,413	5,184,339
Retirement of treasury stock	(150,325)	-
Dividend to hybrid bonds	(85,327)	(61,993)
Net income	1,274,443	1,129,173
	<u>6,290,204</u>	<u>6,251,519</u>
Appropriation of retained earnings:		
Legal reserve	(127,444)	(112,917)
Dividends		
Dividends on common stocks paid	(773,839)	(851,587)
Dividends on preferred stocks paid	(29,999)	(32,342)
Regulatory reserve for loan losses	(3,564)	(3,260)
	<u>(934,846)</u>	<u>(1,000,106)</u>
Unappropriated retained earnings to be carried over to subsequent year	₩ <u>5,355,358</u>	<u>5,251,413</u>

(*) These statements of appropriation of retained earnings are based on the separate financial statements of Shinhan Finance Group.

(g) Regulatory reserve for loan losses

In accordance with Regulations for the Supervision of Financial Institutions, the Group reserves the difference between allowance for credit losses by K-IFRS and that as required by the Regulations at the account of regulatory reserve for loan losses in retained earnings.

i) Changes in regulatory reserve for loan losses including non-controlling interests as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Beginning balance	₩ 3,161,170	2,844,690
Business combination	-	25,608
Planned regulatory reversal of loan losses	168,729	290,872
Ending balance	₩ <u>3,329,899</u>	<u>3,161,170</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won, except per share data)

29. Equity (continued)

(g) Regulatory reserve for loan losses (continued)

ii) Profit attributable to equity holders of Shinhan Financial Group and earnings per share after factoring in regulatory reserve for loan losses for the years ended December 31, 2020 and 2019 are as follows:

		<u>December 31, 2020</u>	<u>December 31, 2019</u>
Profit attributable to equity holders of Shinhan Financial Group	₩	3,414,595	3,403,497
Provision for regulatory reserve for loan losses(*1)		(177,620)	(292,728)
Profit attributable to equity holders of Shinhan Financial Group adjusted for regulatory reserve	₩	<u>3,236,975</u>	<u>3,110,769</u>
Basic and diluted earnings per share adjusted for regulatory reserve in won(*2)		6,299	6,387

(*1) The increase in reserve for credit losses, ₩25,608 million, due to the business combination with Orange Life insurance and Asia Trust. during the year is excluded.

(*2) Dividends for hybrid bonds are deducted.

(h) Treasury stock

The acquisitions of treasury stock for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020(*)</u>		<u>December 31, 2019</u>	
	<u>The number of share</u>	<u>Carrying value</u>	<u>The number of share</u>	<u>Carrying value</u>
Beginning balance	13,882,062	₩ 600,000	3,648,659	₩ 155,923
Acquisition	5,049,594	150,467	10,233,403	444,077
Disposal	13,191,202	(572,252)	-	-
Retirement	5,035,658	(150,000)	-	-
Ending balance	<u>704,796</u>	<u>₩ 28,215</u>	<u>13,882,062</u>	<u>₩ 600,000</u>

(*) Changes in equity shares due to the exchange of shares with Orange Life Insurance Co., Ltd. and Neoplux Co, Ltd. are included in the acquisition and disposal for treasury stock. Shares of Shinhan Financial Group Co., Ltd. is owned by Orange Life Insurance Co., Ltd. and Neoplux Co, Ltd. are included in its own shares.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won, except per share data)

30. Dividends

(a) Details of dividends recognized as distributions to stockholders for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020(*1)</u>	<u>December 31, 2019</u>
Common Stock:		
Total number of shares issued and outstanding	516,599,554	474,199,587
Par value per share in won	5,000	5,000
Dividend per share in won	1,500	1,850
Dividends(*2)	₩ 773,839	851,587
Dividend rate per share	% 30.0	37.0
Preferred Stock:		
Total number of shares issued and outstanding	17,482,000	17,482,000
Par value per share in won	5,000	5,000
Dividend per share in won	1,716	1,850
Dividends	₩ 29,999	32,342
Dividend rate per share	% 34.3	37.0

(*1) The current dividend(plan) will be decided on March 25, 2021. The amount of dividends not recognized as a distribution to the owner during the period.

(*2) Dividends on own shares held by the Group are excluded.

(b) Dividends for hybrid bond is calculated as follows for the years ended December 31, 2020 and 2019:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Amount of hybrid bond	₩ 2,188,150	1,738,150
Interest rate	% 3.12 ~ 5.88	3.27 ~ 5.88
Dividends	₩ 85,327	61,993

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

31. Net interest income

Net interest income for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Interest income:		
Cash and deposits at amortized cost	₩ 128,023	210,415
Deposits at FVTPL	13,888	31,506
Securities at FVTPL	742,958	740,378
Securities at FVOCI	957,817	1,077,995
Securities at amortized cost	1,076,849	1,061,262
Loans at amortized cost	11,697,775	12,435,302
Loans at FVTPL	73,991	56,961
Others	82,695	93,543
	<u>14,773,996</u>	<u>15,707,362</u>
Interest expense:		
Deposits	2,842,625	3,644,632
Borrowings	426,607	551,416
Debt securities issued	1,554,544	1,666,257
Others	67,520	107,093
	<u>4,891,296</u>	<u>5,969,398</u>
Net interest income	₩ <u>9,882,700</u>	<u>9,737,964</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

32. Net fees and commission income

Net fees and commission income for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Fees and commission income:		
Credit placement fees	₩ 94,836	66,666
Commission received as electronic charge receipt	143,449	151,584
Brokerage fees	546,236	353,382
Commission received as agency	145,162	140,484
Investment banking fees	161,439	151,031
Commission received in foreign exchange activities	239,467	244,325
Asset management fees	255,043	307,167
Credit card fees	1,170,078	1,234,239
Operating lease fees(*)	245,173	142,025
Others	813,591	766,110
	<u>3,814,474</u>	<u>3,557,013</u>
Fees and commission expense:		
Credit-related fee	46,456	42,023
Credit card fees	849,256	915,521
Others	535,829	458,950
	<u>1,431,541</u>	<u>1,416,494</u>
Net fees and commission income	₩ <u>2,382,933</u>	<u>2,140,519</u>

(*) Among operating lease fees recognized during the current and prior periods, there is no variable lease fee income which does not vary by index or rate.

33. Dividend income

Dividend income for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Securities at FVTPL	₩ 76,453	65,572
Securities at FVOCI	21,503	16,586
	<u>₩ 97,956</u>	<u>82,158</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

34. Net gain (loss) on financial instruments measured at fair value through profit or loss

Net gain (loss) on financial instruments measured at fair value through profit or loss for the ended December 31, 2020 and 2019 are as follows:

	December 31, 2020	December 31, 2019
Net gain (loss) on deposits measured at FVTPL		
Gain (loss) on valuation	₩ 1,267	87,374
Gain on sale	28,461	13,400
	<u>29,728</u>	<u>100,774</u>
Net gain (loss) on loans measured at FVTPL		
Gain (loss) on valuation	(204,702)	(248,032)
Gain on sale	17,516	10,395
	<u>(187,186)</u>	<u>(237,637)</u>
Net gain (loss) on securities measured at FVTPL		
Debt securities		
Gain on valuation	41,208	137,181
Gain on sale	72,338	125,431
Other gains	331,837	297,024
	<u>445,383</u>	<u>559,636</u>
Equity securities		
Gain on valuation	134,922	141,246
Gain (loss) on sale	283,265	183,969
	<u>418,187</u>	<u>325,215</u>
Other		
Gain on valuation	22,690	28,803
	<u>886,260</u>	<u>913,654</u>
Net gain (loss) on financial liabilities measured at FVTPL		
Debt securities		
Loss on valuation	(48,261)	(16,810)
Gain (loss) on disposal	82,724	(35,710)
	<u>34,463</u>	<u>(52,520)</u>
Other		
Loss on valuation	(83,316)	(91,025)
Gain on disposal	8,313	4,169
	<u>(75,003)</u>	<u>(86,856)</u>
	<u>(40,540)</u>	<u>(139,376)</u>
Derivatives:		
Gain (loss) on valuation	245,681	388,880
Gain on transaction	(661,113)	359,187
	<u>(415,432)</u>	<u>748,067</u>
	<u>₩ 272,830</u>	<u>1,385,482</u>

