

## IMPORTANT NOTICE

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS PURCHASING THE SECURITIES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.**

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular (the “**Offering Circular**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the following Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THIS DOCUMENT AND THE SECURITIES REFERENCED HEREIN MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND AS PERMITTED BY, REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”). ANY FORWARDING, REDISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES A PUBLIC OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

**Confirmation of your Representation:** In order to be eligible to view the following Offering Circular or make an investment decision with respect to the securities, investors must be outside the U.S. By accepting the e-mail and accessing the following Offering Circular, you shall be deemed to have represented to us that (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, to the extent that you purchase the securities described in the following Offering Circular, you will be doing so pursuant to Regulation S under the Securities Act and (2) you consent to the delivery of such Offering Circular and any amendments and supplements thereto by electronic transmission.

You are reminded that the following Offering Circular has been delivered to you on the basis that you are a person into whose possession the following Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the following Offering Circular to any other person. If this is not the case, you must return this Offering Circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of Shinhan Card Co., Ltd. (the “**Issuer**”) in such jurisdiction.

The following Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Issuer or Citibank Taiwan Limited, HSBC Bank (Taiwan) Limited and SG Securities (HK) Limited, Taipei Branch (collectively, the “**Managers**”), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# ShinhanCard

## SHINHAN CARD CO., LTD.

(incorporated with limited liability under the laws of the Republic of Korea)

**U.S.\$300,000,000 5.500 per cent Senior Unsecured Notes due 2029**

**Issue Price: 99.672%**

The U.S.\$300,000,000 5.500 per cent Senior Unsecured Notes due 2029 (the “Notes”) will be issued by Shinhan Card Co., Ltd. (the “Issuer”). The Notes constitute direct, general and unconditional obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).

The Notes will bear interest from and including 12 March 2024 (the “Issue Date”) at a rate of 5.500 per cent. Interest will be payable semi-annually in arrear on 12 March and 12 September of each year (each an “Interest Payment Date,” with the first Interest Payment Date falling on 12 September 2024 in respect of the period from and including the Issue Date to but excluding such Interest Payment Date).

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their outstanding principal amount on 12 March 2029 (the “Maturity Date”). The Notes are subject to redemption, in whole but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event of certain changes to tax laws. See “*Terms and Conditions of the Notes – Redemption and Purchase.*”

**Investing in the Notes involves certain risks. See “Risk Factors” beginning on page 5.**

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular (the “Offering Circular”). Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes.

Application will be made to the Taipei Exchange (“TPEX”) of the Republic of China (the “ROC” or “Taiwan”) for the listing of, and permission to sell or resell, the Notes to “professional investors” as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China (the “TPEX Rules”) only and such permission is expected to become effective on or about 12 March 2024. No assurance can be given that such application will be approved, or that the TPEX listing will be maintained. If the Notes fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes.

The TPEX is not responsible for the content of this Offering Circular and/or any supplement or amendment thereto and no representation is made by the TPEX as to the accuracy or completeness of this Offering Circular and/or any supplement or amendment thereto. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Offering Circular and/or any supplement or amendment thereto. The admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Notes are not permitted to sell or otherwise dispose of the notes except by transfer to the aforementioned professional investors.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) and are being offered and sold outside the United States in reliance on Regulation S (“Regulation S”) under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale.*”

The Notes are expected to be rated “A2” by Moody’s Investors Service, Inc. (“Moody’s”) and the Issuer is rated “A2” by Moody’s. The rating of the Notes does not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by such rating organisation. Such rating should be evaluated independently of any other rating of the Notes, the Issuer’s other securities or the Issuer.

The Notes will initially be represented by beneficial interests in a global certificate (the “Global Certificate”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 12 March 2024 with a common depository for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, S.A. (“Clearstream, Luxembourg”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

### **Lead Manager**

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

### **Joint Managers**

(in alphabetical order)

**Citibank Taiwan Limited**

**HSBC Bank (Taiwan) Limited**

### **Co-Managers**

**Bank SinoPac**

**Cathay United Bank Co., Ltd.**

**CTBC Bank**

**Fubon Securities Co., Ltd.**

**KGI Securities Co. Ltd.**

**President Securities Corporation**

**SinoPac Securities Corporation**

**Yuanta Securities Co., Ltd.**

The date of this Offering Circular is 29 February 2024.

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You should rely only on the information contained in this Offering Circular. None of the Issuer or the Managers (as defined in “*Subscription and Sale*”) has authorised anyone to provide you with information that is different or make any representation other than as contained in this Offering Circular in connection with the offering of the Notes. If anyone provides you with different or inconsistent information, you should not rely on it. The contents of the Issuer’s and the Shinhan Financial Group’s websites do not form any part of this Offering Circular.

You should assume the information in this Offering Circular is accurate only as of the date of this Offering Circular or such other date as specified herein. The business, financial condition, results of operations and prospects of the Issuer may have changed since that date. Neither the delivery of this Offering Circular nor any sale of the Notes made in connection with this Offering Circular will, under any circumstances, constitute a representation or create any implication that the information in this Offering Circular is correct as of any date subsequent to the date of this Offering Circular or that there have been no changes in the affairs of the Issuer since the date of this Offering Circular. Statements contained in this Offering Circular as to the contents of any contract or other documents referred to in this Offering Circular may not set forth all of the terms and conditions of such contracts or other documents.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the Notes, including the merits and risks involved. The Issuer is not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. This Offering Circular should not be considered as a recommendation or constituting an invitation or offer by the Issuer or the Managers that any recipient of this Offering Circular should purchase the Notes. You should not construe the contents of this Offering Circular as legal, business, accounting or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

The Issuer have furnished the information contained in this Offering Circular. No representation, undertaking or warranty, express or implied, is made by the Managers or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Managers or any of their respective affiliates or advisers. The Managers assume no responsibility for the accuracy, adequacy, reasonableness or completeness of any of the information contained in this Offering Circular or any other information (financial, legal or otherwise) provided by the Issuer in connection with the issue or distribution of the Notes or the future performance of the Notes. To the fullest extent permitted by law, none of the Managers accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Managers or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers or any of their affiliates or advisers in connection with investigation of the accuracy of such information or such person’s investment decisions.

This Offering Circular may only be used where it is legal to sell the Notes. None of the Issuer and the Managers is making an offer to sell the Notes in any jurisdiction where the offer or sale is not permitted. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come must inform themselves about and observe these relevant restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for those purposes.

This Offering Circular is confidential. This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Circular. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Notes. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised and any disclosure of any of its contents or use of such information for any purpose other than making an investment decision, without the prior written consent of the Issuer, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

The Notes are subject to restrictions on transferability and may not be transferred or resold except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from registration. Any investor who purchases the Notes will be deemed to have made acknowledgements, representations, warranties and agreements intended to restrict the resale or other transfer of the Notes, as set forth under “*Subscription and Sale – Transfer Restrictions.*” As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

**MIFID II PRODUCT GOVERNANCE** – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining the appropriate distribution channels.

### **Important Notice to Prospective Investors**

Prospective investors should be aware that certain intermediaries in the context of this offering, including all of the Managers, are “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order, prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should so indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a “proprietary order” and subject to appropriate

handling by CMI in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order.” If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should so indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order.” Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMI (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

**Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the “SFA”)** – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).



## ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a corporation with limited liability organised under the laws of Korea. All of the officers and directors of the Issuer named in this Offering Circular, except Gong-tae Oh, reside in Korea, and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States.

As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or the Issuer in U.S. courts judgments predicated upon civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

## AVAILABLE INFORMATION

A copy of the Fiscal Agency Agreement related to the Notes (the “**Fiscal Agency Agreement**”) will be on file and available for inspection at the specified office of the Fiscal Agent (as defined in this Offering Circular) upon prior written request during normal office hours. In accordance with the Notes and the Fiscal Agency Agreement, the Fiscal Agent also will make available for inspection by holders of the Notes or, in certain cases, arrange for the mailing to such holders, certain documents or communications received from the Issuer. See “*Terms and Conditions of the Notes.*”

## PRESENTATION OF FINANCIAL INFORMATION

The Issuer maintains its financial books and records and prepares its financial statements in Won in accordance with Korean International Financial Reporting Standards (“**K-IFRS**”). Unless otherwise stated, the financial data of the Issuer contained in this Offering Circular as of and for the years ended 31 December 2021 and 2022 are derived from the Issuer’s audited consolidated financial statements included in this Offering Circular, which have been prepared in accordance with K-IFRS.

The financial data of the Issuer contained in this Offering Circular as of 30 September 2023 and for the nine months ended 30 September 2022 and 2023 are derived from the Issuer’s unaudited interim consolidated financial statements included in this Offering Circular, which have been prepared in accordance with K-IFRS 1034 *Interim Financial Reporting*. Such financial information has not been audited and should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit. None of the Managers or any of their respective representatives, directors, officers, employees, agents, advisers or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Issuer’s financial condition and results of operations. Accordingly, potential investors must exercise caution when using such data to evaluate the Issuer’s financial position, results of operations and cash flows. Such unaudited consolidated interim financial information as at and for the nine months ended 30 September 2023 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Issuer for the full financial year ending 31 December 2023.

## CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the “**Issuer**” or the “**Company**” in this Offering Circular are references to Shinhan Card Co., Ltd., or Shinhan Card Co., Ltd. and its consolidated subsidiaries collectively, as required or as indicated by the context. All references to the “**Group**” are references to the Issuer and its consolidated subsidiaries collectively. All references to “**Holders**” are references to the holders of the Notes from time to time.

Unless otherwise specified or the context otherwise requires, all references to “**SHC**” are references to the heritage company, Shinhan Card Co., Ltd., all references to “**LGC**” are references to the heritage company, LG Card Co., Ltd., all references to “**Shinhan Card**” are references to the merged entity resulting from the Merger, all references to “**SHB**” are references to the heritage bank, Shinhan Bank, all references to “**CHB**” are references to the heritage bank, Chohung Bank, all references to “**Shinhan Bank**” are references to the merged entity resulting from the merger of SHB and CHB that was registered in Korea on 3 April 2006, all references to “**Shinhan Financial Group**” are references to Shinhan Financial Group Co., Ltd. and all references to the “**SFG Group**” are references to Shinhan Financial Group and its subsidiaries. All references to the “**Merger**” are references to the merger of SHC and LGC that was registered in Korea on 1 October 2007.

All references to “**Korea**” contained in this Offering Circular are references to The Republic of Korea. All references to the “**Government**” are references to the government of Korea. All references to “**U.S.**” and the “**United States**” are references to the United States of America. All references to “**Singapore**” are references to the Republic of Singapore. In this Offering Circular, all references to “**Won**” or “**₩**” are to the lawful currency of Korea, all references to “**U.S. dollar**”, “**U.S.\$**” or “**US\$**” are to the lawful currency of the United States and all references to “**Euro**” are to the lawful currency of the European Union. For the reader’s convenience, certain Won amounts in this Offering Circular have been translated into U.S. dollars at the market average exchange rate, announced by Seoul Money Brokerage Services, Ltd. in Seoul, between Won and dollars, rounded to the nearest tenth of one Won (the “**Market Average Exchange Rate**”). Unless otherwise stated, the translations of Won into U.S. dollars have been made at the Market Average Exchange Rate in effect on 30 September 2023, which was Won 1,344.8 to U.S.\$1.00. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. For historical information regarding the rate of exchange between the Won and the U.S. dollar, see “*Exchange Rates.*” In this Offering Circular, where information has been prepared in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, actual numbers may differ from those contained herein due to rounding. All discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

## **FORWARD-LOOKING STATEMENTS**

This Offering Circular contains certain “forward-looking statements” that are based on the Issuer’s current expectations, assumptions, estimates and projections about the industries that the Issuer is in. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “target”, “seek”, “aim”, “contemplate”, “project”, “plan”, “goal”, “should” and similar expressions or the negatives thereof. Those statements include, among other things, the discussions of the Issuer’s business strategy and expectations concerning their market position, future operations, cash flows, margins, profitability, liquidity and capital resources. Reliance on any forward-looking statement involves risks and uncertainties, and although the Issuer believes that the assumptions on which the forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in “*Risk Factors.*” In light of these and other uncertainties, you should not conclude that the Issuer will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. The Issuer will not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances, except as required by law.



## SUMMARY

*The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see “Terms and Conditions of the Notes” (the “Conditions”). Terms used and not otherwise defined in this summary have the meaning given to them in the Conditions.*

|   |  |
|---|--|
| <b>Issuer</b> . . . . .                       | Shinhan Card Co., Ltd., a corporation with limited liability established under the laws of Korea.  |
| <b>Notes</b> . . . . .                        | U.S.\$300,000,000 5.500 per cent Senior Unsecured Notes due 2029 (the “Notes”).  |
| <b>Issue Price</b> . . . . .                  | 99.672 per cent of the principal amount of the Notes.  |
| <b>Issue Date</b> . . . . .                   | 12 March 2024.   |
| <b>Interest Commencement Date.</b> . . . . .  | 12 March 2024.   |
| <b>Interest Payment Date</b> . . . . .        | 12 March and 12 September of each year, commencing on 12 September 2024. For a further description of payments of interest on the Notes, see “ <i>Terms and Conditions of the Notes – Payments.</i> ”  |
| <b>Rates of Interest</b> . . . . .            | 5.500 per cent per annum, from and including the Issue Date, to but excluding, the Maturity Date, payable semi-annually in arrear.   |
| <b>Day Count Fraction</b> . . . . .           | 30/360.  |
| <b>Maturity Date</b> . . . . .                | 12 March 2029 (the “ <b>Maturity Date</b> ”).  |
| <b>Form and Denomination.</b>                 | <p>The Notes will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.</p> <p>Upon issue, the Global Certificate will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg.</p> |
| <b>Redemption at Maturity Date.</b> . . . . . | Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their outstanding principal amount on the Maturity Date.  |
| <b>Redemption for Tax Reasons</b> . . . . .   | The Issuer may redeem the Notes in whole but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event that the Issuer is obliged to pay additional amounts provided in Condition 8 of the “ <i>Terms and Conditions of the Notes</i> ”.                  |

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| <b>Taxation</b> . . . . .                                   | All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Korea, unless the withholding or deduction of such taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction (including any withholding or deduction in respect of such payment of additional amounts) will equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of the withholding or deduction. |
| <b>Negative Pledge</b> . . . . .                            | The Notes will contain a negative pledge provision given by the Issuer as described in Condition 4 of the “ <i>Terms and Conditions of the Notes</i> ”.  |
| <b>Sale and Leaseback</b> . . . . .                         | The Notes will limit the Issuer’s ability to enter into sale and leaseback transactions as described in Condition 4 of the “ <i>Terms and Conditions of the Notes</i> ”.   |
| <b>Status of the Notes</b> . . . . .                        | The Notes constitute direct, general and unconditional obligations of the Issuer which will be unsecured and will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).  |
| <b>Governing Law</b> . . . . .                              | The Notes are governed by, and will be construed in accordance with, the laws of England.  |
| <b>Rating</b> . . . . .                                     | The Notes are expected to be rated “A2” by Moody’s. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by the assigning rating organisation.   |
| <b>Fiscal Agent</b> . . . . .                               | Citicorp International Limited.  |
| <b>Paying Agent, Registrar and Transfer Agent</b> . . . . . | Citibank, N.A., London Branch.   |
| <b>Listing</b> . . . . .                                    | Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. There can be no assurance, however, that the Issuer will obtain or be able to maintain a listing of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.   |

An application will be made by the Issuer for the Notes to be listed and admitted for trading on the TPEX. No assurance can be given that such application will be approved, or that the TPEX listing will be maintained. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the notes. Effective date of listing of and trading of the Notes shall be on or about the Issue Date.

**Use of Proceeds** . . . . . The Issuer expects to use the net proceeds from the offering of the Notes for general corporate purposes.

**Selling Restrictions** . . . . . The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. For additional selling restrictions in relation to other jurisdictions, see “*Subscription and Sale.*”

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Notes are not permitted to sell or otherwise dispose of the notes except by transfer to the aforementioned professional investors.

**Clearance and Settlement** The Notes have been accepted for clearance by Euroclear and Clearstream, Luxembourg under the following codes:  
ISIN: XS2775400703  
Common Code: 277540070

**LEI**. . . . . 988400VPS0FMK2WR8F98

#### **LISTING APPLICATION**

Application will be made on behalf of the Issuer to the TPEX for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEX Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC. The Notes will be listed and traded on the TPEX pursuant to the applicable rules of TPEX. Effective date of listing and trading of the Notes is on or about the Issue Date. The TPEX is not responsible for the content of this Offering Circular and/or any supplement or amendment thereto and no representation is made by the TPEX to the accuracy or completeness of this Offering Circular and/or any supplement or amendment thereto. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Offering Circular and/or any supplement or amendment thereto. Admission to the listing and trading of the Notes on the TPEX shall not be taken as an indication of the merits of the Issuer or the Notes. No assurances can be given as to whether the Notes will be, or will remain, listed on the TPEX. If the Notes fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Notes.

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes.

#### **NOTICES**

If and for so long as the Notes are listed on the TPEX and for so long as the rules of the TPEX so require, all notices regarding the Notes and the Issuer required by the rules of TPEX shall also be published on a website designated by the Taiwan Financial Supervisory Commission (currently, [https://siis.twse.com.tw/e\\_bond.htm](https://siis.twse.com.tw/e_bond.htm)). For public access of this website, please visit at:

[https://www.tpex.org.tw/web/bond/publish/international\\_bond\\_search/memo\\_org.php?l=en-us](https://www.tpex.org.tw/web/bond/publish/international_bond_search/memo_org.php?l=en-us).

## **ROC SETTLEMENT AND TRADING**

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

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

## RISK FACTORS

*Prior to making an investment decision, prospective purchasers of the Notes should carefully consider, along with the other matters set out in this Offering Circular, the following factors:*

### **Risks relating to the Issuer**

**The global COVID-19 pandemic and any possible occurrence of other types of widespread infectious diseases may adversely affect the Issuer's business, financial condition or results of operations.**

COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2, was declared a "pandemic" by the World Health Organization in March 2020. The COVID-19 pandemic had materially and adversely affected the global economy and had disrupted the Issuer's business operations. The Issuer has been subjected to a number of risks, including but not limited to:

- an increase in defaults on loan payments from the Issuer's customers that are particularly affected by the COVID-19 pandemic, who may not be able to meet payment obligations, which may lead to an increase in delinquency ratios and a deterioration in asset quality;
- decreases in interest rates followed by recent increases in interest rates worldwide;
- depreciation of the Won against major foreign currencies, which in turn may increase the Issuer's cost in servicing its foreign currency denominated debt and result in foreign exchange losses;
- disruption in the normal operations of the Issuer's business resulting from contraction of infectious disease by the Issuer's employees, which may necessitate the Issuer's employees to be quarantined and/or the Issuer's offices to be temporarily shut down;
- disruption resulting from the necessity for social distancing, including, for example, temporary arrangements for employees to work remotely, which may lead to a reduction in labour productivity; and
- impairments in the fair value of the Issuer's investments in companies that may be adversely affected by the pandemic.

The Issuer believes that the global COVID-19 pandemic has not had a negative impact on its results of operations for the nine months ended 30 September 2023. However, in the event that a future recurrence of COVID-19 or other types of widespread infectious diseases cannot be effectively and timely contained, the Issuer's business, financial condition and results of operations will likely be affected.

**Difficult conditions in the Korean and global economy could adversely affect the Issuer's profitability, liquidity and asset quality.**

Most of the Issuer's assets are located in, and the Issuer generates most of its income from, Korea. As a result, the Issuer's business and profitability are subject to political, economic, legal and regulatory risks specific to Korea, many of which are beyond the Issuer's control, including the deterioration of key macro- and micro-economic indicators such as exports, personal expenditure and consumption, unemployment rates, demand for business products and services, debt service burden of households and businesses, the general availability of credit and the asset value of real estate and securities. Certain sections of the Korean economy continue to show signs of sluggishness in part due to weak consumer confidence, consumer spending and corporate investment, and its outlook for 2024 and beyond remains uncertain. Market turmoil and economic downturn, particularly in Korea, could materially adversely affect the liquidity, and businesses and/or financial conditions of the Issuer's customers, which in turn result in an increase in non-performing receivables and a decline in the credit quality of the Issuer's credit card assets, loans and instalment financing assets. Such developments could also hurt the value of

assets (such as cash advance and instalment purchases) collateralising the Issuer's secured receivables and loans, increase the delinquency among the Issuer's customers and otherwise impair the quality of the Issuer's receivables, loans and other financial assets.

The Korean economy is closely integrated with, and is significantly affected by, developments in the global economy and financial markets. In light of the ongoing general economic weakness and the trade disputes between the United States and China and between Korea and Japan, signs of cooling economy for China and the continuing political instability in the Middle East, among others, significant uncertainty remains as to the global economic prospects in general and such factors have adversely affected, and may continue to adversely affect, the Korean economy and in turn on the Issuer's business and profitability, as a result of, for instance, a decrease in consumer spending and credit card usage, as well as a decrease in commission fees for the Issuer's affiliates due to dampened consumer confidence. In addition, the value of the Won relative to the U.S. Dollar has also fluctuated significantly in recent years, and there is no guarantee that similar currency fluctuation will not occur again in the future. See "Exchange Rates". Any future deterioration of the global economy could adversely affect the Issuer's business, financial condition and results of operations. Specifically, if credit market conditions deteriorate, the availability of credit may become limited, costs of funding may increase, credit ratings may be downgraded and/or the credit of borrowers may worsen, any or all of which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Furthermore, if the conditions in credit or financial markets in Korea or globally worsen in the future due to changes in government policy, structural weaknesses or for other reasons, the Issuer's ability to borrow may be adversely affected and the Issuer may be forced to fund its operations at a higher cost or the Issuer may be unable to raise as much funding as it needs to support its lending to customers and other activities, which could reduce the Issuer's profitability.

**Future changes in market conditions as well as other factors may lead to an increase in delinquency levels of the Issuer's loan portfolio.**

In recent years, credit card and other consumer debt has increased significantly in Korea. As of 31 December 2021 and 2022 and 30 September 2023, the Issuer's credit card assets amounted to ₩25,765.1 billion (U.S.\$21,733.5 million), ₩28,157.2 billion (U.S.\$22,218.3 million) and ₩27,652.2 billion (U.S.\$20,562.3 million), respectively. The Issuer's large exposure to consumer debt means that it is exposed to changes in economic conditions affecting Korean consumers. Accordingly, a rise in unemployment, an increase in interest rates, a downturn in the real estate market, or a general contraction or other difficulties in the Korean economy that have an adverse effect on Korean consumers could result in reduced growth and deterioration in the credit quality of the Issuer's asset portfolio. Any such adverse changes in the market conditions, as well as other factors, may lead to the Issuer's asset portfolio deteriorating, which may have a material adverse effect on its financial condition and results of operations, including its ability to pay interest on and repay the principal of the Notes.

In line with industry practice, the Issuer has restructured certain of its delinquent loan balances. As of 30 September 2023, these restructured loans outstanding amounted to ₩325.0 billion (U.S.\$241.7 million).

There is no assurance that the Issuer will be able to prevent significant credit quality deterioration in its asset portfolio.

**Competition in the Korean credit card industry is intense and the growing market saturation in the credit card industry may adversely affect the growth prospects and profitability of the Issuer.**

In the credit card sector, the Issuer competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks, consumer finance companies, other financial institutions and, recently, credit card service providers allied with mobile telecommunications service providers in Korea. Competition has been historically intense in this sector and the market has shown signs of saturation as existing and new credit card service providers have made significant investments



and engaged in aggressive marketing campaigns and promotions to acquire new customers and target customers with high credit quality. While competition has subsided somewhat recently due to stricter government regulations, such as curbs on excessive marketing expenses, competition remains intense and credit card issuers may continue to compete with the Issuer for customers by offering lower interest rates and fees, higher credit limits, more attractive promotions and incentives and alternative products, such as gift cards and low-interest consumer loan products. As a result, the Issuer may lose customers or service opportunities to competing credit card issuers and/or incur higher marketing expenses. In addition, recent Government regulations mandating lower merchant fees chargeable to small and medium-sized businesses are likely to reduce the revenues of credit card companies, including the Issuer. See *“Investment Considerations – The Issuer’s fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates”*, and *“Regulation and Supervision”*. Customer attrition, together with any further lowering of fees or reduction in base and market interest rates and/or more extensive marketing and promotional campaigns that the Issuer might implement to acquire and retain customers, could reduce its revenues and earnings. Furthermore, the average credit quality of the Issuer’s customers may decline if customers with higher credit quality borrow from the Issuer’s competitors rather than from the Issuer.

As the market further saturates as a result of this common focus and as the volume of transactions as well as the number of cardholders reaches maturity, it is expected that the market growth will significantly decrease. As a result, it may become increasingly difficult for the Issuer to attract new customers who meet the credit criteria set by the Issuer. Due to these market factors, the Issuer may have to focus further on obtaining and retaining high credit quality customers. The growth and profitability of the Issuer’s credit card operations may decline as a result of intense competition and growing market saturation in this sector.

The ability of the Issuer to preserve or continue to grow its assets in the future will depend on, among other things, its success in developing and marketing new products and services, its capacity to generate funding at commercially reasonable rates and in amounts sufficient to support preservation of assets and further asset growth, its ability to develop the personnel and systems infrastructure necessary to manage its growth and increasingly diversified business operations and its ability to manage increasing delinquencies. In addition, external factors such as competition and Government regulation in Korea may limit the Issuer’s ability to maintain its growth. Also, economic and social developments in Korea, such as changes in consumer confidence levels or spending patterns or in the public perception of credit card usage and consumer debt, could have an adverse impact on the growth rate of the Issuer’s asset portfolio in the future. Furthermore, if the Issuer fails to simultaneously manage its asset quality and its asset growth or sacrifices asset quality in exchange for asset growth, its delinquency ratio may be adversely affected. If the rate of growth of the Issuer’s assets declines or becomes negative or its delinquency ratio increases, its results of operations and financial condition may be adversely affected.

**The Issuer may not be able to increase consumer and business spending and borrowing on its card products or manage the costs of its cardholder benefits intended to stimulate such use.**

Increasing consumer and business spending and borrowing on its card products and growth in card lending balances depend in part on the Issuer’s ability to develop and issue new or enhanced card and prepaid products and increase revenue from such products and services. It also depends on the Issuer’s ability to attract new cardholders, reduce cardholder attrition, increase merchant coverage and capture a greater share of customers’ total spending on its cards both in Korea and internationally. The Issuer may not be able to manage and expand cardholder benefits in a cost-effective manner, including containing the growth of marketing, promotion and reward expenses. If the Issuer is not successful in increasing consumer and business spending or in managing costs or cardholder benefits, its revenue and profitability could be negatively affected.

**The legal and regulatory environment in which the Issuer operates could have a material adverse effect on the Issuer's business and earnings.**

The Issuer's operations are heavily regulated and subject to various laws and regulations imposing various requirements and restrictions relating to supervision and regulation. Such regulation and supervision is primarily for the benefit and protection of the Issuer's customers, not for the benefit of investors in the Issuer's securities, and could limit the Issuer's discretion in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any licence or registration at issue, as well as the imposition of civil fines and criminal penalties. In addition, changes in the accounting rules or their interpretation could have an adverse effect on the Issuer's business and earnings. Such changes may be more restrictive or result in higher costs than current requirements or otherwise materially affect the Issuer's business, results of operations or financial conditions.

Historically, the Government has heightened its regulatory oversight of, or increased its enforcement activities with respect to, the credit card industry in times of rapid growth of the Korean credit card market. In the past ten years, the Government, for example, has imposed (through various arms including the Financial Services Commission (the "FSC"), the Korean Fair Trade Commission, the Ministry of Economy and Finance (the "MOEF") and the National Tax Service) sanctions on credit card issuers in respect of unlawful or unfair practices discovered in the course of its industry-wide inspection, imposed administrative fines on certain credit card companies for collusive and anticompetitive practices, adopted a variety of amendments to existing laws and regulations governing the credit card industry, and conducted special inspections of credit card issuers in connection with the practice of replacing delinquent credit card balances with substituted cash advances and reduced certain tax deduction benefits for credit card holders, among others.

The Issuer is also subject to a number of regulations designed to maintain the safety and soundness of credit card companies, ensure their compliance with economic and other obligations and limit their exposure to risk. These regulations may limit the Issuer's activities and changes in these regulations may increase the Issuer's costs of doing business.

The Issuer's inability to comply with regulatory requirements could have a material adverse effect on the Issuer's operations and on its reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted or that the Issuer will not be prohibited by laws from raising interest rates above certain desired levels, any of which could materially adversely affect the Issuer's business, financial condition or results of operations.

**Regulatory changes that would impose more rigorous provisioning rules may adversely affect the Issuer's results of operations.**

The FSC and the Financial Supervisory Services (the "FSS") have introduced regulatory changes to their provisioning rules regarding allowance for bad debts several times in the past decade to prevent intensifying competition among credit card companies and to ensure financial soundness of credit card companies. In June 2011, while raising the overall provisioning rates, the FSC and the FSS amended the previous provisioning requirements that had been equally applicable to all claims generated by the credit card holders' use of their credit cards by classifying these bonds into two categories, (1) claims generated by the purchase of goods or the provision of services by credit cards (the "Credit Sales Assets") and (2) claims generated by the financing of cash services, credit card loans, etc. (the "Credit Card Loan Assets"), and applied a higher rate to the Credit Card Loan Assets, which bear a higher delinquency ratio.

Credit card companies' provisioning rates for household credit loans have also continued to rise. In May 2012, the FSC and the FSS increased the provisioning rates for credit card companies' household loan assets to 10%, which is about the same level as banks' provisioning rates for household credit loans. Furthermore, in June 2019, credit card service providers' provisioning rates for household credit loans was raised to the same level as those of the Credit Card Loan Assets.

Under the provisioning rules currently in effect, the provisioning rates for the Credit Sales Assets classified as normal, precautionary, substandard, doubtful in accordance with the standards for the classification of asset soundness are 1.1 per cent, 40.0 per cent, 60.0 per cent, and 75.0 per cent, respectively. In addition, the provisioning rates for the Credit Card Loan Assets and household credit loans of credit card service holders pursuant to the revised rules classified as normal, precautionary, substandard, and doubtful are 2.5 per cent, 50.0 per cent, 65.0 per cent and 75.0 per cent, respectively. There can be no assurance that continuing regulatory changes in the credit card industry in Korea will not require the Issuer to modify its business operations and may not adversely affect the Issuer's reported results of operations.

**Korean consumer protection laws may adversely affect the Issuer's business or its results of operations.**

Korean consumer protection laws regulate the creation, enforcement and collection of consumer loans, including consumer credit accounts and receivables. The most significant of such laws include the Specialised Credit Financial Business Act, the Instalment Transaction Act and the Door-to-Door Sales Act. These laws:

- (a) impose on credit card companies disclosure requirements in respect of certain rates including interest rates, discount rates and default charge rates, payment methods and matters related to the use of stolen or lost cards;
- (b) limit customer and merchant liability for unauthorised use;
- (c) prohibit a transfer of sales slips to any party other than credit card companies and banks;
- (d) prohibit sales slips from being produced by any party other than credit card merchants;
- (e) entitle customers to request interest rate reduction; and
- (f) permit customers to revoke a sale and purchase agreement entered into by way of door-to-door or telemarketing sales in certain circumstances.

Under the Financial Consumer Protection Act which took effect beginning 25 March 2021, credit card companies, as financial instrument distributors, are subject to heightened investor protection measures, including stricter distribution guidelines, improved financial dispute resolution procedures, increased liability for customer losses and newly imposed penalty surcharges.

These and other measures that may be implemented by the Government to strengthen consumer protection laws applicable to financial institutions may limit the Issuer's operational flexibility and cause the Issuer to incur significant additional compliance costs. Changes or additions to consumer protection laws may impede the Issuer's collection efforts on its credit card receivables or may reduce the finance charges and other fees that the Issuer may charge to customers, in either case resulting in reduced collections on such receivables.

**The Issuer’s fee income may be adversely affected by the Guidelines on Adjustment of Credit Card Merchants Commission Rates.**

In March 2012, the National Assembly of Korea amended the Specialised Credit Financial Business Act to address strong demands to adjust the commission rates from a substantial number of merchants accepting credit cards (the “**Credit Card Merchants**”) in Korea. According to the amended Specialised Credit Financial Business Act and the regulations thereunder, only costs and expenses determined to be reasonable to be borne by the Credit Card Merchants through the cost analysis of credit card companies (the “**Eligible Costs**”) should be reflected in the commission rates, and the FSC will re-evaluate the method of calculating the Eligible Costs every three years. Furthermore, the preferential commission rates below the Eligible Costs should be applied to small and medium sized Credit Card Merchants that fall short of a certain standard based on annual sales. Since 2012, the scope of small and medium-sized Credit Card Merchants has been steadily expanded through a number of regulatory changes, and the applicable commission rates have also been adjusted to a lower level. Currently, the Credit Card Merchants with annual sales of ₩300 million or less are classified as small-sized Credit Card Merchants and the Credit Card Merchants with annual sales of ₩3 billion or less are classified as small and medium-sized Credit Card Merchants. These merchants are subject to preferential commission rates between 0.8 per cent and 1.6 per cent depending on the size of the annual sales. In addition, the same preferential commission rates that are applicable to small and medium-sized Credit Card Merchants should also be applied to certain online and private taxi businesses.

For the years ended 31 December 2021 and 2022 and for the nine months ended 30 September 2023, fee income derived from Credit Card Merchants amounted to ₩764.6 billion (U.S.\$642.4 million), ₩731.0 billion (U.S.\$576.8 million) and ₩570.4 billion (U.S.\$424.2 million). Measures taken by the FSS and its continual pressure to reduce merchant commission rates may result in a significant decrease in the Issuer’s fee income and if the Issuer fails to find any alternative measures that could offset such decrease in its fee income resulting from the implementation of the Guidelines, the Issuer’s financial conditions and its reported results of operations will be adversely affected.

**The Issuer is subject to various management guidance ratios, including capital adequacy, liquidity, etc.**

The Specialised Credit Financial Business Act and the regulations thereunder set forth certain standards to be followed in relation to the capital adequacy, soundness of asset and liquidity of credit card companies. A credit card company must maintain a “capital adequacy ratio,” defined as the ratio of adjusted equity capital to adjusted total asset, of 8.0 per cent or more, and a “Won liquidity ratio,” defined as the ratio of Won-denominated liquid assets to Won-denominated liabilities, of 100.0 per cent or more.

In addition, once a credit card company is registered as a foreign exchange business institution with the Minister of the MOEF, such credit card company is required to maintain (1) a foreign-currency liquidity ratio within three months (defined as foreign-currency liquid assets due within three months divided by foreign-currency liabilities due within three months) of not less than 80.0 per cent, (2) a ratio of foreign-currency liquid assets due within seven days (defined as foreign-currency liquid assets due within seven days less foreign-currency liabilities due within seven days, divided by total foreign-currency assets) of not less than 0 per cent and (3) a ratio of foreign-currency liquid assets due within a month (defined as foreign-currency liabilities due within a month less foreign-currency liquid assets due within a month, divided by total foreign-currency assets) of not more than 10.0 per cent.

The aforementioned ratios may vary depending on changes in government policy on credit card companies, which may require more effort for the Issuer to comply with such ratios.

**Regulations on Issuance of New Cards and Solicitation of New Card Holders may limit business expansion of the Issuer.**

The Specialised Credit Financial Business Act and the regulations thereunder establish the conditions under which a credit card company may issue new cards and solicit new members. Specifically, new credit cards may be issued only to the following persons: (i) persons who are at the age of 19 years or more at the time of applying for issuance of a credit card (such age requirement may be lowered for the applicant with a job or other reasons); (ii) persons whose capability to pay bills as they come due is verified through personal credit ratings or objective data; (iii) persons whose credit card limit do not exceed the personal credit limit as determined in accordance with the standards established by the credit card company; and (iv) persons whose identity has been verified.

In addition, a credit card company or a registered bank engaging in the credit card business, as the case may be, may not engage in the following methods of soliciting credit card members: (i) solicitation through pyramid sales methods; (ii) solicitation via the Internet without verifying identity through certified digital signatures; (iii) providing economic benefits or conditioning such benefits in excess of 10.0 per cent (100.0 per cent in case a person becomes a member of a credit card on his/her own account using computer communications) of the annual credit card fee (in the case of no-annual fee credit cards, the average annual fees of major credit cards) in connection with issuance of credit cards; (iv) street solicitation of card members on roads and private roads as prescribed under the Road Act and the Private Road Act; and (v) solicitation through visits, except those visits made upon prior consent and visits to a business area.

Historically, changes in the law have resulted in the application of more stringent standards in the issuance of credit cards and solicitation of credit card applicants, such as requiring a credit card company to check whether the credit card applicant has any delinquent debt owing to any other credit card company or other financial institutions which the applicant is unable to repay. Moreover, a credit card company must register any person who intends to engage in solicitation of credit card applicants with the FSC, unless the solicitation is made by officers or employees of a credit card company or a company in business alliance with such credit card company.

**Reductions in the Issuer's ratings may adversely affect the Issuer's ability to raise capital in the debt markets at attractive rates.**

Credit ratings are a component of the Issuer's funding and liquidity profile. Credit ratings are an indicator of the credit worthiness of a particular company, security or obligation. Any reduction in the Issuer's credit ratings could adversely affect its liquidity and competitive position, increase the Issuer's borrowing costs and limit its access to the capital markets and funding sources on commercially acceptable terms. Such events could adversely affect the Issuer's financial condition and results of operations.

**The Issuer's failure to manage risks associated with its information and technology systems could adversely affect its business.**

The Issuer is subject to risks relating to its information and technology systems and processes. These risks, which may arise internally and externally, include malfunctions and failures, human error or misconduct and other external factors. Although the Issuer actively seeks to identify and remedy flaws in its information and technology systems, it may not be able to prevent all types of defects in or malfunctioning of its systems and any such occurrences in the future could potentially result in financial losses or other damages to the Issuer, including damage to its reputation.

The Issuer relies on internal and external information and technology systems to generate new business, provide services to customers, administer customer data and manage the Issuer's operations. The Issuer administers some of its personal loan operations through third-party administered automatic teller machines and internet portals. The Issuer uses advanced software, systems and networks to manage its customer and accounting data and other aspects of its business. This hardware and software is vulnerable

to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses and similar events or the interruption or loss of support services from third parties such as internet data centre operators, system vendors and internet service providers. Any disruption, outage, delay or other difficulty experienced by any of these information and technology systems could result in underwriting or other delays, slower processing of applications and reduced efficiency in servicing including delays in the provision or repayment of borrowings, or decreased consumer confidence in the Issuer's business, or otherwise adversely affect the Issuer's results of operations.

The Issuer is subject to Korea's three major data privacy laws (the "**Three Data Laws**"), implemented in August 2020, which include: (1) Personal Information Protection Act, (2) Act on the Promotion of Information and Communications Network Utilization and Information Protection and (3) Credit Information Use and Protection Act. Through its business, the Issuer acquires a large amount of personal and financial information related to its customers. In addition, certain third-party vendors may provide services to the Issuer using personal and financial information of its customers. Improper use or disclosure of, or a failure to protect or properly control, such information could result in violations of applicable laws or reputational or financial harm to the Issuer. The Issuer takes precautionary measures, including implementation of internal compliance procedures, to prevent and detect misuse or unauthorised disclosure of customers' personal information, but these measures may not be effective in all cases, particularly in respect of third-party vendors. There is no assurance that stricter legal and regulatory measures or heightened regulatory activities will not have an adverse effect on the business and operation of such financial institutions, including the Issuer.