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

35. Net gain (loss) on financial instruments designated at fair value through profit or loss

Net gain (loss) on financial instruments designated at fair value through profit or loss for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Financial liabilities designated at fair value through profit or loss:		
Borrowings:		
Gain (loss) on valuation	₩ 241,066	(33,871)
Loss on sale and redemption	(42,827)	(812,175)
	<u>₩ 198,239</u>	<u>(846,046)</u>

36. Provision for allowance for credit loss

Provision for allowance for credit loss on financial assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Loans at amortized cost	₩ (1,290,695)	(910,898)
Other financial assets at amortized cost	(33,785)	(33,945)
Securities at fair value through other comprehensive income	(3,829)	(5,787)
Unused credit line and financial guarantee	(52,795)	(29,519)
Securities at amortized cost	(1,075)	(543)
	<u>₩ (1,382,179)</u>	<u>(980,692)</u>

37. General and administrative expenses

General and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Employee benefits:		
Salaries	₩ 3,034,543	2,918,065
Severance benefits:		
Defined contribution	36,660	35,972
Defined benefit	184,753	168,732
Termination benefits	94,723	122,732
	<u>3,350,679</u>	<u>3,245,501</u>
Entertainment	34,963	36,931
Depreciation	475,506	479,657
Amortization	129,976	99,208
Taxes and dues	197,996	197,691
Advertising	204,308	265,739
Research	20,271	17,742
Others	798,774	792,205
	<u>₩ 5,212,473</u>	<u>5,134,674</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

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38. Share-based payments

(a) Stock options granted as of December 31, 2020 are as follows:

	<u>6th grant(*)</u>	<u>7th grant(*)</u>
Type	Cash payment	Cash payment
Grant date	March 20, 2007	March 19, 2008
Exercise price in Korean won	₩54,560	₩49,053
Number of shares granted	1,301,050	808,700
Options' expiry dates	August 19, 2020	May 17, 2021 / September 17, 2021
Changes in number of shares granted:		
Beginning balance	58,764	36,162
Exercised and cancelled	58,764	-
Ending balance	<u>-</u>	<u>36,162</u>
Fair value per share in Korean won	-	₩14(Expiration of contractual exercise period : May 17, 2021) ₩49(Expiration of contractual exercise period : Sep 17, 2021)

(*) All of stock options have vested as of December 31, 2020, and the weighted average exercise price for 36,162 stock options outstanding as of December 31, 2020 is ₩49,053.

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won, except per share data)

38. Share-based payments (continued)

(b) Performance shares granted as of December 31, 2020 are as follows:

	<u>Expired</u>	<u>Not expired</u>
Type	Cash-settled share-based payment	
Performance conditions(*1)	Relative stock price linked (20.0%), management index (80.0%)	
Exercising period	4 years from the commencement date of the year to which the grant date belongs (5 years in the case of deferred payment)	
Estimated number of shares vested at December 31, 2020	468,013	1,601,729
Fair value per share in Korean won (*2)	₩40,580, ₩44,222, ₩33,122 for the expiration of exercising period from 2018 to 2020	₩32,050

(*1) Starting from 2020, Shinhan Financial Group and Shinhan Bank will apply relative stock price linked (20.0%), management index (60.0%), and prudential index (20.0%).

(*2) Based on performance-based stock compensation, the reference stock price (the arithmetic average of the weighted average share price of transaction volume for the past two month, the previous one month, and the past one week) of four years(In the case of deferred quantity for after five years) after the commencement of the grant year is paid in cash, and the fair value of the reference stock to be paid in the future is assessed as the closing price of the settlement.

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Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

38. Share-based payments (continued)

(c) Share-based compensation costs for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020		
	Employees of		
	The controlling company	The subsidiaries	Total
Stock options granted:			
6th	₩ (1)	(4)	(5)
7th	(18)	(26)	(44)
Performance share	(257)	(3,902)	(4,159)
	₩ (276)	(3,932)	(4,208)
	December 31, 2019		
	Employees of		
	The controlling company	The subsidiaries	Total
Stock options granted:			
5th	₩ -	9	9
6th	(3)	(15)	(18)
7th	(5)	(6)	(11)
Performance share	4,678	32,646	37,324
	₩ 4,670	32,634	37,304

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

38. Share-based payments (continued)

(d) Accrued expenses and the intrinsic value as of December 31, 2020 and 2019 are as follows:

	December 31, 2020		
	Accrued expenses(*)		
	Employees of		
	The controlling company	The subsidiaries	Total
Stock options granted:			
7th	₩ 1	1	2
Performance share	7,201	60,241	67,442
	<u>₩ 7,202</u>	<u>60,242</u>	<u>67,444</u>

(*) The intrinsic value of share-based payments is ₩ 67,442 million as of December 31, 2020. For the calculation, the quoted market price ₩ 32,050 per share is used for stock options and the fair value is considered as intrinsic value for performance shares, respectively.

	December 31, 2019		
	Accrued expenses(*)		
	Employees of		
	The controlling company	The subsidiaries	Total
Stock options granted:			
6th	₩ 1	4	5
7th	19	27	46
Performance share	10,003	81,352	91,355
	<u>₩ 10,023</u>	<u>81,383</u>	<u>91,406</u>

(*) The intrinsic value of share-based payments is ₩91,355 million as of December 31, 2019. For calculating, the quoted market price ₩43,350 per share is used for stock options and the fair value is considered as intrinsic value for performance shares, respectively.

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(In millions of won)

39. Net other operating expense

Other operating income and other operating expense for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other operating income		
Gain on sale of assets:		
Loans at amortized cost	₩ 21,348	18,298
Others:		
Gain on hedged items	536,768	564,438
Reversal of allowance for acceptances and guarantee	2,709	19,329
Gain on trust account	-	27
Reversal of other allowance	850	11,194
Others	164,999	97,777
	<u>705,326</u>	<u>692,765</u>
	₩ <u>726,674</u>	<u>711,063</u>
Other operating expense		
Loss on sale of assets:		
Loans at amortized cost	₩ 18,675	27,291
Others:		
Loss on hedged items	605,808	596,533
Contribution	367,993	311,336
Provision for other allowance	16,862	6,939
Depreciation of operating lease assets	163,006	98,288
Others	924,796	857,918
	<u>2,078,465</u>	<u>1,871,014</u>
	₩ <u>2,097,140</u>	<u>1,898,305</u>
Net other operating expenses	₩ <u>(1,370,466)</u>	<u>(1,187,242)</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

40. Net other non-operating income

Other non-operating income and other non-operating expense for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other non-operating income		
Gain on disposal of assets:		
Property and equipment (*)	₩ 64,427	1,452
Investment property	20,701	12,640
Assets held for sale	1,147	-
Lease assets	2,712	1,681
Right-of-use assets	3,415	1,112
Others	24	407
	<u>92,426</u>	<u>17,292</u>
Gain on disposal of Investments in associates	11,325	3,461
Others:		
Rental income on investment property	23,890	43,777
Reversal of impairment losses on intangible asset	119	438
Gain from assets contributed	4	86
Others	66,268	82,879
	<u>90,281</u>	<u>127,180</u>
	<u>194,032</u>	<u>147,933</u>
Other non-operating expense		
Loss on disposal of assets:		
Property and equipment (*)	5,884	870
Lease assets	5,538	3,221
Right-of-use assets	1,195	306
Others	64	-
	<u>12,681</u>	<u>4,397</u>
Loss on disposal of investments in associates	5,754	3,974
Impairment loss on investments in associates	9,407	-
	<u>15,161</u>	<u>3,974</u>
Others:		
Donations	86,608	94,937
Depreciation of investment properties	20,165	17,565
Impaired loss on intangible assets	41,429	152,081
Write-off of intangible assets	474	9,221
Collecting of written-off expenses	7,978	7,322
Others	344,934	46,465
	<u>501,588</u>	<u>327,591</u>
	<u>529,430</u>	<u>335,962</u>
Net other non-operating loss	₩ <u>(335,398)</u>	<u>(188,029)</u>

(*) Lease disposal profit and disposal loss after sale are included in property, plant and equipment disposal profit and disposal loss and investment property disposal profit, respectively. The profit from the lease disposal after sale is ₩ 9,761 million.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

41. Income tax expense

(a) Income tax expense for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Current income tax expense	₩ 1,131,254	1,115,724
Temporary differences	131,862	296,244
Income tax recognized in other comprehensive income	(7,321)	(142,844)
Income tax expenses	₩ <u>1,255,795</u>	<u>1,269,124</u>

(b) Income tax expense calculated by multiplying net income before tax with the tax rate for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Profit before income taxes	₩ 4,753,871	4,911,508
Income taxes at statutory tax rates	1,301,836	1,345,187
Adjustments:		
Non-taxable income	(4,932)	8,500
Non-deductible expense	14,529	18,461
Tax credit	(88)	(2,289)
Others	(55,550)	(100,735)
Income tax expense	₩ <u>1,255,795</u>	<u>1,269,124</u>
Effective tax rate	% 26.42	25.84

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

41. Income tax expense (continued)

(c) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020				
		Beginning Balance	Business combination	Profit or loss	Other comprehensive income	Ending Balance(*)
Unearned income	₩	(331,679)	-	3,401	-	(328,278)
Account receivable		(26,324)	-	(2,754)	-	(29,078)
Financial assets at fair value through profit or loss		(101,577)	1,750	(28,950)	(13,308)	(142,085)
Investment in associates and etc		18,758	-	144,390	(1,878)	161,270
Valuation and depreciation of property and equipment		(151,046)	7	253	-	(150,786)
Derivative asset (liability)		21,005	-	(80,357)	3,762	(55,590)
Deposits		30,641	-	(3,009)	-	27,632
Accrued expenses		145,494	441	(5,071)	-	140,864
Defined benefit obligation		506,132	209	39,072	(6,759)	538,654
Plan assets		(507,140)	-	(47,934)	1,167	(553,907)
Other provisions		213,055	-	99,223	-	312,278
Allowance for acceptances and guarantees		80,014	-	8,036	-	88,050
Allowance related to asset revaluation		(49,713)	-	-	-	(49,713)
Allowance for expensing depreciation		(401)	-	64	-	(337)
Deemed dividend		-	-	-	-	-
Accrued contributions		36,818	-	(20,200)	-	16,618
Financial instruments designated at fair value through profit of loss		42,817	-	(71,043)	-	(28,226)
Allowances		38,068	-	185,583	-	223,651
Fictitious dividend		1,341	-	14,950	-	16,291
Liability under insurance contracts		24,147	-	(22,408)	-	1,739
Deficit carried over		-	-	311	-	311
Others		(543,770)	451	(304,112)	9,695	(837,736)
		(553,360)	2,858	(90,555)	(7,321)	(648,378)
Expired unused tax losses:						
Extinction of deposit and insurance liabilities		320,011	-	(35,944)	-	284,067
	₩	(233,349)	2,858	(126,499)	(7,321)	(364,311)

(*) Deferred tax assets from overseas subsidiaries are increased by ₩1,960 million due to foreign exchange rate movements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

41. Income tax expense (continued)

(c) Deferred tax expenses by origination and reversal of deferred assets and liabilities and temporary differences for the years ended December 31, 2020 and 2019 are as follows (continued) :

December 31, 2019					
	Beginning Balance	Business combination	Profit or loss	Other comprehensive income	Ending Balance(*)
Unearned income	₩ (255,336)	(62,077)	(14,266)	-	(331,679)
Account receivable	(24,139)	-	(2,185)	-	(26,324)
Financial assets at fair value through profit or loss	48,277	9,284	(20,972)	(56,654)	(20,065)
Securities at fair value through other comprehensive income	177,358	(554,017)	425,491	(130,344)	(81,512)
Investment in associates	24,743	-	(5,937)	(48)	18,758
Valuation and depreciation of property and equipment	(161,996)	-	10,950	-	(151,046)
Derivative asset (liability)	111,751	(1,132)	(97,147)	7,533	21,005
Deposits	28,036	-	2,605	-	30,641
Accrued expenses	132,689	15,298	(2,493)	-	145,494
Defined benefit obligation	447,658	4,805	33,321	20,348	506,132
Plan assets	(446,323)	(4,610)	(57,165)	958	(507,140)
Other provisions	194,475	2,283	16,297	-	213,055
Allowance for acceptances and guarantees	29,157	42,234	8,623	-	80,014
Allowance related to asset revaluation	(49,713)	-	-	-	(49,713)
Allowance for expensing depreciation	(465)	-	64	-	(401)
Deemed dividend	-	-	-	-	-
Accrued contributions	21,711	-	15,107	-	36,818
Financial instruments designated at fair value through profit of loss	(87,408)	-	130,225	-	42,817
Allowances	48,784	-	(10,716)	-	38,068
Fictitious dividend	1,325	-	16	-	1,341
Liability under insurance contracts	22,593	-	1,554	-	24,147
Deficit carried over	-	-	-	-	-
Others	(225,676)	204,351	(537,808)	15,363	(543,770)
	<u>37,501</u>	<u>(343,581)</u>	<u>(104,436)</u>	<u>(142,844)</u>	<u>(553,360)</u>
Expired unused tax losses:					
Extinguishment of deposit and insurance liabilities	367,444	-	(47,433)	-	320,011
	<u>₩ 404,945</u>	<u>(343,581)</u>	<u>(151,869)</u>	<u>(142,844)</u>	<u>(233,349)</u>

(*) Deferred tax assets from overseas subsidiaries are increased by ₩1,530 million due to foreign exchange rate movements.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

41. Income tax expense (continued)

(d) Deferred tax assets and liabilities that are directly charged or credited to equity for the years ended December 31, 2020 and 2019 are as follows:

	January 1, 2020		Changes		December 31, 2020	
	OCI	Tax effect	OCI	Tax effect	OCI	Tax effect
Gain (loss) on valuation of financial assets measured at FVOCI	₩ 439,370	(132,901)	(103,570)	23,912	335,800	(108,989)
Gain (loss) on financial liabilities measured at FVTPL attributable to changes in credit risk	(11,386)	3,131	4,253	(1,170)	(7,133)	1,961
Foreign currency translation adjustments for foreign operations	(208,348)	(9,117)	(166,596)	7,000	(374,944)	(2,117)
Gain (loss) on cash flow hedge	(47,977)	14,266	(19,958)	5,498	(67,935)	19,764
Equity in other comprehensive income of associates	8,300	(122)	(1,450)	(1,878)	6,850	(2,000)
The accumulated other comprehensive income in separate account(*)	20,054	(5,515)	5,358	(1,473)	25,412	(6,988)
Remeasurements of the defined benefit liability	(553,538)	152,006	21,362	(5,610)	(532,176)	146,396
Gain (loss) on valuation of financial asset measured at FVTPL (Overlay approach)	98,678	(27,057)	125,371	(35,073)	224,049	(62,130)
	₩ <u>(254,847)</u>	<u>(5,309)</u>	<u>(135,230)</u>	<u>(8,794)</u>	<u>(390,077)</u>	<u>(14,103)</u>