**The risk management policies and procedures of the Issuer may not be effective.**

The Issuer must effectively manage credit risk related to consumer debt, merchant bankruptcies and other credit trends and the rate of delinquencies, which can affect spending on credit card products, debt payments by customers and businesses that accept the Issuer's credit card products. Credit risk is the risk of loss resulting from an obligor or counterparty default. The Issuer is exposed to consumer credit risk, principally from credit card receivables, cash advances and card loans. While consumer credit risk is more closely linked to general economic conditions rather than borrower-specific events, it exposes the Issuer to the risk of loss. Third parties may default on their obligations to the Issuer due to bankruptcy, lack of liquidity, operational failure or other reasons. Country, regional and political risks are components of credit risk. Rising delinquencies and rising rates of bankruptcy are often precursors of future write-offs and may require the Issuer to increase its allowance for doubtful accounts. Higher write-off rates and an increase in its allowance for doubtful accounts may adversely affect the Issuer's profitability and the performance of its securitisations, and may increase its cost of funds. Although the Issuer makes estimates to provide for credit losses in its outstanding portfolios of loans and receivables, these estimates may not be accurate. In addition, the information that the Issuer uses in managing credit risk may be inaccurate or incomplete. Although the Issuer regularly reviews its credit exposures, default risk may arise from events or circumstances that are difficult to foresee or detect, such as fraud. The Issuer may also fail to receive full information with respect to the credit risks of its customers.

The Issuer must also effectively manage the market risk to which it is exposed. Market risk represents the loss in value of portfolio and financial instruments due to adverse changes in market variables. The Issuer is exposed to market risk from interest rates. Changes in the interest rates at which the Issuer borrows and lends money affect the value of its assets and liabilities. If the rate of interest it pays on its borrowings increases more than the rate of interest it earns on its receivables and loans, its net finance charge revenue, and consequently its net income, could fall.

Finally, the Issuer must also manage the operational risks to which it is exposed. The Issuer considers operational risk to be the risk of not achieving its business objectives due to failed processes, people or information systems, or from the external environment, such as natural disasters. Operational risks include the risk that it may not accurately estimate the provision for the cost of its reward programme,



as well as the risk that it is unable to manage a downturn in its businesses and/or negative changes in its credit ratings, which could result in contingent payments under contracts, decreased liquidity and higher borrowing costs.

Although the Issuer has devoted significant resources to develop its risk management policies and procedures and expects to continue to do so in the future, its hedging strategies and other risk management techniques may not be fully effective in mitigating risk exposures in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Management of credit, market and operational risk requires, among other things, policies and procedures to record properly and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

**The Issuer is dependent upon Shinhan Financial Group and Shinhan Bank for new cardholders and financial support.**

A large number of the Issuer's new cardholders are recruited by marketing to the existing customers of certain other subsidiaries of Shinhan Financial Group, in particular, Shinhan Bank, and through the branch network of Shinhan Bank, which comprised 721 domestic branches as of 30 September 2023. For the nine months ended 30 September 2023, the Issuer recruited 1,050,560 new cardholders, 195,968 of which were recruited by Shinhan Bank and other subsidiaries of Shinhan Financial Group. In addition, the Issuer depends upon Shinhan Financial Group and Shinhan Bank for a part of its funding requirements. As of 30 September 2023, borrowings from Shinhan Financial Group amounted to ₩2,258 billion (U.S.\$1,679 million) or 7.5 per cent of its total borrowings and debentures.

Although Shinhan Financial Group is the sole shareholder of the Issuer and Shinhan Bank, neither Shinhan Financial Group nor Shinhan Bank is obliged to provide any support to the Issuer. In addition, any adverse development of Shinhan Financial Group's or Shinhan Bank's financial condition could have an adverse effect on the Issuer in terms of securing its required funding and/or recruiting new cardholders.

**The profitability of the Issuer's auto lease financing operation is largely dependent upon the number of vehicles sold by Hyundai Motor Company and KIA Motors.**

In recent years, financing and extending lease financing for Hyundai Motor Company and KIA Motors' vehicles in Korea combined represented a substantial majority of the total new vehicle financing and leasing amounts of the Issuer in those periods, respectively. As a result, the level of domestic automobile production and sales by Hyundai Motor Company and KIA Motors directly impacts the Issuer's automotive financing and automotive leasing volume. In addition, the resale value of Hyundai Motor Company and KIA Motors' vehicles in Korea, which may be impacted by various factors relating to their respective businesses, such as brand image or the number of new Hyundai Motor Company and KIA Motors' vehicles produced, affects the proceeds the Issuer receives from the sale of repossessed vehicles and off-lease vehicles at least termination.

Hyundai Motor Company and KIA Motors are the leading automobile manufacturers in Korea, with a combined market share of approximately 91% as of 31 December 2023 based on units of new vehicles sold (excluding imported units) according to the Korea Automobile Manufacturers Association ("KAMA"). Any decline in the sales of Hyundai Motor Company and KIA Motors' vehicles in Korea due to a reduction or suspension of Hyundai Motor Company and KIA Motors' production, declining market share, growing popularity of imported cars, excess industry capacity, industry pricing pressures, declines in consumer demand, labour unrest or government action may have a material adverse effect on the Issuer's business, financial condition and results of operations.

**Competition in the Korean consumer financial services industry is intense, and if the Issuer is unable to compete successfully or if there is increased competition in the automotive financing, automotive leasing or personal loan markets, the Issuer's margins could be materially and adversely affected.**

The markets for automotive financing, automotive leasing and personal loans are highly competitive. In the past few years, demand for automotive financing and automotive leasing products has generally grown, as customers in Korea have become increasingly familiar with and receptive to automotive financing and automotive leasing. Because the companies that specialise in car rental business have also entered into the automotive leasing market, competition in the automotive financing and automotive leasing sectors has also increased, which puts more pressure on the Issuer's share of automotive financing and lease financing of new vehicles. The Issuer's personal loan business also faces significant competition from existing and new consumer finance companies, including commercial banks, credit card companies and other specialty finance companies in Korea, which have made significant investments and engaged in aggressive marketing campaigns and promotions in these areas.

In addition, foreign financial institutions may further add to the competition in the credit specialised financing industry. Commercial banks have extensive distribution networks in Korea and have lower cost structures, lower cost of capital and are less reliant on securitisation and have a wide range of financial resources. The Issuer faces significant competition in various areas, including product offerings, rates, pricing and fees, and customer service. To the extent the Issuer reduces interest rates or fees on its products and services in response to competitive pressures, the Issuer's interest margins will decline. Furthermore, the average credit quality of the Issuer's customers may decline if higher credit quality customers borrow from the Issuer's competitors rather than from the Issuer. If the Issuer is unable to compete effectively in the markets in which it operates, its profitability and financial condition could be adversely affected.

**Fluctuations in interest rates may negatively affect the Issuer's margins and volumes.**

Interest rates in Korea have been subject to significant fluctuations in recent years. The Bank of Korea lowered its policy rate to 1.50% in July 2019 and to 1.25% from 1.5% in October 2019 to address sluggishness of the global and domestic economy. On 16 March 2020, The Bank of Korea further lowered its policy rate to 0.75% in March 2020 and to 0.50% in May 2020, in response to deteriorating economic conditions resulting from the COVID-19 pandemic. However, the economy began to show signs of recovery from the COVID-19 pandemic starting from the second half of 2021. The Bank of Korea raised its policy rate to pre-pandemic levels of 1.25% from August 2021 through January 2022. More recently, in response to rising levels of household debt and inflation in Korea as well as globally, the Bank of Korea raised its policy rate further to 1.50% in April 2022, 1.75% in May 2022, 2.25% in July 2022, 2.50% in August 2022, 3.00% in October 2022, 3.25% in November 2022 and 3.50% in January 2023.

The Issuer's profitability is affected by changes in interest rates, as the Issuer realises profit for the period mainly from the margin between interest revenue from its assets and interest expense on its liabilities. Accordingly, if interest rates were to fall sharply or remain at a low level for a significant period of time (the latter being the case in recent years) and the Issuer is unable, for competitive or other reasons, to pass through the effects of interest rate changes to customers by adjusting the interest rates charged to them or by adjusting its cost of funding on a full or timely basis, such developments may limit or reduce the amount of spread between the interest rate that the Issuer can charge customers for loans and receivables (which are recorded as assets) and the interest rate payable by the Issuer for its funding (which is recorded as liabilities). In such cases, the Issuer's business, financial condition and results of operations may be adversely affected.

Conversely, an increase in interest rates may also adversely affect the Issuer's business, financial condition and results of operations in a number of ways, including (i) an increase in funding costs that the Issuer may not be able to timely or sufficiently offset by an increase in the interest rates charged to

customers due to competitive, regulatory or other reasons and (ii) a decrease in the volume of the Issuer's automotive financing due to a higher price associated with purchasing an automobile by use of financing relative to cash purchasers.

### **Risks relating to the Notes**

#### **The Notes issued may fail or cease to be listed or have limited liquidity.**

The Notes are expected to be listed on TPEX and SGX-ST. If the Notes fail to, or cease to, be listed on the TPEX or SGX-ST, certain investors may not invest in, or continue to hold or invest in, the Notes. The Notes constitute a new issue of securities for which there is currently no existing trading market. Although the Managers may make a market in the Notes, they are not obliged to do so, and any market-making activity with respect to the Notes, if commenced, may be discontinued at any time without notice. No assurances can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the liquidity and market price of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the offering price depending on many factors, including, among others:

- prevailing interest rates;
- the Issuer's results of operations, financial condition and prospects;
- the rate of exchange between the Won and the currency of the Notes;
- political and economic developments in and affecting Korea and other regions;
- the financial condition and stability of the Korean financial and other sectors; and
- the market conditions for similar securities.

#### **The Notes are subject to transfer restrictions.**

The Notes will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States, except to certain persons in offshore transactions in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. For a further discussion of the transfer restrictions applicable to the Notes, see "*Subscription and Sale*".

The Notes have not been and will not be registered with the FSC under the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"). Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transactions Act and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations. In particular, for a period of one year from the date of issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean "qualified institutional buyer" (a "**Korean QIB**", as defined in the Regulation on Securities Issuance, Public Disclosure, Etc. of Korea) registered with the Korea Financial Investment Association (the "**KOFIA**") as a Korean QIB, provided that the amount of the Notes acquired by such Korean QIBs in the primary market is limited to no more than 20 per cent of the aggregate issue amount of the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Notes are not permitted to sell or otherwise dispose of the notes except by transfer to the aforementioned professional investors.

**The interests of the Issuer’s controlling shareholder could conflict with the interests of the holders of the Notes.**

As of the date of this Offering Circular, the Issuer is a wholly owned subsidiary of Shinhan Financial Group. As a result, Shinhan Financial Group is in a position to elect and remove the Issuer’s directors and control the outcome of most matters submitted to the Issuer’s shareholders’ meetings for a vote. This controlling shareholder is able to control or significantly influence the outcome of any vote on a proposed amendment to the Issuer’s articles of incorporation, merger proposal, proposed substantial sale of assets or other major corporate transactions. The interests of the Issuer’s controlling shareholder could conflict with the interests of the holders of the Notes.

**Payments made on or with respect to the Notes may be subject to FATCA withholding tax.**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Korea) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which financial regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes treated as debt for U.S. federal income tax purposes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under “*Terms and Conditions of the Notes – Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

**Risks Relating to Korea**

**If economic conditions in Korea deteriorate, the Issuer’s current business and future growth could be materially and adversely affected.**

The Issuer is incorporated in Korea and a significant portion of its assets is located in Korea. As a result, the Issuer is subject to political, economic, legal and regulatory risks specific to Korea, and the Issuer’s business, financial condition and results of operations, as well as the successful execution of its operational strategies are dependent on developments relating to the Korean economy. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future

growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy. Any future deterioration of the Korean or global economy could adversely affect the Issuer's business, financial condition and results of operations.

The economic indicators in Korea in recent years have shown mixed signs of deterioration and recovery. Following a period of deterioration due to the debilitating effects of the global COVID-19 pandemic on the Korean economy as well as on the economies of Korea's major trading partners, the overall Korean economy showed some signs of recovery since the outbreak of the COVID-19 pandemic. See "*– The global COVID-19 pandemic and any possible occurrence of other types of widespread infectious diseases may adversely affect the Issuer's business, financial condition or results of operations.*" However, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the increasing weakness of the global economy, due among others to Russia's invasion of Ukraine and ensuing sanctions against Russia and, more recently, the ongoing Israel-Hamas conflict and difficulties faced by several banks in the United States and Europe, have contributed to the uncertainty of global economic prospects in general and have adversely affected the Korean economy, which has been characterised by high levels of uncertainty resulting from high inflation rates, a rise in interest rates and a depreciation of the Won against the U.S. dollar. As a result, future growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy.

Other developments that could have an adverse impact on the Korean economy include:

- declines in consumer confidence and a slowdown in consumer spending, including as a result of severe health epidemics;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- the occurrence of severe health epidemics in Korea and other parts of the world, such as the global COVID-19 pandemic;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of deteriorating economic and trade relations between the United States and China and increased uncertainties in the global financial markets and industry;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and the ensuing actions that the United States and other countries have taken or may take in the future, such as the imposition of sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the Won against the U.S. dollar, Euro or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

- deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Government's policies to increase minimum wages and limit working hours of employees;
- investigations of large Korean business groups and their senior management for possible misconduct;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers in Korea;
- social and labour unrest;
- substantial changes in the market prices of Korean real estate;
- a decrease in tax revenues and an increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programmes, in particular in light of the Government's efforts to provide relief payments to households and loans to corporations in need of funding in light of the COVID-19 pandemic as well as recent interest rate increases, which, together, would likely lead to a national budget deficit as well as an increase in the Government's debt;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities, allegations of corruption and corporate governance issues concerning certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geopolitical uncertainty and the risk of further attacks by terrorist groups around the world;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving countries in the Middle East (including a potential escalation of hostilities between the United States and Iran and the ongoing Israel-Hamas conflict) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil;
- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and
- changes in financial regulations in Korea.



**Escalations of tensions with North Korea could have an adverse effect on the Issuer and the market value of the Notes.**

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon, ballistic missile and satellite programmes as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs, and warheads that can be mounted on ballistic missiles. Over the years, North Korea has also conducted a series of ballistic missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. North Korea has increased the frequency of its missile tests since the beginning of 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles, and in November 2023, successfully launched its first spy satellite. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on the Issuer's business, financial condition and results of operations and the market price and ratings of the Notes.

**There are special risks involved with investing in securities of Korean companies, including the possibility of restrictions being imposed by the Government in emergency circumstances as well as accounting and corporate disclosure standards that differ from those in other jurisdictions.**

As the Issuer is a Korean company and operates in a business and cultural environment that is different from that of other countries, there are risks associated with investing in its securities that are not typical for investments in securities of companies in other jurisdictions.

Under the Foreign Exchange Transactions Act of Korea and the Presidential Decree and regulations under that Act and Decree (collectively referred to as the "**Foreign Exchange Transaction Laws**"), if the Government determines that certain emergency circumstances, including sudden fluctuations in interest rates or exchange rates, extreme difficulty in stabilising the balance of payments or substantial disturbance in the Korean financial and capital markets, are likely to occur, it may impose any necessary restriction such as requiring Korean or foreign investors to obtain prior approval from the Minister of the MOEF for the acquisition of Korean securities or for the repatriation of interest, dividends or sales proceeds arising from Korean securities or from disposition of such securities or other types of capital transactions. Moreover, if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden changes in domestic or foreign economic circumstances or similar events or circumstances, the Minister of the MOEF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply

(including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit or sell any means of payment to the Bank of Korea or certain other governmental agencies or financial institutions.

In addition, the Issuer's audited and unaudited condensed consolidated financial statements included in this Offering Circular are presented in accordance with K-IFRS and its future financial statements will be prepared in accordance with K-IFRS, which differ in certain respects from accounting principles applicable to companies in certain other countries. It also makes regulatory filings and disclosures regarding other aspects of its business in accordance with applicable rules and regulations and accepted practice in Korea. These filing and disclosure rules and practices differ in many material respects from those applicable to companies in certain other countries. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public companies in other countries. In making an investment decision, investors must rely upon their own examination of the Issuer, the terms of the offering and the financial and other information contained in this Offering Circular.

**The Issuer is incorporated in Korea, and it may be more difficult to enforce judgments of U.S. courts.**

The Issuer is a corporation with limited liability organised under the laws of Korea. Most of its directors, executive officers and certain other persons named in this Offering Circular are non-U.S. residents, and all or a significant portion of the assets of its directors, executive officers and certain other persons named in this Offering Circular and most of its assets are located or registered outside the United States. As a result, when compared to a U.S. company, it may be more difficult for investors to effect service of process in the United States upon it or to enforce against it, the Group's directors or executive officers, judgments obtained in U.S. courts predicated upon civil liability provisions of the federal or state securities laws of the U.S. or similar judgments obtained in other courts outside Korea. There is doubt as to the enforceability in Korean courts, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal and state securities laws of the United States.

## TERMS AND CONDITIONS OF THE NOTES

The issue of the Notes was authorised by a resolution of the Board of Directors of Shinhan Card Co., Ltd. (the “**Issuer**”) passed on 25 August 2023. A fiscal agency agreement dated 12 March 2024 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, Citicorp International Limited as fiscal agent (the “**Fiscal Agent**”) and Citibank, N.A., London Branch as registrar (the “**Registrar**”) and transfer agent (the “**Transfer Agent**”) and any other agent or agents appointed from time to time with respect to the Notes. The Notes have the benefit of a Deed of Covenant (the “**Deed of Covenant**”) dated 12 March 2024 executed by the Issuer relating to the Notes. The fiscal agent, the registrar and any transfer agent for the time being are referred to below respectively as the “**Fiscal Agent**”, the “**Registrar**” and the “**Transfer Agents**”. “**Agents**” means the Fiscal Agent, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available to the Noteholders following prior written request and satisfactory proof of holding during normal business hours from the specified offices of the Fiscal Agent. The holders of the Notes (the “**Noteholders**”) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (the “**Conditions**”) will have the meanings given to them in the Fiscal Agency Agreement.

### 1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of U.S.\$200,000 and higher integral multiples of U.S.\$1,000.

The Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Noteholder**” and “**holder**” means the person in whose name a Note is registered.

### 2 Transfers of Notes

- (a) **Transfer:** A holding of Notes may, subject to Condition 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement. The

regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Noteholder upon written request and satisfactory proof of holding.

*Transfers of interests in Notes evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

- (b) **Exercise of Options or Partial Redemption in Respect of Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) or Condition 2(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) after any such Note has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

### 3 Status

The Notes constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations including liabilities in respect of deposits.

### 4 Certain Covenants

- (a) **Negative Pledge:** So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create or have outstanding, and will ensure that none of its Principal Subsidiaries will create, or have outstanding, any Security Interest, other than any

Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders unless, after giving effect thereto, the aggregate principal amount of all such secured Relevant Indebtedness, plus Attributable Debt of the Issuer and its Subsidiaries in respect of Sale/Leaseback Transactions as described in Condition 4(b), in each case entered into after the date of the issuance of the Notes, would not exceed 10% of Consolidated Net Tangible Assets.

For the avoidance of any doubt, the establishment of any receivables financing facility or arrangement pursuant to which a special purpose vehicle (including any special purpose trust) purchases or otherwise acquires accounts receivable of the Issuer shall not be deemed to be affected by Condition 4(a) or 4(b).

- (b) **Limitation upon Sale and Leaseback Transactions:** Neither the Issuer nor any Subsidiary may enter into any Sale/Leaseback Transaction after the date of the issuance of the Notes, unless (x) the Attributable Debt of the Issuer and its Subsidiaries in respect thereof and in respect of all other Sale/Leaseback Transactions entered into after the date of the issuance of the Notes (other than transactions permitted by sub-clause (y) below) plus the aggregate principal amount of Relevant Indebtedness secured by any Security Interest on any assets or property then outstanding (excluding any such Relevant Indebtedness secured by any Security Interest described in the definition of Permitted Security Interest below or existing at the date of the issuance of the Notes without equally and ratably securing the Notes), would not exceed 10% of Consolidated Net Tangible Assets, or (y) the Issuer or a Subsidiary within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Relevant Indebtedness, which is not subordinate to the Notes, of the Issuer or a Subsidiary an amount equal to the greater of (i) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction or (ii) the fair market value of any assets or property so leased (in each case as determined by the Issuer); provided that the amount to be so applied shall be reduced by (i) the principal amount of the Notes delivered within 12 months after such Sale/Leaseback transaction to the Agent for cancellation, and (ii) the principal amount of Relevant Indebtedness of the Issuer or a Subsidiary, other than the Notes, voluntarily retired by the Issuer or a Subsidiary within 12 months after such Sale/Leaseback Transaction. Notwithstanding the foregoing, no retirement referred to in this Condition 4(b) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision. Notwithstanding the foregoing, where the Issuer or any Subsidiary is the lessee in any Sale/Leaseback Transaction, Attributable Debt shall not include any Relevant Indebtedness resulting from the guarantee by the Issuer or any other Subsidiary of the lessee's obligation thereunder. The foregoing restriction shall not apply to any transaction between the Issuer and a Subsidiary or between a Subsidiary and a Subsidiary.
- (c) **Consolidation, Merger and Sale of Assets:** The Issuer, without the consent of the Noteholders, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each, a "**transaction**") to any corporation organized under the laws of the Republic of Korea ("**Korea**"), provided that (x) any successor corporation expressly, or by operation of law, assumes the Issuer's obligations under the Notes and the Fiscal Agency Agreement, (y) after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (z) such successor corporation has the benefit of a credit rating which, at the time and immediately after such transaction takes place, is no

worse than the credit rating of the Issuer, and (xx) if, as a result of any such transaction, properties or assets of the Issuer or a Subsidiary would become subject to any mortgage, charge, pledge, encumbrance or other security interest which would not be permitted under these Conditions, the Issuer or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Notes (together with, if the Issuer shall so determine, any other indebtedness of the Issuer or such Subsidiary then existing or thereafter created which is not subordinate to the Notes) equally and ratably with (or prior to) all indebtedness secured thereby.

(d) **Certain Definitions:**

**“Attributable Debt”** means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or other assets subject to such transaction and (y) the present value (discounted at a rate per annum equally to the discount rate of a capital lease obligation with a like term in accordance with Korean International Financial Reporting Standard (“K-IFRS”)) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents) during the term of the lease;

**“Consolidated Net Tangible Assets”** means the total amount of assets of the Issuer and its consolidated Subsidiaries, including investments in unconsolidated Subsidiaries, after deducting therefrom (a) all current liabilities (excluding any current liabilities constituting Long-term Debt by reason of their being renewable or extendible) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent audited annual consolidated statement of financial position of the Issuer and its consolidated Subsidiaries and computed in accordance with K-IFRS;

**“Long-term Debt”** means any note, bond, debenture or other similar evidence of indebtedness of money borrowed having a maturity of more than one year from the date such evidence of indebtedness was incurred or having a maturity of less than one year but by its terms being renewable or extendible, at the option of the borrower beyond one year from the date such evidence on indebtedness was incurred.

**“Permitted Security Interest”** means (1) any Security Interest existing as of the date of the Fiscal Agency Agreement, (2) any Security Interest existing on any assets or property prior to the acquisition thereof by the Issuer or any of its Principal Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition; (3) any Security Interest on any assets or property securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Security Interest attaches to such assets or property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof; (4) any Security Interest existing on any assets or property of any Principal Subsidiary prior to the time such Principal Subsidiary becomes a Subsidiary of the Issuer or arising after such time pursuant to contractual commitments entered into prior to and not in contemplation thereof; (5) any Security Interest securing Relevant Indebtedness owing to the Issuer or to a Subsidiary; and (6) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security Interest permitted by any of the foregoing paragraphs, provided that such Relevant Indebtedness is not increased and is not secured by any additional property;



“**person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof;

“**Principal Subsidiary**” means any Subsidiary (i) whose net sales, as shown by its latest audited financial statements (consolidated in the case of a Subsidiary which itself has subsidiaries and which consolidates its accounts), are at least 10% of the consolidated net sales of the Issuer and its consolidated subsidiaries, as shown by its latest audited consolidated financial statements or (ii) whose gross assets, as shown by its latest audited financial statements (consolidated as aforesaid), are at least 10% of the consolidated gross assets of the Issuer and its consolidated subsidiaries, as shown by its latest audited consolidated financial statements;

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (but excluding for the avoidance of doubt, instruments commonly referred to as transferable loan certificates) which (a) either are by their terms payable, or confer a right to receive payment, in any currency other than Korean Won or are denominated in Korean Won and more than 50% of the aggregate principal amount thereof is initially distributed outside Korea; (b) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea and (c) are not (i) securities issued in accordance with a securitisation plan pursuant to the Act on Asset-Backed Securitisation Act of Korea (or other similar laws of Korea); (ii) securities or instruments serviced primarily by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period and which are commonly regarded as asset-backed securities; or (iii) derivatives linked securities as defined in the Financial Investment Services and Capital Markets Act of Korea;

“**Sale/Leaseback Transaction**” means any arrangement with any Person which provides for the leasing by the Issuer or any Principal Subsidiary, for an initial term of three years or more, of any assets or property, whether now owned or hereafter acquired, which are to be sold or transferred by the Issuer or any Principal Subsidiary after the date of the issuance of the Notes to such Person for a sale price of U.S.\$1,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the currency of Korea;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer.

## 5 Interest

The Notes bear interest on their outstanding principal amount from and including 12 March 2024 at the rate of 5.500 per cent per annum, payable semi-annually in arrear on 12 March and 12 September in each year (each, an “**Interest Payment Date**”). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the

relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 12 March 2024 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Interest in respect of any Note shall be calculated per U.S.\$1,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

## **6 Redemption and Purchase**

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 12 March 2029. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition.
- (b) **Redemption for Taxation and other Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Noteholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Korea or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 February 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised persons of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Fiscal Agent shall be protected and shall have no liability to any Noteholder or any other person for so accepting and relying on such certificate or opinion.
- (c) **Purchase:** the Issuer and its Subsidiaries (as defined in the Fiscal Agency Agreement) may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 12(a).

- (d) **Cancellation:** All Certificates representing Notes purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 7 Payments

(a) **Method of Payment:**

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Certificates) in the manner provided in paragraph (ii) below.
- (ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Note shall be made in the relevant currency by may be made by transfer to an account in the relevant currency maintained by the payee with a bank. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an Alternative Clearing System (as defined in the form of the Global Certificate), each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 1 January and 25 December.*

- (b) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Noteholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent,

the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders by the Issuer in accordance with Condition 14.

- (e) **Delay in Payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a business day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.
- (f) **Non-Business Days:** If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Seoul, in New York City, in London and in the place in which the specified office of the Fiscal Agent is located.

## 8 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Korea or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (a) held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with Korea other than the mere holding of the Note; or
- (b) in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days.
- (c) in respect of any taxes that would not have been so withheld or deducted but for the failure of the Noteholder or a beneficial owner of the Notes to comply with a request by the Issuer or the Fiscal Agent to satisfy any certification, identification or other reporting requirements, imposed as a precondition to exemption from or reduction in the rate of such taxes, concerning nationality, residence or connection with the Relevant Jurisdiction; provided that at least 30 calendar days prior to the first payment date with respect to which compliance with such certification, identification or other reporting requirement is required, the Noteholder has been notified by the Issuer or the Fiscal Agent that such compliance is required;
- (d) in respect of any estate, inheritance, gift, sales, transfer, personal property or other similar taxes;
- (e) in respect of any taxes payable other than by withholding or deduction; or

- (f) in respect of any combination of paragraphs (a) through (e) above.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

“**Relevant Date**” in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender; and

“**Relevant Jurisdiction**” means Korea or any political subdivision or any authority thereof or therein having power to tax.

None of the Agents shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and nor will any Agent be responsible or liable for any failure by the Issuer or the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Notes in connection with payment of such tax, duty, charges, withholding or other payment.

## 9 Events of Default

If any of the following events (“**Events of Default**”) occurs, the Holder of any Notes then outstanding may give written notice to the Issuer (with a copy to the Fiscal Agent) that such Notes immediately becomes due and payable at their principal amount together (if applicable) with any accrued but unpaid interest:

- (a) **Non-Payment:** the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred

equals or exceeds U.S.\$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

- (d) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Principal Subsidiaries; or
- (e) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or
- (f) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Korea is not taken, fulfilled or done; or
- (g) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or
- (h) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 9.

## 10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## 11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, prefunding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.



## 12 Meetings of Noteholders and Modification and Substitution

- (a) **Meetings of Noteholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of or interest on, the Notes, (iii) to change the currency of payment of the Notes, or (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification of the Fiscal Agency Agreement:** The Issuer shall only permit any modification of, without the consent of the Noteholders, to these Conditions or any of the provisions of the Fiscal Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any determination as to prejudice applying to the interests of the Noteholders pursuant to this Condition shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determinations. Any modification shall be binding on the Noteholder and shall be notified by the Issuer to the Noteholder as soon as practicable thereafter in accordance with Condition 14.
- (c) **Substitution:** The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes such company (the “**Substitute**”) as is specified in the Fiscal Agency Agreement, provided that no payment in respect of the Notes is at the relevant time overdue. The substitution shall be made by a deed poll (the “**Deed Poll**”), to be substantially in the form exhibited to the Fiscal Agency Agreement, and may take place only if (i) the Fiscal Agent has been given 30 days’ notice in writing by the Issuer of such intended substitution and the Fiscal Agent has confirmed in writing to the Issuer that the Substitute has fulfilled all necessary “know your customer” and other applicable checks of the Fiscal Agent; (ii) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder against any tax, duty, assessment or governmental charge which is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute’s residence for tax purposes and, if different, of its incorporation with respect to any Note and which would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental

charge, and any cost or expense, relating to the substitution, (iii) the obligations of the Substitute under the Deed Poll, the Notes shall be unconditionally guaranteed by the Issuer by means of the Deed Poll, (iv) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll and the Notes represent valid, legally binding and enforceable obligations of the Substitute and in the case of the Deed Poll of the Issuer have been taken, fulfilled and done and are in full force and effect, (v) the Substitute shall have become party to the Fiscal Agency Agreement by way of a supplement or amendment, with any appropriate consequential amendments satisfactory to the Fiscal Agent, as if it had been an original party to it, (vi) legal opinions addressed to the Noteholders shall have been delivered to them from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (ii) above and in England as to the fulfilment of the preceding conditions of this Condition 12(c) and the other matters specified in the Deed Poll and (vii) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available from the Issuer. References in Condition 9 to obligations under the Notes shall be deemed to include obligations under the Deed Poll.

### **13 Further Issues**

To the extent permitted by applicable laws and regulations of the ROC and subject to the receipt of all necessary regulatory and listing approvals from the relevant authorities, including but not limited to the TPEX and the Taiwan Securities Association, the Issuer may from time to time, without the consent of the existing Noteholders, create and issue additional notes under the Fiscal Agency Agreement having the same terms and conditions in all respects except for issue date and issue price. To the extent permitted by applicable laws and regulations of the ROC and subject to the receipt of all necessary regulatory and listing approvals from the relevant authorities, including but not limited to the TPEX and the Taiwan Securities Association, additional notes issued will be consolidated with and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

### **14 Notices**

Notices required to be given to the holders of Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fifth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of the stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Notes are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or an Alternative Clearing System, notices to the Holders of the Notes shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.*

### **15 Currency Indemnity**

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgment or

order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Note, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

## **16 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **17 Governing Law and Jurisdiction**

- (a) **Governing Law:** The Fiscal Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with any Notes (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Agent for Service of Process:** The Issuer irrevocably appoints Shinhan Bank, London Branch of 6th Floor, 77 Gracechurch Street, London, EC3V OAS, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the Notes. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## THE GLOBAL CERTIFICATE

*The Global Certificate contains provisions that apply to the Notes in respect of which it is issued, some of which modify the effect of the Conditions of the Notes set out in this Offering Circular. The following is a summary of provisions of the Notes while in global form.*

### **Meetings**

The registered holders of the Notes in respect of which the Global Certificate are issued will be treated as being one person for the purposes of any meeting of Holders, and at any such meeting, as having one vote in respect of each U.S.\$1,000 in principal amount of the Notes in respect of which the Global Certificate are issued.

### **Cancellation**

Cancellation of any Notes following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Notes in the register of Holders.

### **Transfers**

Transfers of interests in the Notes will be effected through the records of Euroclear and Clearstream, Luxembourg, and their respective participants in accordance with their respective rules and operating procedures.

### **Notices**

So long as the Notes are represented by the Global Certificate and the Global Certificate are held on behalf of Euroclear, Clearstream, Luxembourg or an alternative clearing system appointed in accordance with the terms of the Notes and the Fiscal Agency Agreement, notices to the Holders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders. Any such notice shall be deemed validly given on the day after it has been delivered to Euroclear, Clearstream, Luxembourg or an alternative clearing system.

### **Paying Agent in Singapore**

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Certificate is exchanged for Definitive Certificates, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for Definitive Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

## **USE OF PROCEEDS**

The gross proceeds from the issuance of the Notes, before deducting underwriting commission and estimated expenses of the offering, will be U.S.\$299,016,000. The Issuer intends to use such gross proceeds for general corporate purposes.

## CAPITALISATION

The following table sets forth the Issuer's capitalisation as of 30 September 2023 (1) as derived from the Issuer's interim financial statements included in this Offering Circular and (2) as adjusted to give effect to the issuance of the Notes offered hereby, before deducting the underwriting commission and estimated expenses of the offering by the Issuer and on the assumption that the proceeds from the issuance of the Notes will not be used for the immediate repayment of outstanding borrowings. The table below should be read in connection with the Issuer's unaudited interim consolidated financial statements and related notes included in this Offering Circular:

|  | As of 30 September 2023  |                 |                 |                 |
|--|--|-----------------|-----------------|-----------------|
|  | Actual   |                 | As Adjusted     |                 |
|  | (in billions of Won and millions of U.S. dollars) <sup>(1)</sup> |                 |                 |                 |
| Debt:  |  |                 |                 |                 |
| Debentures . . . . .                                 | ₩22,067.2  | US\$16,409.3    | ₩ 402.1         | US\$ 299.0      |
| Borrowings . . . . .                                 | 8,304.9  | 6,175.5         | 8,588.5         | 6,386.5         |
| <b>Total debt</b> . . . . .                          | <b>30,372.1</b>  | <b>22,584.8</b> | <b>8,990.6</b>  | <b>6,685.5</b>  |
| Equity:  |  |                 |                 |                 |
| Share capital . . . . .                              | 626.8  | 466.1           | 626.8           | 466.1           |
| Hybrid bonds . . . . .                               | 699.8  | 520.4           | 699.8           | 520.4           |
| Capital surplus . . . . .                            | 860.7  | 640.0           | 860.7           | 640.0           |
| Retained earnings . . . . .                          | 5,772.9  | 4,292.8         | 5,772.9         | 4,292.8         |
| Capital adjustment . . . . .                         | (1.5)  | (1.2)           | (1.5)           | (1.2)           |
| Accumulated other comprehensive loss . . . . .       | (29.3)   | (21.8)          | (29.3)          | (21.8)          |
| Non-controlling interests . . . . .                  | 8.7  | 6.4             | 8.7             | 6.4             |
| Total equity . . . . .                               | <b>7,938.1</b>   | <b>5,902.8</b>  | <b>7,938.1</b>  | <b>5,902.8</b>  |
| <b>Total capitalisation</b> <sup>(2)</sup> . . . . . | <b>38,310.2</b>  | <b>28,487.5</b> | <b>16,928.7</b> | <b>11,778.3</b> |

*Notes:*

- (1) The exchange rate used to convert U.S. dollars into Won in the case of the Notes now being issued is Won 1,344.8 to U.S.\$1.00, which was the Market Average Exchange Rate in effect on 30 September 2023.
- (2) Total capitalisation is defined as total debt plus total shareholders' equity.

Except as disclosed herein, there has been no material change in the Issuer's capitalisation since 30 September 2023.



## EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, information concerning the Market Average Exchange Rate. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate or at all.

|                                      | <u>At End<br/>of Period</u> | <u>Average<br/>Rate<sup>(1)</sup></u> | <u>High</u> | <u>Low</u> |
|--------------------------------------|-----------------------------|---------------------------------------|-------------|------------|
|                                      |                             | <i>(Won per U.S.\$1.00)</i>           |             |            |
| 2019 .....                           | 1,157.8                     | 1,165.7                               | 1,218.9     | 1,111.6    |
| 2020 .....                           | 1,088.0                     | 1,180.1                               | 1,280.1     | 1,082.7    |
| 2021 .....                           | 1,088.0                     | 1,095.1                               | 1,108.9     | 1,082.7    |
| 2022 .....                           | 1,267.3                     | 1,292.0                               | 1,436.6     | 1,185.5    |
| 2023 .....                           | 1,289.4                     | 1,305.4                               | 1,360.6     | 1,219.3    |
| 2024 (through 28 February) .....     | 1,331.3                     | 1,327.2                               | 1,343.2     | 1,289.4    |
| January .....                        | 1,330.6                     | 1,323.6                               | 1,343.2     | 1,289.4    |
| February (through 28 February) ..... | 1,331.3                     | 1,331.6                               | 1,337.9     | 1,325.1    |

*Note:*

- (1) The average rate for each year is calculated as the average of the Market Average Exchange Rates on each business day during the relevant year (or portion thereof). The average rate for a month is calculated as the average of the Market Average Exchange Rates on each business day during the relevant month (or portion thereof).

*Source: Seoul Money Brokerage Services, Ltd.*

## SELECTED FINANCIAL AND OTHER INFORMATION

The selected financial and other information set forth below should be read in conjunction with the Issuer's consolidated financial statements and related notes included elsewhere in this Offering Circular. The selected consolidated financial information set forth below as of and for the years ended 31 December 2022 and 2021 have been derived from the Issuer's audited consolidated financial statements. The selected consolidated financial information set forth below as of 30 September 2023 and for the nine months ended 30 September 2023 and 2022 have been derived from the Issuer's unaudited interim consolidated financial statements and related notes which have been prepared in accordance with K-IFRS 1034 Interim Financial Reporting. Such financial information has not been audited and should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit. None of the Managers or any of their respective representatives, directors, officers, employees, agents, advisers or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Issuer's financial condition and results of operations. Accordingly, potential investors must exercise caution when using such data to evaluate the Issuer's financial position, results of operations and cash flows. Such unaudited consolidated interim financial information as at and for the nine months ended 30 September 2023 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Issuer for the full financial year ending 31 December 2023.