	January 1, 2019		Changes		December 31, 2019	
	OCI	Tax effect	OCI	Tax effect	OCI	Tax effect
Gain (loss) on valuation of financial assets measured at FVOCI	₩ 11,713	(8,754)	427,657	(124,147)	439,370	(132,901)
Gain (loss) on financial liabilities measured at FVTPL attributable to changes in credit risk	235	(65)	(11,621)	3,196	(11,386)	3,131
Foreign currency translation adjustments for foreign operations	(306,766)	(15,087)	98,418	5,970	(208,348)	(9,117)
Gain (loss) on cash flow hedge	(24,485)	6,733	(23,492)	7,533	(47,977)	14,266
Equity in other comprehensive income of associates	4,957	(74)	3,343	(48)	8,300	(122)
The accumulated other comprehensive income in separate account(*)	5,672	(1,560)	14,382	(3,955)	20,054	(5,515)
Remeasurements of the defined benefit liability	(477,382)	130,700	(76,156)	21,306	(553,538)	152,006
Gain (loss) on valuation of financial asset measured at FVTPL (Overlay approach)	(108,655)	29,597	207,333	(56,654)	98,678	(27,057)
	₩ <u>(894,711)</u>	<u>141,490</u>	<u>639,864</u>	<u>(146,799)</u>	<u>(254,847)</u>	<u>(5,309)</u>

(*) Deferred tax effects, which are originated from the accumulated other comprehensive income in separate account, are included in the other liabilities of principle and interest guaranteed separate account's financial statement.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

41. Income tax expense (continued)

(e) There is no the amount of deductible temporary differences, unused tax losses, and unused tax credits that are not recognized as deferred tax assets as of December 31, 2020 and 2019.

(f) The amount of temporary difference regarding investment in subsidiaries that are not recognized as deferred tax liabilities as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Investment in associates	₩ (897,110)	(766,888)

(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, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Deferred tax assets	₩ 440,430	518,337
Deferred tax liabilities	(804,741)	(751,686)

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won, except per share data)

42. Earnings per share

(a) Basic and diluted earnings per share for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Profit attributable to equity holders of Shinhan Financial Group	₩ 3,414,595	3,403,497
Less:		
Dividends to hybrid bond	(85,327)	(61,993)
Net profit available for common stock	<u>₩ 3,329,268</u>	<u>3,341,504</u>
Weighted average number of common shares outstanding(*)	500,343,324	477,346,731
Basic and diluted earnings per share in won	<u>₩ 6,654</u>	<u>7,000</u>

(*1) The number of basic ordinary shares outstanding is 516,599,554 shares and the above weighted-average stocks are calculated by reflecting treasury stocks issued and 17,482,000 shares of convertible preferred shares issued on May 1, 2019.

(*2) Treasury stock has retired on June 1, 2020.

(b) The calculation details of the weighted average number of ordinary shares are as follows:

	<u>December 31, 2020</u>	
	<u>Number of shares</u>	<u>Number of days</u>
Number of common shares issued	516,599,554	178,880,869,852
Shares of convertible preferred stock	17,482,000	6,398,412,000
Shares of treasury stock	(704,796)	(2,153,625,403)
Average number of ordinary shares	533,376,758	183,125,656,449
Days		366 days
Weighted average number of ordinary shares		500,343,324

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

43. Commitments and contingencies

(a) Guarantees, acceptances and credit commitments as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Guarantees:		
Outstanding guarantees	₩ 10,249,827	9,319,885
Contingent guarantees	3,433,953	3,669,697
	<u>13,683,780</u>	<u>12,989,582</u>
Commitments to extend credit:		
Loan commitments in won	80,598,639	74,393,722
Loan commitments in foreign currency	19,319,903	22,542,776
ABS and ABCP commitments	1,604,958	2,116,354
Others	87,718,227	81,387,165
	<u>189,241,727</u>	<u>180,440,017</u>
Endorsed bills:		
Secured endorsed bills	1,650	11,287
Unsecured endorsed bills	7,324,559	6,737,097
	<u>7,326,209</u>	<u>6,748,384</u>
Loans sold with repurchase agreement	-	2,099
	<u>₩ 210,251,716</u>	<u>200,180,082</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

43. Commitments and contingencies (continued)

(b) Pending litigations

The Group's pending lawsuits as a defendant as of December 31, 2020 are as follows:

Case	Number of claim	Claim amount	Description	Status
Claim for the payment to execute the assignment order	1	₩ 7,099	For the deposits at the Group owned by one of the debtor, the plaintiff has received a provisional seizure order, bond seizure and an assignment order that assigned the Bank as a third party debtor. Accordingly, the plaintiff filed a claim against the Bank for the debt payment to execute the assignment order.	In progress for the first order.
Deposit return	1	5,575	Hanwha Savings Bank, a party to the lender of Meat Loan, filed a lawsuit against all creditors to confirm deposit accounts for the sale of frozen meat. As a result, the lawsuit has been commissioned by HYUN, the legal firm, proceed a Matron's private lawsuit related the Group.	In progress for the first order.
Gampo Ramada a settlement claim suit	1	5,658	The plaintiff has requested the intermediate loan of the repayment of loans until now because the Group planned for a three months extension of the maturity of the intermediate loan and have made a commitment to repay the principal and interest of the unpaid intermediate payment loan to the plaintiff after three months.	The Group lost the first and second order(2021.01.14) and the third order is ongoing.
Others	530	301,460	It includes various cases, such as compensation for loss claim.	
	<u>533</u>	<u>₩ 319,792</u>		

As of the December 31, 2020, the Group has recorded ₩12,468 million and ₩3,453 million, respectively, as other provisions and insurance contract liabilities (reserve for claims) for litigations, etc., The outcome of the lawsuits is not expected to have a material impact on the consolidated financial statements, but additional losses may result from future litigation.

(c) The Group entered into an agreement between shareholders with Asia Trust Co., Ltd. (60% of its total shares) to acquire remaining stake. In accordance with the agreement, the Group has the right to purchase shares held by the shareholders of Asia Trust Co., Ltd. In response, the shareholders of Asia Trust Co., Ltd. have the right to demand to purchase the shares to the Group.

(d) In relation to Asia Trust Co., Ltd., ("Asia Trust") a subsidiary of the Group, a number of complaints have arisen due to misuse of the seals discarded by employees prior to the Group's acquisition of Asia Trust. Some of them filed a lawsuit against the Group (claim amount of ₩49.6 billion) during the current year, and a special inspection is conducted by the Financial Supervisory Service in February 2019. The Group did not reflect these financial effects in the consolidated financial statements as of December 31, 2020 because the Group could not reliably measure the likelihood of loss and extent of loss.

(e) Regarding the currency option contracts, the Group has received the dispute arbitration request from the Financial Dispute Arbitration Committee on December 19, 2019; the Group will proceed with Board of Directors' decision. The Group's management anticipates that the result of the adjustment will not have a significant impact on the Group's financial position.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

43. Commitments and contingencies (continued)

(f) As a Prime Brokerage Service operator, the Group entered into a total return swap agreement (TRS, derivatives that exchange profits and losses from underlying assets such as stocks, bonds and funds) with a fund operated by Lime Asset Management ("Lime Fund"). Through TRS with the Group, the Lime Fund invested approximately \$200 million in IIG Global Trade Finance Fund, IIG Trade Finance Fund, and IIG Trade Finance Fund-FX Hedged ("IIG Fund") from May 2017 to September 2017.

The Group invested the IIG Fund in LAM Enhanced Finance III L.P. ("LAM III Fund") in kind and acquired the LAM III Fund's beneficiary certificates in accordance with the management instructions of Lime Asset Management in 2019. The recoverable value of the LAM III Fund beneficiary certificates is affected by the recoverable value of the IIG Fund invested in kind. Meanwhile, IIG Fund received cancellation of registration and asset freeze from the US Securities and Exchange Commission in November 2019. The Financial Supervisory Service (FSS) announced in its interim inspection of Lime Fund in February 2020 that the Group is charged of being involved in poor concealment and fraud of Lime Fund while operating TRSs with Lime Fund, and a related prosecution investigation has been under way since then.

The Financial Supervisory Service has notified advance notice that is a result of the inspection on the Lime Trade Financial Fund and Lime CI Fund to the Group. In addition, regarding the Lime Trade Financial Fund, the Financial Supervisory Service Sanctions Review Committee and the Financial Services Commission Securities Futures Commission reviewed and voted on the sanctions of former executives and institutions. It will be finalized by the Financial Services Commission in the future, and the Lime CI Fund is currently undergoing a Financial Supervisory Service Sanctions Review Committee.

The prosecution arrested and indicted the former director of Prime Brokerage Services on fraud charges. On September 25, the former director of Prime Brokerage Service was convicted in the first trial for fraud for violation of the Capital Market and Financial Investment Services Act. The former director of Prime Brokerage Services submitted an appeal on October 5, 2020.

The prosecution indicted the Group and the former director of Prime Brokerage Services on January 22, 2021 for violating FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT. It is expected that the criminal trial will determine whether the Group is legally responsible or not. The Group has determined the present obligation that the Group may liable for the charge of involvement in the fraud is not significant.

Meanwhile, as of December 31, 2020, there is an international dispute over some beneficiary certificates acquired under the management order of Lime Asset Management.

Considering the board's voluntary compensation decision and the results of the Financial Supervisory Service's dispute settlement committee, the Group conducted the compensation and liquidity supply for some of the Lime Fund sales. Supervision authorities are currently conducting inspections on Lime Asset Management, and depending on the inspection results, procedures for dispute settlement and damage relief measures for incomplete sales may be carried out.

(g) The Group sold approximately ₩390.7 billion of German Heritage DLS trust products from May 2017 to December 2018. As of December 31, 2020, the repayment of ₩379.9 billion has been delayed. Accordingly, the supervisory authorities are conducting an inspection on the incomplete sale of trust products. The Financial Supervisory Service has notified advance notice that is a result of the inspection to the Group. In addition, the Financial Supervisory Service Sanctions Review Committee and the Financial Services Commission Securities Futures Commission reviewed and voted on the sanctions of staffs and institutions. However, it will be finalized by the Financial Services Commission in the future.

(h) The Group has sold Gen2 related trust instruments from May 2014 to November 2019. As of December 31, 2020, approximately ₩287.1 billion, expired amount, of ₩420.0 billion, outstanding balance, is suspended from redemption and delayed in repayment.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

44. Statement of cash flows

(a) Cash and cash equivalents in the consolidated statements of cash flows as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Cash and due from banks at amortized cost	₩ 33,420,549	28,435,818
Adjustments:	(2,488,156)	(3,349,719)
Due from financial institutions with a maturity over three months from date of acquisition	(21,969,411)	(16,506,925)
Restricted due from banks	(24,457,567)	(19,856,644)
	<u>₩ 8,962,982</u>	<u>8,579,174</u>

(b) Significant non-cash activities for the years ended December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Debt-equity swap	₩ 58,528	224,093
Transfers from construction-in-progress to property and equipment	56,575	76,004
Transfers between property and equipment and investment property	4,064	104,573
Transfers between assets held for sale to property and equipment	31,633	455
Transfers between investment property and assets held for sale	910	15,795
Accounts payable for purchase of intangible assets, etc.	137,476	472,798
Transaction for right-of-use assets	281,785	1,376,764
Exchange of shares related to acquisition of subsidiaries	629,449	-
Exchange of shares related to disposal of treasury stocks	287,669	-

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

44. Statement of cash flows (continued)

(c) Changes in assets and liabilities arising from financing activities for the years ended December 31, 2020 and 2019 are as follows:

	December 31, 2020				
	Derivative assets	Borrowings	Debentures	Lease liabilities	Total
Beginning balance	₩ 5,822	34,863,156	75,363,364	1,104,259	111,336,601
Changes from cash flows	(43,676)	7,465,106	(28,372)	(781,867)	6,611,191
Changes from non-cash flows					
Amortization of discount on borrowings and debentures	-	22,836	437,627	14,504	474,967
Changes in foreign currency	-	271,179	(417,151)	-	(145,972)
Others	126,638	(1,037,213)	(221,074)	256,426	(875,223)
Business combination(Note47)	-	9,000	-	839	9,839
Ending balance	₩ 88,784	41,594,064	75,134,394	594,161	117,411,403

	December 31, 2019				
	Derivative assets	Borrowings	Debentures	Lease liabilities	Total
Beginning balance	₩ (77,102)	29,818,542	63,227,699	536,842	93,505,981
Changes from cash flows	21,958	5,017,269	11,201,673	(269,362)	15,971,538
Changes from non-cash flows					
Amortization of discount on borrowings and debentures	-	58,320	352,524	11,291	422,135
Changes in foreign currency exchange rate	-	173,623	282,534	-	456,157
Others	60,966	(204,598)	298,934	792,901	948,203
Business combination	-	-	-	32,587	32,587
Ending balance	₩ 5,822	34,863,156	75,363,364	1,104,259	111,336,601

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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45. Related parties

Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. In accordance with K-IFRS No. 1024, the Group defines the retirement benefit plans of the associates, key management and their families, the consolidation group and related parties as the scope of related parties. The amount of profit and loss, bond and debt balance between the Group and the related parties are disclosed. For details of the subsidiaries, refer to 'Note 15'.

(a) Balances with the related parties as of December 31, 2020 and 2019 are as follows:

Related party	Account	December 31, 2020	December 31, 2019
Investments in associates:			
BNP Paribas Cardif Life Insurance	Other assets	76	92
"	Credit card loans	81	173
"	Deposits	13,941	402
Partners 4th Growth Investment Fund	Deposits	2,802	1,443
BNP Paribas Cardif General Insurance	Credit card loans	21	26
"	Other assets	-	401
"	Deposits	41	17
Shinhan Praxis K-Growth Global Private Equity Fund	Other assets	-	91
Dream High Fund III	Deposits	4	5
Credian Healthcare Private Equity Fund II	Deposits	2	4
Midas Dong-A Snowball Venture Fund 2	Deposits	1,739	233
Eum Private Equity Fund No.3	Deposits	20	353
Incorporated association Finance Saving Information Center	Deposits	7	6
GX Shinhan interest 1 st Private Equity Fund	Unearned revenue	-	248
Nomura investment property trust No.19	Loans	11,976	11,973
"	Other assets	44	42
SHBNPP MAIN Professional Investment Type Private Mixed Asset Investment Trust No.3	Other assets	1,160	678
Shinhan-Stonebridge Petro Private Equity Fund(*)	Other assets	-	810
Korea Finance Security	Deposits	568	362
SHINHAN-CORE TREND GLOBAL FUND 1	Unearned revenue	16	9
Hermes Private Investment Equity Fund	Deposits	352	275
Multimedia Tech Co.Ltd	Deposits	-	3
Korea Credit Bureau	Deposits	2,088	80
Goduck Gangil1 PFV Co., Ltd	Loans	24,000	24,000
"	ACL	(71)	(78)
SBC PFV Co., Ltd	Deposits	8,011	5,142
GMG Development Co., Ltd(*)	Deposits	-	300
Sprott Global Renewable Private Equity Fund I	Deposits	258	342
IMM Global Private Equity Fund	Loans	800	800
"	ACL	(2)	(3)
"	Deposits	10,820	7,598
Goduck Gangil10 PFV Co., Ltd	Loans	9,400	-
"	ACL	(19)	-
"	Deposits	2,718	-
Shinhan Global Healthcare Fund 2	Deposits	1	-
One Shinhan Global Fund 1	Unearned revenue	122	-
IGIS PRIVATE REAL ESTATE TRUST NO.331	Loans	9,919	-
"	Accrued income	121	-
"	Unearned revenue	22	-