### Consolidated Statements of Comprehensive Income

|  | Years ended 31 December     |           | Nine months ended<br>30 September |         |
|--|-----------------------------|-----------|-----------------------------------|---------|
|  | 2021                        | 2022      | 2022                              | 2023    |
|  | <i>(in billions of Won)</i> |           |                                   |         |
| <b>Operating income</b>  |                             |           |                                   |         |
| Interest income . . . . .  | 2,306.1                     | 2,508.7   | 1,841.8                           | 2,094.3 |
| Interest expense . . . . .   | (506.9)                     | (710.7)   | (488.0)                           | (688.7) |
| Net interest income . . . . .  | 1,799.2                     | 1,798.0   | 1,353.7                           | 1,405.6 |
| Fee and commission income . . . . .  | 1,618.4                     | 1,758.5   | 1,331.9                           | 1,511.6 |
| Fee and commission expense . . . . .   | (1,156.7)                   | (1,221.4) | (907.9)                           | (948.5) |
| Net fee and commission income . . . . .  | 461.6                       | 537.1     | 424.1                             | 563.1   |
| Dividend income . . . . .  | 0.4                         | 0.4       | 0.4                               | 0.5     |
| Net gain on financial assets at fair value through profit<br>or loss . . . . . | 10.5                        | 19.9      | 13.5                              | 18.1    |
| Net gain (loss) on derivatives . . . . .                                       | 216.0                       | 191.1     | 615.4                             | 180.6   |
| Net gain (loss) on foreign currency transactions . . . . .                     | (188.0)                     | (160.8)   | (592.0)                           | (162.0) |
| Provision for credit loss allowance . . . . .                                  | (442.7)                     | (560.3)   | (368.5)                           | (639.5) |
| General administrative expenses . . . . .                                      | (749.3)                     | (741.6)   | (532.8)                           | (550.0) |
| Other operating loss, net . . . . .  | (204.2)                     | (318.7)   | (225.5)                           | (214.3) |
| <b>Operating income.</b> . . . . .   | 903.5                       | 765.0     | 688.3                             | 602.2   |
| Non-operating income, net . . . . .  | 4.5                         | 64.6      | 65.2                              | 0.9     |
| Share of gain (loss) of associates . . . . .                                   | (1.1)                       | 7.1       | 7.7                               | (1.0)   |
| <b>Profit before income tax.</b> . . . . .                                     | 906.9                       | 836.7     | 761.3                             | 602.1   |
| Income tax expense . . . . .   | (230.6)                     | (192.2)   | (172.0)                           | (131.9) |
| <b>Profit for the period.</b> . . . . .  | 676.3                       | 644.6     | 589.3                             | 470.1   |

|  | Years ended 31 December     |        | Nine months ended<br>30 September |        |
|--|-----------------------------|--------|-----------------------------------|--------|
|  | 2021                        | 2022   | 2022                              | 2023   |
|  | <i>(in billions of Won)</i> |        |                                   |        |
| <b>Other comprehensive income (loss):</b>  |                             |        |                                   |        |
| <b>Items that will never be reclassified to profit or loss</b>   |                             |        |                                   |        |
| Remeasurement of the net defined benefit obligations.  | 0.4                         | 30.6   | 25.1                              | (8.9)  |
| Net changes in the unrealised fair value of financial assets at fair value through other comprehensive income. . . . . | 5.5                         | 6.0    | 4.8                               | 2.3    |
| <b>Items that are or may be reclassified subsequently to profit of loss</b>  |                             |        |                                   |        |
| Loss on financial assets at fair value through other comprehensive income . . . . .                                    | (0.9)                       | (17.0) | (22.8)                            | (0.1)  |
| Net changes in the unrealised fair value of cash flow hedges . . . . .   | 22.7                        | (12.5) | (6.8)                             | (11.4) |
| Foreign currency translation adjustments for foreign operations. . . . .   | 6.0                         | 19.4   | 17.5                              | 6.0    |
| <b>Other comprehensive profit (loss) for the period, net of tax. . . . .</b>   | 33.8                        | 26.6   | 17.9                              | (12.0) |
| <b>Total comprehensive income for the period . . . . .</b>   | 710.1                       | 671.1  | 607.2                             | 458.1  |
| <b>Profit attributable to:</b>   |                             |        |                                   |        |
| Owner of the Company . . . . .   | 675.0                       | 641.4  | 587.7                             | 469.1  |
| Non-controlling interests . . . . .  | 1.3                         | 3.2    | 1.7                               | 1.0    |
| <b>Profit for the period. . . . .</b>  | 676.3                       | 644.6  | 589.3                             | 470.1  |
| <b>Total comprehensive income (loss) attributable to:</b>  |                             |        |                                   |        |
| Owner of the Company . . . . .   | 708.9                       | 666.3  | 606.2                             | 457.0  |
| Non-controlling interests . . . . .  | 1.2                         | 4.8    | 1.0                               | 1.1    |
| <b>Total comprehensive income for the period . . . . .</b>   | 710.1                       | 671.1  | 607.2                             | 458.1  |
| <b>Earnings per share</b>  |                             |        |                                   |        |
| Basic and diluted earnings per share<br>(in thousands of Won) . . . . .  | 5.4                         | 5.0    | 4.6                               | 3.6    |

## Consolidated Statements of Financial Position

|   | As of 31 December           |                 | As at                |
|---|-----------------------------|-----------------|----------------------|
|   | 2021                        | 2022            | 30 September<br>2023 |
|   | <i>(in billions of Won)</i> |                 |                      |
| <b>Assets</b>   |                             |                 |                      |
| Cash and due from banks . . . . .   | 435.7                       | 664.9           | 1,396.6              |
| Financial assets at fair value through profit or loss . . . . .             | 353.6                       | 389.3           | 523.2                |
| Derivative assets . . . . .   | 88.2                        | 196.6           | 263.3                |
| Credit card receivables at amortised cost and other . . . . .               | 33,755.2                    | 36,831.2        | 37,250.5             |
| Lease assets . . . . .  | 1,398.8                     | 1,944.7         | 2,020.5              |
| Financial assets at fair value through other comprehensive income . . . . . | 197.0                       | 375.5           | 379.2                |
| Property and equipment, net . . . . .                                       | 646.9                       | 646.6           | 638.4                |
| Intangible assets . . . . .   | 190.3                       | 214.1           | 224.2                |
| Investments in associates . . . . .   | 71.4                        | 88.7            | 86.3                 |
| Current tax assets . . . . .  | 0.1                         | 21.6            | 21.6                 |
| Deferred tax assets . . . . .   | 140.7                       | 124.7           | 113.9                |
| Investment property . . . . .   | 47.2                        | 46.0            | 45.0                 |
| Net defined benefit assets . . . . .  | –                           | 37.0            | 17.1                 |
| Other assets . . . . .  | 1,148.4                     | 1,469.5         | 1,483.7              |
| <b>Total assets</b> . . . . .   | <b>38,472.2</b>             | <b>43,050.3</b> | <b>44,463.4</b>      |
| <b>Liabilities</b>  |                             |                 |                      |
| Derivative liabilities . . . . .  | 16.2                        | 21.3            | 0.2                  |
| Borrowings . . . . .  | 6,662.9                     | 9,136.2         | 8,304.9              |
| Debentures, net . . . . .   | 20,841.9                    | 21,502.8        | 22,067.2             |
| Net defined benefit liabilities . . . . .                                   | 35.9                        | 0.2             | 0.3                  |
| Current tax liabilities . . . . .   | 181.5                       | 80.6            | 72.0                 |
| Provisions . . . . .  | 221.4                       | 240.1           | 222.3                |
| Other liabilities . . . . .   | 3,777.5                     | 4,610.4         | 5,858.4              |
| <b>Total liabilities</b> . . . . .  | <b>31,737.2</b>             | <b>35,591.6</b> | <b>36,525.3</b>      |
| <b>Equity</b>   |                             |                 |                      |
| Common stock of ₩5,000 par value . . . . .                                  | 626.8                       | 626.8           | 626.8                |
| Authorised – 2,000,000,000 shares   |                             |                 |                      |
| Issued and outstanding – 125,369,403 shares as of<br>30 September 2023      |                             |                 |                      |
| Hybrid bonds . . . . .  | –                           | 399.9           | 699.8                |
| Capital surplus . . . . .   | 860.6                       | 860.7           | 860.7                |
| Capital adjustments . . . . .   | 1.9                         | (1.6)           | (1.6)                |
| Accumulated other comprehensive loss . . . . .                              | (42.2)                      | (17.3)          | (29.3)               |
| Retained earnings . . . . .   | 5,291.4                     | 5,582.5         | 5,772.9              |
| <b>Equity attributable to owner of the Group</b> . . . . .                  | <b>6,738.5</b>              | <b>7,451.2</b>  | <b>7,929.4</b>       |
| <b>Non-controlling interests</b> . . . . .                                  | <b>(3.5)</b>                | <b>7.6</b>      | <b>8.7</b>           |
| <b>Total equity</b> . . . . .   | <b>6,735.0</b>              | <b>7,458.8</b>  | <b>7,938.1</b>       |
| <b>Total liabilities and equity</b> . . . . .                               | <b>38,472.2</b>             | <b>43,050.3</b> | <b>44,463.4</b>      |

## THE ISSUER

### Introduction

On 1 October 2007, the Issuer was established through the merger between LGC and SHC (the “**Merger**”). The Issuer offers its products and services through a network of 722 nationwide branches of Shinhan Bank, 18 card sales branches, and 27 combined operations branches (which includes card, instalment and debt collection services). The Issuer’s card sales branches recruit new Accountholders (as defined below) and conduct marketing activities in Korea. The Issuer’s instalment sales branches also conduct marketing activities and provide instalment finance service while its debt collection branches focus on debt collection activities. Although Shinhan Bank branches recruit new Accountholders and provide credit card related services, such branches do not provide instalment finance related services. As of 31 December 2021 and 2022 and 30 September 2023, personal credit cardholders of the Issuer amounted to approximately 13.1 million, 13.1 million and 13.1 million, respectively.

As of 30 September 2023, the Issuer’s total assets amounted to ₩44,463.4 billion (U.S.\$33,063.2 million) and for the nine months ended 30 September 2023, its net income amounted to ₩470.1 billion (U.S.\$349.6 million).

As of 31 December 2022, the Issuer’s total assets amounted to ₩43,050.3 billion (U.S.\$33,970.1 million) and for the year ended 31 December 2022, its net income amounted to ₩641.4 billion (U.S.\$506.1 million).

As of 30 September 2023 and 31 December 2022, the Issuer’s capital adequacy ratio, determined in accordance with FSC requirements, was 19.1 per cent and 18.6 per cent, respectively.

As of 30 September 2023, the Issuer had 2,415 full-time, permanent employees and 171 contract and part-time employees who are employed on a temporary basis. The Issuer’s headquarters are located at Pine Avenue Tower A, 100, Eulji-ro, Jung-gu, Seoul 04551, Korea. The Issuer is a wholly owned subsidiary of Shinhan Financial Group, see “*Shinhan Financial Group*”.

### Financial Holding Company Structure

In September 2001, SHB formed a financial holding company, Shinhan Financial Group, pursuant to the Financial Holding Company Act of Korea. As part of establishing a financial holding company structure, the credit card business of SHB was spun-off to form SHC, and SHC became a wholly owned subsidiary of Shinhan Financial Group on 1 July 2002. On 19 March 2007, LGC was acquired by Shinhan Financial Group in accordance with the LG Card Acquisition Agreement (as defined below). See “*Acquisition and Merger*”. For more information on the financial holding company structure, see “*Shinhan Financial Group*”.

### History

#### Corporate History of LGC

LGC was established in November 1987 through the acquisition of Korea Express Co., Ltd. by LG Group. In 1988, LGC merged with Goldstar Factoring Co., Ltd. followed by a merger with LG Installment Finance Co., Ltd. in January 1998. Under non-exclusive licence agreements with MasterCard International Incorporated, JCB International Credit Card and Visa Inc., LGC commenced issuing MasterCard, JCB and Visa credit cards.

On 6 February 2004, LGC went into non-court receivership with 14 creditor financial institutions, including the Korea Development Bank, National Agricultural Cooperative Federation, Kookmin Bank, Woori Bank, Shinhan Bank, Industrial Bank of Korea, Hana Bank, Citibank Korea, Samsung Life Insurance, Korea Life Insurance, Kyobo Life Insurance, Samsung Fire & Marine Insurance, LIG Insurance, and Dongbu Insurance. On 20 December 2006, Shinhan Financial Group entered into the LG Card Acquisition Agreement with KDB, the principal creditor bank of the council of creditor financial

institutions of LGC, to purchase common shares held by the creditor financial institutions of LGC. On 19 March 2007, Shinhan Financial Group purchased 98,517,316 common shares of LGC which represented 78.6 per cent of issued and outstanding common shares of LGC through a tender offer and LGC was released from receivership by its creditor financial institutions. On 21 September 2007, Shinhan Financial Group acquired the remaining 13.7 per cent of issued and outstanding common shares of LGC through a stock swap. On 1 October 2007, SHC transferred its entire business to LGC which thereafter changed its name to Shinhan Card Co., Ltd. See “*Acquisition and Merger*”.

### **Corporate History of SHC**

In April 1987, SHB received approval from the FSC to commence its credit card business, and the credit card division of SHB commenced issuing credit cards in August 1989. Under non-exclusive licence agreements with MasterCard International Incorporated and JCB International Credit Card Co., Ltd., the credit card division of SHB commenced issuing MasterCard and JCB credit cards.

On 1 June 2002, SHC was established by spinning-off the credit card business of SHB. In July 2003, SHC established its independent merchant network and by October 2003, the total number of merchants accepting credit cards issued by SHC reached approximately two million.

On 19 August 2003, Shinhan Financial Group acquired 543,570,144 shares of CHB’s common stock from Korea Deposit Insurance Corporation, which shares represented 80.0 per cent of CHB’s outstanding shares. In December 2003, Shinhan Financial Group’s ownership increased to 81.2 per cent following its additional capital injection of ₩200.0 billion into CHB. In June 2004, Shinhan Financial Group acquired the common shares of CHB that it previously did not own, which were 135,548,285 shares, or 18.8 per cent of total common shares of CHB outstanding as of 31 December 2003, through a cash tender offer followed by a small-scale share swap under Korean law. Shinhan Financial Group delisted the common shares of CHB from the Korea Exchange on 2 July 2004.

On 30 December 2005, SHC and CHB entered into a Split Merger Agreement (the “**Split Merger Agreement**”) to spin off the credit card business of CHB and merge into SHC (the “**Split Merger**”). Meetings of the stockholders of CHB were held on 15 February 2006 to approve the Split Merger. The creditor protection procedures under the Act on the Structural Improvement of the Financial Industry commenced on 17 February 2006 and terminated on 27 February 2006. The Split Merger was approved by the FSC on 24 March 2006. Pursuant to the terms of the Split Merger Agreement, as of 1 April 2006, CHB’s credit card business was spun-off and merged into SHC.

On 1 October 2007, SHC transferred its entire business to LGC and changed its name to “SHC Management Co., Ltd.”.

### **Acquisition and Merger**

Shinhan Financial Group was selected in August 2006 as the preferred bidder for the sale of shares of common shares held by the creditor financial institutions of LGC. Shinhan Financial Group then entered into the LG Card Acquisition Agreement on 20 December 2006 with KDB (the “**LG Card Acquisition Agreement**”).

In accordance with the LG Card Acquisition Agreement, on 19 March 2007, Shinhan Financial Group purchased 78.6 per cent of the total number of issued and outstanding common shares of LGC, by way of a tender offer. On 6 July 2007, Shinhan Financial Group acquired an additional 7.7 per cent of the issued and outstanding common shares of LGC through the tender offer. On 21 September 2007, Shinhan Financial Group acquired the remaining 13.7 per cent of the issued and outstanding common shares of LGC through a stock swap of Shinhan Financial Group for each common share of LGC.

On 1 October 2007, pursuant to the business transfer agreement between LGC and SHC, the Merger was consummated, pursuant to which SHC transferred its business operations and all of its assets, liabilities and accumulated other comprehensive income to LGC, and thereafter LGC changed its name to Shinhan



Card Co., Ltd., or the Issuer. Following the Merger, the Issuer transferred its corporate finance leasing operations to Shinhan Capital Co., Ltd. on 1 January 2008. As of the date of this Offering Circular, Shinhan Financial Group held 125,369,403 common shares of the Issuer or 100.0 per cent of the total number of issued and outstanding common shares of the Issuer.

## Strategy

The Issuer's mission is to become a leading credit card company in Korea that delivers a comprehensive range of value-added financial products and services to its cardholders. In addition, the Issuer aims to grow its assets whilst maintaining and enhancing credit quality and to provide superior consumer financial products and services by focusing its efforts on innovative practices and competitive products and services. In its pursuit of these goals, the Issuer has implemented the following key strategies:

*Strengthen the market position.* In order to strengthen its market position as a leading credit card company in Korea, the Issuer is developing marketing strategies specifically tailored to different segments of individual customers. As a strategy to enhance its brand recognition, the Issuer is also intending to expand its affiliated vendors and small office and household customers. The Issuer believes that the ability to expand its business is correlated in part to its ability to secure a strong revenue base and to that end, the Issuer is focusing on improving its early warning credit monitoring system and debt collection system to minimise the number of delinquent accounts.

*Identify future growth opportunities.* The Issuer believes that identifying new markets which would present growth opportunities is important to its growth strategy. It is developing products and services combined with mobile communication technologies to enable customers to use their mobile communication devices to make credit card purchases. In addition, as the Issuer believes that the Korean credit market may no longer provide significant growth opportunities, part of its strategy is to expand its operations to pay platform, multi finance, and life information businesses, as well as expand its operations overseas. For example, the Issuer completed its acquisition of Shinhan Vietnam Finance in 2019 to strengthen its loan business in Vietnam and is seeking to enter new markets in Asia.

*Creating synergies within the holding company structure of Shinhan Financial Group.* The Issuer believes that by promoting its "OneShinhan" strategy and sharing customer information among the SFG Group members, such members are able to better monitor customer behaviour for cross-selling opportunities, as well as better manage their credit risks. The Issuer and other non-bank members of the SFG Group focus on developing competitive products and services, while Shinhan Bank and its affiliates, Shinhan Investment Corp. and Shinhan Life Insurance Co., Ltd., together serve as the primary distribution channel for the SFG Group.

## Products and Services

### General

The Issuer's principal business is the provision of credit card services. Revenue from credit card services accounted for 79 per cent, 77 per cent and 72 per cent of the Issuer's operating revenue for the years ended 31 December 2021 and 2022 and for the nine months ended 30 September 2023, respectively. Revenue from instalment financing and lease operations accounted for 3 per cent and 8 per cent of the Issuer's operating revenue in 2021, respectively, 3 per cent and 9 per cent in 2022, respectively, and 4 per cent and 10 per cent for the nine months ended 30 September 2023, respectively.

Each new customer enters into one or more agreements (each, a "**Card Agreement**") with the Issuer which governs their account with the Issuer (each, an "**Account**") and the issuance of credit cards and/or check cards (each, a "**Card**") to the customer (the "**Accountholder**"). The standard terms of each Card Agreement may vary depending on the type of Card to be issued to the Accountholder. Although the Accountholder may nominate family members to receive Cards issued under the Account, the Accountholder remains the primary obligor under the Account. The Issuer may alter the terms of a Card Agreement by giving one month's notice to the Accountholder.

The Issuer offers the following services to holders of its credit cards:

- Credit card services providing the Accountholder with limited credit to purchase products and services, for which payment must be made either (i) in full at the end of a monthly billing cycle (the “**Lump-sum Basis**”) or (ii) on a revolving basis subject to a minimum monthly payment which is the lesser of (x) 10.0 per cent of the amount outstanding or (y) ₩50,000 (the “**Revolving Payment Basis**”). The remaining outstanding balance generally accrues interest at the effective annual rates of approximately 5.4 per cent to 19.9 per cent.
- The option to purchase products and services on an instalment basis for which payments in equal amounts must be made over a fixed term ranging from two months to 36 months (“**Instalment Basis**”) and generally accrue interest at the effective annual rates of approximately 9.5 per cent to 19.9 per cent.
- Cash advances from most ATM machines in Korea (“**Cash Advance**”), for which payment must be made by the Lump-sum Basis (the “**Lump-sum Cash Advance**”) or the Revolving Payment Basis (the “**Revolving Cash Advance**”). The Lump-sum Cash Advances generally accrue interest at the effective annual rates of approximately 6.4 per cent to 19.9 per cent and the Revolving Cash Advances generally accrue interest at a minimum rate of 13.67 per cent of the outstanding balance.
- Card loans, which may be unsecured, and for which payment must be made on an equal principal instalment basis over an initial fixed term of two to 36 months, in full at maturity or for which interest-only payments may be made during the initial grace period and monthly principal and interest payments during the remaining period (“**Card Loans**”). The outstanding principal amount of Card Loans currently accrue interest at the effective annual rates of approximately 4.3 per cent to 19.9 per cent. Outstanding credit card receivables can also be restructured to loans for delinquent Accountholders (“**Restructured Card Loans**”) payment for which is made on an instalment basis over the maximum term of 72 months. The outstanding principal amount of Restructured Card Loans currently accrues interest at the effective annual rate of approximately 11.9 per cent to 19.5 per cent.

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

The annual membership fees for credit cards vary depending on the type of credit card and the benefits offered thereunder. For its standard credit cards, the Issuer charges an annual membership fee of ₩5,000 to ₩2,000,000 per credit card. Annual membership fees for various affinity and co-branded cards are generally higher and vary from ₩5,000 to ₩2,000,000. The Issuer also charges Accountholders’ fees charged by financial institutions for Cash Advances rendered through each such financial institution’s ATMs.

If an Account is delinquent, the Issuer charges late payment interest instead of the periodic finance charge described above on the principal balance owed. The rate of late payment interest ranges from 23.0 per cent to a maximum rate of 29.5 per cent.

Merchant fees, which are processing charges payable by the merchants, can be up to 2.3 per cent of the purchased amount depending on the merchant used, with the average charge being 1.47 per cent in 2022 and 1.46 per cent in the first nine months of 2023.

Although the Revolving Payment Basis is more common in many other countries, this payment system is still in early stages of development in Korea. Credit cardholders in Korea are required to pay for their purchases within approximately 15 to 45 days of purchase depending on their payment cycle and, except in the case of instalment purchases where the charged amounts are repaid in instalments, typically

during the following three to six months. Accounts that remain unpaid after this period are deemed to be delinquent accounts. The Issuer charges penalty interest on delinquent Accounts and closely monitors such Accounts. For purchases made by instalment, the Issuer charges interest on unpaid amounts at rates that vary according to the terms of repayment.

Accountholders are required to settle their outstanding balances in accordance with the terms of the credit cards that they hold. Accountholders may choose the monthly settlement date. Settlement dates around the end of each month are the most popular since most salaries are paid at the end of the month. An Accountholder is required to select a settlement date when the Account is opened. The Accountholder may change the settlement date after the Account has been opened but not more than once every two months.

In addition to the credit card services, the Issuer also offers check cards, which are similar to debit cards in the United States and many other countries, to individual retail customers and corporate customers. A check card can be used at any of the merchants that accept credit cards issued by the Issuer and the amount charged to a check card is directly debited from the check cardholder's designated bank account. Check cards have a low risk of default and there are no procurement costs. The Issuer does not charge annual membership fees on check cards but charges merchant fees for each transaction. Depending on the type of business, the applicable merchant fees for check cards is between 0.5 per cent and 1.51 per cent, which is lower than those for credit cards.

In 2018, the Issuer launched Shinhan Pay FAN (now Shinhan Play), a mobile and online banking application that allows the Issuer's credit and check cardholders to manage accounts, transfer money and make payments from their computer, tablet or smartphone. It offers convenient biometrics authentication for users making purchases online and keeps track of the users' frequently made purchases. It also provides personalised suggestions on discounts and benefits based on the users' purchase history. Through Shinhan Play, users have access to all services provided by the Issuer such as shopping, auto rentals, TOPS-CLUB and flight reservations.

### **Credit Card Products**

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

- cards that provide additional benefits such as frequent flyer miles and reward programme points that can be redeemed by the customer for complementary services, prizes and cash;
- gold cards, platinum cards and other preferential members' cards which have higher credit limits and provide additional services in return for higher annual membership fees;
- cards with new features to preferred customers, such as revolving credit cards, travel services and insurance;
- cards with fraud detection and security systems to prevent the misuse of credit cards and to encourage the use of credit cards over the Internet;
- corporate and affinity cards that are issued to employees or members of particular companies or organisations; and
- mobile phone cards allowing customers to conduct wireless credit card transactions with their 3G mobile phones.

The table below sets out target customer information, number of credit cards issued in 2022 and selected feature and service information on the Issuer's more popular credit cards.

| <u>Card Name</u>     | <u>Target Customers</u>                          | <u>Number of Credit Cards issued in 2022</u> | <u>Selected Features and Services</u>  |
|----------------------|--|--|--|
| Deep Dream . . . . . | General  | 349,878                                      | Offers reward points for frequently made purchases. Additional reward points are offered in one of the five DREAM categories (discount stores, retail store, enjoy store, abroad and mobile). Reward points are also awarded at all gas stations on weekends. Discounts offered on the third, sixth and ninth taxi rides in the month. |
| The BEST-F . . . . . | Affluent Consumers                               | 16,362                                       | Provides a voucher (up to a value of ₩150,000 spending at department store etc.). Skypass or reward points are awarded for frequently made purchases and additional miles and points are awarded for overseas purchases. Provides free airport lounge access (up to 12 times per year).  |
| Deep Oil . . . . .   | Car owners                                       | 142,945                                      | Offers discounts at one of the four major gas station chains. Also offers discounts at automobile maintenance shops, convenient stores, coffee shops and cinemas.  |
| Hi-Point . . . . .   | Customers with needs for reward points programme | 430,384                                      | Provides reward points (a maximum of 5%) for frequently made purchases. Reward points can be used at various F&B restaurants, gas stations and major department stores. Discounts are offered at cinemas and amusement parks.  |
| Air 1.5 . . . . .    | Frequent flyers                                  | 43,474                                       | Offers Asiana Airline mileage (1.5 mile per every ₩1,000; additional 1.5 mile per every ₩1,000 spent on overseas purchases).   |

### Customers and Merchants

As the Issuer believes that internal growth through cross-selling is limited, it also seeks to enhance its market position by selectively targeting new customers with high net worth and good creditworthiness through the use of a sophisticated and market-oriented risk management system. Credit card applicants are screened and appropriate credit limits are assessed according to internal guidelines based on the Issuer's credit scoring system.

The following table sets forth the number of customers and merchants of the Issuer as of the dates indicated.

|   | <u>As of 31 December</u>                  |             | <u>As of</u>        |
|---|---|-------------|---------------------|
|   | <u>2021</u>                               | <u>2022</u> | <u>30 September</u> |
|   | <i>(in thousands, except percentages)</i> |             |                     |
| <b>Issuer:</b>  |   |             |                     |
| Number of credit cardholders <sup>(1)</sup> . . . . . | 13,384                                    | 13,413      | 13,407              |
| Personal accounts <sup>(2)</sup> . . . . .            | 13,091                                    | 13,140      | 13,143              |
| Corporate accounts <sup>(3)</sup> . . . . .           | 293                                       | 273         | 264                 |
| Active Ratio <sup>(4)</sup> . . . . .                 | 83.6                                      | 83.9        | 85.0                |
| Number of merchants . . . . .                         | 2,895                                     | 3,032       | 3,102               |

*Notes:*

- (1) Represents the number of credit cardholders as disclosed by the FSS.
- (2) Based on Resident Registration Number (including family members).
- (3) Based on Business Registration Number.
- (4) Represents the ratio of personal accounts used at least once within the last month.

As of 31 December 2021, the Issuer had approximately 13.1 million personal credit cardholders, and as of 31 December 2022 and 30 September 2023, the Issuer had approximately 13.1 million and 13.1 million personal credit cardholders, respectively.

As of 30 September 2023, the Issuer had approximately 3.1 million merchants.

### **Instalment Finance**

The Issuer provides instalment finance services to households in connection with their purchase of durable consumer goods, such as new and used cars and commercial vehicles. Revenues from instalment finance operations accounted for 4.0 per cent of the Issuer's total operating revenue for the year ended 31 December 2022 and 4.0 per cent for the nine months ended 30 September 2023. The Issuer pays the merchants when the Issuer's customers purchase such goods, and the customers remit monthly instalment payments to the Issuer over a number of months, usually up to 36 months (and, in the case of instalment financings for automobile purchases, up to 60 months), as agreed with the customers. For instalment finance products for new cars, the Issuer charges, in addition to interest, an initial financing fee of approximately 1.0 per cent to 3.2 per cent of the purchase price, depending on the customer's credit score, the instalment period and instalment amount. The Issuer has instalment financing arrangements with over 10,000 merchants in Korea, including major car dealers, manufacturers and large retailers with nationwide networks, such as electronics goods stores.

The Issuer provides prompt processing of instalment finance applications and, based on the extensive credit information it possesses or can access, it is able to offer flexible instalment payment terms tailored to individual customer needs. The Issuer also devotes significant efforts to develop and maintain its relationships with merchants, which are the most important source of referrals for instalment finance customers. The Issuer has developed a system of prompt payments to merchants for goods purchased by the instalment finance customers.

### **Auto Lease**

The Issuer provides auto lease financing and long-term car rentals by directly purchasing vehicles, renting them out to customers and receiving periodical instalment payments. The Issuer, in accordance with its policy to expand its auto financing business, has significantly increased its assets in auto leasing and long-term car rentals in recent years. Revenue from auto lease operations accounted for 10.7 per cent of the Issuer's total operating revenue for the year ended 31 December 2022 and 10.1 per cent for the nine months ended 30 September 2023.

## **Marketing**

### **General**

The Issuer has a target-based marketing strategy focusing on promoting tailored credit card services to target customer segments. As part of this strategy, the Issuer aims to continue to develop specialised products through alliance and/or partnership with merchants to differentiate its services from that of its competitors. Since 2007, the Issuer has launched a range of specialty cards, "Hi-Point" card, which allows accumulation of higher reward points through designated service sectors and providers and the "Deep Oil" card, which offers discounts at gas stations, automobile maintenance shops, convenient stores, coffee shops and cinemas. See "*Products and Services – Credit Card Products*".

With respect to the high credit quality customer segment, the Issuer is currently focusing on obtaining and retaining high credit quality and profitable customers through offering a "TOPS-CLUB" membership programme which is also offered by other subsidiaries of Shinhan Financial Group.

The TOPS-CLUB membership programme was adopted by all of Shinhan Financial Group's subsidiaries in June 2006 to attract high credit quality and profitable customers. SHC commenced offering the TOPS-CLUB membership programme in June 2006 and the membership programme was extended to the

premier customers of LGC whose monthly credit card transaction volume amounts to not less than ₩1 million on average for a six-month period following the Merger. The Issuer offers TOPS-CLUB membership to retail credit and/or check cardholders based on transaction volume, profit contribution and credit quality.

The table below sets out the qualifying criteria based on four classes of TOPS-CLUB membership.

| Class             | Qualifying points <sup>(1)(2)</sup> |
|-------------------|-------------------------------------|
| Premier . . . . . | 1,000 points or more                |
| Ace . . . . .     | 600-999 points                      |
| Best . . . . .    | 400-599 points                      |
| Classic . . . . . | 250-399 points                      |

Notes:

- (1) Points are calculated based on monthly credit card usage in the past six months, as well as the credit rating.
- (2) Every ₩100,000 spent on credit or check cards are rewarded 2 points. Every ₩100,000 spent on short term and long term loans are rewarded 6 points. Every ₩100,000 spent on instalment financial products are rewarded 1 point. Points are also rewarded for various activities, such as agreeing to marketing phone calls, using Shinhan cards with an annual fee of over ₩30,000 and registering with Shinhan Play.

The table below sets out the privileges provided to TOPS-CLUB members:

| Privileges  | Class            |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
|   | Premier          | Ace              | Best             | Classic          |
| Instalment purchase interest payment exemption (up to three months) . . . . . | Up to ₩5 million | Up to ₩3 million | Up to ₩2 million | Up to ₩1 million |
| Annual membership fee exemption . . . . .                                     | Exempt           | N/A              | N/A              | N/A              |
| Used car auto loan interest discount . . . . .                                | 1.0%             | 0.7%             | 0.3%             | 0.1%             |

Once a retail customer of any member of the SFG Group becomes a TOPS-CLUB member, that customer is automatically considered to be a prime customer of all SFG Group members for three months.

Shinhan Financial Group has newly launched a distinguished customer membership scheme ‘Shinhan Plus Membership Program’ in April in 2020 and operates sustainable customer management program for enhanced customer service.

As of 30 September 2023, the Issuer had approximately 3.9 million TOPS-CLUB members, which represented 19.2 per cent of cardholders, and 99.6 per cent of TOPS-CLUB members were deemed to be active (at least one transaction in the past one month) (“**Active TOPS-CLUB members**”).

As of 31 December 2022, the Issuer had approximately 3.8 million TOPS-CLUB members, which represented 18.3 per cent of cardholders and 99.6 per cent of TOPS-CLUB members were deemed to be Active TOPS-CLUB members.

### Sales Network

The Issuer generally uses three primary channels to recruit new credit cardholders: network of Shinhan Bank’s branches (the “**Branch Network**”); sales agents; business partners; and affiliates with vendors.

One of the Issuer’s primary channels to recruit new credit cardholders is the Branch Network, which comprised 722 branches of Shinhan Bank, 27 card sales, collection and instalment sales branches of the Issuer throughout Korea. The Issuer’s relationship with other members of the SFG Group has significantly contributed to the stable, low-cost acquisition of high-quality credit cardholders in the past and is expected to continue to be an important source of credit cardholder acquisition.



The Issuer also acquires new credit cardholders through sales agents. In 2021, 2022 and in the first nine months of 2023, the Issuer’s most significant source of new credit cardholders was sales agents and the number of new credit cardholders acquired through sales agents accounted for approximately 25.5 per cent, 30.0 per cent and 28.9 per cent, respectively, of the total number of new credit cardholders. As of 30 September 2023, the Issuer had 1,229 sales agents. These sales agents seek out high credit quality customers, provide assistance in filling out forms and applications as well as providing customer service subsequent to the issuance of a credit card. The compensation to these sales agents is tied to a customer’s transaction volume and repayment behaviour to minimise credit risk and to enhance profitability.

For the purposes of acquiring new credit cardholders, the Issuer has formed sales alliances with a range of vendors, including gas stations, major retailers, airlines and telecommunication and Internet service providers. The Issuer plans to continue to leverage its sales alliances with the increasing number of vendors to attract new credit cardholders.

The table below sets out the number of new credit cardholders of the Issuer attributable to each source and primary compensation method for each source for the periods indicated.

|  | For the year ended<br>31 December |       | For the nine<br>months ended<br>30 September |
|--|-----------------------------------|-------|--|
|  | 2021                              | 2022  | 2023   |
|  | <i>(in thousands)</i>             |       |  |
| <b>Sales Channel</b>                   |                                   |       |  |
| Shinhan Bank branch network . . . . .  | 295                               | 229   | 167  |
| Sales agents . . . . .                 | 376                               | 417   | 304  |
| Business partners/affiliates . . . . . | 374                               | 314   | 235  |
| Others <sup>(1)</sup> . . . . .        | 431                               | 432   | 346  |
| Total . . . . .                        | 1,476                             | 1,392 | 1,053  |

*Note:*

(1) Includes Internet and telemarketing.

**Servicing**

**Transaction Approval Process**

Credit card transaction approvals are primarily conducted electronically through the “valued-added network” of private companies (“VAN companies”) which collect transaction information and send it electronically to the Issuer for approval. If a merchant is not connected to a VAN company, it must telephone the Issuer directly to verify the transaction. During the approval process, the Issuer checks whether the transacting party is an approved credit cardholder, whether the credit card has been stolen or terminated, whether the merchant is registered with the Issuer and whether the transaction amount exceeds approved credit limits.

Details of approximately 99.0 per cent of the sales transactions are initially electronically transferred to the Issuer by VAN companies or directly by merchants. Physical sales slips and invoices either are collected by the Issuer or are sent by merchants and affiliated banks by mail. Sales slips and invoices are matched against the approval information before payments to merchants are computed.

**Billing and Collection**

The Issuer collects the relevant billing information for each Accountholder, including information related to sales transactions, payment methods, credit limits and reward points, computes the billing amount and sends a statement to the relevant Accountholder. Approximately 74.6 per cent of billing information is sent to Accountholders by electronic mail with the remainder sent by mail. Accountholders may choose the monthly settlement date. See “Products and Services – General”. The

Accountholder receives two separate billing statements, one in relation to all payments due on all credit cards and one in respect of any Card Loans issued under the Account, unless the payment due date is the same in which case the statements will be consolidated.

Credit cardholders may make payments through pre-authorized automatic debits by the Issuer from their designated bank account, by wire transfer to a designated bank account of the Issuer or in person at a bank. Credit cardholders may also make payments at the homepage of the Issuer's Internet website. There is no personal check payment system in Korea, and automatic debits are currently the most common method for making payments to the Issuer. If the balance in the credit cardholder's designated bank account as of the payment due date is insufficient to cover the payment then due, the Issuer will continue, after the payment due date, to submit automatic debit requests to the credit cardholder's bank for the unpaid portion of the payment plus late charges on such portion.

## **Risk Management**

### **Overview**

As a financial services provider, the SFG Group is exposed to various risks relating to their business activities, including credit card business, and their operating environment. The principal risks to which the SFG Group is exposed are credit risk, market risk, liquidity risk and operational risk. These risks are recognised, measured and reported in accordance with risk management guidelines established at the Shinhan Financial Group level.

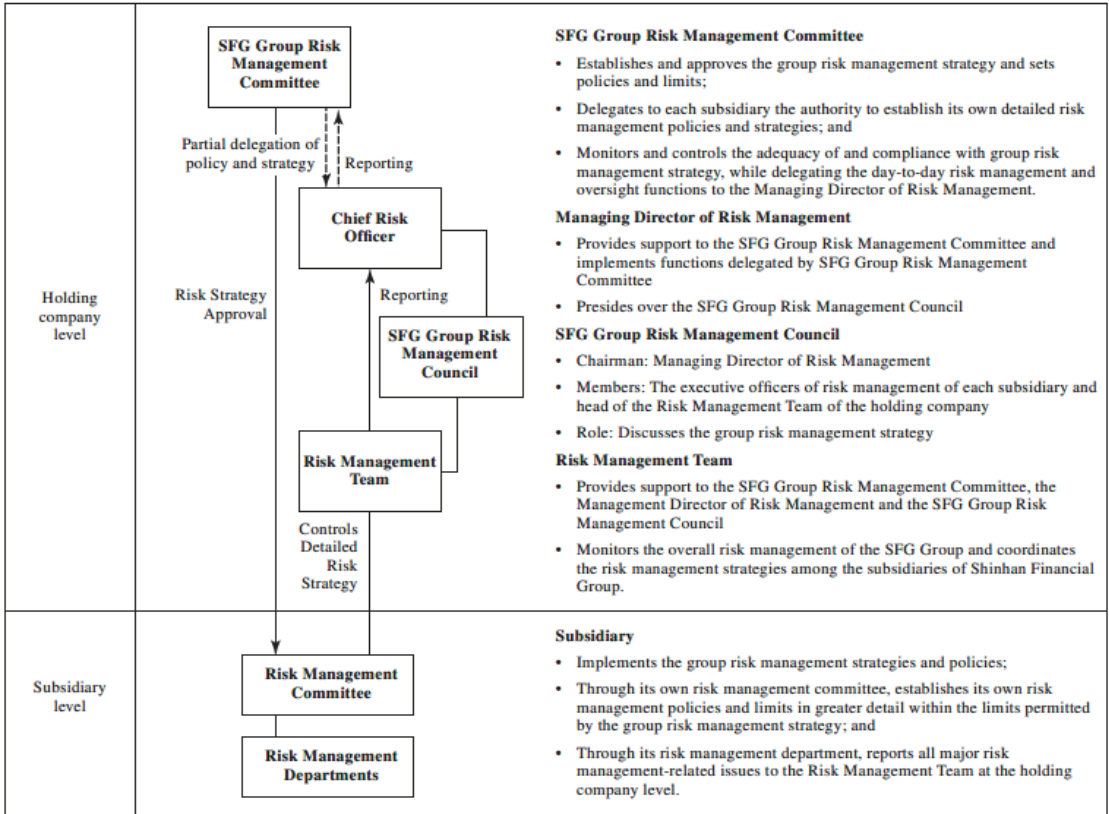
SFG Group's risk management is guided by several principles, including:

- balancing profitability and risk management through risk-adjusted profit management;
- standardising risk management process and methodology across all members of the SFG Group under the guidelines and monitoring of Shinhan Financial Group;
- enhancing management process through effective risk analysis;
- ensuring independence of risk management from business activities;
- operating a business incentive structure that incorporates accurate risk assessment;
- maintaining preventative and pragmatic risk management functions; and
- continuously monitoring for and preparing against possible deterioration.

Risk management and oversight begins with the SFG Group Risk Management Committee of the board of directors at the holding company level. The SFG Group Risk Management Committee establishes the overall risk management guidelines and risk limits applicable to each member of the SFG Group, while delegating the day-to-day risk management and oversight functions to the managing director of Risk Management of Shinhan Financial Group and the Risk Management Team of Shinhan Financial Group. The Managing Director of Risk Management of Shinhan Financial Group discusses the risk management policies and strategies of the SFG Group with the SFG Group Risk Management Council, comprising of the Managing Director of Risk Management of Shinhan Financial Group, as its chairperson, and the executive officers of risk management from its subsidiaries. The Risk Management Team of Shinhan Financial Group provides support to the SFG Group Risk Management Committee, the Managing Director of Risk Management of Shinhan Financial Group and the SFG Group Risk Management Council, oversees the overall risk management for the SFG Group and coordinates the risk management strategies among each member of the SFG Group.