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

45. Related parties (continued)

(a) Balances with the related parties as of December 31, 2020 and 2019 are as follows (continued):

Related party	Account	December 31, 2020	December 31, 2019
Investments in associates (continued):			
COSPEC BIM tech	Loans	151	-
"	ACL	(95)	-
"	Deposits	1	-
IMM Special Situation 1-2 PRIVATE EQUITY FUND	Deposits	117	-
EDNCENTRAL Co.,Ltd.	Loans	19,450	-
"	Accrued income	9	-
"	Unearned revenue	578	-
KoFC-Neoplux R&D-Biz Creation 2013-1 Investment	Account receivables	2,823	-
Future-Creation Neoplux Venture Capital Fund	Account receivables	4,137	-
Neoplux Market-Frontier Secondary Fund	Account receivables	1,630	-
Gyeonggi-Neoplux Superman Fund	Account receivables	186	-
Shinhan-Neoplux Energy Newbiz Fund	Account receivables	25	-
SHINHAN-NEO Core Industrial Technology Fund	Account receivables	3	-
KTC-NP Growth Champ 2011-2 Private Equity Fund	Account receivables	4,528	-
Neoplux No.3 Private Equity Fund	Account receivables	748	-
NV Station Private Equity Fund	Deposits	100	-
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	Unearned revenue	76	-
IGIS Private Real Estate Investment Trust 286	Other loans	436	-
Genesis North America Power Company No.1 PEF	Other loans	2,171	-
Key management personnel and their immediate relatives:	Loans	5,144	4,426
	Assets	98,927	43,431
	Liabilities	₩ 44,328	16,822

(*) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2020

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(In millions of won)

45. Related parties (continued)

(b) Transactions with the related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party	Account	December 31, 2020	December 31, 2019
Investments in associates			
BNP Paribas Cardif Life Insurance	Fees and commission income	₩ 3,390	4,230
"	Reversal of credit losses	-	3
"	Other expense	(5)	(1)
"	General and administrative expenses	(4)	(9)
Shinhan Praxis K-Growth Global Private Equity Fund	Fees and commission income	361	448
BNP Paribas Cardif General Insurance	Fees and commission income	10	11
"	Other operating income	333	468
Midas Dong-A Snowball Venture Fund (*1)	Fees and commission income	-	119
"	Interest expense	-	(1)
IBKS-Shinhan Creative Economy(*1)	Fees and commission income	-	8
SM New Technology Business Investment Fund I	Fees and commission income	-	14
Partners 4th Growth Investment Fund	Interest expense	(4)	(7)
Shinhan-Albatross Technology Investment Fund	Fees and commission income	54	216
SHBNPP Private Korea Equity Long-Short Professional Feeder(*2)	Fees and commission income	-	363
KDBC Midas Dong-A Snowball Venture Fund No.2	Interest expense	(2)	-
Shinhan Fintech New Technology Fund No.1(*1)	Fees and commission income	-	38
Shinhan Global Healthcare Fund 1	Fees and commission income	-	360
Shinhan capital-Cape FN Fund No.1(*1)	Fees and commission income	-	101
SHC-K2 Global Material Fund	Fees and commission income	19	19
Synergy-Shinhan Mezzanine New Technology Investment Fund	Fees and commission income	50	94
Shinhan-Midas Dong-A Secondary Venture Fund	Fees and commission income	63	187
GX Shinhan interest 1st Private Equity Fund(*3)	Fees and commission income	454	545
Shinhan-Nvestor Liquidity Solution Fund	Fees and commission income	361	361
SHC ULMUS Fund No.1(*3)	Fees and commission income	39	76
Shinhan-PS Investment Fund No.1	Fees and commission income	20	20
Nomura investment property trust No.19	Interest income	525	519
"	Other operating income	3	7
BNPMAIN investment trust No.3	Fees and commission income	2,501	2,694
Shinhan-Stonebridge Petro Private Equity Fund	Fees and commission income	-	1,762

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45. Related parties (continued)

(b) Transactions with the related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party	Account	December 31, 2020	December 31, 2019
Investments in associates (continued)			
KOREA FINANCE SECURITY	Fees and commission income	₩ 10	10
	Interest expense	(1)	-
ShinHan – Soo Young Entrepreneur Investment Fund	Fees and commission income	206	275
Shinhan-Rhinos 1 Fund	Fees and commission income	64	64
SHINHAN-CORE TREND GLOBAL FUND1	Fees and commission income	100	45
Kiwoom-Shinhan Innovation Fund I	Fees and commission income	240	67
One Shinhan Global Fund1	Fees and commission income	399	151
Open-Shinhan Portfolio Investment Association No. 1	Fees and commission income	59	59
FuturePlay-Shinhan TechInnovation Fund 1	Fees and commission income	218	7
WON JIN HOME PLAN CO.,LTD	Interest income	-	186
Korea Credit Bureau	Fees and commission income	13	13
"	Interest expense	(12)	(5)
Goduck Gangil1 PFV Co., Ltd	Interest income	915	328
"	Fees and commission income	-	1,120
"	Provision for credit loss	7	(78)
SBC PFV Co., Ltd	Fees and commission income	732	-
"	Interest expense	(5)	(3)
IMM Global Private Equity Fund	Interest income	25	28
"	Interest expense	(13)	(25)
"	Provision for credit loss	-	(3)
Goduck Gangil10 PFV Co., Ltd	Interest income	299	-
"	Fees and commission income	793	-
"	Interest expense	(4)	-
"	Provision for credit loss	(19)	-
IGIS PRIVATE REAL ESTATE TRUST NO.331	Interest income	731	-
"	Other operating expense	(67)	-
"	Fees and commission income	478	-
COSPEC BIM tech	Provision for credit loss	(95)	-
Korea Omega Project Fund I	Fees and commission income	131	-
New Green Shinhan Mezzanine Fund	Fees and commission income	42	-

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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December 31, 2020 and 2019

(In millions of won)

45. Related parties (continued)

(b) Transactions with the related parties for the years ended December 31, 2020 and 2019 are as follows:

Related party	Account	December 31, 2020	December 31, 2019
Investments in associates (continued)			
Sparklabs-Shinhan Opportunity Fund 1	Fees and commission income	₩ 174	-
EDNCENTRAL Co.,Ltd.	Interest income	649	-
"	Fees and commission income	578	-
"	Other operating expense	(121)	-
Shinhan Western T&D Consignment Management Real Estate Investment Co., Ltd(*3)	Fees and commission income	300	-
Kakao-Shinhan 1st TNYT Fund	Fees and commission income	165	-
KoFC-Neoplux R&D-Biz Creation 2013-1 Investment	Interest income	9	-
"	Fees and commission income	44	-
Future-Creation Neoplux Venture Capital Fund	Interest income	14	-
"	Fees and commission income	116	-
Neoplux Market-Frontier Secondary Fund	Fees and commission income	416	-
Gyeonggi-Neoplux Superman Fund	Fees and commission income	149	-
Shinhan-Neoplux Energy Newbiz Fund	Fees and commission income	308	-
NewWave 6th Fund	Fees and commission income	303	-
SHINHAN-NEO Core Industrial Technology Fund	Fees and commission income	3	-
KTC-NP Growth Champ 2011-2 Private Equity Fund	Interest income	5	-
"	Fees and commission income	86	-
Neoplux No.3 Private Equity Fund	Fees and commission income	748	-
Pacific Sunny Professional Investors Private Placement Real Estate Investment Company No.45	Fees and commission income	1,412	-
CREDIAN T&F 2020 CORPORATE FINANCIAL STABILITY PRIVATE EQUITY FUND(*3)	Interest expense	(1)	-
Key management personnel and their immediate relatives			
Interest income		126	161
		₩ 18,897	15,045

(*1) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2019

(*2) As the Group does not have significant influence to this entity, this has been removed from the related parties for the year ended December 31, 2019.