In order to maintain the SFG Group’s risk at an appropriate level, Shinhan Financial Group has established a hierarchical limit system, where the SFG Group Risk Management Committee establishes risk limits for Shinhan Financial Group and each subsidiary, and each subsidiary establishes and manages more detailed risk limits by type of risk and type of product for each department and division within the respective subsidiary. In accordance with the SFG Group risk management policies and strategies, each subsidiary’s risk management committee establishes its own risk management policies and strategies in more detail and the respective risk management department implements those policies and strategies. The risk management department, operating independently from business operations of each subsidiary, monitors, assesses, manages and controls the overall risk of its operations and reports all major risk-related issues to the SFG Group’s Risk Management Team, which then reports to the Chief Risk Officer.

The table below sets out the levels of the SFG Group’s risk management system.



**The SFG Group Risk Management Committee**

The SFG Group Risk Management Committee consists of three outside directors of Shinhan Financial Group. The SFG Group Risk Management Committee convenes at least once every quarter and may also convene on an ad hoc basis as needed. The SFG Group Risk Management Committee makes decisions related to:

- establishing basic risk management policies consistent with business strategy;
- establishing risk limits appropriate for the group and each subsidiary;
- establishing and amending, as necessary, risk management regulations, which regulates risk management activities of the Shinhan Financial Group and each subsidiary, establishes risk limits and provides risk management guidelines; and

- other risk management-related issues the board of directors of Shinhan Financial Group or the SFG Group Risk Management Committee see fit to discuss.

The results of the SFG Group Risk Management Committee meetings are reported to the board of directors of Shinhan Financial Group. The SFG Group Risk Management Committee makes decisions through affirmative votes by a majority of the committee members.

#### ***The SFG Group Risk Management Council***

The SFG Group Risk Management Council provides a forum for risk management executives from each subsidiary to discuss the SFG Group's risk management guidelines and strategy in order to maintain consistency in the SFG Group risk policies and strategies. The SFG Group Risk Management Council consists of Shinhan Financial Group's Managing Director of Risk Management, as chairman, the executive officers in charge of risk management of each subsidiary of Shinhan Financial Group and the head of the Risk Management Team of Shinhan Financial Group. The SFG Group Risk Management Council discusses:

- changes in risk management policies and strategies for each subsidiary;
- matters warranting discussion of risk management at the group level and cooperation among the subsidiaries;
- the effect of externalities on the SFG Group's risk; and
- other risk management-related matters.

The SFG Group Risk Management Council has a sub-council, consisting of working-level risk management officers, to discuss the above-related matters in advance. The principal function of the Risk Management Team of Shinhan Financial Group is to oversee the risk management operations at the subsidiary level.

#### **Credit Risk Management of the Issuer**

Major policies for the Issuer's credit risk management are determined by the Issuer's Risk Management Council and the Issuer's Risk Management Committee is responsible for approving them. The Issuer's Risk Management Council comprises 9 members: Head of Risk Management Division, as chairman; Head of Business Planning Group; Head of Pay Platform Group; Head of Multi Finance Group; Head of Life Information Group; Head of Business Support Group; Head of Credit Management Division; Head of Global Business Division; Head of Risk Overall Management Team. The Issuer's Risk Management Council convenes at least once every month and may also convene on an ad hoc basis as needed. The Issuer's Risk Management Committee comprises three Board members. The Issuer's Risk Management Committee convenes at least once every quarter and may also convene on an ad hoc basis as needed.

The risk of loss from default by an obligor or counterparty is the greatest risk the Issuer faces. The Issuer's credit risk management is guided by the following principles:

- achieve profit level corresponding to the level of risks involved;
- improve asset quality and achieve optimal asset portfolio; and
- focus on borrower's ability to repay the debt.

As of 31 December 2021 and 2022 and as of 30 September 2023, the Issuer's delinquent balances including restructured loans were ₩287.6 billion (U.S.\$242.6 million), ₩412.8 billion (U.S.\$325.7 million) and ₩537.8 billion (U.S.\$399.9 million), respectively, representing delinquency ratios of 0.80 per cent, 1.04 per cent and 1.35 per cent, respectively. Delinquent balances are defined as credit card

accounts receivables delinquent for over 30 days including restructured loans other than those loans 30.0 per cent or more of which have been repaid, interest thereon having been paid without any delay for one third of the loan period or monthly instalment payment which has been paid without any delay for the period of six months or more. Delinquency ratio is defined as the ratio of delinquent balances to outstanding balances.

### **Credit Card Approval Process**

Approval of credit card applications is processed using an automated credit scoring system. The credit scoring system is divided into two sub-systems: Application Scoring System and Behaviour Scoring System. Behaviour Scoring System is based largely on the credit history and Application Scoring System is based largely on personal information of the applicant. For credit card applicants with whom the Issuer or any other member of the SFG Group an existing relationship, credit scoring system factors in internally gathered information such as repayment ability, total assets, the length of the existing relationship and the applicant's contribution to profitability. The credit scoring system also automatically conducts credit checks on all credit card applicants. In its credit evaluation process, the Issuer gathers information about applicants' transaction history from a number of credit reporting agencies, including NICE Information Service Co., Ltd., Korea Credit Bureau and Korea Credit Information Services. These credit checks reveal a list of the delinquent customers of all the credit card issuers in Korea.

If the credit score awarded to an applicant is above a minimum threshold, then the application is approved unless overridden by other policy factors such as delinquencies with other credit card companies. In respect of credit card applications by long-standing customers of a member of the SFG Group with good credit history, the Issuer awards higher credit scores and gets credit limits higher than those the Issuer sets for other customers.

The following describes the process on how the Issuer sets credit limits for credit cards, cash advances and card loans:

- **Credit purchase and cash advance limit.** Credit purchase and cash advance limits are set based on the applicant's limit request and the Issuer's credit screening criteria. In addition, the Issuer conducts a limit adequacy check once a year to reflect the Accountholder's income and credit ratings. Except instances where an Accountholder has requested a credit purchase and a cash advance limit reduction, prior notification by the Issuer to the Accountholder is required for any reduction in an Accountholder's limit. However, the Issuer is entitled to lower the credit limit before notifying the Accountholder if the credit limit must be lowered due to a fraudulent or unusual transaction.
- **Card loan limit.** Accountholders are allowed to use card loans within the terms of the Card Agreement. An Accountholder's card loan limit is set monthly by the Issuer based on the Accountholder's credit rating and transaction history. The card loan limit can be adjusted each month based on the Accountholder's credit standing without prior notification.

### **Monitoring**

The Issuer conducts ongoing monitoring of all Accountholders and Accounts using the Behaviour Scoring System. The Behaviour Scoring System predicts a credit cardholder's probability of future delinquency by evaluating the credit cardholder's credit history, card usage and amounts, payment status and other relevant data. The behaviour score is recalculated each month and is used to manage the Accounts and approval of additional loans and other products to the Accountholder. The scoring system is also used by the Issuer to monitor its overall risk exposure and to modify its credit risk management strategy.

## **Collection and Write-off**

The Issuer considers a credit card or card loan to be delinquent if payment on such balance is not received on the date on which such payment was first due and the amount outstanding is greater than ₩10,000. The Issuer's general policy is to be proactive in its collection procedures. The Issuer believes that Accounts which are in early stages of delinquency are easier to collect than those Accounts which have been delinquent for a longer period of time and, therefore, the Issuer emphasises collections of such early stage Accounts. However, the Issuer attempts to collect delinquent payments with increased efforts as the number of days past due increases. Efforts to collect from Accountholders whose Account balances are up to 30 days past due are generally made by the Issuer's call centre. The Issuer operates three call centres in Seoul, Daegu and Gwangju and notifies the Accountholders through phone calls, texts and e-mails. The Issuer, through its Customer Strategy Management system, classifies the Accountholders into risky and non-risky segments. Accountholders in the risky segment are managed the day after purchase date. Accountholders in the non-risky segments are managed three business days after the purchase date. Accountholders are further divided into low maintenance and high maintenance subsegments. In order to increase call efficiency, the Issuer uses a predictive dialling system to connect only the calls that are picked up by customers to its call centre agents.

For those Accounts with balances that are more than 30 days past due, the Issuer assigns the collection efforts to external collection centres such as the Shinhan Credit Information Co., Ltd., a member of the SFG Group, or Mirae Credit Information Services Co., Ltd. which relies on postal or telephone notice and taking measures to locate, provisionally attach and, where necessary, commence compulsory execution proceedings against, the accounts receivables or other properties of the delinquent Accountholders.

For those Accounts with balances that are more than 180 days past due and, if the total past due amount is less than ₩10 million, the Issuer reviews such Accounts for charge off, and, if the total past due amount is equal to or greater than ₩10 million, the Issuer charges off the past due amounts on a quarterly basis in accordance with the FSS guidelines/subject to the FSS approval. For those Accounts which have been charged off, the Issuer assigns the collection efforts to external collection centres such as the Shinhan Credit Information Co., Ltd., a member of the SFG Group, Mirae Credit Information Services Co., Ltd. and Koryo Credit Information Services Co., Ltd.

## **Refinancing**

### **Issuer's repayment programmes**

In certain cases, credit card companies in Korea, including the Issuer, have been allowed to restructure delinquent credit card balances for purchases and cash advances as credit card loans and revolving purchases. The Issuer restructures a small number of card balances as a means of maximising collection related to a relatively small number of borrowers who are suffering from temporary financial difficulties where it believes it is probable that all or substantially all principal and interest will ultimately be recovered.

Restructured card loans are designed to restructure outstanding credit card receivables into instalment payments for delinquent borrowers. In general, the payment terms for the restructured card loans consist of an optional down payment and subsequent mandatory monthly interest and principal payments. The payment period for restructured card loans can be as long as 72 months. The Issuer charges an interest rate of 11.9 per cent to 19.5 per cent per annum.

The purpose of the Issuer's restructured card loan programme is to enhance collections. The loan is offered to delinquent cardholders who have the ability to pay monthly interest and partial principal but are presently unable to repay the entire outstanding principal balance in a lump sum.



Except in limited circumstances, borrowers applying for entry into either of these programmes, in general, are required to secure one or more guarantors meeting certain asset and credit quality criteria. If approved, the Issuer restructures card balances including past due interest into card loans or revolving purchase and amends the maturity and the repayment terms accordingly. In general, restructured credit card loans are due at the end of one year.

The Issuer segregates this portfolio for performance measurement and monitoring purposes due to the higher credit risk. The balance of restructured loans of the Issuer was ₩289.2 billion, ₩308.4 billion and ₩325.0 billion as of 31 December 2021 and 2022 and 30 September 2023, respectively, against which it recognised an allowance of ₩186.0 billion, ₩222.5 billion and ₩226.5 billion, respectively.

### **Debtor Rehabilitation Programme**

The Credit Counseling & Recovery Service has adopted an individual workout programme. For delinquent consumers who are deemed to be capable of repaying their debts, the Credit Counseling & Recovery Service will, pursuant to an agreement with the creditor financial institution, provide opportunities to repay in instalments, provide repayment grace periods, reduce debt amounts, or extend the maturity date of the debts. As of 31 December 2023, more than 6,000 financial institutions, including the Issuer, are parties to the Credit Recovery Support Agreement, pursuant to which such financial institutions, have agreed to provide such support described above to those consumers who meet the following qualifications: (i) income exceeding minimum living expenses promulgated by the Ministry of Health and Welfare of Korea, (ii) debt not exceeding ₩500 million in total amount and (iii) official records being on file at Korea Credit Information Services as to the default status of debt. Each application for credit recovery is reviewed by the Credit Counseling & Recovery Service and approval of each application requires the approval by creditors representing at least one-half of the unsecured debt amount and at least two-thirds of the secured debt amount.

In June 2006, a court-administered individual workout programme was adopted under the Debtor Rehabilitation and Bankruptcy Act. Under this programme, a qualified individual debtor may file a petition for an individual workout programme with a competent court. Subject to the court's approval, the debtor may repay the debt over a period of less than five years and will be exempted from other debts without declaring bankruptcy. To qualify, an individual delinquent debtor must have less than ₩500.0 million in debt (in the case of unsecured debt) or ₩1.0 billion in debt (in the case of secured debt), and must have regular and reliable income or have the potential to earn recurring income on an ongoing basis.

In April 2009, the Credit Counseling & Recovery Service introduced and implemented the "Pre-Workout" scheme in order to prevent debtors with short-term overdue liabilities from defaulting on their debt. The target debtors are those who owe to two (2) or more financial institutions an amount of ₩500 million or less that is overdue for more than thirty (30) days but less than ninety (90) days.

### **Allowance for Doubtful Accounts**

The impairment loss of loans and receivables is measured at amortised cost, which itself is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Impairment losses are recognised in the profit or loss line item and reflected in an allowance account against loans and receivables. When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through the profit or loss line item for the period.

In assessing individual impairment, the management estimates the present value of estimated future cash flows of secured financial assets. The present value is calculated by including cash flows from collateral after deducting costs to acquire and sell the collateral, regardless of the probability of realisation of such collateral.

In assessing collective impairment, future cash flow of financial assets applicable to collective impairment assessment is estimated by using statistical methods of historical trends of the probability of default, and the loss rate at default, adjusted for the management's judgment as to whether current economic and credit conditions are such that the impairment losses are likely to be greater or less than suggested by historical methods. In adjusting the future cash flow by historical methods, the result must be in line with changes and trends of observable data (e.g., loan and borrower type, credit rating, EAD by periods, significant changes in credit rating, recovery period and other variables). Methodologies and assumptions used to estimate future cash flow are reviewed on a regular basis in order to narrow the discrepancy between impairment loss estimation and actual loss.

The table below sets out movements in the Issuer's allowance for doubtful accounts as of the date indicated.

|  | As of 31 December  |                 |                      | As of 30 September |                  |
|--|--|-----------------|----------------------|--------------------|------------------|
|  | 2021   | 2022            | 2022                 | 2023               | 2023             |
|  | <i>(in billions of Won and millions of U.S. dollars, except percentages)</i> |                 |                      |                    |                  |
| Beginning balance . . . . .            | ₩1,007.3   | ₩1,048.9        | US\$827.7            | ₩1,205.8           | US\$896.6        |
| Provision for loss allowance . . . . . | 663.1  | 794.5           | 626.9 <sup>(1)</sup> | 782.3              | 581.7            |
| Write-offs . . . . .                   | (629.4)  | (644.9)         | (508.9)              | (714.5)            | (531.3)          |
| Unwinding effect . . . . .             | 8.0  | 7.3             | (5.8)                | 5.4                | 4.0              |
| Business combination . . . . .         | –  | –               | –                    | –                  | –                |
| Others . . . . .                       | –  | –               | –                    | –                  | –                |
| Ending balance . . . . .               | <u>₩1,048.9</u>  | <u>₩1,205.8</u> | <u>US\$951.5</u>     | <u>₩1,278.9</u>    | <u>US\$951.0</u> |

Note:

- (1) Provision has been increased in response to the economic recession caused from COVID-19 pandemic. The Group recognised additional provision amounting to ₩48.5 million (₩11,663 million for household and ₩36,823 million for corporate) by re-estimating the expected default rate in reflection of the modified forward-looking information available as of 31 December 2022.

The table below sets out the balance of credit card assets, loans, instalment financing assets and lease assets of the Issuer by category, the amount of allowance for doubtful accounts and the allowance ratio as of the date indicated.

|                           | As of 30 September 2023                         |         |                              |              |          |
|---------------------------|---|---------|------------------------------|--------------|----------|
|                           | Credit card assets                              | Loans   | Installment financing assets | Lease assets | Total    |
|                           | <i>(in billions of Won, except percentages)</i> |         |                              |              |          |
| Balance . . . . .         | 27,652.2  | 5,047.4 | 3,879.2                      | 1,917.5      | 38,496.3 |
| Allowance . . . . .       | 1,104.4   | 104.3   | 50.7                         | 19.5         | 1,278.9  |
| Allowance ratio . . . . . | 4.0%  | 2.1%    | 1.3%                         | 1.0%         | 3.3%     |

|                           | As of 31 December 2022                          |         |                              |              |          |
|---------------------------|---|---------|------------------------------|--------------|----------|
|                           | Credit card assets                              | Loans   | Installment financing assets | Lease assets | Total    |
|                           | <i>(in billions of Won, except percentages)</i> |         |                              |              |          |
| Balance . . . . .         | 28,157.2  | 3,811.4 | 4,286.1                      | 1,742.3      | 37,997.0 |
| Allowance . . . . .       | 1,027.7   | 112.1   | 48.8                         | 17.3         | 1,205.8  |
| Allowance ratio . . . . . | 3.6%  | 2.9%    | 1.1%                         | 1.0%         | 3.2%     |

**As of 31 December 2021**

|                           | <b>Credit card<br/>assets</b> | <b>Loans</b> | <b>Installment<br/>financing<br/>assets</b>     | <b>Lease assets</b> | <b>Total</b> |
|---------------------------|-------------------------------|--------------|---|---------------------|--------------|
|                           |                               |              | <i>(in billions of Won, except percentages)</i> |                     |              |
| Balance . . . . .         | 25,765.1                      | 3,685.7      | 3,978.6   | 1,356.2             | 34,785.6     |
| Allowance . . . . .       | 886.1                         | 93.1         | 41.8  | 28.0                | 1,048.9      |
| Allowance ratio . . . . . | 3.4%                          | 2.5%         | 1.1%  | 2.1%                | 3.0%         |

The SFG Group recognises fee income from cardholders and merchants on an accrual basis applying the following five steps: (1) Identify the contracts with the customers, (2) Identify the separate performance obligations, (3) Determine the transaction price of the contract, (4) Allocate the transaction price to each of the separate performance obligations and (5) Recognise the revenue as each performance obligation is satisfied. However, the SFG Group recognizes fee income related to delinquent receivables, whose probability of future economic benefits is low, on a cash basis.

The fair value of the consideration received or receivable in respect of an initial sale is allocated to reward points (“**points**”) and other components of fee and commission income. The SFG Group provides rewards in various forms including discounts on credit settlements and gifts. The amount allocated to points is estimated at the amount expected to be paid on points rewarded to cardholders in consideration of the expected redemption rate and is recognised as a deduction from the fee and commission income.

**Funding**

The Issuer seeks to maintain stable, diversified and low-cost funding. The Issuer’s principal sources of funding are debentures, borrowings and asset backed securitisations. The Issuer’s other sources of funding is commercial paper. To maintain a diversified funding structure, the Issuer aims to reduce gradually its domestic funding and asset backed securitisations whilst increasing international note issuances.

While being a member of the SFG Group provides further stability and ensures low-cost funding, the Issuer’s funding strategy is to secure its necessary funding on its own and to resort to funding from the SFG Group only to the extent necessary. Under the Monopoly Regulation and Fair Trade Act, a company may not provide loans to its affiliates under substantially favourable terms and the total liabilities of a holding company, with some exceptions, may not exceed twice of its total capital (referring to an amount obtained by deducting the total liabilities from the total assets on the statement of financial position). In addition, under the Financial Holding Company Act, a financial holding company, with some exceptions, shall not hold stocks issued by its subsidiaries in excess of its equity capital. The Issuer has no additional credit line from Shinhan Financial Group, but may be provided upon request.

The following table sets forth the principal sources of the Issuer’s funding as of the dates indicated.

|   | As of 31 December                        |             |  |             |  | As of 30 September |  |                               |
|---|--|-------------|--|-------------|--|--------------------|--|-------------------------------|
|   | 2021                                     |             | 2022                                     |             | (in millions of U.S. dollars)            | 2023               |  | (in millions of U.S. dollars) |
|   | (in billions of Won, except percentages) |             | (in billions of Won, except percentages) |             | (in billions of Won, except percentages) |                    | (in billions of Won, except percentages) |                               |
| Debentures <sup>(1)</sup> . . . .                               | 20,858.4                                 | 75.8        | 21,523.7                                 | 70.2        | 16,983.9                                 | 22,087.7           | 72.1                                     | 16,424.5                      |
| Debentures discount   | (16.5)                                   | (0.1)       | (20.9)                                   | (0.1)       | (16.5)                                   | (20.5)             | (0.1)                                    | (15.2)                        |
| Borrowings<br>denominated in<br>foreign<br>currencies . . . . . | 5,865.0                                  | 21.3        | 8,120.0                                  | 26.5        | 6,407.3                                  | 7,465.8            | 24.4                                     | 5,551.6                       |
| Borrowings<br>denominated in<br>foreign<br>currencies . . . . . | 797.9                                    | 2.9         | 1,016.2                                  | 3.3         | 801.9                                    | 1,122.7            | 3.7                                      | 834.9                         |
| Total . . . . .   | <u>27,504.7</u>                          | <u>100%</u> | <u>30,639.0</u>                          | <u>100%</u> | <u>24,176.6</u>                          | <u>30,655.7</u>    | <u>100%</u>                              | <u>22,795.7</u>               |

Note:

(1) This is the gross amount before the debentures discount.

### Capital Adequacy

The Specialised Credit Financial Business Act (the “SCFB Act”) provides for a minimum paid-in capital amount of: (i) ₩20.0 billion in the case of a credit card business company (such as the Issuer) which wishes to engage in one or less of other specialised credit financial businesses (i.e. instalment finance, leasing and new technology financing business) and (ii) ₩40.0 billion in the case of a credit card business company, which wishes to engage in two or more of other specialised credit financial businesses.

Under the SCFB Act and regulations thereof, a credit card company must maintain a “capital adequacy ratio,” defined as the ratio of adjusted equity capital to adjusted total asset, of 8.0 per cent or more (in this sentence, “adjusted equity capital” means the sum of core capital and tier II capital (within the bounds of the core capital), subtracted by certain deductible items, and “adjusted total asset” means the total assets subtracted by cash, unsecured short term deposits, government bonds maturing in three months or less, and certain deductible items).

To the extent a credit card company fails to maintain such ratio, Korean regulatory authorities may issue management improvement recommendation, management improvement requirement or management improvement order against such credit card company, and, if the credit card company violates such management improvement order, Korean regulatory authorities may suspend or revoke the credit card company’s business license. As of 31 December 2022 and 30 September 2023, the Issuer’s capital adequacy ratio was 18.60 per cent and 19.1 per cent, respectively, based on its financial statements.

The table below sets out a summary of the Issuer’s capital base and its capital adequacy ratios based on separate financial statements as of 31 December 2022 and 30 September 2023.

|   | <b>31 December<br/>2022</b>                     | <b>30 September<br/>2023</b> |
|---|---|------------------------------|
|   | <i>(in billions of Won, except percentages)</i> |                              |
| Paid in capital . . . . .                               | 626.8   | 626.8                        |
| Capital surplus . . . . .                               | 860.6   | 860.6                        |
| Retained earnings . . . . .                             | 4,579.5   | 4,803.0                      |
| Accumulated other comprehensive loss . . . . .          | (35.4)  | (62.5)                       |
| Capital adjustments . . . . .                           | 1.9   | 1.9                          |
| Tier 1 capital . . . . .                                | 6,033.4   | 6,229.8                      |
| Allowance for doubtful account <sup>(1)</sup> . . . . . | 1,341.7   | 1,190.7                      |
| Unguaranteed Subordinated Debt . . . . .                | 399.9   | 699.8                        |
| Tier 2 capital . . . . .                                | 1,741.6   | 1,890.5                      |
| Deduction . . . . .                                     | 188.9   | 187.3                        |
| Total qualifying capital (a) . . . . .                  | <u>7,586.1</u>                                  | <u>7,933.1</u>               |
| Total assets . . . . .                                  | 42,308.4  | 43,624.5                     |
| 50% of securitised assets deduction . . . . .           | 1,520.2   | 2,186.4                      |
| Adjusted assets (b) . . . . .                           | <u>40,788.2</u>                                 | <u>41,438.1</u>              |
| Capital adequacy ratio (a/b) . . . . .                  | 18.60%  | 19.14%                       |
| Regulatory requirement . . . . .                        | 8.0%  | 8.0%                         |

*Note:*

(1) Allowance for doubtful accounts for credit classified as normal and precautionary.

## Government Support

Under the Act on the Structural Improvement of the Financial Industry (the “SIFI Act”), the government may, where it deems necessary, make investments in an insolvent financial institution or purchases the securities prescribed by Presidential Decree of such insolvent financial institution, when such a financial institution is deemed unable to continue its business due to a destabilized financial structure following a continued withdrawal of funds. The scope of ‘financial institution’ under the SIFI Act includes specialised credit financial businesses such as the Issuer.

Further, under the Bank of Korea Act, where the Bank of Korea is generally only permitted to extend credit to the Korean government, government agencies, banks and bank holding companies, when severe impediments to obtaining funds from banks and bank holding companies occur or when there is a strong likelihood of such occurrence, such as periods of severe monetary and credit contraction, the Bank of Korea may, subject to certain approvals and solely at their discretion, extend credit to private enterprises (which includes financial businesses such as the Issuer).

## Information Technology

The Issuer’s IT system comprises three main systems: the transaction system, the information system and the interface system. The Issuer uses such systems to manage customer credit assessments, application processing, account management, loan disbursements and payments, customer retention and related functions. These systems allow customer service representatives to access specific account information when responding to customer inquiries. All customer data and servers are subject to protection from security breaches through extensive security systems and firewall software. The Issuer developed a next generation computing system in October 2012, including issuing, sales and data warehouse systems, to support sales more effectively. By switching a IBM-Mainframe based core system to a UNIX-based system, management expects to improve the operational and cost efficiency of applying the latest technology more effectively so that the Issuer can meet the customers’ needs.

The Issuer has devoted substantial resources to its technology platforms and has undertaken significant efforts to protect and manage its proprietary systems and the data collected and stored on its systems. For such purposes, the Issuer has continued to focus on ways to secure its systems from unauthorised users.

On a real time basis, data in the Issuer's main server, approval server and client management server is stored at the data recovery centre and automated main centre. The data recovery system is capable of supporting all core functions of the Issuer's business with only minor time lag to normal operations. The data recovery system is tested on a regular basis to ensure full coverage in a contingency situation.

As of 30 September 2023, the Issuer's IT department consisted of 548 of its own employees including outsourced staffs exclusively dedicated to the Issuer.

### **Competition**

In the credit card sector, the Issuer competes principally with existing "monoline" credit card companies, credit card divisions of commercial banks and consumer finance companies. At present, the Issuer competes principally with other credit card companies such as Samsung Card Co., Ltd., KB Kookmin Card Co. Ltd. and Hyundai Card Co., Ltd. The Issuer currently leads the market in market share, number of cardholders and net profit. Due to the relaxation of the financial industry's regulation environment (pursuant to Three Data Laws, Electronic Financial Transaction Act, etc.), it is expected that the Issuer will also start to compete with big tech companies with some of the largest platforms in Korea, such as Naver Financial Corporation, KakaoBank Corp. and Kakao Pay Co., Ltd.

### **Legal Proceedings**

The Issuer had 18 pending lawsuits as a defendant as of 30 September 2023. Total claim amount was ₩4.34 billion (U.S.\$3.2 million), of which a legal provision of ₩36.0 million (U.S.\$26.8 thousand) was included in allowance for litigation in the accompanying financial statements. Additional losses may be incurred from these legal actions, but the amount of loss is not expected to have a material adverse effect on the Issuer's financial position or results of operations.



## MANAGEMENT AND EMPLOYEES

### Management

#### Board of Directors

Governance and management of the Issuer are the responsibility of the board of directors (the “**Board**”), which oversees the operations of the Issuer through several governing bodies. The address for each of the directors on the Board is: Shinhan Card Co., Ltd., Pine Avenue Tower A, 100, Eulji-ro, Jung-gu, Seoul 04551, Korea. The Board comprises seven directors, four of whom are eligible outside directors under the Corporate Governance of Financial Companies Act of Korea (the “**CGFC Act**”). Under the CGFC Act, at least half of the Board members must be constituted from eligible outside directors. Outside directors must not engage in the regular business of the Issuer and must satisfy certain eligibility requirement under the CGFC Act. Outside directors must be appointed from the candidate recommended by the Director Candidate Nomination Committee.

The use of outside directors is a result of the Issuer’s commitment to improve its corporate governance structure by separating the decision-making function from the execution function. The outside directors, who together should constitute more than 50.0 per cent of the Board, monitor the governance of the Issuer.

Directors are elected for a renewable term of three years or less as determined in the general meeting of shareholders; provided, however, that an outside director is elected for a two-year term, which can be renewed only by a one-year term. An outside director’s total term of office (including renewed terms) cannot exceed six years. Terms are renewable subject to Korean Commercial Code and related regulations. The Board meets on a regular basis, every quarter on average, to discuss the daily operations of the Issuer. Additional extraordinary meetings can also be convened at the request of the chairman of the Board.

#### Inside Directors

Two out of seven directors of the Issuer are engaged in the regular business of the Issuer, as of the date of this Offering Circular. The following table sets forth certain information on them.

| <u>Name</u>        | <u>Director Since</u> | <u>Position</u>   |
|--------------------|-----------------------|-------------------|
| Dong-Kwon Moon . . | 1 January 2023        | President and CEO |
| Won Shin . . . . . | 1 January 2023        | Standing Auditor  |

#### Outside Directors

As of the date of this Offering Circular, the Issuer had four outside directors, none of whom were engaged in the regular business of the Issuer, and all of whom are appointed from the candidate recommended by the Director Candidate Nomination Committee as listed below. The following table sets forth certain information on them.

| <u>Name</u>             | <u>Director Since</u> | <u>Position Outside the Issuer</u>   |
|-------------------------|-----------------------|--|
| Gong-tae Oh . . . . .   | 26 March 2019         | President of Samgong Corporation   |
| June-sun Choi . . . . . | 24 March 2021         | Honorary Professor at Sungkyunkwan University,<br>School of Law  |
| Joon-ki Lee . . . . .   | 24 March 2021         | Professor at Yonsei University, Graduate School of<br>Information  |
| Young-ae Sung . . . . . | 20 April 2022         | Professor at Incheon National University, College of<br>Commerce & Public Affairs Office, Dept. of<br>Consumer Science |
| Ho-yul Chung . . . . .  | 22 March 2023         | Chair Professor at Konkuk University, School of Law  |

### **Non-executive Director**

As of the date of this Offering Circular, the Issuer had one non-executive director who is not engaged in the regular business of the Issuer.

| <u>Name</u>           | <u>Director Since</u> | <u>Position Outside the Issuer</u>                     |
|-----------------------|-----------------------|--|
| Jun-sik Ahn . . . . . | 1 January 2021        | Director of Brand Promotion at Shinhan Financial Group |

### **Committees**

Currently, the Issuer has five committees serving under the Board: the Audit Committee, the Risk Management Committee, the Executive Candidate Nomination Committee, the Remuneration Committee and the ESG Committee. The responsibilities of each of the committees are subject to requirements under the CGFC Act and determined by the Board pursuant thereunder.

#### ***Audit Committee***

This committee currently consists of three Board members. The chairperson of the Audit Committee is Ho-yul Chung. Under the CGFC Act, more than two thirds of the members of the Audit Committee must be appointed from outside directors and one of them must be a financial expert. The Audit Committee oversees the Issuer's financial reporting and approves the appointment of its independent auditors. This committee also reviews the Issuer's financial information, auditor's examinations, key financial statement issues and the administration of its financial affairs by the Board. In connection with the general meetings of stockholder, this committee examines the agenda for, and financial statements and other reports to be submitted by, the Board to each general meeting of stockholder. This committee holds regular meetings every quarter.

#### ***Risk Management Committee***

This committee consists of three Board members. The chairperson of the Risk Management Committee is Joon-ki Lee. This committee is responsible for reviewing and approving the major policies relating to the Issuer's credit risk management determined by the Issuer's Risk Management Council. This committee convenes at least once every quarter and may also convene on an ad hoc basis as needed.

#### ***Executive Candidate Nomination Committee***

This committee currently consists of four Board members. The chairperson of the Executive Candidate Nomination Committee is Gong-tae Oh. Under the CGFC Act, more than 50 per cent of the members of the Committee must be appointed from outside directors. This committee oversees the selection of candidates for outside directors, representative director and audit committee members, and recommends them annually sometime prior to the general stockholder meeting.

#### ***Remuneration Committee***

This committee currently consists of four Board members. The chairperson of the Remuneration Committee is Young-ae Sung. This committee is responsible for performance evaluation and remuneration calculation for specific employees and directors.

#### ***ESG Committee***

This committee currently consists of five Board members. The chairperson of the ESG Committee is June-sun Choi. This committee is responsible for establishing strategies for the Issuer's sustainable management and determining ESG-related issues.

### **Remuneration**

The aggregate remuneration and benefits in kind granted by the Issuer to its registered Directors for the nine months ended 30 September 2023 was approximately ₩886 million (U.S.\$659 thousand).

### **Loans to Directors and Other Transactions**

As of 30 September 2023, there were no loans outstanding made by the Issuer to its Directors and statutory auditor. There are no guarantees provided by the Issuer for the benefit of any of the Issuer's Directors, statutory auditor or senior management. None of the Directors or officers has or had any interest in any transaction effected by the Issuer which are or where unusual in their nature or conditions or significant to the business of the Issuer and which were effected during the current or immediately preceding year or where effected during an earlier year and remain in any respect outstanding or unperformed.

### **Employees**

As of 30 September 2023, the Issuer had a total of 2,415 full-time employees and 171 contract and part-time employees who are employed on a temporary basis. The Issuer believes that it has a good relationship with its employees. The Issuer has not experienced a work stoppage of a serious nature. The union and management negotiate and enter into a new collective bargaining agreement that has a one-year duration.

The Issuer's employee compensation is based on a combination of the agreed-upon base salary and bonuses. The bonus system is based on individual performance and business unit performance. The Issuer, like most other non-banking financial institutions in Korea, grants its employees annual increases in basic wages and pays periodic bonuses and overtime. For the nine months ended 30 September 2023, salaries and wages comprised approximately 9.9 per cent of total general and administrative expenses of the Issuer. The Issuer provides a wide range of fringe benefits to its employees, including housing subsidies, medical care assistance and educational and training opportunities.

## SHINHAN FINANCIAL GROUP

### Introduction

Shinhan Financial Group is one of the leading financial institutions in Korea in terms of total assets, revenues, profitability and capital adequacy, among others. Incorporated on 1 September 2001, Shinhan Financial Group is the first privately-held financial holding company to be established in Korea. Since inception, Shinhan Financial Group has developed and introduced a wide range of financial products and services in Korea and aimed to deliver comprehensive financial solutions to clients through a convenient one-portal network. According to reports by the FSS, Shinhan Financial Group is the largest financial services provider in Korea (as measured by consolidated total assets as of 31 December 2022) and operates the second largest banking business (as measured by consolidated total assets as of 31 December 2022) and the largest credit card business (as measured by the total credit purchase volume in 2022) in Korea.

Shinhan Financial Group has experienced substantial growth through several mergers and acquisitions. Most notably, Shinhan Financial Group's acquisition of Chohung Bank in 2003 has enabled Shinhan Financial Group to have the second largest banking operations in Korea. In addition, Shinhan Financial Group's acquisition in March 2007 of LG Card, the then largest credit card company in Korea, has enabled to have the largest credit card operations in Korea and significantly expand Shinhan Financial Group's non-banking business capacity so as to achieve a balanced business portfolio. In September 2018, Shinhan Financial Group announced the acquisition of a 59.15% interest in Orange Life Insurance, Ltd., the former Korean unit of ING Life Insurance, as part of its efforts to diversify and enhance its non-banking businesses. The acquisition was approved by the FSC on 16 January 2019 and closed on 1 February 2019. On 28 January 2020, Shinhan Financial Group acquired the remaining interests in Orange Life by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life's common stock transferred all of their shares to Shinhan Financial Group and in return receive shares of Shinhan Financial Group's common stock, and hence Orange Life has become Shinhan Financial Group's wholly owned subsidiary as of such date.

Shinhan Financial Group currently has 15 direct subsidiaries and 34 indirect subsidiaries offering a wide range of financial products and services, including commercial banking, corporate banking, private banking, credit card, asset management, brokerage and insurance services. Shinhan Financial Group believes that such breadth of services will help it to meet the diversified needs of the Group's present and potential clients. Shinhan Financial Group currently serves approximately 19 million active customers, which Shinhan Financial Group believes is the largest customer base in Korea, through over 24,032 employees at about 1,099 network branches group-wide. While over 80% of Shinhan Financial Group's revenues have been historically derived from Korea, it aims to serve the needs of the Group's customers through a global network of 241 offices in the United States, Canada, the United Kingdom, Japan, the People's Republic of China, Germany, India, Australia, Hong Kong, Vietnam, Cambodia, Kazakhstan, Singapore, Mexico, Uzbekistan, Myanmar, Poland, Indonesia, the Philippines and the United Arab Emirates.

### History and Organization

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

Since its inception, Shinhan Financial Group has expanded its operations, in large part, through strategic acquisitions, establishing subsidiaries or formation of joint ventures. Shinhan Financial Group's key acquisitions, capital contributions and joint venture formations are described as below:

| <u>Date of Acquisition</u> | <u>Entity</u>  | <u>Principal Activities</u>  | <u>Method of Establishment</u>   |
|----------------------------|--|------------------------------|--|
| April 2002 . . . . .       | Jeju Bank  | Regional banking             | Acquisition from Korea Deposit Insurance Corporation                             |
| July 2002 . . . . .        | Shinhan Investment Corp. <sup>(1)</sup>                                  | Securities and investment    | Acquisition from the Ssang Yong Group  |
| August 2002 . . . . .      | Shinhan BNP Paribas Investment Trust Management Co., Ltd. <sup>(2)</sup> | Investment advisory          | 50:50 joint venture with BNP Paribas   |
| August 2003 . . . . .      | Chohung Bank   | Commercial banking           | Acquisition from creditors   |
| December 2005 . . . . .    | Shinhan Life Insurance   | Life insurance services      | Acquisition from shareholders  |
| March 2007 . . . . .       | LG Card  | Credit card services         | Acquisition from creditors   |
| January 2012 . . . . .     | Tomato Mutual Savings Bank <sup>(3)</sup>                                | Savings bank                 | Purchase and assumption of assets and liabilities from creditors                 |
| January 2013 . . . . .     | Yehanbyoul Savings Bank <sup>(4)</sup>                                   | Savings bank                 | Acquisition from Korea Deposit Insurance Corporation                             |
| October 2017 . . . . .     | Shinhan REITs Management   | Real estate asset management | Newly established  |
| February 2019 . . . . .    | Orange Life Insurance <sup>(5)</sup>                                     | Life insurance services      | Acquisition from majority shareholders   |
| May 2019 . . . . .         | Asia Trust <sup>(6)</sup>  | Real estate trust business   | Acquisition from majority shareholders   |
| August 2019 . . . . .      | Shinhan AI   | Investment advisory          | Incorporated and joined as a wholly owned subsidiary                             |
| September 2020 . . . . .   | Shinhan Venture Investment Co., Ltd. <sup>(7)(8)</sup>                   | Venture capital              | Acquisition from Doosan Group  |
| July 2021 . . . . .        | Shinhan Life Insurance Co., Ltd.   | Life insurance services      | Merger of Shinhan Life Insurance and Orange Life Insurance                       |
| January 2022 . . . . .     | Shinhan Asset Management Co., Ltd.                                       | Asset management services    | Merger of Shinhan Asset Management and Shinhan Alternative Investment Management |
| May 2022 . . . . .         | Asia Trust   | Real estate trust business   | Joined as a wholly owned subsidiary  |
| June 2022 . . . . .        | Shinhan EZ General Insurance   | Non-Life insurance services  | Joined as a wholly owned subsidiary  |

*Notes:*

- (1) Renamed as Shinhan Investment Corp. from Goodmorning Shinhan Securities Co., Ltd. effective August 2009.
- (2) In January 2009, SH Asset Management Co., Ltd. and Shinhan BNP Paribas Investment Trust Management merged to form Shinhan BNP Paribas Asset Management Co., Ltd.
- (3) Shinhan Hope Co., Ltd. was established on 12 December 2011, to purchase and assume certain assets and liabilities of Tomato Mutual Savings Bank. On 28 December 2011, Shinhan Hope Co., Ltd. obtained a savings bank license, changed its name to Shinhan Savings Bank and became Shinhan Financial Group's direct subsidiary.
- (4) In January 2013, Shinhan Financial Group entered into a share purchase agreement with Korea Deposit Insurance Corporation for the acquisition of Yehanbyoul Savings Bank, a savings bank located in Korea, for ₩45.3 billion, and received regulatory approval to merge Yehanbyoul Savings Bank into Shinhan Financial Group's existing subsidiary Shinhan Saving Bank. On 1 April 2013, Shinhan Savings Bank and Yehanbyoul Savings Bank merged into a single entity, with Yehanbyoul Savings Bank being the surviving entity and the newly merged bank being named Shinhan Savings Bank.
- (5) In September 2018, Shinhan Financial Group announced the acquisition of a 59.15% interest in Orange Life Insurance, Ltd., the former Korean unit of ING Life Insurance. The acquisition was approved by the FSC on 16 January 2019 and closed on 1 February 2019. Upon closing, Orange Life Insurance became Shinhan Financial Group's direct subsidiary. On 28 January 2020, Shinhan Financial Group acquired the remaining interests in Orange Life by effecting a comprehensive stock exchange under Articles 360-2 of the Korean Commercial Code whereby holders (other than us) of Orange Life's common stock transferred all of their shares to Shinhan Financial Group and in return receive shares of Shinhan Financial Group's common stock, and hence Orange Life has become Shinhan Financial Group's wholly owned subsidiary as of such date.
- (6) In October 2018, Shinhan Financial Group announced the acquisition of a 60.0% interest in Asia Trust. Co. Ltd. According to the transaction agreement, Shinhan Financial Group seeks to complete the acquisition by acquiring the remaining 40.0% shares in Asia Trust by 2022. The acquisition was approved by the FSC on 17 February 2019 and closed on 2 May 2019. Upon closing, Asia Trust became Shinhan Financial Group's direct subsidiary.

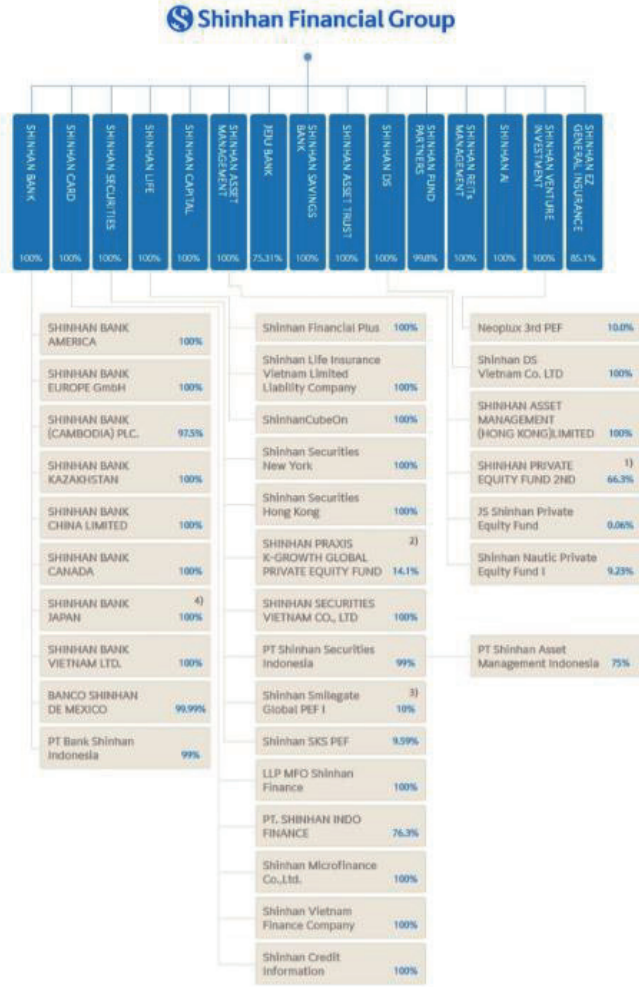
- (7) Renamed as Shinhan Venture Investment Co., Ltd. from Neoplux Co., Ltd. effective January 2021.
- (8) In September 2020, Shinhan Financial Group acquired a 96.8% interest in Shinhan Venture Investment Co., Ltd. (formerly Neoplux Co., Ltd.) in order to expand into the venture capital business. In December 2021, Shinhan Financial Group effected a stock exchange to acquire the remainder of the shares in Shinhan Venture Investment to become its sole shareholder.

All of Shinhan Financial Group's subsidiaries are incorporated in Korea, except for the following:

- Shinhan Asia Limited (incorporated in Hong Kong);
- Shinhan Bank America (incorporated in the United States);
- Shinhan Bank Canada (incorporated in Canada);
- Shinhan Bank (China) Limited (incorporated in the People's Republic of China);
- Shinhan Bank Europe GmbH (incorporated in Germany);
- Shinhan Bank Kazakhstan Limited (incorporated in Kazakhstan);
- Shinhan Bank Japan (incorporated in Japan);
- Shinhan Bank (Cambodia) PLC (incorporated in Cambodia);
- Shinhan Bank Vietnam Ltd. (incorporated in Vietnam);
- PT Bank Shinhan Indonesia (incorporated in Indonesia);
- Banco Shinhan de Mexico (incorporated in Mexico);
- LLP MFO Shinhan Card (incorporated in Kazakhstan);
- PT Shinhan Indo Finance (incorporated in Indonesia);
- Shinhan Microfinance Co., Ltd. (incorporated in Myanmar);
- Shinhan Investment Corp., USA Inc. (incorporated in the United States);
- Shinhan Investment Corp., Asia Ltd. (incorporated in Hong Kong);
- Shinhan Securities Vietnam Co., Ltd. (incorporated in Vietnam);
- PT Shinhan Sekuritas Indonesia (incorporated in Indonesia);
- Shinhan Asset Management Indonesia (incorporated in Indonesia);
- Shinhan BNP Paribas Asset Management (Hong Kong) Limited (incorporated in Hong Kong); and
- Shinhan DS Vietnam Co., Ltd. (incorporated in Vietnam).



As of the date hereof, Shinhan Financial Group has 15 direct and 34 indirect subsidiaries. The following diagram shows Shinhan Financial Group’s organization structure as of 30 September 2023:



Notes:

- (1) Shinhan Financial Group and its subsidiaries currently own 96.7% in the aggregate.
- (2) Shinhan Financial Group and its subsidiaries currently own 18.9% in the aggregate.
- (3) Shinhan Financial Group and its subsidiaries currently own 14.2% in the aggregate.
- (4) SBJ BANK own 100% in the aggregate.

The following table sets forth certain information relating to the beneficial ownership of Shinhan Financial Group's common shares (unless otherwise indicated) as of 31 December 2022.

| <b>Name of Shareholder</b>   | <b>Number of<br/>Common<br/>Shares<br/>Beneficially<br/>Owned</b> | <b>Beneficial<br/>Ownership<br/>(%)</b> |
|--|---|---|
| National Pension Service <sup>(1)</sup> . . . . .                      | 40,476,692  | 7.69                                    |
| Shinhan Financial Group Employee Stock Ownership Association . . . . . | 26,121,183  | 4.96                                    |
| CENTENNIAL INVESTMENT LIMITED . . . . .                                | 20,239,539  | 3.85                                    |
| BNP Paribas SA . . . . .   | 18,690,310  | 3.55                                    |
| SUPREME, L.P. . . . .  | 18,690,000  | 3.55                                    |
| mercury 1st LLC . . . . .  | 17,482,000  | 3.32                                    |
| Citibank, N.A. (ADR Department) . . . . .                              | 15,254,583  | 2.90                                    |
| The Government of Singapore . . . . .                                  | 13,225,770  | 2.51                                    |
| KT Corp. . . . .   | 10,877,651  | 2.07                                    |
| Vanguard Total International Stock Index . . . . .                     | 6,602,322   | 1.25                                    |
| People's Bank of China . . . . .                                       | 5,571,550   | 1.06                                    |
| Others . . . . .   | <u>315,553,269</u>  | <u>63.28</u>                            |
| <b>Total</b> . . . . .   | <u><u>508,784,869</u></u> <sup>(2)</sup>                          | <u><u>100.00</u></u>                    |

*Notes:*

(1) According to the filing of share ownership dated 7 February 2020, available through the Financial Supervisory Service's Data Analysis, Retrieval and Transfer System (DART), as of 31 December 2022, National Pension Service beneficially owns 50,666,140 common shares, or 9.81% beneficial ownership of the total number of shares issued as of 31 December 2022.

(2) Total number of common shares issued as of 31 December 2022.

Other than those listed above, no other person or entity known by us, jointly or severally, directly or indirectly own more than 1% of the Issuer's issued and outstanding voting securities or otherwise exercise control or could exercise control over us. None of the Issuer's shareholders have different voting rights.

## THE KOREAN CREDIT CARD INDUSTRY

### Introduction of Credit Cards in Korea

Credit cards were originally introduced in Korea by retailers who would issue cards to their customers as a payment method. In 1969, Shinsegae Department Store issued Korea's first domestic credit card to its shoppers.

Korean banks entered the credit card sector in 1978 when Korea Exchange Bank issued international credit card under a license agreement with VISA International, Inc., which was followed by Kookmin Bank in 1980. In 1982, several commercial banks jointly established the Bank Credit Card Association (later renamed "BC Card" in 1987), which issued cards for its participants. In addition, foreign credit card companies such as American Express Company and Diners Company International Ltd. entered the Korean market in 1980 and 1984, respectively. The enactment of the Credit Card Business Act in 1987 restricted the operation of credit card business to government-licensed firms. As a result, Korea Exchange Bank and Kookmin Bank transferred their respective credit card related operations to their affiliated companies. In the late 1980s, chaebols, such as Samsung Group and LG Group, acquired existing credit card companies and entered into the credit card market. The entrance of new credit card companies that were affiliated to banks, which had a well-established customer base, and chaebols contributed to the broadening use of credit cards in Korea.

Currently, the Korean credit card industry (excluding independent merchants providing credit cards for sole use with such merchants) comprises 11 banks with credit card operations and nine independent credit card companies, six of which are bank-affiliated credit card companies and three of which are monoline credit card companies. All of the independent credit card companies in Korea are either bank- or chaebol-affiliated. Chaebol-affiliated credit card companies include Hyundai Card, Samsung Card and Lotte Card. The current credit card landscape in Korea is set forth in the table below:

| Classification                                   | Number | Companies   |
|--|--------|---|
| <b>Independent Credit Card Companies (9)</b>     |        |   |
| Bank Affiliated                                  | 6      | KB Kookmin Card, BC Card, Shinhan Card, KDB Capital, Hana Card, Woori Card  |
| Specialty  | 3      | Samsung Card, Hyundai Card, Lotte Card  |
| <b>Banks Operating Credit Card Business (11)</b> |        |   |
|  | 11     | Standard Chartered Bank Korea Limited, Industrial Bank of Korea, NH Bank, Daegu Bank, Pusan Bank, Kyongnam Bank, Citibank Korea, Jeju Bank, Suhyup Bank, Jeonbuk Bank, Kwangju Bank |

### Growth

Credit card companies in Korea primarily provide financing for purchase of merchandise and services, payment for which must be made either (i) in full on each monthly payment date (i.e. lump sum), (ii) in equal monthly instalments over a pre-selected period of time (i.e. instalment) or (iii) on a revolving basis subject to a minimum percentage of the amount outstanding on each monthly payment date (i.e. revolving). Credit card companies also provide cash advance services, under which card members may borrow cash from automatic teller machines or cash dispensers subject to daily interest charges, and card loan services, which are small-amount unsecured loans provided to card members.

Credit card companies began to play a significant role after 1997 in Korea. The growth of the credit card industry mirrored the rebound of Korean economy following the 1997 Asian financial crisis. In 1998, the Government introduced a set of policies to promote the use of credit cards. In 1999, the Government abolished the ₩700,000 limit on cash advances a cardholder may receive in a given billing cycle. In 1999, a shared merchant system was introduced to increase the convenience of credit card usage. Under this shared merchant system, if one or more credit card companies enter into an agreement with a merchant to allow their cardholders to use their credit cards to purchase such merchant's merchandise or service, then such merchant is required to accept the credit cards issued by every other credit card company in Korea under the same terms as set forth under the original agreement. This shared merchant legislation was followed by a new tax policy aimed at improving transparency in the Korean tax system, the effect of which was to encourage credit card usage. In September 1999, the Korean National Tax Service introduced an income deduction scheme, which allows a taxpayer a deduction from taxable income an amount equal to 10 per cent of the aggregate card purchase volume amount in a given taxable year that exceeds 10 per cent of such taxpayer's total gross income for such taxable year, subject to a maximum amount a taxpayer can deduct which can vary from year to year. In addition, the Government commenced operating a state-run monthly lottery for credit card users in 2000.

In the late 1990s and early 2000s, credit card companies, led by Samsung Card and LG Card Co., Ltd., developed new services and aggressively marketed their products. Cash advance and card loan services were granted to more members and the limits on such advances and loans were raised. Membership reward programmes were introduced and expanded, and various discount benefits were provided to credit card members. The credit card companies hired "credit planners" who were paid by the number of new card member recruits, and the more aggressive credit planners signed up new card members off the street with little or no background or credit check.

The Government's incentives to promote credit card usage, together with aggressive marketing of credit card companies, contributed to the overall growth of the credit card industry in Korea during this period. The growth in credit card service use was also attributable to the absence of a personal checking system in Korea and the absence of alternative consumer finance products.

### **Recent Status**

Korea currently has a relatively high credit card penetration ratio in terms of number of cards per capita and card usage compared to private consumption. Korean consumers settle more than 70 per cent of their consumption spending using a credit card according to the Credit Finance Association of Korea. The prevalence of credit card usage among Korean consumers is also reflected in the number of credit cards per economically active person, which was 4.2 cards per economically active person as of 31 December 2022.

The Korean credit card industry has been showing steady growth due to an increase in personal expenditure and consumption and an increase in credit card transactions since 2005. Due to this steady growth, competition among credit card companies has intensified which has resulted in increased credit card benefits to customers.

These developments have helped independent credit card companies more than bank operated credit card businesses because independent credit card companies can focus solely on the credit card business. As banks have focused more on mortgage loans, which is their primary retail business, their credit card businesses consequently have declined. As a result, this has contributed to the growing market share of independent credit card companies.

In addition, credit card companies have enhanced their credit risk management capabilities. Since the commencement of the global financial crisis in 2008, credit card companies have taken measures to reduce their credit risk by managing credit limits and reassessing their customer group, among others, while maintaining the quality of their asset portfolios and cardholders. Despite strengthening credit card regulations by the Government and the possibility of reduced profitability due to increased competition, the credit card industry has maintained steady growth. It maintained a steady level of profitability mainly due to lowering credit costs through improving asset quality and a decrease in funding costs amidst a low interest rate environment. The adjusted capital adequacy ratio of the independent credit card companies decreased from 20.32 per cent in 2008 to 19.42 per cent in September 2023, according to the FSS. As of 31 December 2022, the adjusted capital adequacy ratio of all independent credit card companies exceeded the 8 per cent according to the guideline provided by the FSC. From 2008 to 2022, the quality of the assets of the independent credit card companies improved. The average delinquency ratio of the independent credit card companies fell from 3.43 per cent as of 31 December 2008 to 0.98 per cent as of 31 December 2022 according to the FSS.

## TAXATION

### Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-resident corporations (“**Non-Residents**”) generally depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

### Tax on Interest

Interest on the Notes paid to Non-Residents (excluding payments to their Permanent Establishment in Korea), being foreign currency denominated notes issued outside of Korea, is exempt from individual income tax and corporate income tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the “**STTCL**”).

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of individual income tax or corporate income tax applicable to interest on the Notes, for a Non-Resident without a permanent establishment in Korea, would be 14 per cent of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10 per cent of the individual income tax or corporate income tax (raising the total tax rate to 15.4 per cent.).

The tax is withheld by the payer of the interest or, where the transfer takes place before interest payment is made, by the purchaser of the instrument, or a designated withholding agent of such payer or purchaser.

The tax rates may be reduced or exempted by an applicable tax treaty, convention or agreement between Korea and the country of the recipient of the income. The relevant tax treaties are discussed below.

### Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Notes taking place outside Korea are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance and is denominated in a foreign currency under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty eliminating tax on capital gains, the applicable rate of tax would be the lower of 11 per cent (including local income tax) of the gross realisation proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Note) 22 per cent (including local income tax) of the realised gain (i.e., the excess of the gross realisation proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean tax law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Notes issued by Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from tax under an applicable tax treaty and on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11 per cent (including local income tax) of the gross realisation proceeds. The purchaser or withholding agent must pay any withholding tax to the competent Korean tax office no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Notes occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

### **Inheritance Tax and Gift Tax**

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident (as such term is defined under Korean inheritance and gift tax laws) and (b) all property located in Korea that passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the rate varies from 10 per cent to 50 per cent.

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Notes by inheritance or gift. Prospective purchasers should consult their personal tax advisers regarding the consequences of the imposition of the Korean inheritance or gift tax.

### **Stamp Duty and Securities Transaction Tax**

No stamp, issue or registration duties will be payable in Korea by the Holders in connection with the issue of the Notes except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Issuer. No securities transaction tax will be imposed upon the transfer of the Notes.

### **Tax Treaties**

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 5 and 15 per cent (including local income tax), and the tax on capital gains is often eliminated.

Each Noteholder should enquire for itself whether it is entitled to the benefit of a tax treaty with respect to this transaction. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer, the purchaser or the withholding agent, as applicable, a certificate as to its residence. In the absence of sufficient proof, the Issuer, the purchaser or the withholding agent, as applicable, must undertake to withhold taxes in accordance with the above discussion.

A special withholding tax system took effect on 1 July 2006. Under the system, there is a special procedure to apply the Korea-Malaysia tax treaty on certain Korean source income. Payments made to the residents of Labuan, Malaysia will be subject to the default Korean withholding tax rates (generally 15.4 per cent for interest and the lower of 11 per cent of gross realisation proceeds or 22 per cent of capital gains (including local income tax)) rather than the reduced or exempted rate available under the



Korea Malaysia tax treaty. A Labuan taxpayer, however, will be given an opportunity to obtain a refund by proving that it is entitled to the tax treaty benefits as a beneficial owner of the income and is an actual resident of Labuan, Malaysia. A Labuan taxpayer may also file an application with the National Tax Service (the “NTS”) for confirmation that it is entitled to the tax treaty benefits and obtain an advance confirmation from the NTS prior to receiving Korean source income.

In order to claim the benefit of a reduced tax rate or tax exemption available under the applicable tax treaties, a Non-Resident holder must submit to the payer of such Korean-sourced income an application (for reduced withholding tax rate, “application for entitlement to reduced tax rate” and in the case of exemption from withholding tax, “application for tax exemption” under a tax treaty along with a certificate of the non-resident holder’s tax residence issued by a competent authority of the Non-Resident holder’s residence country) as the beneficial owner (“**BO Application**”), provided that if such tax exemption is being sought to be applied to an amount that is Won 1 billion or more (including where the aggregate amount exempted within one year from the last day of the month in which the payment was made, is Won 1 billion or more), in addition to the certificate of tax residence issued by a competent authority of the Non-Resident holder’s residence country, it will also be required to submit the names and addresses of all of the members of board of directors, the identities and shareholding percentages of all of shareholders (provided that if there are more than 100 shareholders, the Non-Resident holder may instead provide a statement showing the total number of shareholders and aggregate investment amount from each country), and audit reports for the most recent three years submitted to the country of residence (or, if the entity has been in existence for less than three years, audit reports since incorporation). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is defined as an organization established in a foreign jurisdiction that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in proprietary targets and then distributes the outcome of such management to investors, “**OIV**”) and such OIV is not the beneficial owner of such income, a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners (together with the applicable BO Application and certificate of the non-resident holder’s tax residence in case of exemption from withholding tax), to the withholding agent prior to the payment date of such income. In the case of an application for tax exemption, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income. If there is no change in the contents of such application or OIV report, it is not required to submit such application or OIV report again within three years thereafter. Effective from 1 January 2022, an OIV is deemed to be a beneficial owner of the Korean source income if (i) under the applicable tax treaty, the OIV bears tax liabilities in the country in which it is established; and (ii) the Korean source income is eligible for the treaty benefits under the tax treaty. The benefits under a tax treaty between Korea and the country of such OIV’s residence will apply with respect to the relevant income paid to such OIV, subject to certain application requirements as prescribed by the Corporate Income Tax Law or Individual Income Tax Law. However, this requirement does not apply to exemptions under Korean tax law.

At present, Korea has not entered into any tax treaties regarding its inheritance tax or gift tax.

### **Withholding and Gross Up**

As mentioned above, interest on the Notes is exempt from any withholding or deduction on account of income tax or corporation tax pursuant to the STTCL. However, in the event that the payer or the Issuer is required by law to make any withholding or deduction for or on account of any Korean taxes (as more fully described in “*Terms and Conditions of the Notes – Taxation and Gross-Up*”) the Issuer has agreed to pay (subject to the customary exceptions as set out in “*Terms and Conditions of the Notes – Taxation*”).

and Gross-Up”) such Additional Amounts as may be necessary in order that the net amounts received by the holder of any Note after such withholding or deduction shall equal the respective amounts which would have been received by such holder in the absence of such withholding or deduction.

### **ROC Taxation**

The following summary of certain taxation provisions under ROC law is based on current law and practice and that the Notes will be issued, offered, sold and re-sold directly or indirectly, only to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEX Rules of the ROC. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below.

### **Interest on the Notes**

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

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

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

### **Sale of the Notes**

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

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

## SUBSCRIPTION AND SALE

Citibank Taiwan Limited, HSBC Bank (Taiwan) Limited, SG Securities (HK) Limited, Taipei Branch, Bank SinoPac Co., Ltd., Cathay United Bank Co., Ltd., CTBC Bank Co., Ltd., Fubon Securities Co., Ltd., KGI Securities Co. Ltd., President Securities Corporation, SinoPac Securities Corporation and Yuanta Securities Co., Ltd. (the “**Managers**”) have, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 29 February 2024, agreed to subscribe and pay for the Notes on a firm commitment basis the principal amounts of the Notes subject to certain conditions contained therein.

The Subscription Agreement provides that if a Manager defaults, the purchase commitments of non-defaulting Managers may be increased or the offering may be terminated.

The Issuer will also reimburse the Managers in respect of certain of their expenses, and the Issuer has agreed to indemnify the Managers against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue and sale of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

The initial issue price is set forth on the cover of this Offering Circular. After the Notes are released for sale, the Managers may change the issue price and other selling terms. The offering of the Notes by the Managers is subject to receipt and acceptance and subject to the Managers’ right to reject any order in whole or in part.

The Managers and certain of their respective affiliates have, from time to time, performed, and may in the future perform, certain investment banking, commercial banking and advisory services for the Issuer and/or their respective affiliates for which they have received or will receive customary fees and expenses.

The Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer.

The Managers or their affiliates may subscribe the Notes for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Issuer or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this Offering Circular relates (notwithstanding that such selected counterparties may also be subscribers of the Notes).

### **Important Notice to CMIs (including private banks)**

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

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

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this offering circular.

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

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

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

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

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Manager(s) (if any) to categorize it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

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

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

Underlying investor information in relation to omnibus order should be sent to: DCM.Omnibus@citi.com; hk\_syndicate\_omnibus@hsbc.com.hk; list.asiapac-glfi-syn-cap@sgcib.com

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

## **Selling Restrictions**

### **United States**

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **Switzerland**

The offering of the Notes in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act (“FinSA”). The Notes will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Notes.

## **Hong Kong**

Each Manager has represented and agreed that:

- (i) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong), other than with respect to Notes which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **Japan**

The Notes have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

## **Taiwan**

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to the aforementioned professional investor.

## **Singapore**

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.



## **Korea**

The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transactions Act of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea, except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean QIB who is registered with the KOFIA for Korean QIB bond trading. Furthermore, the Notes acquired by all Korean QIBs at the time of issuance must be no more than 20 per cent of the aggregate principal amount of the Notes.

## **Canada**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 – *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

## **Transfer Restrictions**

Because of the following restrictions, purchasers are advised to consult with legal counsel prior to making any offer, resale, pledge or other transfers of the Notes.

### **Transfer to only Professional Investors**

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Notes are not permitted to sell or otherwise dispose of the notes except by transfer to the aforementioned professional investors.

### **Transfer Restrictions under Korean Law**

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

- (a) The Notes have not been and will not be registered under the FSCMA. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transactions Act of Korea and the regulations thereunder) or to others for re-offering or resale directly or indirectly in Korea or to any resident of Korea, except as otherwise permitted under applicable Korean laws and regulations. In addition, during the first year after the issuance of the Notes, the Notes may not be transferred to any resident of Korea other than a Korean **QIB** who is registered with the KOFIA for Korean **QIB** note trading. Furthermore, the Notes acquired by all Korean **QIBs** at the time of issuance must be no more than 20 per cent of the aggregate principal amount of the Notes.
- (b) The Notes will bear legends to the effect described in paragraph (a) above.



### **Other Transfer Restrictions Applicable to the Notes**

The Notes have not been and will not be registered under the Securities Act. The Notes may not be offered or sold to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Except in certain limited circumstances, interests in the Notes may only be held through interests in the Global Certificate. Such interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants. See “*Terms and Conditions of the Notes*” and “*The Global Certificate*.”

Each purchaser of the Notes, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

- (a) The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction and are subject to significant restrictions on transfer.
- (b) Until forty (40) days after the commencement of offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.
- (c) Such purchaser will not offer, sell, pledge or otherwise transfer any interest in the Notes except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
- (d) The Notes will bear legends to the following effect, unless the Issuer determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THE NOTES EVIDENCED HEREBY (THE “**NOTES**”) OF SHINHAN CARD CO., LTD. (THE “**ISSUER**”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”).

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA. ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTIONS ACT OF KOREA AND THE REGULATIONS THEREUNDER) OR TO OTHERS FOR RE-OFFERING OR RESALE, DIRECTLY OR INDIRECTLY, IN KOREA OR TO ANY RESIDENTS OF KOREA, EXCEPT AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS. IN ADDITION, DURING THE FIRST YEAR AFTER THE ISSUANCE OF THE NOTES, THE NOTES MAY NOT BE TRANSFERRED TO ANY RESIDENT OF KOREA OTHER THAN A “QUALIFIED INSTITUTIONAL INVESTOR” (A “**KOREAN QIB**,” AS DEFINED IN THE REGULATION ON SECURITIES ISSUANCE, PUBLIC DISCLOSURE, ETC. OF KOREA) WHO IS REGISTERED WITH THE KOREA FINANCIAL INVESTMENT ASSOCIATION AS A KOREAN QIB, PROVIDED THAT THE AMOUNT OF THE NOTES ACQUIRED BY SUCH KOREAN QIBS IN THE PRIMARY MARKET IS LIMITED TO NO MORE THAN 20% OF THE AGGREGATE ISSUE AMOUNT OF THE NOTES.

## **LEGAL MATTERS**

Certain legal matters relating to the issue and sale of the Notes will be passed upon for the Issuer by Kim & Chang as to matters of Korean law and Lee and Li as to matters of Taiwanese law and for the Managers by Linklaters LLP as to matters of English law. Kim & Chang and Lee and Li may rely as to all matters of English law on the opinion of Linklaters LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Kim & Chang and Taiwanese law on the opinion of Lee and Li.

## **INDEPENDENT ACCOUNTANTS**

The Issuer's consolidated interim financial statements as of and for the nine-month period ended 30 September 2023 included in this Offering Circular have been reviewed by KPMG Samjong Accounting Corp., independent auditor, as stated in their report appearing herein. The consolidated interim financial statements as of and for the nine-month period ended 30 September 2023 have been reviewed by KPMG Samjong Accounting Corp. in accordance with the Review Standards for Quarterly and Semi-annual Financial Statements established by the SFC.

The Issuer's consolidated financial statements as of and for the years ended 31 December 2022 and 2021 included in this Offering Circular has been audited by Samil PricewaterhouseCoopers, independent auditor, as stated in their report appearing herein.

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## **Independent Auditors' Review Report**

The Board of Directors and Shareholder  
Shinhan Card CO., LTD.:

### *Reviewed financial statements*

We have reviewed the accompanying consolidated interim financial statements of Shinhan Card CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated interim statement of financial position as of September 30, the consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, and the consolidated interim statements of changes in equity and cash flows for the nine-month period ended September 30, and notes, comprising a summary of material accounting policy information and other explanatory information.

### **Management's responsibility**

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

### **Auditors' review responsibility**

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

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS 1034 *Interim Financial Reporting*.

### ***Other matter***

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

The accompanying consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2022, and the consolidated interim statements of changes in equity and cash flows for the nine-month period ended September 30, 2022, were reviewed by another auditor and their report thereon, dated November 14, 2022, expressed that nothing was found for them to believe those financial statements are not presented fairly, in all material respects, in accordance with K-IFRS No. 1034 *Interim Financial Reporting*.

The consolidated statement of financial position of the Company as of December 31, 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended (not presented herein) were audited by another auditor in accordance with Korean Standards on Auditing and their report thereon, dated March 6, 2023, expressed an unqualified opinion. The accompanying consolidated statement of financial position of the Company as of December 31, 2022, presented for comparative purposes, is consistent, in all material respects, with the audited consolidated statement of financial position from which it has been derived.



*KPMG Samjong Accounting Corp.*

KPMG Samjong Accounting Corp.

November 14, 2023  
Seoul, Korea

This report is effective as of November 14, 2023, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Interim Statements of Financial Position**  
As of September 30, 2023 and December 31, 2022

(In millions of won, except share data)

|   | <i>Note</i> | <b>September 30,<br/>2023<br/>(Unaudited)</b> | <b>December 31, 2022</b> |
|---|-------------|---|--------------------------|
| <b>Assets</b>   |             |   |                          |
| Cash and due from banks   | 9,36        | ₩ 1,396,551                                   | 664,928                  |
| Financial assets at fair value through profit or loss             | 10          | 523,248                                       | 389,326                  |
| Derivative assets   | 11          | 263,295                                       | 196,596                  |
| Credit card receivables at amortized cost and others              | 12          | 37,250,515                                    | 36,831,167               |
| Lease assets  | 13          | 2,020,455                                     | 1,944,650                |
| Financial assets at fair value through other comprehensive income | 15          | 379,220                                       | 375,471                  |
| Property and equipment, net                                       | 14,16       | 638,358                                       | 646,555                  |
| Intangible assets   | 17          | 224,187                                       | 214,085                  |
| Investments in associates   | 18          | 86,267  | 88,692                   |
| Current tax assets  |             | 21,619  | 21,634                   |
| Deferred tax assets   |             | 113,915                                       | 124,738                  |
| Investment property   | 19          | 45,028  | 45,959                   |
| Net defined benefit assets  | 23          | 17,125  | 36,988                   |
| Other assets  | 20          | 1,483,656                                     | 1,469,532                |
| <b>Total assets</b>   |             | <b>₩ 44,463,439</b>                           | <b>43,050,321</b>        |
| <b>Liabilities</b>  |             |   |                          |
| Derivative liabilities  | 11          | ₩ 243   | 21,346                   |
| Borrowings  | 21          | 8,304,867                                     | 9,136,178                |
| Debentures, net   | 22          | 22,067,187                                    | 21,502,816               |
| Net defined benefit obligations                                   | 23          | 272   | 207                      |
| Current tax liabilities   |             | 72,048  | 80,550                   |
| Provisions  | 24          | 222,302                                       | 240,060                  |
| Other liabilities   | 14,25       | 5,858,412                                     | 4,610,410                |
| <b>Total liabilities</b>  |             | <b>36,525,331</b>                             | <b>35,591,567</b>        |
| <b>Equity</b>   |             |   |                          |
| Common stock  | 26          | 626,847                                       | 626,847                  |
| Hybrid bonds  | 26          | 699,822                                       | 399,901                  |
| Capital surplus   | 26          | 860,729                                       | 860,729                  |
| Capital adjustments   | 26          | (1,548)                                       | (1,550)                  |
| Accumulated other comprehensive loss                              | 26          | (29,339)                                      | (17,253)                 |
| Retained earnings   | 26,27       | 5,772,938                                     | 5,582,516                |
| <b>Equity attributable to owner of the Company</b>                |             | <b>7,929,449</b>                              | <b>7,451,190</b>         |
| <b>Non-controlling interests</b>                                  | 26          | <b>8,659</b>                                  | <b>7,564</b>             |
| <b>Total equity</b>   |             | <b>7,938,108</b>                              | <b>7,458,754</b>         |
| <b>Total liabilities and equity</b>                               |             | <b>₩ 44,463,439</b>                           | <b>43,050,321</b>        |

See accompanying notes to the consolidated interim financial statements



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Interim Statements of Comprehensive Income**  
For the three-month and nine-month periods ended September 30, 2023 and 2022

| (In millions of won, except earnings per share)   | Note     | 2023        |            | 2022        |            |
|---|----------|-------------|------------|-------------|------------|
|   |          | (Unaudited) |            | (Unaudited) |            |
|   |          | Three-month | Nine-month | Three-month | Nine-month |
| Interest income   |          | ₩ 724,472   | 2,094,295  | 637,104     | 1,841,780  |
| Interest expense  |          | (241,043)   | (688,710)  | (189,874)   | (488,041)  |
| Net interest income   | 29,30    | 483,429     | 1,405,585  | 447,230     | 1,353,739  |
| Fee and commission income   |          | 554,610     | 1,511,574  | 443,259     | 1,331,916  |
| Fee and commission expense  |          | (325,257)   | (948,457)  | (320,722)   | (907,852)  |
| Net fee and commission income   | 29,31    | 229,353     | 563,117    | 122,537     | 424,064    |
| Dividend income   | 10,15,29 | 75          | 528        | -           | 415        |
| Net gain on financial assets at fair value through profit or loss   | 10,29    | 727         | 18,148     | 120         | 13,546     |
| Net gain on derivatives   | 11,29    | 58,478      | 180,647    | 363,844     | 615,426    |
| Gain on foreign currency transactions   | 29       | 16,109      | 50,363     | 29,624      | 61,436     |
| Loss on foreign currency transactions   |          | (71,820)    | (212,336)  | (390,091)   | (653,459)  |
| Net loss on foreign currency transactions   |          | (55,711)    | (161,973)  | (360,467)   | (592,023)  |
| Provision for credit loss allowance   | 12,20,24 | (266,213)   | (639,517)  | (110,545)   | (368,498)  |
| General administrative expenses   | 32       | (188,600)   | (550,000)  | (185,647)   | (532,793)  |
| Other operating loss, net   | 29,33    | (64,258)    | (214,347)  | (80,626)    | (225,531)  |
| <b>Operating income</b>   |          | 197,280     | 602,188    | 196,446     | 688,345    |
| Non-operating income, net   | 34       | 2,135       | 859        | 1,554       | 65,199     |
| Equity method income  | 18       | (373)       | (995)      | 8,145       | 7,749      |
| <b>Profit before income tax</b>   |          | 199,042     | 602,052    | 206,145     | 761,293    |
| Income tax expense  | 35       | (46,542)    | (131,948)  | (30,350)    | (171,971)  |
| <b>Profit for the period</b>  |          | ₩ 152,500   | 470,104    | 175,795     | 589,322    |
| <b>Other comprehensive income (loss) :</b>  |          |             |            |             |            |
| <b>Items that will never be reclassified to profit or loss</b>  |          |             |            |             |            |
| Remeasurement of the net defined benefit obligations  | 23,26    | ₩ (121)     | (8,862)    | (555)       | 25,053     |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income | 15,26    | 574         | 2,332      | 2,568       | 4,843      |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Interim Statements of Comprehensive Income (continued)**  
For the three-month and nine-month periods ended September 30, 2023 and 2022

| <i>(In millions of won, except earnings per share)</i>  | <i>Note</i> | <b>2023</b>        |                   | <b>2022</b>        |                   |
|---|-------------|--------------------|-------------------|--------------------|-------------------|
|   |             | <b>(Unaudited)</b> |                   | <b>(Unaudited)</b> |                   |
|   |             | <b>Three-month</b> | <b>Nine-month</b> | <b>Three-month</b> | <b>Nine-month</b> |
| <b>Items that are or may be reclassified subsequently to profit or loss</b>                                   |             |                    |                   |                    |                   |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income |             | ₩ (3,357)          | (148)             | (8,679)            | (22,791)          |
| Net changes in the unrealized fair value of cash flow hedges  | 11,26       | 12,468             | (11,354)          | (4,631)            | (6,752)           |
| Foreign currency translation adjustments for foreign operations   | 26          | (5,093)            | 6,048             | 10,791             | 17,538            |
| <b>Other comprehensive income (loss) for the period, net of tax</b>   |             | 4,471              | (11,984)          | (506)              | 17,891            |
| <b>Total comprehensive income for the period</b>  |             | ₩ 156,971          | 458,120           | 175,289            | 607,213           |
| <b>Profit attributable to:</b>  |             |                    |                   |                    |                   |
| Owner of the Company  | 28          | ₩ 152,196          | 469,112           | 174,955            | 587,661           |
| Non-controlling interests   |             | 304                | 992               | 840                | 1,661             |
| <b>Profit for the period</b>  |             | ₩ <u>152,500</u>   | <u>470,104</u>    | <u>175,795</u>     | <u>589,322</u>    |
| <b>Total comprehensive income attributable to:</b>  |             |                    |                   |                    |                   |
| Owner of the Company  |             | ₩ 156,737          | 457,026           | 174,611            | 606,184           |
| Non-controlling interests   |             | 234                | 1,094             | 678                | 1,029             |
| <b>Total comprehensive income for the period</b>  |             | ₩ <u>156,971</u>   | <u>458,120</u>    | <u>175,289</u>     | <u>607,213</u>    |
| <b>Earnings per share</b>   |             |                    |                   |                    |                   |
| Basic and diluted earnings per share (in won)   | 28          | ₩ 1,150            | 3,566             | 1,364              | 4,619             |

*See accompanying notes to the consolidated interim financial statements*

**SHINHAN CARD CO., LTD. AND SUBSIDIARIES**  
**Consolidated Interim Statements of Changes in Equity**

For the nine-month period ended September 30, 2022

|   | 2022            |                 |                    |                        |  |                      |           |                                  |                 |
|---|-----------------|-----------------|--------------------|------------------------|--|----------------------|-----------|----------------------------------|-----------------|
|   | Common<br>stock | Hybrid<br>bonds | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Subtotal  | Non-<br>controlling<br>interests | Total<br>equity |
| <b>Balance at January 1, 2022</b>   | ₩ 626,847       | -               | 860,592            | 1,871                  | (42,190)   | 5,291,390            | 6,738,510 | (3,507)                          | 6,735,003       |
| <b>Transactions with owner</b>  |                 |                 |                    |                        |  |                      |           |                                  |                 |
| Dividends   | -               | -               | -                  | -                      | -  | (337,620)            | (337,620) | -                                | (337,620)       |
| Share-based payment transactions  | -               | -               | -                  | 193                    | -  | -                    | 193       | -                                | 193             |
| Issuance of hybrid bonds  | -               | 399,901         | -                  | -                      | -  | -                    | 399,901   | -                                | 399,901         |
| Dividends to hybrid bonds   | -               | -               | -                  | -                      | -  | (8,558)              | (8,558)   | -                                | (8,558)         |
| Changes due to business combination   | -               | -               | 137                | -                      | -  | -                    | 137       | -                                | 137             |
| <b>Retained earnings after appropriation:</b>   |                 |                 |                    |                        |  |                      |           |                                  |                 |
| Profit for the period   | -               | -               | -                  | -                      | -  | 587,661              | 587,661   | 1,661                            | 589,322         |
| Remeasurement of the net defined benefit obligations  | -               | -               | -                  | -                      | 25,053   | -                    | 25,053    | -                                | 25,053          |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income | -               | -               | -                  | -                      | (17,947)   | -                    | (17,947)  | -                                | (17,947)        |
| Net changes in the unrealized fair value of cash flow hedges  | -               | -               | -                  | -                      | (6,752)  | -                    | (6,752)   | -                                | (6,752)         |
| Foreign currency translation adjustments for foreign operations   | -               | -               | -                  | -                      | 18,170   | -                    | 18,170    | (632)                            | 17,538          |
| <b>Balance at September 30, 2022 (Unaudited)</b>  | ₩ 626,847       | 399,901         | 860,729            | 2,064                  | (23,666)   | 5,532,873            | 7,398,748 | (2,478)                          | 7,396,270       |