(*3) Excluded from the associates due to disposal and liquidation for the year ended December 31, 2020.

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December 31, 2020 and 2019

(In millions of won)

45. Related parties (continued)

(c) Key management personnel compensation

Key management personnel compensation for the years ended December 31, 2020 and 2019 are as follows:

		December 31, 2020	December 31, 2019
Short-term employee benefits	₩	23,468	21,237
Severance benefits		651	731
Share-based payment transactions(*)		2,628	12,343
	₩	<u>26,747</u>	<u>34,311</u>

(*) The expenses of share-based payment transactions are the remuneration expenses during the vesting period.

(d) The guarantees provided between the related parties as of December 31, 2020 and 2019 are as follows:

Guarantor	Guaranteed Parties	Amount of guarantees		Account
		December 31, 2020	December 31, 2019	
Shinhan Bank	BNP Paribas Cardif Life Insurance	₩ 10,000	10,000	Unused credit line

(*) Among the associates, the amount of the securities purchase agreement for structured entities is W 135,459 million as of December 31, 2020.

(e) Details of collaterals provided by the related parties as of December 31, 2020 and 2019 are as follows:

Provided to	Provided by	Pledged assets	December 31, 2020	December 31, 2019
Shinhan Bank	BNP Paribas Cardif Life Insurance	Government bonds	₩ 12,000	12,000
	Hyungje art printing	Properties	120	120
	Goduck Gangil1 PFV Co., Ltd	Guarantee insurance policy	28,800	28,800
	Goduck Gangil10 PFV Co., Ltd	Guarantee insurance policy	13,000	-
			₩ <u>53,920</u>	<u>40,920</u>

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(In millions of won)

45. Related parties (continued)

(f) Details of significant loan transactions with related parties as of December 31, 2020 and 2019 are as follows:

Classification	Company		December 31, 2020				Ending
			Beginning	Loan	Recover	Others(*1)	
Investments in associates	Nomura investment property trust No.19 IGIS PRIVATE REAL ESTATE TRUST NO.331	₩	11,973	-	-	-	11,973
	EDNCENTRAL Co.,Ltd.		-	10,000	-	(312)	9,688
	Goduck Gangil1 PFV Co., Ltd		-	20,000	-	(619)	19,381
	Goduck Gangil10 PFV Co., Ltd		24,000	-	-	-	24,000
	IMM Global Private Equity Fund COSPEC BIM tech(*2)		-	28,200	(18,800)	-	9,400
			800	-	-	-	800
			-	-	-	151	151
	Total	₩	<u>36,773</u>	<u>58,200</u>	<u>(18,800)</u>	<u>(780)</u>	<u>75,393</u>

(*1) The effect on changes in allowance for credit loss is included.

(*2) For the year ended December 31, 2020, it is incorporated as a related party, and has marked the balance as of December 31, 2020.

Classification	Company		December 31, 2019				Ending
			Beginning	Loan	Recover	Others(*)	
Investments in associates	Nomura investment property trust No.19	₩	11,966	-	-	7	11,973
	Goduck Gangil1 PFV Co., Ltd		-	24,000	-	-	24,000
	IMM Global Private Equity Fund		-	800	-	-	800
	Total	₩	<u>11,966</u>	<u>24,800</u>	<u>-</u>	<u>7</u>	<u>36,773</u>

(*) The effect on changes in allowance for credit loss is included.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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(In millions of won)

46. Interests in unconsolidated structured entities

(a) The nature and extent of interests in unconsolidated structured entities

The Group involved in assets-backed securitization, structured financing, beneficiary certificates (primarily investment funds) and other structured entities and characteristics of these structured entities are as follows:

	<u>Description</u>
Assets-backed securitization	<p>Securitization vehicles are established to buy assets from originators and issue asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles by purchasing (or committing to purchase) the asset-backed securities issued and/or providing other forms of credit enhancement.</p> <p>The Group does not consolidate a securitization vehicle if (i) the Group is unable to make or approve decisions as to the modification of the terms and conditions of the securities issued by such vehicle or disposal of such vehicles' assets, (ii) (even if the Group is so able) if the Group does not have the exclusive or primary power to do so, or (iii) if the Group does not have exposure, or right, to a significant amount of variable returns from such entity due to the purchase (or commitment to purchase) of asset-backed securities so issued or subordinated obligations or by providing other forms of credit support.</p>
Structured financing	<p>Structured entities for project financing are established to raise funds and invest in a specific project such as M&A (mergers and acquisitions), BTL (build-transfer-lease), shipping finance, etc. The Group is involved in the structured entities by originating loans, investing in equity, or providing credit enhancement.</p>
Investment fund	<p>Investment fund means an investment trust, a PEF (private equity fund) or a partnership which invests in a group of assets such as stocks or bonds by issuing a type of beneficiary certificates to raise funds from the general public, and distributes its income and capital gains to their investors. The Group manages assets by investing in shares of investment fund or playing a role of an operator or a GP (general partner) of investment fund, on behalf of other investors.</p>

The size of unconsolidated structured entities as of December 31, 2020 and 2019 are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Total assets:		
Asset-backed securitization	₩ 253,958,036	208,441,947
Structured financing	257,475,395	195,374,046
Investment fund	203,863,889	215,371,530
	<u>₩ 715,297,320</u>	<u>619,187,523</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

46. 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, 2020 and 2019 are as follows:

		December 31, 2020			
		Assets-backed securitization	Structured financing	Investment fund	Total
Assets:					
Loans measured at fair value through profit or loss	₩	10,007	396,006	-	406,013
Loan at amortized cost		882,708	11,631,322	80,166	12,594,196
Securities at fair value through profit or loss		4,703,527	200,966	9,403,611	14,308,104
Derivate assets		10,353	1,050	-	11,403
Securities at fair value through other comprehensive income		2,105,239	122,664	-	2,227,903
Securities at amortized cost		6,294,228	-	-	6,294,228
Other assets		2,019	59,980	4,936	66,935
	₩	<u>14,008,081</u>	<u>12,411,988</u>	<u>9,488,713</u>	<u>35,908,782</u>
Liabilities:					
Derivate liabilities	₩	582	-	-	582
Other liabilities		2,610	21,421	-	24,031
	₩	<u>3,192</u>	<u>21,421</u>	<u>-</u>	<u>24,613</u>
		December 31, 2019			
		Assets-backed securitization	Structured financing	Investment fund	Total
Assets:					
Loans measured at fair value through profit or loss	₩	10,646	69,727	-	80,373
Loan at amortized cost		785,134	10,207,866	664,024	11,657,024
Securities at fair value through profit or loss		3,705,565	70,407	9,378,374	13,154,346
Derivate assets		21,494	1,027	-	22,521
Securities at fair value through other comprehensive income		2,144,846	188,429	-	2,333,275
Securities at amortized cost		4,894,942	-	-	4,894,942
Other assets		3,244	14,776	58,948	76,968
	₩	<u>11,565,871</u>	<u>10,552,232</u>	<u>10,101,346</u>	<u>32,219,449</u>
Liabilities:					
Other liabilities	₩	682	10,457	-	11,139

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

46. Interests in unconsolidated structured entities (continued)

(b) Nature of risks (continued)

ii) *Exposure to risk relating to its interests in unconsolidated structured entities as of December 31, 2020 and 2019 are as follows:*