**SHINHAN CARD CO., LTD. AND SUBSIDIARIES**  
**Consolidated Interim Statements of Changes in Equity (continued)**

For the nine-month period ended September 30, 2023

|   | 2023            |                 |                    |                        |  |                      |           |                                  |                 |
|---|-----------------|-----------------|--------------------|------------------------|--|----------------------|-----------|----------------------------------|-----------------|
|   | Common<br>stock | Hybrid<br>bonds | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Subtotal  | Non-<br>controlling<br>interests | Total<br>equity |
| <b>Balance at January 1, 2023</b>   | ₩ 626,847       | 399,901         | 860,729            | (1,550)                | (17,253)   | 5,582,516            | 7,451,190 | 7,564                            | 7,458,754       |
| <b>Transactions with owner</b>  |                 |                 |                    |                        |  |                      |           |                                  |                 |
| Dividends   | -               | -               | -                  | -                      | -  | (256,631)            | (256,631) | -                                | (256,631)       |
| Share-based payment transactions  | -               | -               | -                  | 2                      | -  | -                    | 2         | -                                | 2               |
| Issuance of hybrid bonds  | -               | 299,921         | -                  | -                      | -  | -                    | 299,921   | -                                | 299,921         |
| Dividends to hybrid bonds   | -               | -               | -                  | -                      | -  | (22,059)             | (22,059)  | -                                | (22,059)        |
| Changes due to business combination   | -               | -               | -                  | -                      | -  | -                    | -         | -                                | -               |
| <b>Total comprehensive income for the period:</b>   |                 |                 |                    |                        |  |                      |           |                                  |                 |
| Profit for the period   | -               | -               | -                  | -                      | -  | 469,112              | 469,112   | 992                              | 470,104         |
| Remeasurement of the net defined benefit obligations  | -               | -               | -                  | -                      | (8,862)  | -                    | (8,862)   | -                                | (8,862)         |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income | -               | -               | -                  | -                      | 2,184  | -                    | 2,184     | -                                | 2,184           |
| Net changes in the unrealized fair value of cash flow hedges  | -               | -               | -                  | -                      | (11,354)   | -                    | (11,354)  | -                                | (11,354)        |
| Foreign currency translation adjustments for foreign operations   | -               | -               | -                  | -                      | 5,946  | -                    | 5,946     | 103                              | 6,049           |
| <b>Balance at September 30, 2023 (Unaudited)</b>  | ₩ 626,847       | 699,822         | 860,729            | (1,548)                | (29,339)   | 5,772,938            | 7,929,449 | 8,659                            | 7,938,108       |

*See accompanying notes to the consolidated interim financial statements*

SHINHAN CARD CO., LTD. AND SUBSIDIARIES

**Consolidated Interim Statements of Cash Flows**

For the nine-month periods ended September 30, 2023 and 2022

|  | Nine-month periods ended<br>September 30 |                     |
|--|--|---------------------|
|  | 2023<br>(Unaudited)                      | 2022<br>(Unaudited) |
| <i>(In millions of won)</i>  |  |                     |
| <b>Cash flows from operating activities</b>                                    |  |                     |
| Profit before income tax   | ₩ 470,104                                | 589,322             |
| Adjustment for:  |  |                     |
| Interest income  | (2,094,295)                              | (1,841,780)         |
| Interest expense   | 688,710                                  | 488,041             |
| Dividend income  | (528)                                    | (415)               |
| Income tax expense   | 131,948                                  | 171,971             |
| Fee and commission income  | 21,364                                   | 20,930              |
| Fee and commission expense   | 721                                      | 531                 |
| Net gain on valuation of financial assets at fair value through profit or loss | (7,140)                                  | (553)               |
| Net gain on sales of financial assets at fair value through profit or loss     | 1,037                                    | 1,132               |
| Net loss on valuation of financial assets at fair value through profit or loss | (1,222)                                  | (5,631)             |
| Net gain on valuation and transaction of derivatives                           | (193,063)                                | (633,828)           |
| Net loss on valuation and transaction of derivatives                           | 12,416                                   | 18,402              |
| Net gain on foreign currency transaction                                       | (10,520)                                 | (30,129)            |
| Net loss on foreign currency transaction                                       | 181,075                                  | 639,196             |
| Provision for credit loss allowance  | 639,517                                  | 368,498             |
| Employee expenses  | 13,835                                   | 17,958              |
| Depreciation expenses  | 51,798                                   | 46,614              |
| Provision for (reversal of) for restoration allowance                          | (1,287)                                  | 15                  |
| Other operating expenses   | 328,957                                  | 251,731             |
| Non-operating income   | (488)                                    | (62,951)            |
| Non-operating expenses   | 937                                      | 1,642               |
| Equity method loss, net  | 995                                      | (7,749)             |
|  | <u>(235,233)</u>                         | <u>(556,375)</u>    |
| Changes in assets and liabilities:   |  |                     |
| Restricted due from banks  | (48,950)                                 | (148,425)           |
| Deposits at amortized cost and others  | (6,720)                                  | -                   |
| Financial assets at fair value through profit or loss                          | (99,825)                                 | (19,956)            |
| Credit card receivables at amortized cost and others                           | (911,216)                                | (3,762,820)         |
| Lease assets   | (404,832)                                | (687,147)           |
| Other assets   | (423,313)                                | (549,620)           |
| Net defined benefit obligations  | (3,768)                                  | 710                 |
| Provisions   | (31,758)                                 | (21,953)            |
| Other liabilities  | 1,121,385                                | 463,810             |
|  | <u>(808,997)</u>                         | <u>(4,725,401)</u>  |
| Income taxes paid  | (123,102)                                | (292,868)           |
| Interest received  | 1,983,476                                | 1,720,209           |
| Interest paid  | (558,106)                                | (462,363)           |
| Dividend received  | 528                                      | 415                 |
| <b>Net cash inflow (outflow) from operating activities</b>                     | <u>₩ 728,670</u>                         | <u>(3,727,061)</u>  |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Interim Statements of Cash Flows (continued)**  
For the nine-month periods ended September 30, 2023 and 2022

|  | Nine-month periods ended<br>September 30 |                     |
|--|--|---------------------|
|  | 2023<br>(Unaudited)                      | 2022<br>(Unaudited) |
| <i>(In millions of won)</i>  |  |                     |
| <b>Cash flows from investing activities</b>                                      |  |                     |
| Proceeds from disposal of financial assets at fair value through profit or loss  | ₩ 2,504                                  | 20,304              |
| Acquisition of financial assets at fair value through profit or loss             | (29,277)                                 | (27,848)            |
| Acquisition of financial assets at fair value through other comprehensive income | -  | (192,894)           |
| Proceeds from disposal of investments in associates                              | 4,805                                    | 12,163              |
| Acquisition of investments in associates   | (3,375)                                  | (22,350)            |
| Proceeds from disposal of property and equipment                                 | 1,056                                    | 76,754              |
| Acquisition of property and equipment  | (13,867)                                 | (16,254)            |
| Proceeds from disposal of intangible assets                                      | -  | 43                  |
| Acquisition of intangible assets   | (22,417)                                 | (19,291)            |
| Decrease in security deposits paid   | 889                                      | 4,131               |
| Increase in security deposits paid   | (3,903)                                  | (4,000)             |
| Net cash outflow from Changes due to business combination                        | -  | (4,260)             |
| <b>Net cash outflow from investing activities</b>                                | <b>₩ (63,585)</b>                        | <b>(173,502)</b>    |
| <b>Cash flows from financing activities</b>                                      |  |                     |
| Proceeds from borrowings   | ₩ 838,114                                | 4,290,830           |
| Repayment of borrowings  | (1,432,578)                              | (1,532,423)         |
| Proceeds from debentures   | 5,859,662                                | 5,745,717           |
| Repayment of debentures  | (5,442,194)                              | (4,754,998)         |
| Cash inflows from cash flow hedges   | 1,490,201                                | 1,702,771           |
| Cash outflows from cash flow hedges  | (1,414,642)                              | (1,675,739)         |
| Repayment of lease liabilities   | (10,574)                                 | (9,220)             |
| Dividends paid   | (256,631)                                | (337,620)           |
| Increase in security deposits received   | 88,442                                   | 160,275             |
| Issuance of hybrid bonds   | 299,921                                  | 399,901             |
| Payment of dividend on hybrid bonds  | (19,956)                                 | (8,028)             |
| Increase in other financial liabilities  | 11,090                                   | 12,040              |
| <b>Net cash inflow from financing activities</b>                                 | <b>10,855</b>                            | <b>3,993,506</b>    |
| <b>Effect of exchange rate fluctuations on cash and cash equivalents</b>         | <b>14</b>                                | <b>(627)</b>        |
| <b>Net increase in cash and cash equivalents</b>                                 | <b>675,954</b>                           | <b>92,316</b>       |
| <b>Cash and cash equivalents at the beginning of period</b>                      | <b>463,814</b>                           | <b>319,868</b>      |
| <b>Cash and cash equivalents at the end of period (Note 36)</b>                  | <b>₩ 1,139,768</b>                       | <b>412,184</b>      |

*See accompanying notes to the consolidated interim financial statements*

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**1. Reporting Entity**

General information of Shinhan Card Co., Ltd. (the “Company” or the “Controlling Company”) and its subsidiaries (collectively the “Group”) is as follows.

(a) The Controlling Company

The Controlling Company was incorporated on December 17, 1985. The address of the Company’s registered office is Eulji-Ro 100, Building A, Jung-Gu, Seoul (Pine Avenue Eulji-Ro 2 Ga). The Group provides credit card services, factoring, installment financing and lease financing under the Specialized Credit Finance Business Act.

As of September 30, the Group has approximately 20.67 million (actual member criteria) personal credit card holders, 2 million merchants in its network and 32 branch offices (including the headquarter office). The Group is a wholly owned subsidiary of Shinhan Financial Group Co., Ltd. (“Shinhan Financial Group”).



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**1. Reporting Entity (continued)**

(b) Subsidiaries

As of September 30, 2023 and December 31, 2022, consolidated subsidiaries are summarized below.

| Name of subsidiary   | Location   | Closing month | Operating activities   | September 30, 2023   |                          | December 31, 2022    |                          |
|--|------------|---------------|--|----------------------|--------------------------|----------------------|--------------------------|
|  |            |               |  | Controlling interest | Non-controlling interest | Controlling interest | Non-controlling interest |
| Shinhan Card 2019-1<br>(*1)(*2)  | Korea      | December      | ABS  | -                    | -                        | 0.50%                | 99.50%                   |
| Shinhan Card 2019-2<br>(*1)(*2)  | Korea      | December      | ABS  | -                    | -                        | 0.50%                | 99.50%                   |
| Shinhan Card 2019-3<br>(*1)(*2)  | Korea      | December      | ABS  | -                    | -                        | 0.50%                | 99.50%                   |
| Shinhan Card 2020-1<br>(*1)(*2)  | Korea      | December      | ABS  | -                    | -                        | 0.50%                | 99.50%                   |
| Shinhan Card 2021-1<br>(*1)(*2)  | Korea      | December      | ABS  | 0.50%                | 99.50%                   | 0.50%                | 99.50%                   |
| Shinhan Card 2021-2<br>(*1)(*2)  | Korea      | December      | ABS  | 0.50%                | 99.50%                   | 0.50%                | 99.50%                   |
| Shinhan Card 2022-1<br>(*1)(*2)  | Korea      | December      | ABS  | 0.50%                | 99.50%                   | 0.50%                | 99.50%                   |
| Shinhan Card 2022-2<br>(*1)(*2)  | Korea      | December      | ABS  | 0.50%                | 99.50%                   | 0.50%                | 99.50%                   |
| Shinhan Card 2022-3<br>(*1)(*2)  | Korea      | December      | ABS  | 0.50%                | 99.50%                   | 0.50%                | 99.50%                   |
| Shinhan Card 2023-1<br>(*1)(*2)  | Korea      | December      | ABS  | 0.50%                | 99.50%                   | -                    | -                        |
| Shinhan Credit Information Co., Ltd.<br>(*3)   | Korea      | December      | Debt collection, credit investigation, complaints service agency | 100.00%              | -                        | 100.00%              | -                        |
| Shinhan Finance LLC  | Kazakhstan | December      | Installment, lease financing and credit loan                     | 100%                 | -                        | 100.0%               | -                        |
| Shinhan Indo Finance   | Indonesia  | December      | Installment, credit card and lease financing                     | 76.33%               | 23.67%                   | 76.33%               | 23.67%                   |
| Shinhan Microfinance Co., Ltd.   | Myanmar    | September     | Credit loan  | 100%                 | -                        | 100.0%               | -                        |
| Shinhan Vietnam Finance Co., Ltd.  | Vietnam    | December      | Credit loan, Installment and credit card                         | 100%                 | -                        | 100.0%               | -                        |
| Specified money in trusts<br>(*1)<br>(As of September 30: 3 cases, as of December 31, 2022: 7 cases) | Korea      | December      | Trust asset management   | 100%                 | -                        | 100.0%               | -                        |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**1. Reporting Entity (continued)**

(b) Subsidiaries (continued)

As of September 30, 2023 and December 31, 2022, consolidated subsidiaries are summarized below. (continued)

(\*1) The above subsidiaries are structured entities that are designed voting rights or similar rights are not major factors when determining control.

(\*2) Although the Controlling Company's percentage of ownership in shares of structured entities is less than 50%, with consideration of the terms and conditions of structured entities' incorporate agreement, the Group obtains substantially all gains and losses from the operations of the structured entities, and the Group has the ability to direct the activities of structured entities that can significantly affect such gains and losses. Accordingly, the structured entities are included in the consolidation. The Group may trust credit card receivables additionally if these consolidated structured entities are unable to repay securitized debentures connected to the entities' underlying assets.

(\*3) The Group has acquired 100% shares of Shinhan Credit Information Co., Ltd. from Shinhan Financial Group Co., Ltd. and Shinhan Credit Information Co., Ltd. became a wholly-owned subsidiary of the Group for the year ended December 31, 2022.

(c) Changes in investments in subsidiaries for the nine-month period ended September 30, 2023 are as follows:

| <b>Status of change</b> | <b>Name of the subsidiary</b> | <b>Reason</b>             |
|-------------------------|-------------------------------|---------------------------|
| Included                | Shinhan card 2023-1           | Newly invested subsidiary |
| Excluded                | Shinhan card 2019-1           | Liquidation               |
| Excluded                | Shinhan card 2019-2           | Liquidation               |
| Excluded                | Shinhan card 2019-3           | Liquidation               |
| Excluded                | Shinhan card 2020-1           | Dissolution               |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**1. Reporting Entity (continued)**

(d) Condensed financial information of the Group's subsidiaries as of and for the nine-month period ended September 30, 2023 and as of and for the year ended December 31, 2022 are as follows:

|                                      |   | <b>September 30, 2023</b> |                          |                     |                                     |  |
|--------------------------------------|---|---------------------------|--------------------------|---------------------|-------------------------------------|--|
| <b>Name of subsidiary</b>            |   | <b>Total assets</b>       | <b>Total liabilities</b> | <b>Total equity</b> | <b>Profit (loss) for the period</b> | <b>Total comprehensive income (loss)</b> |
| Shinhan Card 2021-1                  | ₩ | 350,086                   | 350,086                  | -                   | -                                   | -  |
| Shinhan Card 2021-2                  |   | 400,118                   | 400,118                  | -                   | -                                   | -  |
| Shinhan Card 2022-1                  |   | 400,283                   | 400,283                  | -                   | -                                   | -  |
| Shinhan Card 2022-2                  |   | 549,082                   | 538,062                  | 11,020              | -                                   | 3,344                                    |
| Shinhan Card 2022-3                  |   | 335,809                   | 336,328                  | (519)               | -                                   | 2,251                                    |
| Shinhan Card 2023-1                  |   | 332,010                   | 329,335                  | 2,675               | -                                   | 2,675                                    |
| Shinhan Credit Information Co., Ltd. |   | 33,356                    | 10,487                   | 22,869              | 1,999                               | 1,959                                    |
| Shinhan Finance LLC                  |   | 145,342                   | 115,999                  | 29,343              | 6,439                               | 5,596                                    |
| Shinhan Indo Finance                 |   | 171,631                   | 135,051                  | 36,580              | 4,190                               | 4,623                                    |
| Shinhan Microfinance Co., Ltd.       |   | 12,610                    | 14,050                   | (1,440)             | (819)                               | (1,070)                                  |
| Shinhan Vietnam Finance Co., Ltd.    |   | 703,167                   | 558,543                  | 144,624             | 5,935                               | 9,236                                    |
| Specified money in trusts            |   | 1,060,000                 | -                        | 1,060,000           | 22,056                              | 22,056                                   |

|                                      |   | <b>December 31, 2022</b> |                          |                     |                                   |  |
|--------------------------------------|---|--------------------------|--------------------------|---------------------|-----------------------------------|--|
| <b>Name of subsidiary</b>            |   | <b>Total assets</b>      | <b>Total liabilities</b> | <b>Total equity</b> | <b>Profit (loss) for the year</b> | <b>Total comprehensive income (loss)</b> |
| Shinhan Card 2019-1                  | ₩ | -                        | -                        | -                   | -                                 | -  |
| Shinhan Card 2019-2                  |   | 318,122                  | 316,846                  | 1,276               | -                                 | (1,127)                                  |
| Shinhan Card 2019-3                  |   | 175,049                  | 175,049                  | -                   | -                                 | -  |
| Shinhan Card 2020-1                  |   | 522,352                  | 520,408                  | 1,944               | -                                 | (2,973)                                  |
| Shinhan Card 2021-1                  |   | 350,076                  | 350,076                  | -                   | -                                 | -  |
| Shinhan Card 2021-2                  |   | 400,104                  | 400,104                  | -                   | -                                 | -  |
| Shinhan Card 2022-1                  |   | 400,246                  | 400,246                  | -                   | -                                 | -  |
| Shinhan Card 2022-2                  |   | 521,907                  | 514,232                  | 7,675               | -                                 | 7,675                                    |
| Shinhan Card 2022-3                  |   | 327,155                  | 329,924                  | (2,769)             | -                                 | (2,769)                                  |
| Shinhan Credit Information Co., Ltd. |   | 31,397                   | 10,488                   | 20,909              | 558                               | 558                                      |
| Shinhan Finance LLC                  |   | 109,400                  | 85,303                   | 24,097              | 4,504                             | 4,853                                    |
| Shinhan Indo Finance                 |   | 145,938                  | 113,982                  | 31,956              | 6,375                             | 9,619                                    |
| Shinhan Microfinance Co., Ltd.       |   | 11,434                   | 11,804                   | (370)               | (858)                             | (864)                                    |
| Shinhan Vietnam Finance Co., Ltd.    |   | 647,313                  | 511,926                  | 135,387             | 17,303                            | 20,534                                   |
| Specified money in trusts            |   | 475,000                  | -                        | 475,000             | 18,934                            | 18,934                                   |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**2. Basis of Preparation**

(a) Basis of Preparation

The Group's consolidated interim financial statements for the nine-month period ended September 30, have been prepared in accordance with K-IFRS No. 1034 Interim Financial Reporting. These consolidated interim financial statements have been prepared in accordance with K-IFRS which is effective or early adopted as of September 30, 2023.

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

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2023.

*i) Amendments to K-IFRS 1001 'Presentation of Financial Statements' – Disclosure of Accounting Policies*

The amendments define material accounting policy information and require disclosure of material accounting policy information. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

*ii) Amendments to K-IFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Accounting Estimates*

The amendments define accounting estimates and clarify the way to distinguish changes in accounting policies from changes in accounting estimates. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

*iii) Amendments to K-IFRS 1012 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments add a requirement to the initial recognition exemption by requiring entities to recognize the deferred tax on transactions that give rise to equal amounts of taxable and deductible temporary differences. The amendments will not have a significant impact on the consolidated financial statements.

*iv) Amendments to K-IFRS 1117 'Insurance Contracts'*

K-IFRS 1117 'Insurance Contracts' supersedes K-IFRS 1104 'Insurance Contracts'. According to K-IFRS 1117, the Group estimates all cash flows under the insurance contract and measure insurance liabilities by using discount rates that reflect assumptions and risks at the reporting point, then recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder for each fiscal year. Investment components (such as refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

*v) K-IFRS 1001 'Presentation of Financial Statements' – Classification of Debt with Covenants as Current or Non-current*

The amendments require disclosure of the carrying amount of the financial liability and its related gains or losses if, all or part of a financial instrument subject to adjustment of the exercise price according to changes in the issuer's stock price. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

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

(a) Basis of Preparation (continued)

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

*i) Amendments to K-IFRS 1001 'Presentation of Financial Statements' amended - Classification of Liabilities as Current or Noncurrent*

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2024, and earlier application is permitted. The Group currently reviews the effects of the amendments on its financial statements.

(b) Material Accounting Policies

Material accounting policies and method of computation used in the preparation of the consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2022, except for the changes due to the application of amendment and enactments of standards described in Note 2.1.1.

**3. Critical Accounting Estimates and Assumptions**

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements 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. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical accounting estimates and assumptions applied in the preparation of these condensed consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2022, except for the estimates used to determine income tax expense.

**4. Financial Risk Management**

(a) General information of risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk, Liquidity risk, and Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

*(i) Organization for risk management*

Major decisions relating to risk management are made by the Risk Management Committee under the Board of Directors. To effectively implement the Risk Management Committee's determination and deliberation, the Group runs the Risk Management Council which includes the CRO (Chief Risk Officer) as chairman and consists of heads of relevant units and divisions. In order to assist the two committees, there is an independent risk executive team which is fully in charge of tasks related to risk management.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**4. Financial Risk Management (continued)**

(a) General information of risk management (continued)

*(i) Organization for risk management (continued)*

In addition, the Group established a Credit Review Committee separately from the Risk Management Council to conduct credit evaluations of corporate customers with outstanding loans over a certain amount and other significant credit matters. The Credit Review Committee is led by the CRO and consists of heads of relevant divisions.

*(ii) Risk management process*

The Group measures credit risk, liquidity risk, market risk, and interest rate risk. The Group presents an acceptable level of risks before the establishment of an annual financial plan, and sets the upper growth limit as a guideline, which considers available capital and risk capital. On the basis of organized financial plans in accordance with established guidelines, the Group organizes risk plans and sets risk limits, which encompass the Group's entire risk appetite.

Risk limits are set on the basis of the risk capital in principle or set by the regulatory capital in case of absence of a risk capital calculation system. The Group manages total risk limits, risk limits for each type of risk and risk limits by product. If total risk exceeds 95% of its limit, the Group immediately reports the risk limits to the CRO of Shinhan Financial Group and to the Group Risk Management Committee. In case of risk limits for each type of risk, after consultation with the Shinhan Financial Group, it is adjustable by resolution of the Risk Management Committee within the range of total risk limits. In case of risk limits by product, after prepared countermeasures, it is adjustable by resolution of the Risk Management Council.

*(iii) Risk monitoring*

Risk Monitoring is performed by Shinhan Financial Group's risk dashboard for early detection of risk, regular risk measurement and monitoring systems the Risk Management Council and Risk Management Committee, and the Enterprise Risk Management System. The Group performs weekly monitoring on short-term credit quality indicators and leading economic indicators.

- Risk dashboard

The risk dashboard is a risk monitoring system to provide early detection and proactive response to portfolio risks and abnormal symptoms, and key monitoring targets of portfolios by business line and credit quality of members(credit ratings). It performs the pre-detection function on the risk factors such as increases in assets, and risks by each monitoring target. Regarding quantitative indicators such as increases in assets and increases in risks, the Group defines the determination level of risk detection by the statistical significance level. By regular monitoring, the risk management team together with relevant teams analyses the cause and prepares and implements a countermeasure.

- Risk measurement and monitoring reporting

The Group regularly reports the overall results of risk measurement and monitoring to the Risk Management Council and Risk Management Committee. Regular monitoring items consist of operational status of risk limits (total / type / product), portfolio guidelines, levels of enterprise crisis, economic / market trends, detailed indicators of credit quality, and financing and liquidity risks.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**4. Financial Risk Management (continued)**

(a) General information of risk management (continued)

*(iv) Enterprise crisis management system*

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. The Group 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 impact analysis, and upon the happening of any such contingency, is required to respond according to a prescribed contingency plan.

Internal and external crisis indicators for each of credit risk and liquidity risk are divided into core indicators, and leading indicators and the stage of crisis is determined quantitatively. Risk management working-level committee performs analysis of qualitative information and risk management council, consisting heads of departments decides whether to perform entity-wide impact analysis.

Enterprise crisis stages consist of six stages, Normal 1, Normal 2, Cautionary 1, Cautionary 2, Crisis Impending and Crisis, which are determined by a scoring system based on internal and external indicators.

Based on the assessment of crisis stage, appropriate action items for each crisis stage are set up and implemented. For the purpose of efficient operation of the Enterprise Crisis Management System, detailed roles and responsibilities for each organization are predefined. Crisis management organizations consist of a Risk management working-level committee which performs daily monitoring, risk management council, consisting heads of departments which is convened when the crisis stage is assessed as above the Cautionary 2 two times in succession. In addition, the Group has Risk Management Council and Crisis Management Council headed by the CEO, and Group Crisis Management Council headed by the CEO of the Shinhan Financial Group. These organizations and their detailed roles and responsibilities enable the Group to cope with crisis systematically.

*(v) Evaluation process*

The Group sets and operates the standards on credit card issuance pursuant to the standard of review for payment ability prescribed by the Regulation on Supervision of Specialized Credit Finance Business. If the basic qualification standards are not met, credit card issuance is prohibited. When standards are met, credit card issuance is possible only if the AS (Application Score) credit rating is above a certain degree, which is based on the Group's internal information, external information from Credit Bureaus, and personal information in the application form. The Group prohibits higher-risk customers from being issued a credit card by using supplementary information such as overdue history and Credit Bureaus' credit ratings.

The Group utilizes customer transaction records with Shinhan Financial Group's subsidiaries, internal or external credit information, and characteristics of each customer group to improve its assessment functions on credit card issuance for new customers. The Group performs various kinds of simulations to cope with the changes in surroundings such as market conditions and economic trends so that the Group is able to predict the potential risk of certain customer groups and establish the management policy for higher-risk groups.

The Group determines an optimized credit limit for new credit card holders according to their payment ability by considering occupation, income, property, debt, and transaction records with Shinhan Financial Group's subsidiaries. The Group operates a management system which enables the Group to monitor the changes in risk and prevent high-risk groups from being credit card holders by monitoring monthly indicators.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**4. Financial Risk Management (continued)**

(a) General information of risk management (continued)

*(vi) Credit Scoring System*

The Group's Credit Scoring System consists of ASS (Application Scoring System) and BSS (Behavioural Scoring System). BS (Behavioural Score) evaluates the credit card holder's credit quality regularly. Credit card AS (Application Score) evaluates potential credit card holder's credit quality when they apply for credit card issuance. Card loan AS and installment AS evaluate potential customers' credit quality. The Group utilizes the Credit Scoring System in order to monitor its customers' and portfolios' risk exposures.

AS is mainly based on the application form information, and BS is based on history information such as card use and payment after issuing a card. Common use information is calculated by using internal information such as payment ability, assets, period of use of our company, financial institution transaction details of applicants, external information such as credit rating agencies (NICE, KCB), and banking association.

AS application work is approved if the applicant's credit rating is above a certain score and does not correspond to the policy refusal reason such as delinquency of other card companies. AS application is a long-term customer of Shinhan Financial Group and a card applicant with good credit history. In addition, the Group uses the elements of credit rating as the basis for setting the limit when issuing cards. The monthly recalculated BS predicts the delinquency rate of card members, and the Group uses it to monitor members and monitor portfolio risk exposures.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group complies with credit risk management procedures pursuant to internal guidelines and regulations and continually monitors and improves these guidelines and regulations. Application of credit risk management includes not only all the transactions in these consolidated financial statements but also off balance items such as guarantees, loan agreements and derivatives transactions that could possibly generate economic loss. The Group assesses credit risks of those transactions and sets a limit on expected credit risks in advance.

The Group estimates credit risks of financial instruments using PD (Probability of Default), LGD (Loss Given Default), and EAD (Exposure at Default) utilizing the risk estimation methodology of Basel II. The Group applies the Basel basis conservatively to reflect the credit card crisis of 2003 and the nature of the credit card business. Credit risks of derivatives, due from banks and securities are assessed using the modified standard methodology of Basel. Credit risks are divided into respective business segments and merchandise segments, and the Group sets limits for each segment, which are monitored by the risk control process, and established an action plan in case that credit risks get close to, or exceed limits.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

(i) Exposure to credit risk

The carrying amount of financial instruments represents the Group's maximum exposure to credit risk. Exposure to credit risk of the Group as of September 30, 2023 and December 31, 2022 are as follows. Cash held by the Group is excluded.

|  | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--|---------------------------|--------------------------|
| Due from banks and credit card receivables at<br>amortized cost and others (*) |                           |                          |
| Banks  | ₩ 1,395,399               | 664,097                  |
| Retail   | 6,719,997                 | 6,787,006                |
| Government/ Public sector/<br>Central bank                                     | 1,048                     | 725                      |
| Corporations   | 4,021,791                 | 2,960,420                |
| Card receivable  | 26,508,663                | 27,083,541               |
|  | <u>38,646,898</u>         | <u>37,495,789</u>        |
| Financial assets at FVTPL  |                           |                          |
| Debt securities  | 15,728                    | 9,924                    |
| Beneficiary certificates   | 485,047                   | 371,012                  |
|  | <u>500,775</u>            | <u>380,936</u>           |
| Financial assets at FVOCI  |                           |                          |
| Debt securities  | 303,320                   | 302,693                  |
| Derivative financial assets  | 263,295                   | 196,596                  |
| Other assets (*)   | 1,297,003                 | 928,626                  |
|  | <u>₩ 41,011,291</u>       | <u>39,304,640</u>        |

(\*) The maximum exposure to credit risk is measured as net of allowance for doubtful accounts, deferred loan origination costs (fees), and present value discount amount.

As of September 30, 2023 and December 31, 2022, the maximum exposure to credit risk caused by unused credit commitments amounted to ₩92,383,233 million and ₩91,358,278 million, respectively. As of September 30, 2023 and December 31, 2022, the securities purchase agreement signed by the Group are ₩120,627 million and ₩104,546 million, respectively.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

4. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit risk exposure by measurement method

Details of the financial instruments based on measurement method of loss allowance by internal credit rating as of September 30, 2023 and December 31, 2022 are as follows:

|  | September 30, 2023        |           |                           |           |                 |            |                                 |            |
|--|---------------------------|-----------|---------------------------|-----------|-----------------|------------|---------------------------------|------------|
|  | 12-month ECLs measurement |           | Lifetime ECLs measurement |           | Impaired assets | Subtotal   | Allowance for doubtful accounts | Total      |
|  | Prime                     | Normal    | Prime                     | Normal    | Impaired        |            |                                 |            |
| Due from banks and credit card receivables at amortized cost |                           |           |                           |           |                 |            |                                 |            |
| Banks  | ₩ 1,395,311               | 97        | -                         | -         | -               | 1,395,408  | (9)                             | 1,395,399  |
| Retail   | 5,422,836                 | 906,952   | 216,765                   | 205,698   | 96,972          | 6,849,223  | (129,226)                       | 6,719,997  |
| Government   |                           |           |                           |           |                 |            |                                 |            |
| /Public sector   |                           |           |                           |           |                 |            |                                 |            |
| /Central bank  | 1,048                     | -         | -                         | -         | -               | 1,048      | -                               | 1,048      |
| Corporations   | 1,958,470                 | 1,950,930 | 5,064                     | 143,118   | 9,494           | 4,067,076  | (45,285)                        | 4,021,791  |
| Card receivables   | 20,634,101                | 2,391,480 | 1,390,109                 | 2,584,836 | 612,504         | 27,613,030 | (1,104,367)                     | 26,508,663 |
|  | 29,411,766                | 5,249,459 | 1,611,938                 | 2,933,652 | 718,970         | 39,925,785 | (1,278,887)                     | 38,646,898 |
| Financial assets at FVOCI                                    |                           |           |                           |           |                 |            |                                 |            |
| Debt securities(*)   | 303,320                   | -         | -                         | -         | -               | 303,320    | -                               | 303,320    |
|  | ₩ 29,715,086              | 5,249,459 | 1,611,938                 | 2,933,652 | 718,970         | 40,229,105 | (1,278,887)                     | 38,950,218 |

(\*) As of September 30, 2023, the allowance for expected credit loss of debt securities at fair value through other comprehensive income is ₩ 137 million.

|  | December 31, 2022         |           |                           |           |                 |            |                                 |            |
|--|---------------------------|-----------|---------------------------|-----------|-----------------|------------|---------------------------------|------------|
|  | 12-month ECLs measurement |           | Lifetime ECLs measurement |           | Impaired assets | Subtotal   | Allowance for doubtful accounts | Total      |
|  | Prime                     | Normal    | Prime                     | Normal    | Impaired        |            |                                 |            |
| Due from banks and credit card receivables at amortized cost |                           |           |                           |           |                 |            |                                 |            |
| Banks  | ₩ 664,066                 | 36        | -                         | -         | -               | 664,102    | (5)                             | 664,097    |
| Retail   | 5,561,921                 | 909,560   | 215,491                   | 165,159   | 74,844          | 6,926,975  | (139,969)                       | 6,787,006  |
| Government   |                           |           |                           |           |                 |            |                                 |            |
| /Public sector   |                           |           |                           |           |                 |            |                                 |            |
| /Central bank  | 725                       | -         | -                         | -         | -               | 725        | -                               | 725        |
| Corporations   | 1,042,986                 | 1,832,326 | 1,930                     | 116,682   | 4,629           | 2,998,553  | (38,133)                        | 2,960,420  |
| Card receivables   | 20,857,764                | 2,447,850 | 1,670,848                 | 2,647,398 | 487,351         | 28,111,211 | (1,027,670)                     | 27,083,541 |
|  | 28,127,462                | 5,189,772 | 1,888,269                 | 2,929,239 | 566,824         | 38,701,566 | (1,205,777)                     | 37,495,789 |
| Financial assets at FVOCI                                    |                           |           |                           |           |                 |            |                                 |            |
| Debt securities(*)   | 302,693                   | -         | -                         | -         | -               | 302,693    | -                               | 302,693    |
|  | ₩ 28,430,155              | 5,189,772 | 1,888,269                 | 2,929,239 | 566,824         | 39,004,259 | (1,205,777)                     | 37,798,482 |

(\*) As of December 31, 2022, the allowance for expected credit loss of debt securities at fair value through other comprehensive income is ₩98 million.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

4. Financial Risk Management (continued)

(b) Credit risk (continued)

(ii) Credit risk exposure by measurement method (continued)

Details of the off-balance item based on measurement method of loss allowance by internal credit rating as of September 30, 2023 and December 31, 2022 are as follows:

| September 30, 2023   |              |           |          |            |
|--|--------------|-----------|----------|------------|
| Loan commitments and other credit-related liabilities        |              |           |          |            |
|  | Prime        | Normal    | Impaired | Total      |
| <b>Loan commitments and other credit-related liabilities</b> |              |           |          |            |
| 12-month expected credit loss                                | ₩ 88,301,515 | 2,122,365 | -        | 90,423,880 |
| Lifetime expected credit loss                                | 1,099,571    | 975,709   | -        | 2,075,280  |
| Impaired financial asset                                     | -            | -         | 4,700    | 4,700      |
|  | ₩ 89,401,086 | 3,098,074 | 4,700    | 92,503,860 |
| December 31, 2022  |              |           |          |            |
| Loan commitments and other credit-related liabilities        |              |           |          |            |
|  | Prime        | Normal    | Impaired | Total      |
| <b>Loan commitments and other credit-related liabilities</b> |              |           |          |            |
| 12-month expected credit loss                                | ₩ 86,373,438 | 2,217,839 | -        | 88,591,277 |
| Lifetime expected credit loss                                | 1,890,951    | 976,498   | -        | 2,867,449  |
| Impaired financial asset                                     | -            | -         | 4,098    | 4,098      |
|  | ₩ 88,264,389 | 3,194,337 | 4,098    | 91,462,824 |

In the case of individual members, based on the internal credit rating, the Group manages the members with lower credit loss ratio compared to the profit ratio before impairment with prime, while others are classified as normal. In case of corporate members, AAA ~ BBB+ rating and non-rating of government/Public sector/central bank are classified as prime, while others are classified as normal.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

(iii) Concentration by industry sector

An analysis of concentration by industry sector of financial instrument, net of allowance, as of and September 30, 2023 and December 31, 2022 are as follows:

|   | September 30, 2023    |                |                      |                          |                      |                        |                  |                   |                   |
|---|-----------------------|----------------|----------------------|--------------------------|----------------------|------------------------|------------------|-------------------|-------------------|
|   | 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 credit card receivables at amortized cost:               |                       |                |                      |                          |                      |                        |                  |                   |                   |
| Banks   | ₩ 1,395,399           | -              | -                    | -                        | -                    | -                      | -                | -                 | 1,395,399         |
| Retail  | -                     | -              | -                    | -                        | -                    | -                      | -                | 6,719,997         | 6,719,997         |
| Government/ Public sector/ Central bank                                     | 942                   | -              | -                    | -                        | -                    | -                      | 106              | -                 | 1,048             |
| Corporations  | 1,405,015             | 306,272        | 369,410              | 187,112                  | 153,683              | 7,840                  | 1,592,459        | -                 | 4,021,791         |
| Card receivables  | 68,636                | 296,487        | 285,124              | 63,080                   | 45,160               | 12,703                 | 1,073,775        | 24,663,698        | 26,508,663        |
|   | <u>2,869,992</u>      | <u>602,759</u> | <u>654,534</u>       | <u>250,192</u>           | <u>198,843</u>       | <u>20,543</u>          | <u>2,666,340</u> | <u>31,383,695</u> | <u>38,646,898</u> |
| Securities measured at FVTPL  | -                     | -              | -                    | -                        | -                    | -                      | 500,775          | -                 | 500,775           |
| Securities at FVOCI   | -                     | -              | -                    | -                        | -                    | -                      | 303,320          | -                 | 303,320           |
|   | <u>₩ 2,869,992</u>    | <u>602,759</u> | <u>654,534</u>       | <u>250,192</u>           | <u>198,843</u>       | <u>20,543</u>          | <u>3,470,435</u> | <u>31,383,695</u> | <u>39,450,993</u> |
| Off-balance accounts: Loan commitments and other liabilities related credit | 297,945               | 713,423        | 541,270              | 233,343                  | 119,542              | 75,703                 | 2,026,506        | 88,496,129        | 92,503,861        |
|   |                       |                |                      |                          |                      |                        |                  |                   |                   |
|   | December 31, 2022     |                |                      |                          |                      |                        |                  |                   |                   |
|   | 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 credit card receivables at amortized cost:               |                       |                |                      |                          |                      |                        |                  |                   |                   |
| Banks   | ₩ 664,097             | -              | -                    | -                        | -                    | -                      | -                | -                 | 664,097           |
| Retail  | -                     | -              | -                    | -                        | -                    | -                      | -                | 6,787,006         | 6,787,006         |
| Government/ Public sector/ Central bank                                     | 701                   | -              | -                    | -                        | -                    | -                      | 24               | -                 | 725               |
| Corporations  | 542,222               | 355,412        | 359,662              | 208,190                  | 175,029              | 8,190                  | 1,311,715        | -                 | 2,960,420         |
| Card receivables  | 64,346                | 274,169        | 255,931              | 45,030                   | 45,936               | 19,473                 | 1,053,766        | 25,324,890        | 27,083,541        |
|   | <u>1,271,366</u>      | <u>629,581</u> | <u>615,593</u>       | <u>253,220</u>           | <u>220,965</u>       | <u>27,663</u>          | <u>2,365,505</u> | <u>32,111,896</u> | <u>37,495,789</u> |
| Securities measured at FVTPL  | -                     | -              | -                    | -                        | -                    | -                      | 380,936          | -                 | 380,936           |
| Securities at FVOCI   | -                     | -              | -                    | -                        | -                    | -                      | 302,693          | -                 | 302,693           |
|   | <u>₩ 1,271,366</u>    | <u>629,581</u> | <u>615,593</u>       | <u>253,220</u>           | <u>220,965</u>       | <u>27,663</u>          | <u>3,049,134</u> | <u>32,111,896</u> | <u>38,179,418</u> |
| Off-balance accounts: Loan commitments and other credit related liabilities | 292,848               | 735,625        | 531,173              | 177,612                  | 125,114              | 89,081                 | 1,863,103        | 87,648,268        | 91,462,824        |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

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

(b) Credit risk (continued)

*(iv) Reflection of forward-looking information*

The Group reflects the forward-looking information presented by the internal expert group based on various information when measuring expected credit losses. For the purpose of forecasting this forward-looking information, the Group utilizes the economic prospects disclosed by domestic and overseas research institutes or government and public institutions.

The Group reflects the future macroeconomic situation reflecting the weights calculated by the Group in the measurement of expected loss. The expected loss in this respect reflects the most likely outcome and is based on the same assumptions as the Group estimates based on its business plan and management strategy.

The Group analyzed data from the past to derive correlations between major macroeconomic variables and credit risk necessary for predicting credit risk and credit loss for each portfolio, and then reflected forward-looking information through regression equation estimation. To reflect the COVID-19 economic situation, the Group reviewed three scenarios: upside, central and downside, and reflected the final forward-looking information.

| <b>Major macroeconomic variables(*)</b>   | <b>Correlation between credit risks</b> |
|---|---|
| GDP growth rate                           | Negative correlation                    |
| Private consumption growth rate           | Negative correlation                    |
| Index of equipment investment growth rate | Negative correlation                    |
| Base rate                                 | Positive correlation                    |
| Balance on current account                | Negative correlation                    |

(\*) In addition to the above table, the forecast for the composite stock index was additionally selected.

The predicted correlation between the macroeconomic variables used by the Group and the risk of default is derived based on long-term data over the past 10 years.

When estimating the default rate considering future economic prospects, the recent actual default rate is an important reference. Although various economic indicators deteriorated due to the economic contraction caused by COVID-19 in 2023, the actual measurement default rate of the Group is being maintained stably.

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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4. Financial Risk Management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk could be caused by maturity mismatch of financial assets and liabilities, or temporary insolvency by unexpected cash outflows. It includes economic losses that the Group will incur in the process of financing high interest rates, or disposing of invested assets in order to meet its obligations. The Group manages liquidity risk by considering all liquidity variation factors that can cause cash inflows and outflows.

The Group sets the goal of “month-end liquidity” as the liquidity level at which the Group could pay its obligations in the next three months. Real liquidity gap ratio of maturity of financial assets and liabilities, liquidity buffer ratio and ABS to borrowings ratio are major indices of liquidity risks monitored by the Group, defined as cautious, apprehensive, and risky. The Group has prepared contingency plans for various liquidity crises.

(i) Maturity analysis of non-derivative financial instruments

The maturity analysis for non-derivative financial assets and liabilities as of September 30, 2023 and December 31, 2022 are as follows: Such undiscounted contractual cash flows differ from the discounted amount included in the consolidated statements of financial position, as they include estimated interest payments.

The Group expects that there would be no significant changes in the timing of cash flows.

|                               | September 30, 2023   |            |            |                      |              |                 |            |
|-------------------------------|----------------------|------------|------------|----------------------|--------------|-----------------|------------|
|                               | Less than<br>1 month | 1~3 months | 3~6 months | 6 months<br>~ 1 year | 1~5<br>years | Over<br>5 years | Total      |
| <b>Liabilities:</b>           |                      |            |            |                      |              |                 |            |
| Borrowings                    | ₩ 314,371            | 461,306    | 366,890    | 1,077,862            | 6,757,636    | -               | 8,978,065  |
| Debentures                    | 812,458              | 1,646,144  | 1,508,479  | 3,827,598            | 15,323,625   | 359,900         | 23,478,204 |
| Other financial liabilities   | 3,759,750            | 14,601     | 2,298      | 11,020               | 1,400,314    | 969             | 5,188,952  |
|                               | ₩ 4,886,579          | 2,122,051  | 1,877,667  | 4,916,480            | 23,481,575   | 360,869         | 37,645,221 |
| <b>Off-balance item (*):</b>  |                      |            |            |                      |              |                 |            |
| Securities purchase agreement | 120,627              | -          | -          | -                    | -            | -               | 120,627    |
| Unused credit commitments     | 92,383,233           | -          | -          | -                    | -            | -               | 92,383,233 |
|                               | ₩ 92,503,860         | -          | -          | -                    | -            | -               | 92,503,860 |

(\*) Unused credit commitments are classified into the earliest possible period because the payment must be executed immediately if the counterparty requests payment.



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**Notes to the Consolidated Interim Financial Statements (continued)**  
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4. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(i) Maturity analysis of non-derivative financial instruments (continued)

|                               | December 31, 2022    |            |            |                      |              |                 |            |
|-------------------------------|----------------------|------------|------------|----------------------|--------------|-----------------|------------|
|                               | Less than<br>1 month | 1~3 months | 3~6 months | 6 months<br>~ 1 year | 1~5<br>years | Over<br>5 years | Total      |
| <b>Liabilities:</b>           |                      |            |            |                      |              |                 |            |
| Borrowings                    | ₩ 142,973            | 237,705    | 67,343     | 1,382,940            | 7,495,522    | -               | 9,326,483  |
| Debentures                    | 545,094              | 1,524,512  | 1,656,389  | 3,853,963            | 14,683,000   | 370,933         | 22,633,891 |
| Other financial liabilities   | 3,233,182            | 14,857     | 31,223     | 53,902               | 599,019      | 3,693           | 3,935,876  |
|                               | ₩ 3,921,249          | 1,777,074  | 1,754,955  | 5,290,805            | 22,777,541   | 374,626         | 35,896,250 |
| <b>Off-balance item (*):</b>  |                      |            |            |                      |              |                 |            |
| Securities purchase agreement | 104,546              | -          | -          | -                    | -            | -               | 104,546    |
| Unused credit commitments     | 91,358,278           | -          | -          | -                    | -            | -               | 91,358,278 |
|                               | ₩ 91,462,824         | -          | -          | -                    | -            | -               | 91,462,824 |

(\* ) Unused credit commitments are classified into the earliest possible period because the payment must be executed immediately if the counterparty requests payment.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022

4. Financial Risk Management (continued)

(c) Liquidity risk (continued)

(ii) Maturity analysis of derivative financial instruments

A maturity analysis including the remaining contractual maturities for the derivatives as of September 30, 2023 and December 31, 2022 are as follows:

The amounts shown in the table were calculated based on the information below.

- Gross settlement derivatives: gross amount of cash received or paid.

- Net settlement derivatives: net amount of cash received or paid.

|                  |   | September 30, 2023   |               |               |                      |              |                 |             |
|------------------|---|----------------------|---------------|---------------|----------------------|--------------|-----------------|-------------|
|                  |   | Less than<br>1 month | 1~3<br>months | 3~6<br>months | 6 months<br>~ 1 year | 1~5<br>years | Over<br>5 years | Total       |
| Net settlement   |   |                      |               |               |                      |              |                 |             |
| cash outflow     | ₩ | 1,450                | 1,150         | 2,160         | 3,961                | 14,884       | 2,844           | 26,449      |
| Gross settlement |   |                      |               |               |                      |              |                 |             |
| cash inflow      |   | 15,419               | 26,279        | 71,224        | 239,785              | 3,303,131    | -               | 3,655,838   |
| Gross settlement |   |                      |               |               |                      |              |                 |             |
| cash outflow     |   | (12,245)             | (21,344)      | (65,536)      | (215,891)            | (2,968,540)  | -               | (3,283,556) |
|                  | ₩ | 4,624                | 6,085         | 7,848         | 27,855               | 349,475      | 2,844           | 398,731     |
|                  |   | December 31, 2022    |               |               |                      |              |                 |             |
|                  |   | Less than<br>1 month | 1~3<br>months | 3~6<br>months | 6 months<br>~ 1 year | 1~5<br>years | Over<br>5 years | Total       |
| Net settlement   |   |                      |               |               |                      |              |                 |             |
| cash outflow     | ₩ | 3,024                | 2,612         | 4,824         | 5,376                | 14,489       | 3,887           | 34,212      |
| Gross settlement |   |                      |               |               |                      |              |                 |             |
| cash inflow      |   | 120,502              | 489,512       | 319,513       | 177,729              | 2,806,265    | -               | 3,913,521   |
| Gross settlement |   |                      |               |               |                      |              |                 |             |
| cash outflow     |   | (110,037)            | (450,357)     | (297,352)     | (162,889)            | (2,645,364)  | -               | (3,665,999) |
|                  | ₩ | 13,489               | 41,767        | 26,985        | 20,216               | 175,390      | 3,887           | 281,734     |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
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4. Financial Risk Management (continued)

(d) Market risk

Market risk from trading positions is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to interest rate risk of financial assets and liabilities in the case of non-trading assets and interest rate risk of MMF (Money Market Fund) in the case of trading assets and only foreign exchange rate risk of foreign currency deposits because the Group hedges 100% cash flows of foreign currency liabilities with currency rate swaps.

The Group assesses risks of expected transactions and sets up limits to control market risks to the extent that the Group can handle. The Group assessed market risks on the basis of the Basel standard methodology and the Historical VaR (Value at Risk) method, established risk limits respectively, monitored, and established an action plan in case that market risks get close to, or exceed limits.

(i) Market risk management from trading positions

The Group assessed market risk from trading positions using the standard methodology of Financial Supervisory Service. Assets exposed to market risk as of September 30, 2023 and December 31, 2022 are fair value through profit or loss financial assets, which are evaluated and measured by applying the required weighted average cost of capital. The following represents the Group's assessment of its potential loss in financial assets at fair value through profit or loss as of September 30, 2023 and December 31, 2022 that are exposed to the respective risks:

|                        |   | September 30, 2023 |       |     | September 30 |
|------------------------|---|--------------------|-------|-----|--------------|
|                        |   | Average            | High  | Low |              |
| Interest rate risk (*) | ₩ | 2,062              | 4,352 | 800 | 2,301        |

(\*) Overseas subsidiaries were excluded from the calculation.

|                        |   | December 31, 2022 |       |       | December 31 |
|------------------------|---|-------------------|-------|-------|-------------|
|                        |   | Average           | High  | Low   |             |
| Interest rate risk (*) | ₩ | 1,784             | 2,401 | 1,650 | 1,801       |

(\*) Overseas subsidiaries were excluded from the calculation.

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(d) Market risk (continued)

(ii) *VaR and EaR management from non-trading positions*

-Interest rate risk from non-trading positions

The principal market risk from non-trading activities of the Group is interest rate risk. The Group makes an effort to minimize variations of net assets and profit by assessing and controlling interest rate risk of non-trading positions. Interest rate VaR and EaR, to which real interest rate variations of assets and liabilities are applied, are used to assess interest rate risk.

Interest rate VaR estimates, at a 99.9% confidence level, the expected maximum loss assuming a one-year holding period. The Group calculates the Interest rate VaR using an internal model which has been designed to apply historical interest rate scenarios provided by accompanying net asset value simulations due to interest rate changes.

Interest rate EaR (Earning at Risk) is the maximum expected loss of net interest income within the next year due to negative variations of interest rates. Interest rate EaR is computed using interest rate repricing gap, differences between expected interest rate variation timing and target period (one year) and expected interest rate variation, and also applied interest rate variation timing for each maturity level and interest rate shock (200bp) were suggested by Basel. However, interest rate shock was not applied for financial assets with low sensitivity from a conservative point of view.

Interest rate VaR and EaR of non-trading positions as of September 30, 2023 and December 31, 2022 are as follows:

|                   |   | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|-------------------|---|---------------------------|--------------------------|
| Interest rate VaR | ₩ | 943,029                   | 1,249,597                |
| Interest rate EaR |   | 601,849                   | 693,911                  |

-Equity price risk and foreign exchange rate risk from non-trading positions

The Group assessed equity price risk and foreign exchange rate risk from foreign currency equity securities of non-trading positions using the Historical VaR method. Assuming that asset returns are possible in case of crisis, historical VaR of the equity price and foreign currency rate is calculated at bottom 99% of 10 day holding period volatility for one year (250 trading days) in reporting date. Total VaR is calculated assuming that equity price risk and foreign exchange rate risk occur at the same time. Variance effect is calculated based on the difference between the total VaR and the sum of price risk and foreign exchange rate risk.

The Group does not have any non-trading positions that are exposed to equity risk and foreign exchange rate risk.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
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(In millions of won)

**4. Financial Risk Management (continued)**

(e) Capital risk management

The Group has exposure to credit risk, liquidity risk and market risk. By maintaining an optimal capital structure, the Group's objective is to control its financial risks, enhance its safety and soundness, stabilize the financial system, and advance the company's credit standing.

The Group operates the credit card business under the Specialized Credit Finance Business Act. Accordingly, the Group should obey the Regulations on Supervision of Specialized Credit Finance Business. The regulations require the Group to maintain an adjusted equity capital ratio of more than 8%. Adjusted total assets and adjusted equity capital for the ratio are based on the separate statements of financial position and adjusted by the regulation that considered standards of the Bank for International Settlements and the nature of credit card business. The Group observes ratios of adjusted equity capital requirements regulated by the Specialized Credit Finance Business and the Group complied with the regulatory requirement for the adjusted equity capital ratio.

**5. Fair Value Measurement of Financial Instruments**

The Group primarily uses the published price quotations in an active market for measurement of the fair value of financial instruments. If the market for a financial instrument is not active, fair value is established either by using a valuation technique or an independent third-party valuation service.

The Group uses diverse valuation techniques under reasonable assumptions which are based on the observable inputs in markets at the end of each reporting period.

Valuation techniques include using the recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted market price (unadjusted) in an active market for an identical instrument (Level 1)
- Valuation techniques based on observable inputs, either directly or indirectly (Level 2)
- Valuation techniques using significant unobservable inputs (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**5. Fair Value Measurement of Financial Instruments (continued)**

(a) Financial instruments measured at fair value

(i) *Fair value measurement methods of financial instruments that are measured at fair value are as follows:*

**Fair value measurement methods**

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Financial assets at FVTPL

In case that the market of a financial instrument is active, fair value is established at the closing quoted price as of the last day for the reporting period. Fair value of debt securities which are not quoted in an active market are determined at the amount which is present value of the future cash flow estimated reasonably discounted by the rate considering the counterparty's credit risk. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost as estimates of fair value.

Derivative assets  
Derivative liabilities

In case that the market of a financial instrument is active, fair value is established at the closing quoted price as of the last day for the reporting period. If the market is not active, fair value is determined at the amount which is present value of the future cash flow reasonably estimated considering the counterparty's credit risk and discounted by the appropriate rate such as a risk free rate. If observable market data for the valuation is not available enough, the valuation result of the qualified external institutes is used as fair value.

Financial assets at FVOCI

In case that the market of a financial instrument is active, fair value is established at the closing quoted price at the last day for the reporting period. Fair value of equity securities which are not quoted in an active market are measured by the valuation model of independent and professional institutes using reliable data. Equity instruments that do not have a quoted market price in an active market and whose fair values are not reliably measurable are measured at cost as an estimate of fair value.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**5. Fair Value Measurement of Financial Instruments (continued)**

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

(ii) The fair value measurements classified by fair value hierarchy as of September 30, 2023 and December 31, 2022 are summarized as follows:

|  |   | <b>September 30, 2023</b> |                |                |                  |
|--|---|---------------------------|----------------|----------------|------------------|
|  |   | <b>Level 1</b>            | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
| <b>Financial assets</b>                      |   |                           |                |                |                  |
| Beneficiary certificates at FVTPL            | ₩ | -                         | 460,184        | 24,863         | 485,047          |
| Debt securities at FVTPL                     |   | -                         | -              | 15,728         | 15,728           |
| Equity securities at FVTPL                   |   | 242                       | -              | 22,231         | 22,473           |
| Derivative financial assets for hedging      |   | -                         | 263,295        | -              | 263,295          |
| Equity securities at FVOCI                   |   | -                         | -              | 75,900         | 75,900           |
| Debt securities at FVOCI                     |   | 267,105                   | 36,215         | -              | 303,320          |
|  | ₩ | <u>267,347</u>            | <u>759,694</u> | <u>138,722</u> | <u>1,165,763</u> |
| <b>Financial liabilities</b>                 |   |                           |                |                |                  |
| Derivative financial liabilities for hedging | ₩ | -                         | 243            | -              | 243              |
|  |   | <b>December 31, 2022</b>  |                |                |                  |
|  |   | <b>Level 1</b>            | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
| <b>Financial assets</b>                      |   |                           |                |                |                  |
| Beneficiary certificates at FVTPL            | ₩ | -                         | 360,175        | 10,837         | 371,012          |
| Debt securities at FVTPL                     |   | -                         | -              | 9,924          | 9,924            |
| Equity securities at FVTPL                   |   | 401                       | -              | 7,989          | 8,390            |
| Derivative financial assets for hedging      |   | -                         | 196,596        | -              | 196,596          |
| Equity securities at FVOCI                   |   | -                         | -              | 72,778         | 72,778           |
| Debt securities at FVOCI                     |   | 266,994                   | 35,699         | -              | 302,693          |
|  | ₩ | <u>267,395</u>            | <u>592,470</u> | <u>101,528</u> | <u>961,393</u>   |
| <b>Financial liabilities</b>                 |   |                           |                |                |                  |
| Derivative financial liabilities for hedging | ₩ | -                         | 21,346         | -              | 21,346           |



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
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**5. Fair Value Measurement of Financial Instruments (continued)**

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

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

Changes of fair value measurement in level 3 for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

|  | <b>September 30, 2023</b>                        |   |   |   | <b>Total</b>   |
|--|--|---|---|---|----------------|
|  | <b>Beneficiary<br/>certificates at<br/>FVTPL</b> | <b>Debt<br/>securities at<br/>FVTPL</b> | <b>Equity<br/>securities at<br/>FVTPL</b> | <b>Equity<br/>securities at<br/>FVOCI</b> |                |
| <b>Balance at January 1, 2023</b> ₩                          | 10,837   | 9,924                                   | 7,989                                     | 72,778                                    | 101,528        |
| Net gain on valuation of<br>financial assets at FVTPL<br>(*) | (57)   | (363)                                   | 6,496                                     | -   | 6,076          |
| Net changes in the<br>unrealized fair value of<br>FVOCI      | -  | -                                       | -   | 3,122                                     | 3,122          |
| Acquisition  | 14,890   | 6,641                                   | 7,746                                     | -   | 29,277         |
| Disposal   | (807)  | (474)                                   | -   | -   | (1,281)        |
| <b>Balance at September 30,<br/>2023</b> ₩                   | <u>24,863</u>                                    | <u>15,728</u>                           | <u>22,231</u>                             | <u>75,900</u>                             | <u>138,722</u> |

|  | <b>December 31, 2022</b>                         |   |   |   | <b>Total</b>   |
|--|--|---|---|---|----------------|
|  | <b>Beneficiary<br/>certificates at<br/>FVTPL</b> | <b>Debt<br/>securities at<br/>FVTPL</b> | <b>Equity<br/>securities at<br/>FVTPL</b> | <b>Equity<br/>securities at<br/>FVOCI</b> |                |
| <b>Balance at January 1, 2022</b> ₩                          | 3,659  | 3,803                                   | 3,686                                     | 35,525                                    | 46,673         |
| Net gain on valuation of<br>financial assets at FVTPL<br>(*) | 2  | 320                                     | 3,735                                     | -   | 4,057          |
| Net changes in the<br>unrealized fair value of<br>FVOCI      | -  | -                                       | -   | 7,872                                     | 7,872          |
| Acquisition  | 7,561  | 6,198                                   | 1,251                                     | 29,381                                    | 44,391         |
| Disposal   | (385)  | (397)                                   | (687)                                     | -   | (1,469)        |
| Business combination   | -  | -                                       | 4   | -   | 4              |
| <b>Balance at December 31,<br/>2022</b> ₩                    | <u>10,837</u>                                    | <u>9,924</u>                            | <u>7,989</u>                              | <u>72,778</u>                             | <u>101,528</u> |

(\*) Recognized profit or loss of the changes in carrying amount of financial instruments classified as Level 3 for the nine-month periods ended September 30, 2023 and 2022 are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows.

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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**5. Fair Value Measurement of Financial Instruments (continued)**

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

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

|  | <u>September 30, 2023</u>                       |   |
|--|---|---|
|  | <u>Amounts recognized<br/>in profit or loss</u> | <u>Recognized profit or loss from the<br/>financial instruments held as of<br/>September 30</u> |
| Net gain on financial assets at fair value<br>through profit or loss | ₩ 6,076   | 6,076   |

|  | <u>September 30, 2022</u>                       |  |
|--|---|--|
|  | <u>Amounts recognized<br/>in profit or loss</u> | <u>Recognized profit or loss from the<br/>financial instruments held as of<br/>December 31</u> |
| Net gain on financial assets at fair value<br>through profit or loss | ₩ 269   | 269  |

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**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
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**5. Fair Value Measurement of Financial Instruments (continued)**

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

(iv) Valuation techniques and inputs related to level 2

Information about valuation techniques and inputs in measuring financial instruments categorized as level 2 as of September 30, 2023 and December 31, 2022 are as follows:

| <b>September 30, 2023</b>         |                             |                                      |                        |   |
|-----------------------------------|-----------------------------|--------------------------------------|------------------------|---|
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant inputs</b>                         |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 460,184              | Interest rate                                     |
| <b>Derivative assets:</b>         | Discounted cash flow        | Interest rate swap, Currency swap    | 263,295                | Discount rate, Interest rate, exchange rate, etc. |
| <b>Financial assets at FVOCI:</b> | Option model                | Debt securities                      | 36,215                 | Discount rate, Interest rate, etc.                |
|                                   |                             |                                      | <u>₩ 759,694</u>       |   |
| <b>Derivative liabilities:</b>    | Discounted cash flow        | Currency swap                        | ₩ 243                  | Discount rate, Interest rate, exchange rate, etc. |
| <b>December 31, 2022</b>          |                             |                                      |                        |   |
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant inputs</b>                         |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 360,175              | Interest rate                                     |
| <b>Derivative assets:</b>         | Discounted cash flow        | Interest rate swap, Currency swap    | 196,596                | Discount rate, exchange rate, etc.                |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow, etc.  | Debt securities                      | 35,699                 | Interest rate                                     |
|                                   |                             |                                      | <u>₩ 592,470</u>       |   |
| <b>Derivative liabilities:</b>    | Discounted cash flow        | Interest rate swap, Currency swap    | ₩ 21,346               | Discount rate, exchange rate, etc.                |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
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**5. Fair Value Measurement of Financial Instruments (continued)**

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

(v) *Valuation techniques and inputs related to level 3*

Information about valuation techniques and inputs in measuring financial instruments categorized as level 3 as of September 30, 2023 and December 31, 2022 are as follows:

|                                   |                             | <b>September 30, 2023</b>            |                        |  |   |  |
|-----------------------------------|-----------------------------|--------------------------------------|------------------------|--|---|--|
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant unobservable inputs</b>   | <b>Range of estimates for unobservable inputs</b> |  |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 24,863               | Discount rate,<br>Growth rate,<br>The volatility of the underlying asset,<br>The volatility of the Interest rate | 5,47%~16.11%,<br>0%,<br>29.20%,<br>0.56%~0.96%    |  |
|                                   |                             | Debt securities                      | 15,728                 |  |   |  |
|                                   |                             | Equity securities                    | 22,232                 |  |   |  |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow, etc.  | Equity securities                    | 75,899                 | Discount rate.<br>Growth rate<br>The volatility of the underlying asset  | 10.32%~17.83%<br>0%<br>27.21%                     |  |
|                                   |                             |                                      | <u>₩ 138,722</u>       |  |   |  |
|                                   |                             | <b>December 31, 2022</b>             |                        |  |   |  |
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant unobservable inputs</b>   | <b>Range of estimates for unobservable inputs</b> |  |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 10,837               | Asset value  | -   |  |
|                                   |                             | Debt securities                      | 9,924                  |  |   |  |
|                                   |                             | Equity securities                    | 7,989                  |  |   |  |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow, etc.  | Equity securities                    | 72,778                 | Discount rate.<br>Growth rate  | 9.25%~17.98%,<br>0%                               |  |
|                                   |                             |                                      | <u>₩ 101,528</u>       |  |   |  |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
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**5. Fair Value Measurement of Financial Instruments (continued)**

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

(vi) *Sensitivity to changes on unobservable inputs*

For level 3 fair value measurement, a reasonably possible change in one or more of the unobservable inputs used to determine the fair value would have the following effect on profit or loss, or other comprehensive.

| Type of financial instrument       |   | September 30, 2023 |                    |
|------------------------------------|---|--------------------|--------------------|
|                                    |   | Favorable change   | Unfavorable change |
| Financial assets at FVTPL (*1)(*2) | ₩ | 100                | (79)               |
| Financial assets at FVOCI (*2)     |   | 3,766              | (2,859)            |

(\*1) Fair value changes are calculated by increasing or decreasing the volatility of the underlying asset(-10~10%p) or correlations.

(\*2) Changes in fair value have been assessed by increasing or decreasing unobservable inputs such as growth rate (-1%~1%) and discount rate (-1%~1%).

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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**5. Fair Value Measurement of Financial Instruments (continued)**

(b) Financial instruments measured at amortized cost

(i) *The methods of measuring the fair value of financial instruments measured at amortized cost are as follows:*

|  | <u>Fair value measurement methods</u>  |
|--|--|
| Cash and due from banks                              | Carrying amount of cash is the same as fair value. Carrying amount (matured within three months at acquisition date) is used as approximation of fair value for cash equivalents. Fair value of other due from banks is present value of expected cash flows discounted by the rate considering market interest rate and spread.   |
| Credit card receivables at amortized Cost and others | Fair value of credit card receivables measured at amortized cost and other is the present value of expected cash flows discounted by the rate considering market interest rate and counterparty's credit ratings. However, carrying amount is used as approximation of fair value for credit card receivables for lump-sum purchase and cash advances which contractual credit period granted is less than three months. |
| Other financial assets                               | Fair value of other financial assets is the present value of expected cash flows discounted by the rate considering market interest rate and counterparty's credit ratings. However, carrying amount is used as approximation of fair value for other financial assets when reliable expected cash flow is not available.  |
| Borrowings   | Fair value of borrowings are calculated by discounting contractual cash flows at a discount rate considering the market interest rate and the company's credit rating.   |
| Debentures   | Where the market of a financial instrument is active, fair value is established at the quoted price. Fair value of debentures which quoted market price is not available is determined to be the present value of contractual cash flows discounted by the rate considering market interest rate and the Group's credit ratings.   |
| Other financial liabilities                          | Fair value of other financial liabilities is determined to be the present value of contractual cash flows discounted by the rate considering market interest rate and the Group's credit ratings. Carrying amount is used as approximation of fair value of liabilities when reliable expected cash flows are not available.   |

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**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
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**5. Fair Value Measurement of Financial Instruments (continued)**

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

(ii) The carrying amount and the fair value of financial instruments measured at amortized cost as of September 30, 2023, 2023 and December 31, 2022 are as follows:

|                                |              | September 30, 2023                         |                                 |            |  |            |
|--------------------------------|--------------|--|---------------------------------|------------|--|------------|
|                                |              | Carrying amount                            |                                 |            |  |            |
|                                | Balance      | Deferred loan origination costs and others | Allowance for doubtful accounts | Total      |  | Fair value |
| <b>Financial assets</b>        |              |  |                                 |            |  |            |
| Cash                           | ₩ 167        | -  | -                               | 167        |  | 167        |
| Deposits                       | 1,396,384    | -  | -                               | 1,396,384  |  | 1,396,384  |
| Credit card receivables        | 27,652,206   | (39,176)                                   | (1,104,367)                     | 26,508,663 |  | 26,921,617 |
| Loans                          | 5,047,367    | 40,053                                     | (104,323)                       | 4,983,097  |  | 5,026,060  |
| Installment assets             | 3,879,230    | 32,734                                     | (50,666)                        | 3,861,298  |  | 3,822,053  |
| Lease assets                   | 1,917,467    | (479)                                      | (19,531)                        | 1,897,457  |  | 1,865,556  |
| Other assets                   | 1,328,018    | (3,263)                                    | (27,752)                        | 1,297,003  |  | 1,296,384  |
|                                | ₩ 41,220,839 | 29,869                                     | (1,306,639)                     | 39,944,069 |  | 40,328,221 |
| <b>Financial liabilities</b>   |              |  |                                 |            |  |            |
| Borrowings                     | ₩ 8,588,516  | (283,649)                                  | -                               | 8,304,867  |  | 8,052,073  |
| Debentures in won              | 19,350,000   | (10,311)                                   | -                               | 19,339,689 |  | 19,017,614 |
| Debentures in foreign currency | 2,737,693    | (10,195)                                   | -                               | 2,727,498  |  | 2,676,430  |
| Other liabilities              | 5,188,952    | (78,416)                                   | -                               | 5,110,536  |  | 5,090,843  |
|                                | ₩ 35,865,161 | (382,571)                                  | -                               | 35,482,590 |  | 34,836,960 |

|                                |              | December 31, 2022                          |                                 |            |  |            |
|--------------------------------|--------------|--|---------------------------------|------------|--|------------|
|                                |              | Carrying amount                            |                                 |            |  |            |
|                                | Balance      | Deferred loan origination costs and others | Allowance for doubtful accounts | Total      |  | Fair value |
| <b>Financial assets</b>        |              |  |                                 |            |  |            |
| Cash                           | ₩ 306        | -  | -                               | 306        |  | 306        |
| Deposits                       | 664,622      | -  | -                               | 664,622    |  | 664,622    |
| Credit card receivables        | 28,157,165   | (45,954)                                   | (1,027,670)                     | 27,083,541 |  | 27,441,994 |
| Loans                          | 3,811,385    | 41,436                                     | (112,058)                       | 3,740,763  |  | 3,755,823  |
| Installment assets             | 4,286,136    | 44,766                                     | (48,796)                        | 4,282,106  |  | 4,200,443  |
| Lease assets                   | 1,742,301    | (291)                                      | (17,253)                        | 1,724,757  |  | 1,684,006  |
| Other assets                   | 949,029      | (1,905)                                    | (18,498)                        | 928,626    |  | 927,706    |
|                                | ₩ 39,610,944 | 38,052                                     | (1,224,275)                     | 38,424,721 |  | 38,674,900 |
| <b>Financial liabilities</b>   |              |  |                                 |            |  |            |
| Borrowings                     | ₩ 9,136,178  | -  | -                               | 9,136,178  |  | 8,612,624  |
| Debentures in won              | 18,415,000   | (9,093)                                    | -                               | 18,405,907 |  | 17,675,091 |
| Debentures in foreign currency | 3,108,669    | (11,760)                                   | -                               | 3,096,909  |  | 2,953,336  |
| Other liabilities              | 3,935,876    | (65,117)                                   | -                               | 3,870,759  |  | 3,834,365  |
|                                | ₩ 34,595,723 | (85,970)                                   | -                               | 34,509,753 |  | 33,075,416 |



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**5. Fair Value Measurement of Financial Instruments (continued)**

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

(iii) The fair value hierarchy of financial instruments which are measured at amortized cost in the consolidated statements of financial position as of September 30, 2023 and December 31, 2022 are as follows:

|                                   |   | <b>September 30, 2023</b> |                  |                   |                   |
|-----------------------------------|---|---------------------------|------------------|-------------------|-------------------|
|                                   |   | <b>Level 1</b>            | <b>Level 2</b>   | <b>Level 3</b>    | <b>Total</b>      |
| <b>Financial assets</b>           |   |                           |                  |                   |                   |
| Cash                              | ₩ | 167                       | -                | -                 | 167               |
| Deposits                          |   | -                         | 1,396,384        | -                 | 1,396,384         |
| Credit card receivables           |   | -                         | -                | 26,921,617        | 26,921,617        |
| Loans                             |   | -                         | -                | 5,026,060         | 5,026,060         |
| Installment assets                |   | -                         | -                | 3,822,053         | 3,822,053         |
| Lease assets                      |   | -                         | -                | 1,865,556         | 1,865,556         |
| Other assets                      |   | -                         | -                | 1,296,384         | 1,296,384         |
|                                   | ₩ | <u>167</u>                | <u>1,396,384</u> | <u>38,931,670</u> | <u>40,328,221</u> |
| <b>Financial liabilities:</b>     |   |                           |                  |                   |                   |
| Borrowings                        | ₩ | -                         | -                | 8,052,073         | 8,052,073         |
| Debentures in won                 |   | -                         | -                | 19,017,614        | 19,017,614        |
| Debentures in<br>foreign currency |   | -                         | -                | 2,676,430         | 2,676,430         |
| Other liabilities                 |   | -                         | -                | 5,090,843         | 5,090,843         |
|                                   | ₩ | <u>-</u>                  | <u>-</u>         | <u>34,836,960</u> | <u>34,836,960</u> |
|                                   |   | <b>December 31, 2022</b>  |                  |                   |                   |
|                                   |   | <b>Level 1</b>            | <b>Level 2</b>   | <b>Level 3</b>    | <b>Total</b>      |
| <b>Financial assets</b>           |   |                           |                  |                   |                   |
| Cash                              | ₩ | 306                       | -                | -                 | 306               |
| Deposits                          |   | -                         | 664,622          | -                 | 664,622           |
| Credit card receivables           |   | -                         | -                | 27,441,994        | 27,441,994        |
| Loans                             |   | -                         | -                | 3,755,823         | 3,755,823         |
| Installment assets                |   | -                         | -                | 4,200,443         | 4,200,443         |
| Lease assets                      |   | -                         | -                | 1,684,006         | 1,684,006         |
| Other assets                      |   | -                         | -                | 927,706           | 927,706           |
|                                   | ₩ | <u>306</u>                | <u>664,622</u>   | <u>38,009,972</u> | <u>38,674,900</u> |
| <b>Financial liabilities:</b>     |   |                           |                  |                   |                   |
| Borrowings                        | ₩ | -                         | -                | 8,612,624         | 8,612,624         |
| Debentures in won                 |   | -                         | -                | 17,675,091        | 17,675,091        |
| Debentures in<br>foreign currency |   | -                         | -                | 2,953,336         | 2,953,336         |
| Other liabilities                 |   | -                         | -                | 3,834,365         | 3,834,365         |
|                                   | ₩ | <u>-</u>                  | <u>-</u>         | <u>33,075,416</u> | <u>33,075,416</u> |

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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**6. Categories of Financial Instruments**

(a) The carrying amounts of the categories of financial assets as of September 30, 2023 and December 31, 2022 are summarized as follows:

| <b>September 30, 2023</b>                                   |  |   |  |                                 |                   |
|---|--|---|--|---------------------------------|-------------------|
|   | <b>Financial<br/>assets at<br/>FVTPL</b> | <b>Financial<br/>assets at<br/>amortized<br/>cost</b> | <b>Financial<br/>assets at<br/>FVOCI</b> | <b>Derivative<br/>for hedge</b> | <b>Total</b>      |
| Cash and due from banks                                     | ₩ -                                      | 1,396,551   | -  | -                               | 1,396,551         |
| Financial assets at FVTPL                                   | 523,248                                  | -   | -  | -                               | 523,248           |
| Derivative assets   | -  | -   | -  | 263,295                         | 263,295           |
| Credit card receivables at<br>amortized cost and others (*) | -  | 37,250,515  | -  | -                               | 37,250,515        |
| Financial assets at FVOCI                                   | -  | -   | 379,220                                  | -                               | 379,220           |
| Other financial assets                                      | -  | 1,297,003   | -  | -                               | 1,297,003         |
|   | <b>₩ 523,248</b>                         | <b>39,944,069</b>                                     | <b>379,220</b>                           | <b>263,295</b>                  | <b>41,109,832</b> |

(\*) It includes ₩1,897,457 million in financial lease receivables under K-IFRS 1116.

| <b>December 31, 2022</b>                                    |  |   |  |                                 |                   |
|---|--|---|--|---------------------------------|-------------------|
|   | <b>Financial<br/>assets at<br/>FVTPL</b> | <b>Financial<br/>assets at<br/>amortized<br/>cost</b> | <b>Financial<br/>assets at<br/>FVOCI</b> | <b>Derivative<br/>for hedge</b> | <b>Total</b>      |
| Cash and due from banks                                     | ₩ -                                      | 664,928   | -  | -                               | 664,928           |
| Financial assets at FVTPL                                   | 389,326                                  | -   | -  | -                               | 389,326           |
| Derivative assets   | -  | -   | -  | 196,596                         | 196,596           |
| Credit card receivables at<br>amortized cost and others (*) | -  | 36,831,167  | -  | -                               | 36,831,167        |
| Financial assets at FVOCI                                   | -  | -   | 375,471                                  | -                               | 375,471           |
| Other financial assets                                      | -  | 928,626   | -  | -                               | 928,626           |
|   | <b>₩ 389,326</b>                         | <b>38,424,721</b>                                     | <b>375,471</b>                           | <b>196,596</b>                  | <b>39,386,114</b> |

(\*) It includes ₩1,724,757 million in financial lease receivables under K-IFRS 1116.

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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**6. Categories of Financial Instruments (continued)**

(b) The carrying amounts of the categories of financial liabilities as of September 30, 2023 and December 31, 2022 are summarized as follows:

|                                 |   | <b>September 30, 2023</b>                                       |                             |                   |
|---------------------------------|---|---|-----------------------------|-------------------|
|                                 |   | <b>Financial liabilities<br/>measured at<br/>amortized cost</b> | <b>Derivative for hedge</b> | <b>Total</b>      |
| Derivative liabilities          | ₩ | -   | 243                         | 243               |
| Borrowings                      |   | 8,304,867   | -                           | 8,304,867         |
| Debentures                      |   | 22,067,187  | -                           | 22,067,187        |
| Other financial liabilities (*) |   | 5,110,536   | -                           | 5,110,536         |
|                                 | ₩ | <u>35,482,590</u>   | <u>243</u>                  | <u>35,482,833</u> |

(\*) It includes ₩25,252 million in financial liabilities under K-IFRS 1116.

|                                 |   | <b>December 31, 2022</b>  |                             |                   |
|---------------------------------|---|---|-----------------------------|-------------------|
|                                 |   | <b>Financial liabilities<br/>measured at<br/>amortized cost</b> | <b>Derivative for hedge</b> | <b>Total</b>      |
| Derivative liabilities          | ₩ | -   | 21,346                      | 21,346            |
| Borrowings                      |   | 9,136,178   | -                           | 9,136,178         |
| Debentures                      |   | 21,502,816  | -                           | 21,502,816        |
| Other financial liabilities (*) |   | 3,870,759   | -                           | 3,870,759         |
|                                 | ₩ | <u>34,509,753</u>   | <u>21,346</u>               | <u>34,531,099</u> |

(\*) It includes ₩25,654 million in financial liabilities under K-IFRS 1116.