December 31, 2020				
	Assets-backed securitization	Structured financing	Investment fund	Total
Assets held	₩ 14,008,081	12,411,988	9,488,713	35,908,782
ABS and ABCP commitments	932,113	2,300	1,923,035	2,857,448
Loan commitments	618,030	707,860	-	1,325,890
Guarantees	87,293	-	-	87,293
Others	-	123,210	5,887	129,097
	<u>₩ 15,645,517</u>	<u>13,245,358</u>	<u>11,417,635</u>	<u>40,308,510</u>
December 31, 2019				
	Assets-backed securitization	Structured financing	Investment fund	Total
Assets held	₩ 11,565,871	10,552,232	10,101,346	32,219,449
ABS and ABCP commitments	1,208,707	2,300	868,498	2,079,505
Loan commitments	845,904	855,520	-	1,701,424
Guarantees	139,522	4,000	-	143,522
Others	-	118,969	-	118,969
	<u>₩ 13,760,004</u>	<u>11,533,021</u>	<u>10,969,844</u>	<u>36,262,869</u>

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

(In millions of won)

47. Business combination

(a) Neoplux Co., Ltd.

i) General information

As of September 29, 2020, the Group gained control of Neoplux Co., Ltd. as a subsidiary by acquiring a 96.77% (97.08% stake of voting rights) stake and reporting to the Financial Services Commission about the transfer of subsidiary. As of December 30, 2020, the Group acquired the remaining shares, and Neoplux Co., Ltd. became a wholly owned subsidiary of the Group. The main reason for business combination is to promote investment financing and secure new business opportunities in the investment banking sector.

ii) Identifiable net assets

Fair values of assets acquired and liabilities assumed as of acquisition date are as follows:

	<u>Amount(*)</u>
Assets:	
Cash and due from banks at amortized cost	₩ 179
Investment assets in the long-term	463
Venture capital investment assets	38,800
Private equity investment company investment assets	12,230
Property and equipment	835
Intangible assets(*2)	1,254
Other assets(*3)	18,911
	<u>72,672</u>
Liabilities:	
Borrowings	9,000
Other liabilities	4,804
	<u>13,804</u>
Fair value of the identifiable net assets	₩ <u>58,868</u>

(*1) The accounting for the acquisition of Neoplux Co., Ltd. is tentatively determined using the identifiable assets and liabilities recognized by Neoplux Co., Ltd. at the time of business combination. For the year ended December 31, 2020, the acquisition has not completed the identification of intangible assets for allocation and the fair value assessment of identifiable assets and liabilities. The goodwill may vary depending on the results of the fair value assessment of the identifiable assets and liabilities for the allocation of the consideration.

(*2) The contract balance recognized as a business combination includes ₩ 793 million. The contract balance that Neoplux Co., Ltd. has is considered an important asset that can generate additional revenue in the future. Therefore, it is assessed at fair value through the Multi-period Excess Earning Method.

(*3) During the business combination, the Group has acquired receivables that are fair value of ₩ 15,803 million, and the total contract amount is ₩ 15,803 million. There is no contractual cash flow that is not expected to be recovered from the receivables.

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Notes to the Consolidated Financial Statements

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(In millions of won)

47. **Business combination (continued)**

(a) Neoplux Co., Ltd (continued)

iii) *Goodwill*

Goodwill recognized as a result of business combination is as follows:

	<u>Amount</u>
Consideration paid in cash	₩ 71,128
Fair value of identifiable net assets	(58,868)
Non-controlling interests	<u>1,718</u>
Goodwill	<u>₩ 13,978</u>

(*) For the year ended December 31, 2020, the non-controlling interests for Neoplux Co., Ltd. are measured at proportionate shares of non-controlling interests in the acquiree's identifiable net assets for Neoplux Co.,Ltd. At the business combination, the goodwill is generated because the transfer price includes the premium of corporate control paid to acquire Neoplux Co.,Ltd. The transfer price for the business combination includes expected synergies, future market growth, and the amount related to human resources. These benefits are not recognized separately from goodwill because it does not meet the recognition requirements for identifiable intangible assets.

iv) *Cost related to business combination*

The Group incurred a cost of ₩2,207 million, including legal fees and due diligence fees, in connection with the business combination and recognized the fee as the fee expense in the consolidated statement of comprehensive income of the Group.

v) *Net cash outflows due to business combination*

Net cash outflows due to business combination for the year ended December 31, 2020 are as follows:

	<u>Amount</u>
Consideration transferred in cash	₩ 71,128
Acquired cash and cash equivalents	<u>(174)</u>
	<u>₩ 70,954</u>

(*) The amount of cash and cash equivalents acquired is the amount of cash and amortized cost measurement deposits minus the amount of restricted deposits.

vi) *If Has Neoplux Co., Ltd. consolidated as of January 1, 2020, the consolidated operating income and profit for the period of the Group, which would have been included in the consolidated statement of comprehensive loss, are ₩ 1,938 million and ₩ 863 million, respectively.*

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48. Uncertainty due to changes in domestic and global economic conditions

The rapid spread of the COVID-19 is negatively affecting the global economy. The Group uses forward-looking information to estimate expected credit losses in accordance with Korean IFRS No.1109 'Financial Instruments' and there have been significant changes in forward-looking information due to the spread of the COVID-19 for the year ended December 31, 2020. Accordingly, the forecast default rate for the year ended December 31, 2020 is re-estimated using changed forward-looking information on economic growth rate, consumer price index, KOSPI, which are major variables to compute the default rate. The Group will continue to monitor the impact of the COVID-19 on the economy.

Risk exposures by major consolidated subsidiaries due to COVID-19 are as follows:

(a) Shinhan Bank

	December 31, 2020							
	Airlift passenger	Lodging	Oil/petroleum refinery	Art- related	Movie theater	Clothing manufacturing	Travel	Total
Loans at amortized cost	₩ 120,854	3,445,269	685,336	244,036	95,240	1,763,741	112,647	6,467,123
Securities at fair value through profit or loss	-	-	3,088	-	-	3,060	-	6,148
Securities at fair value through other comprehensive income	52,878	2,611	224,894	-	6,539	9,797	-	296,719
Off-balance accounts	404,767	289,948	3,058,516	9,630	111,266	938,705	60,171	4,873,003
	₩ 578,499	3,737,828	3,971,834	253,666	213,045	2,715,303	172,818	11,642,993

(b) Shinhan Card Co., Ltd.

	Retails			Total
	Credit sales	Short term card loan	Long term card loan	
Loans at amortized cost	₩ 357,589	142,252	283,150	782,991
Off-balance accounts		702,124		702,124

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

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(In millions of won)

48. Uncertainty due to changes in domestic and global economic conditions (continued)

Risk exposures by major consolidated subsidiaries due to COVID-19 are as follows: (continued)

(c) Jeju Bank

		December 31, 2020							
		Lodging	Manufacturing	Retail	Construction Industry	Leisure related service industry	Transportation Business	Etc	Total
Loans at amortized cost	₩	599,875	30,095	517,843	85,640	57,677	29,679	92,373	1,413,182
Off-balance accounts		20,658	563	18,691	7,100	1,053	2,103	3,082	53,250
	₩	<u>620,533</u>	<u>30,658</u>	<u>536,534</u>	<u>92,740</u>	<u>58,730</u>	<u>31,782</u>	<u>95,455</u>	<u>1,466,432</u>

As of December 31, 2020, the exposure of the borrowers who applied for moratorium of interest payments and moratorium of repayment in installments by Shinhan Bank is as follows:

	Exposure
Moratorium of interest payments	242,794
Moratorium of repayment in installments	1,067,502
Moratorium of interest payments and moratorium of repayment in installments	80,581
	<u>1,390,877</u>