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**7. Offsetting Financial Assets and Financial Liabilities**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of September 30, 2023 and December 31, 2022 are as follows:

|                               |   | <b>September 30, 2023</b>               |  |   |  |   |                   |
|-------------------------------|---|---|--|---|--|---|-------------------|
|                               |   | <b>Gross<br/>amounts<br/>recognized</b> | <b>Gross<br/>amounts<br/>recognized<br/>for<br/>offsetting</b> | <b>Net amounts<br/>of financial<br/>instruments</b> | <b>Amounts not subject to<br/>offsetting</b> |   | <b>Net amount</b> |
|                               |   |   |  |   | <b>Financial<br/>instruments</b>             | <b>Cash<br/>collateral<br/>received</b> |                   |
| <b>Financial assets:</b>      |   |   |  |   |  |   |                   |
| Derivatives                   | ₩ | 263,295                                 | -  | 263,295   | 243  | -                                       | 263,052           |
| Repurchase agreements (*)     |   | 1,259,800                               | -  | 1,259,800   | 1,259,800                                    | -                                       | -                 |
| Receivable spot exchange      |   | 66,762                                  | -  | 66,762  | 66,762                                       | -                                       | -                 |
| <b>Financial liabilities:</b> |   |   |  |   |  |   |                   |
| Derivatives                   |   | 243                                     | -  | 243   | 243  | -                                       | -                 |
| Payable spot exchange         |   | 66,762                                  | -  | 66,762  | 66,762                                       | -                                       | -                 |

(\*) The amounts not subject to offsetting are securities that are received as collaterals for repurchase agreements.

|                               |   | <b>December 31, 2022</b>                |  |   |  |   |                   |
|-------------------------------|---|---|--|---|--|---|-------------------|
|                               |   | <b>Gross<br/>amounts<br/>recognized</b> | <b>Gross<br/>amounts<br/>recognized<br/>for<br/>offsetting</b> | <b>Net amounts<br/>of financial<br/>instruments</b> | <b>Amounts not subject to<br/>offsetting</b> |   | <b>Net amount</b> |
|                               |   |   |  |   | <b>Financial<br/>instruments</b>             | <b>Cash<br/>collateral<br/>received</b> |                   |
| <b>Financial assets:</b>      |   |   |  |   |  |   |                   |
| Derivatives                   | ₩ | 196,596                                 | -  | 196,596   | 7,469  | -                                       | 189,127           |
| Repurchase agreements (*)     |   | 385,000                                 | -  | 385,000   | 385,000                                      | -                                       | -                 |
| Receivable spot exchange      |   | 8,238                                   | -  | 8,238   | 8,238  | -                                       | -                 |
| <b>Financial liabilities:</b> |   |   |  |   |  |   |                   |
| Derivatives                   |   | 21,346                                  | -  | 21,346  | 7,469  | -                                       | 13,877            |
| Payable spot exchange         |   | 8,238                                   | -  | 8,238   | 8,238  | -                                       | -                 |

(\*) The amounts not subject to offsetting are securities that are received as collaterals for repurchase agreements.

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**8. Operating Segments**

The Group has a single reportable segment.

(a) Details of revenues by financial service type for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                           |   | <b>September 30, 2023</b> |                                |                  |                |                  |
|---------------------------|---|---------------------------|--------------------------------|------------------|----------------|------------------|
|                           |   | <b>Credit card</b>        | <b>Installment<br/>finance</b> | <b>Lease (*)</b> | <b>Others</b>  | <b>Total</b>     |
| Interest incomes          | ₩ | 1,584,806                 | 150,688                        | 76,339           | 282,462        | 2,094,295        |
| Fee and commission income |   | 1,009,504                 | 13,940                         | 444,163          | 43,967         | 1,511,574        |
| Other income              |   | 99,413                    | 159                            | 124              | 402,946        | 502,642          |
|                           | ₩ | <u>2,693,723</u>          | <u>164,787</u>                 | <u>520,626</u>   | <u>729,375</u> | <u>4,108,511</u> |

(\*) It includes finance income and costs occurred from finance lease receivables and lease liabilities under K-IFRS 1116.

|                           |   | <b>September 30, 2022</b> |                                |                  |                  |                  |
|---------------------------|---|---------------------------|--------------------------------|------------------|------------------|------------------|
|                           |   | <b>Credit card</b>        | <b>Installment<br/>finance</b> | <b>Lease (*)</b> | <b>Others</b>    | <b>Total</b>     |
| Interest incomes          | ₩ | 1,455,014                 | 119,607                        | 38,177           | 228,982          | 1,841,780        |
| Fee and commission income |   | 945,417                   | 10,610                         | 342,488          | 33,401           | 1,331,916        |
| Other income              |   | 9,162                     | 255                            | 155              | 822,478          | 832,050          |
|                           | ₩ | <u>2,409,593</u>          | <u>130,472</u>                 | <u>380,820</u>   | <u>1,084,861</u> | <u>4,005,746</u> |

(\*) It includes finance income and costs occurred from finance lease receivables and lease liabilities under K-IFRS 1116.

(b) Revenues from external customers for the nine-month periods ended September 30, 2023 and 2022 are all attributed to the Republic of Korea, where the Group is domiciled.

(c) There is no single external customer with revenues amount to 10 percent or more of the Group's revenues for the nine-month periods ended September 30, 2023 and 2022 .

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**9. Cash and Due from Banks**

(a) Details of cash and due from banks as of September 30, 2023 and December 31, 2022 are as follows

|                                      | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------|---------------------------|--------------------------|
| Cash                                 | ₩ 167                     | 306                      |
| Deposits in won:                     |                           |                          |
| Deposits on demand                   | 825,458                   | 363,235                  |
| Current deposits                     | 21,835                    | 47,470                   |
| Foreign currency deposits            | 24,753                    | 38,838                   |
| Time deposits                        | 206,566                   | 13,951                   |
| Deposit for checking accounts        | 31                        | 31                       |
| Deposits on demand of SPC            | 248,740                   | 200,036                  |
| Deposits on foreign currency reserve | 942                       | 701                      |
| Installment payment                  | 504                       | 360                      |
| Others                               | 67,555                    | -                        |
|                                      | <u>₩ 1,396,551</u>        | <u>664,928</u>           |

(b) Restricted due from banks as of September 30, 2023 and December 31, 2022 are as follows:

|                         | <u>September 30,<br/>2023</u> | <u>December 31,<br/>2022</u> | <u>Restrictions</u>   |
|-------------------------|-------------------------------|------------------------------|---|
| Time deposits:          |                               |                              |   |
| Shinhan Bank and others | ₩ 5                           | 5                            | Pledged as collateral for cash advances<br>Performance guarantee deposit  |
|                         | 341                           | 341                          |   |
|                         | <u>346</u>                    | <u>346</u>                   |   |
| Other deposits:         |                               |                              |   |
|                         | ₩ 31                          | 31                           | Deposit for checking accounts<br>Deposits on demand of SPC<br>Deposits on foreign currency reserve<br>Performance guarantee deposit |
| Woori Bank and others   | 248,740                       | 200,036                      |   |
|                         | 942                           | 701                          |   |
|                         | 4                             | -                            |   |
|                         | <u>249,717</u>                | <u>200,768</u>               |   |
|                         | <u>₩ 250,063</u>              | <u>201,114</u>               |   |

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**10. Financial Assets at FVTPL**

(a) Details of financial assets at FVTPL as of September 30, 2023 and December 31, 2022 are as follows and no financial assets are designated as at FVTPL.

|                          |   | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--------------------------|---|---------------------------|--------------------------|
| Beneficiary certificates | ₩ | 485,047                   | 371,012                  |
| Debt securities          |   | 15,728                    | 9,924                    |
| Equity securities        |   | 22,473                    | 8,390                    |
|                          | ₩ | <u>523,248</u>            | <u>389,326</u>           |

(b) Details of gain or loss on financial assets at FVTPL for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                   |   | <u>September 30, 2023</u> |                   | <u>September 30, 2022</u> |                   |
|-------------------|---|---------------------------|-------------------|---------------------------|-------------------|
|                   |   | <u>Three-month</u>        | <u>Nine-month</u> | <u>Three-month</u>        | <u>Nine-month</u> |
| Gain on valuation | ₩ | (619)                     | 7,140             | -                         | 553               |
| Loss on valuation |   | (518)                     | (1,037)           | (938)                     | (1,132)           |
| Gain on sale      |   | 1,784                     | 5,263             | 870                       | 7,430             |
| Other income      |   | 81                        | 6,782             | 188                       | 6,695             |
|                   | ₩ | <u>728</u>                | <u>18,148</u>     | <u>120</u>                | <u>13,546</u>     |

(c) Details of dividend income on financial assets at FVTPL for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  |   | <u>September 30, 2023</u> |                   | <u>September 30, 2022</u> |                   |
|--|---|---------------------------|-------------------|---------------------------|-------------------|
|  |   | <u>Three-month</u>        | <u>Nine-month</u> | <u>Three-month</u>        | <u>Nine-month</u> |
| Dividend income recognized in assets held at the end of the reporting period |   |                           |                   |                           |                   |
| Equity securities  | ₩ | 75                        | 191               | -                         | 35                |



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**11. Derivatives**

(a) Derivative assets and liabilities

The notional amounts and fair values of derivative assets and liabilities as of September 30, 2023 and December 31, 2022 are as follows:

|                    |   | September 30, 2023 |                |             | December 31, 2022 |                |               |
|--------------------|---|--------------------|----------------|-------------|-------------------|----------------|---------------|
|                    |   | Notional amounts   | Fair value     |             | Notional amounts  | Fair value     |               |
|                    |   |                    | Assets         | Liabilities |                   | Assets         | Liabilities   |
| Currency forward   | ₩ | 77,614             | 2              | -           | -                 | -              | -             |
| Currency swap      |   | 3,271,616          | 239,303        | 243         | 3,631,590         | 164,998        | 21,346        |
| Interest rate swap |   | 525,700            | 23,990         | -           | 1,240,000         | 31,598         | -             |
|                    | ₩ | <u>3,874,930</u>   | <u>263,295</u> | <u>243</u>  | <u>4,871,590</u>  | <u>196,596</u> | <u>21,346</u> |

(b) Gains (losses) on derivatives

Gains (losses) on derivatives for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                 |                    |   | September 30, 2023     |                |                       |              |
|-----------------|--------------------|---|------------------------|----------------|-----------------------|--------------|
|                 |                    |   | Gain/loss on valuation |                | Gain/loss on disposal |              |
|                 |                    |   | Three-month            | Nine-month     | Three-month           | Nine-month   |
| Cash flow hedge | Currency forward   | ₩ | 4                      | 4              | 429                   | 437          |
|                 | Currency swap      |   | 64,190                 | 176,576        | (6,131)               | 5,007        |
|                 | Interest rate swap |   | 49                     | 218            | (63)                  | (1,595)      |
|                 |                    | ₩ | <u>64,243</u>          | <u>176,798</u> | <u>(5,765)</u>        | <u>3,849</u> |

|                 |                    |   | September 30, 2022     |                |                       |              |
|-----------------|--------------------|---|------------------------|----------------|-----------------------|--------------|
|                 |                    |   | Gain/loss on valuation |                | Gain/loss on disposal |              |
|                 |                    |   | Three-month            | Nine-month     | Three-month           | Nine-month   |
| Cash flow hedge | Currency swap      | ₩ | 366,106                | 610,948        | (2,160)               | 1,393        |
|                 | Interest rate swap |   | (102)                  | 3,121          | -                     | (36)         |
|                 |                    | ₩ | <u>366,004</u>         | <u>614,069</u> | <u>(2,160)</u>        | <u>1,357</u> |

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**11. Derivatives (continued)**

(c) Hedging

i) Purpose of hedging and strategies

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 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.

ii) Nominal amounts and average hedge ratios for hedging instruments as of September 30, 2023 and December 31, 2022 are as follows:

:

|   |   | September 30, 2023 |              |              |              |              |                         |           |
|---|---|--------------------|--------------|--------------|--------------|--------------|-------------------------|-----------|
|   |   | Within<br>1 year   | 1~2<br>years | 2~3<br>years | 3~4<br>years | 4~5<br>years | More<br>than 5<br>years | Total     |
| <b>Cash flow hedges :</b>                   |   |                    |              |              |              |              |                         |           |
| Currency forward(*1)                        | ₩ | 77,614             | -            | -            | -            | -            | -                       | 77,614    |
| Currency swap(*2)                           |   | 158,687            | 430,336      | 1,277,560    | 1,075,840    | 329,193      | -                       | 3,271,616 |
| Interest rate swap                          |   | 180,000            | 120,000      | 25,700       | -            | -            | 200,000                 | 525,700   |
|   | ₩ | 416,301            | 550,336      | 1,303,260    | 1,075,840    | 329,193      | 200,000                 | 3,874,930 |
| Average hedge ratio:                        |   | 100%               | 100%         | 100%         | 100%         | 100%         | 100%                    | 100%      |
| Average price condition-<br>interest rate : |   | 1.93%              | 0.99%        | 4.92%        | 3.38%        | 4.11%        | 2.52%                   | 3.41%     |

(\*1) The average exchange rates conditions of Currency swap are USD/KRW 1,338.73, JPY/KRW 9.78.

(\*2) The average exchange rates conditions of Currency swap are USD/KRW 1,209.88, EUR/KRW 1,379.86.

|   |   | December 31, 2022 |              |              |              |              |                         |           |
|---|---|-------------------|--------------|--------------|--------------|--------------|-------------------------|-----------|
|   |   | Within<br>1 year  | 1~2<br>years | 2~3<br>years | 3~4<br>years | 4~5<br>years | More<br>than 5<br>years | Total     |
| <b>Cash flow hedges :</b>                   |   |                   |              |              |              |              |                         |           |
| Currency swap(*)                            | ₩ | 1,008,279         | -            | 912,456      | 1,203,935    | 506,920      | -                       | 3,631,590 |
| Interest rate swap                          |   | 860,000           | 180,000      | -            | -            | -            | 200,000                 | 1,240,000 |
|   |   | 1,868,279         | 180,000      | 912,456      | 1,203,935    | 506,920      | 200,000                 | 4,871,590 |
| Average hedge ratio:                        |   | 100%              | 100%         | 100%         | 100%         | 100%         | 100%                    | 100%      |
| Average price condition-<br>interest rate : |   | 1.82%             | 1.10%        | -            | 4.02%        | -            | 2.52%                   | 2.53%     |

(\*) The average exchange rates conditions of Currency swap are USD/KRW 1,207.43, SGD/KRW 859.87.

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**11. Derivatives (continued)**

(d) Cash flow hedge activity

For cash flow hedges, the amount that was recognized in other comprehensive income and the amount that was reclassified from equity to profit or loss for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  |   | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|--|---|---------------------------|---------------------------|
| Recognized in other comprehensive income                     | ₩ | 166,425                   | 605,391                   |
| Reclassified from equity to profit or loss                   |   | (181,902)                 | (614,620)                 |
| Deferred tax effect  |   | 4,124                     | 2,477                     |
| Changes in accumulated other comprehensive income(loss), net | ₩ | <u>(11,353)</u>           | <u>(6,752)</u>            |

(e) Hedge relationships affected by an interest rate index

It requires exceptions to the analysis of future information in relation to the application of hedge accounting, while uncertainty exists due to movements of the interest rate index reform. The exception assumes that when assessing whether the expected cash flows that comply with existing interest rate index 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 index that are based on the hedged item do not change due to the effect of the interest rate index reform.

The carrying amount of hedged item and 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 September 30, 2023 is as follows:

|               |   | <u>September 30, 2023</u>                      |   |
|---------------|---|--|---|
|               |   | <u>Notional amounts of hedging instruments</u> | <u>The book value of hedged liabilities</u> |
| KRW 3M CD (*) | ₩ | 525,700  | 525,484                                     |
| EURIBOR 1M    |   | 329,193  | 328,633                                     |

(\*) The notional amounts of hedging instrument for CMS interest rate, which is determined based on CD rate, are included.

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**12. Credit Card Receivables at Amortized Cost and Others**

(a) Details of credit card receivables at amortized cost and other as of September 30, 2023 and December 31, 2022 are as follows:

|   | <b>September 30,<br/>2023</b> | <b>December 31,<br/>2022</b> |
|---|-------------------------------|------------------------------|
| Credit card receivables:                    |                               |                              |
| Lump-sum purchases                          | ₩ 8,341,177                   | 7,969,699                    |
| Installment purchases                       | 7,030,934                     | 7,831,379                    |
| Cash advances                               | 1,519,861                     | 1,704,498                    |
| Revolving cash advances                     | 78,878                        | 88,869                       |
| Revolving purchases                         | 2,635,906                     | 2,623,203                    |
| Card loans                                  | 7,720,492                     | 7,630,672                    |
| Restructured loans                          | 324,958                       | 308,382                      |
| Purchasing card                             | -                             | 463                          |
| Less: Allowance for doubtful accounts       | (1,104,367)                   | (1,027,670)                  |
| Present value discount account              | (14,049)                      | (18,264)                     |
| Deferred loan origination fees              | (25,127)                      | (27,690)                     |
|   | <u>26,508,663</u>             | <u>27,083,541</u>            |
| Loans:                                      |                               |                              |
| General loans                               | 3,626,669                     | 3,192,297                    |
| Bonds purchased under repurchase agreements | 1,259,800                     | 385,000                      |
| Factoring receivables                       | 160,486                       | 113,584                      |
| Commercial paper                            | -                             | 120,000                      |
| Others                                      | 412                           | 504                          |
| Less: Allowance for doubtful accounts       | (104,323)                     | (112,058)                    |
| Add : Present value premium                 | 40                            | 153                          |
| Add: Deferred loan origination costs        | 40,013                        | 41,283                       |
|   | <u>4,983,097</u>              | <u>3,740,763</u>             |
| Installment financing assets:               |                               |                              |
| Installment for cars                        | 3,848,589                     | 4,249,280                    |
| Installment for others                      | 30,640                        | 36,856                       |
| Less: Allowance for doubtful accounts       | (50,666)                      | (48,796)                     |
| Less: Present value discount account        | (41)                          | (110)                        |
| Add: Deferred loan origination costs        | 32,776                        | 44,876                       |
|   | <u>3,861,298</u>              | <u>4,282,106</u>             |
| Lease assets:                               |                               |                              |
| Financing lease receivables                 | 1,917,238                     | 1,742,202                    |
| Cancelled financing lease receivables       | 229                           | 99                           |
| Less: Allowance for doubtful accounts       | (19,531)                      | (17,253)                     |
| Add : Present value premium                 | 168                           | 422                          |
| Less: Deferred loan origination fees        | (647)                         | (713)                        |
|   | <u>1,897,457</u>              | <u>1,724,757</u>             |
|   | <u>₩ 37,250,515</u>           | <u>36,831,167</u>            |

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**12. Credit Card Receivables at Amortized Cost and Others (continued)**

(b) Changes in the gross carrying amount of credit card receivables at amortized cost and other for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

|  | <b>September 30, 2023</b>                      |  |   |              |
|--|--|--|---|--------------|
|  | <b>12 month<br/>expected credit<br/>losses</b> | <b>Lifetime<br/>expected credit<br/>losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                                | ₩ 32,652,612                                   | 4,817,508                                      | 566,824                                     | 38,036,944   |
| Reclassified to 12 month expected credit losses  | 591,954  | (591,395)                                      | (559)                                       | -            |
| Reclassified to lifetime expected credit losses  | (1,437,104)                                    | 1,438,465                                      | (1,361)                                     | -            |
| Reclassified to credit-impaired financial assets | (202,826)                                      | (266,836)                                      | 469,662                                     | -            |
| Executed (collected)                             | 1,660,206                                      | (852,153)                                      | 398,938                                     | 1,206,991    |
| Write-offs                                       | -  | -  | (714,534)                                   | (714,534)    |
| Ending balance                                   | 33,264,842                                     | 4,545,589                                      | 718,970                                     | 38,529,401   |
| Allowance for doubtful accounts                  | (279,626)                                      | (492,727)                                      | (506,533)                                   | (1,278,886)  |
| Net carrying amount                              | ₩ 32,985,216                                   | 4,052,862                                      | 212,437                                     | 37,250,515   |
|  | <b>December 31, 2022</b>                       |  |   |              |
|  | <b>12 month<br/>expected credit<br/>losses</b> | <b>Lifetime<br/>expected credit<br/>losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                                | ₩ 29,714,478                                   | 4,577,855                                      | 511,766                                     | 34,804,099   |
| Reclassified to 12 month expected credit losses  | 534,895  | (534,080)                                      | (815)                                       | -            |
| Reclassified to lifetime expected credit losses  | (981,688)                                      | 982,753  | (1,065)                                     | -            |
| Reclassified to credit-impaired financial assets | (141,794)                                      | (172,958)                                      | 314,752                                     | -            |
| Executed (collected)                             | 3,526,721                                      | (36,062)                                       | 387,134                                     | 3,877,793    |
| Write-offs                                       | -  | -  | (644,948)                                   | (644,948)    |
| Ending balance                                   | 32,652,612                                     | 4,817,508                                      | 566,824                                     | 38,036,944   |
| Allowance for doubtful accounts                  | (281,434)                                      | (511,576)                                      | (412,767)                                   | (1,205,777)  |
| Net carrying amount                              | ₩ 32,371,178                                   | 4,305,932                                      | 154,057                                     | 36,831,167   |

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**12. Credit Card Receivables at Amortized Cost and Others (continued)**

(c) Changes in allowance for credit card receivables at amortized cost and other for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

| <b>September 30, 2023</b>                        |  |  |   |              |
|--|--|--|---|--------------|
|  | <b>12 month<br/>expected credit<br/>losses</b> | <b>Lifetime<br/>expected credit<br/>losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                                | ₩ 281,434                                      | 511,576  | 412,767                                     | 1,205,777    |
| Reclassified to 12 month expected credit losses  | 31,026   | (30,826)                                       | (200)                                       | -            |
| Reclassified to lifetime expected credit losses  | (24,859)                                       | 25,700   | (841)                                       | -            |
| Reclassified to credit-impaired financial assets | (2,719)  | (7,241)  | 9,960                                       | -            |
| Provision(*)                                     | (5,256)  | (6,483)  | 793,995                                     | 782,256      |
| Write-offs                                       | -  | -  | (714,534)                                   | (714,534)    |
| Unwinding effect                                 | -  | -  | 5,388                                       | 5,388        |
| Ending balance                                   | ₩ 279,626                                      | 492,726  | 506,535                                     | 1,278,887    |

(\*) Provision has been increased in response to the economic recession caused by COVID-19 pandemic. The Group reserved provision of ₩6,088 million through changing the expected credit loss measurement methodology the nine-month period ended September 30, 2023, and the Group recognized additional provision amounting to ₩44,823 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of September 30, 2023.

| <b>December 31, 2022</b>                         |  |  |   |              |
|--|--|--|---|--------------|
|  | <b>12 month<br/>expected credit<br/>losses</b> | <b>Lifetime<br/>expected credit<br/>losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                                | ₩ 270,548                                      | 432,720  | 345,654                                     | 1,048,922    |
| Reclassified to 12 month expected credit losses  | 28,721   | (28,397)                                       | (324)                                       | -            |
| Reclassified to lifetime expected credit losses  | (17,624)                                       | 18,215   | (591)                                       | -            |
| Reclassified to credit-impaired financial assets | (1,224)  | (2,312)  | 3,536                                       | -            |
| Provision (*)                                    | 1,013  | 91,350   | 702,133                                     | 794,496      |
| Write-offs                                       | -  | -  | (644,948)                                   | (644,948)    |
| Unwinding effect                                 | -  | -  | 7,307                                       | 7,307        |
| Ending balance                                   | ₩ 281,434                                      | 511,576  | 412,767                                     | 1,205,777    |

(\*) Provision has been increased in response to the economic recession caused by COVID-19 pandemic. The Group recognized additional provision amounting to ₩48,486 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of December 31, 2022.

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**13. Lease Assets**

(a) Details of lease assets as of September 30, 2023 and December 31, 2022 are as follows:

| <b>September 30, 2023</b>   |                                   |   |                                 |                  |
|-----------------------------|-----------------------------------|---|---------------------------------|------------------|
|                             | <b>Operating lease<br/>assets</b> | <b>Cancelled<br/>financing lease<br/>assets</b> | <b>Prepaid lease<br/>assets</b> | <b>Total</b>     |
| Acquisition cost            | ₩ 2,761,667                       | 2,268   | 4,572                           | 2,768,507        |
| Accumulated<br>depreciation | (747,917)                         | (136)   | -                               | (748,053)        |
| Carrying amount             | ₩ <u>2,013,750</u>                | <u>2,132</u>                                    | <u>4,572</u>                    | <u>2,020,454</u> |
| <b>December 31, 2022</b>    |                                   |   |                                 |                  |
|                             | <b>Operating lease<br/>assets</b> | <b>Cancelled<br/>financing lease<br/>assets</b> | <b>Prepaid lease<br/>assets</b> | <b>Total</b>     |
| Acquisition cost            | ₩ 2,493,106                       | 2,406   | 11,709                          | 2,507,221        |
| Accumulated<br>depreciation | (562,454)                         | (117)   | -                               | (562,571)        |
| Carrying amount             | ₩ <u>1,930,652</u>                | <u>2,289</u>                                    | <u>11,709</u>                   | <u>1,944,650</u> |



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**14. Right-to-use Asset and Lease Liabilities**

(a) Details in right-of-use assets included in property and equipment as of September 30, 2023 and December 31, 2022, are as follows:

|                | September 30, 2023 |        | December 31, 2022 |        |
|----------------|--------------------|--------|-------------------|--------|
|                | Buildings          | Others | Buildings         | Others |
| Acquisition    | 60,727             | 606    | 58,793            | 621    |
| Depreciation   | (33,645)           | (463)  | (31,502)          | (451)  |
| Ending balance | ₩ 27,082           | 143    | 27,291            | 170    |

(b) Details of maturity of lease liabilities as of September 30, 2023 and December 31, 2022 are as follows:

| Classification (*) |   | September 30, 2023 |            |            |                   |           |              | Total  |
|--------------------|---|--------------------|------------|------------|-------------------|-----------|--------------|--------|
|                    |   | Less than 1 month  | 1~3 months | 3~6 months | 6 months ~ 1 year | 1~5 years | Over 5 years |        |
| Buildings          | ₩ | 1,268              | 2,378      | 3,766      | 4,836             | 13,977    | 15           | 26,240 |
| Others             |   | 12                 | 25         | 37         | 60                | -         | -            | 134    |
| Total              | ₩ | 1,280              | 2,403      | 3,803      | 4,896             | 13,977    | 15           | 26,374 |

(\*) The amounts are undiscounted.

| Classification |   | December 31, 2022 |            |            |                   |           |              | Total  |
|----------------|---|-------------------|------------|------------|-------------------|-----------|--------------|--------|
|                |   | Less than 1 month | 1~3 months | 3~6 months | 6 months ~ 1 year | 1~5 years | Over 5 years |        |
| Buildings      | ₩ | 1,447             | 1,929      | 2,741      | 4,132             | 14,253    | 2,477        | 26,979 |
| Others         |   | 12                | 23         | 32         | 65                | 54        | -            | 186    |
| Total (*)      | ₩ | 1,459             | 1,952      | 2,773      | 4,197             | 14,307    | 2,477        | 27,165 |

(\*) The amounts are undiscounted.

(c) The amount of payments for leases of low-value assets are ₩922 million and ₩921 million for the nine-month periods ended September 30, 2023 and 2022, respectively, and there are no payments on short-term leases.

(d) The amount of total cash outflow from leases recognized on the consolidated statements of cash flows are ₩12,297 million and ₩10,762 million, and the amount recognized as interest expenses are ₩834 million and ₩632 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

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**15. Financial Assets at FVOCI**

(a) Details of financial assets at FVOCI as of September 30, 2023 and December 31, 2022 are as follows:

|                           |   | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|---------------------------|---|---------------------------|--------------------------|
| Financial Assets at FVOCI | ₩ | 379,220                   | 375,471                  |

(b) The fair value of Financial assets at FVOCI investing in equity instruments as of September 30, 2023 and December 31, 2022 are as follows:

|                              |   | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|------------------------------|---|---------------------------|--------------------------|
| Debt securities:             |   |                           |                          |
| Government bonds             | ₩ | 267,105                   | 266,994                  |
| Corporation bonds and others |   | 36,215                    | 35,699                   |
| Equity securities (*):       |   |                           |                          |
| stock                        |   | 75,900                    | 72,778                   |
|                              | ₩ | <u>379,220</u>            | <u>375,471</u>           |

(\* ) The equity securities were exercised at the FVOCI option for the purpose of holding long term for the Group strategic purposes.

(c) Details of dividend income of financial assets at FVOCI for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|   |   | <u>September 30, 2023</u>     |                              | <u>September 30, 2022</u>     |                              |
|---|---|-------------------------------|------------------------------|-------------------------------|------------------------------|
|   |   | <u>Three-</u><br><u>month</u> | <u>Nine-</u><br><u>month</u> | <u>Three-</u><br><u>month</u> | <u>Nine-</u><br><u>month</u> |
| Dividend income recognized in assets held at the end of the reporting period: |   |                               |                              |                               |                              |
| Equity securities   | ₩ | -                             | 337                          | -                             | 380                          |

(d) Changes of financial assets at FVOCI for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

|  |   | <u>September 30, 2023</u>        |                                    | <u>December 31, 2022</u>         |                                    |
|--|---|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
|  |   | <u>Debt</u><br><u>securities</u> | <u>Equity</u><br><u>securities</u> | <u>Debt</u><br><u>securities</u> | <u>Equity</u><br><u>securities</u> |
| Beginning balance                                  | ₩ | 302,693                          | 72,778                             | 161,494                          | 35,525                             |
| Acquisition  |   | -                                | -                                  | 163,513                          | 29,381                             |
| Disposal   |   | -                                | -                                  | -                                | -                                  |
| Changes in fair value (other comprehensive income) |   | (169)                            | 3,122                              | (23,154)                         | 7,872                              |
| Changes in fair value (profit or loss)             |   | 796                              | -                                  | 840                              | -                                  |
| Ending balance                                     | ₩ | <u>303,320</u>                   | <u>75,900</u>                      | <u>302,693</u>                   | <u>72,778</u>                      |

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**15. Financial Assets at FVOCI (continued)**

(e) Changes in carrying amount of debt securities at fair value through other comprehensive income for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

| <b>September 30, 2023</b>                        |  |   |              |
|--|--|---|--------------|
|  | <b>12-month expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ 302,693                                | -   | 302,693      |
| Reclassified to 12-month expected credit losses  | -  | -   | -            |
| Reclassified to lifetime expected credit losses  | -  | -   | -            |
| Reclassified to credit-impaired financial assets | -  | -   | -            |
| Acquisition                                      | -  | -   | -            |
| Others (*)                                       | 627                                      | -   | 627          |
| Ending balance                                   | ₩ 303,320                                | -   | 303,320      |

(\*) Included the effects from amortization and fair value adjustments.

| <b>December 31, 2022</b>                         |  |   |              |
|--|--|---|--------------|
|  | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ 161,494                                    | -   | 161,494      |
| Reclassified to 12-month expected credit losses  | -  | -   | -            |
| Reclassified to lifetime expected credit losses  | -  | -   | -            |
| Reclassified to credit-impaired financial assets | -  | -   | -            |
| Acquisition                                      | 163,513                                      | -   | 163,513      |
| Others (*)                                       | (22,314)                                     | -   | (22,314)     |
| Ending balance                                   | ₩ 302,693                                    | -   | 302,693      |

(\*) Included the effects from amortization and fair value adjustments.

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**15. Financial Assets at FVOCI (continued)**

(f) Changes in allowance for credit loss of debt securities at fair value through other comprehensive income for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

|  |   | <b>September 30, 2023</b>                    |   |              |
|--|---|--|---|--------------|
|  |   | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ | 98   | -   | 98           |
| Reclassified to 12-month expected credit losses  |   | -  | -   | -            |
| Reclassified to lifetime expected credit losses  |   | -  | -   | -            |
| Reclassified to credit-impaired financial assets |   | -  | -   | -            |
| Provisions                                       |   | 39   | -   | 39           |
| Ending balance                                   | ₩ | <u>137</u>                                   | <u>-</u>                                      | <u>137</u>   |
|  |   | <b>December 31, 2022</b>                     |   |              |
|  |   | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ | 24   | -   | 24           |
| Reclassified to 12-month expected credit losses  |   | -  | -   | -            |
| Reclassified to lifetime expected credit losses  |   | -  | -   | -            |
| Reclassified to credit-impaired financial assets |   | -  | -   | -            |
| Provisions                                       |   | 74   | -   | 74           |
| Ending balance                                   | ₩ | <u>98</u>                                    | <u>-</u>                                      | <u>98</u>    |

(g) There are no gains or losses on sales of financial assets at FVOCI for the nine-month periods ended September 30, 2023 and 2022.

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**16. Property and Equipment**

(a) Details of property and equipment as of September 30, 2023 and December 31, 2022 are as follows:

|                          |   | <b>September 30, 2023</b> |                  |                |                                |                |
|--------------------------|---|---------------------------|------------------|----------------|--------------------------------|----------------|
|                          |   | <b>Land</b>               | <b>Buildings</b> | <b>Others</b>  | <b>Right-of-use<br/>assets</b> | <b>Total</b>   |
| Acquisition cost         | ₩ | 432,770                   | 89,401           | 409,976        | 61,332                         | 993,479        |
| Accumulated depreciation |   | -                         | (9,572)          | (311,441)      | (34,108)                       | (355,121)      |
| Ending balance           | ₩ | <u>432,770</u>            | <u>79,829</u>    | <u>98,535</u>  | <u>27,224</u>                  | <u>638,358</u> |
|                          |   | <b>December 31, 2022</b>  |                  |                |                                |                |
|                          |   | <b>Land</b>               | <b>Buildings</b> | <b>Others</b>  | <b>Right-of-use<br/>assets</b> | <b>Total</b>   |
| Acquisition cost         | ₩ | 432,770                   | 89,401           | 395,372        | 59,413                         | 976,956        |
| Accumulated depreciation |   | -                         | (7,820)          | (290,629)      | (31,952)                       | (330,401)      |
| Ending balance           | ₩ | <u>432,770</u>            | <u>81,581</u>    | <u>104,743</u> | <u>27,461</u>                  | <u>646,555</u> |

**17. Intangible Assets**

(a) Details of intangible assets as of September 30, 2023 and December 31, 2022, are as follows:

|                          |   | <b>September 30, 2023</b>   |                             |                 |               |                |
|--------------------------|---|-----------------------------|-----------------------------|-----------------|---------------|----------------|
|                          |   | <b>Club<br/>memberships</b> | <b>Development<br/>cost</b> | <b>Goodwill</b> | <b>Others</b> | <b>Total</b>   |
| Acquisition cost         | ₩ | 18,516                      | 157,558                     | 122,491         | 45,077        | 343,642        |
| Accumulated amortization |   | -                           | (78,997)                    | -               | (39,217)      | (118,214)      |
| Impairment losses        |   | (905)                       | (336)                       | -               | -             | (1,241)        |
| Ending balance           | ₩ | <u>17,611</u>               | <u>78,225</u>               | <u>122,491</u>  | <u>5,860</u>  | <u>224,187</u> |
|                          |   | <b>December 31, 2022</b>    |                             |                 |               |                |
|                          |   | <b>Club<br/>memberships</b> | <b>Development<br/>cost</b> | <b>Goodwill</b> | <b>Others</b> | <b>Total</b>   |
| Acquisition cost         | ₩ | 17,737                      | 137,820                     | 119,379         | 44,526        | 319,462        |
| Accumulated amortization |   | -                           | (66,009)                    | -               | (38,127)      | (104,136)      |
| Impairment losses        |   | (905)                       | (336)                       | -               | -             | (1,241)        |
| Ending balance           | ₩ | <u>16,832</u>               | <u>71,475</u>               | <u>119,379</u>  | <u>6,399</u>  | <u>214,085</u> |

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**18. Investments in associates**

(a) Details of investments in associates as of September 30, 2023 and December 31, 2022 are as follows:

| Name of associates                       | Location | Closing month | Ownership          |                   |
|--|----------|---------------|--------------------|-------------------|
|  |          |               | September 30, 2023 | December 31, 2022 |
| Wave Technology                          | Korea    | December      | 49.00%             | 49.00%            |
| One Shinhan Connect Fund 1               | Korea    | December      | 30.00%             | 30.00%            |
| One Shinhan Connect Fund 2               | Korea    | December      | 25.00%             | 25.00%            |
| Shinhan hyper connect venture fund I (*) | Korea    | December      | 25.00%             | -                 |

(\*) It is newly acquired for the nine-month period ended September 30, 2023.

(b) Changes in investments in associates for the nine-month period ended September 30, 2023 and the year December 31, 2022 are as follows:

**September 30, 2023**

| Name of associates                   | Acquisition cost | Beginning balance | Acquisition  | Disposal(*)    | Share of profit (loss) of associates | Ending balance |
|--------------------------------------|------------------|-------------------|--------------|----------------|--------------------------------------|----------------|
|                                      |                  |                   |              |                |                                      |                |
| One Shinhan Connect Fund 1           | 70,729           | 77,509            | -            | (208)          | (587)                                | 76,714         |
| One Shinhan Connect Fund 2           | 6,653            | 10,738            | -            | (4,598)        | (270)                                | 5,870          |
| Shinhan hyper connect venture fund I | 3,375            | -                 | 3,375        | -              | (167)                                | 3,208          |
|                                      | <u>81,257</u>    | <u>88,692</u>     | <u>3,375</u> | <u>(4,806)</u> | <u>(994)</u>                         | <u>86,267</u>  |

(\*) This is the amount of principal distribution received from One Shinhan Connect Fund 1 and 2 for the nine-month period ended September 30, 2023.

**December 31, 2022**

| Name of associates         | Acquisition cost | Beginning balance | Acquisition   | Disposal(*)     | Share of profit (loss) of associates | Ending balance |
|----------------------------|------------------|-------------------|---------------|-----------------|--------------------------------------|----------------|
|                            |                  |                   |               |                 |                                      |                |
| One Shinhan Connect Fund 1 | 70,937           | 70,940            | 11,100        | (12,163)        | 7,632                                | 77,509         |
| One Shinhan Connect Fund 2 | 11,250           | -                 | 11,250        | -               | (512)                                | 10,738         |
|                            | <u>82,687</u>    | <u>71,391</u>     | <u>22,350</u> | <u>(12,163)</u> | <u>7,114</u>                         | <u>88,692</u>  |

(\*) This is the amount of principal distribution received from One Shinhan Connect Fund 1 for the year ended December 31, 2022.

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

(c) Condensed financial statements of associates as of and for the nine-month period ended September 30, 2023 and the year December 31, 2022 are as follows:

|                                      |   | <b>September 30, 2023</b> |                          |                     |                                     |  |
|--------------------------------------|---|---------------------------|--------------------------|---------------------|-------------------------------------|--|
| <b>Name of associates</b>            |   | <b>Total assets</b>       | <b>Total liabilities</b> | <b>Total equity</b> | <b>Profit (loss) for the period</b> | <b>Total comprehensive income (loss)</b> |
| Wave Technology                      | ₩ | 542                       | 95                       | 447                 | 60                                  | 60                                       |
| One Shinhan Connect Fund 1           |   | 255,719                   | 6                        | 255,713             | (1,958)                             | (1,958)                                  |
| One Shinhan Connect Fund 2           |   | 23,483                    | 1                        | 23,482              | (1,081)                             | (1,081)                                  |
| Shinhan hyper connect venture fund I |   | 13,474                    | 642                      | 12,832              | (668)                               | (668)                                    |

|                            |   | <b>December 31, 2022</b> |                          |                     |                                   |  |
|----------------------------|---|--------------------------|--------------------------|---------------------|-----------------------------------|--|
| <b>Name of associates</b>  |   | <b>Total assets</b>      | <b>Total liabilities</b> | <b>Total equity</b> | <b>Profit (loss) for the year</b> | <b>Total comprehensive income (loss)</b> |
| Wave Technology            | ₩ | 483                      | 95                       | 388                 | (13)                              | (13)                                     |
| One Shinhan Connect Fund 1 |   | 258,363                  | -                        | 258,363             | 25,439                            | 25,439                                   |
| One Shinhan Connect Fund 2 |   | 42,953                   | -                        | 42,953              | (2,047)                           | (2,047)                                  |



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**19. Investment Properties**

(a) Investment properties as of September 30, 2023 and December 31, 2022 are as follows:

|                          | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--------------------------|---------------------------|--------------------------|
| Acquisition cost         | ₩ 48,857                  | 48,857                   |
| Accumulated depreciation | (3,830)                   | (2,898)                  |
| Ending balance           | <u>₩ 45,027</u>           | <u>45,959</u>            |

**20. Other Assets**

(a) Details of other assets as of September 30, 2023 and December 31, 2022 are as follows:

|                                 | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|---------------------------------|---------------------------|--------------------------|
| Security deposits paid          | ₩ 84,598                  | 81,115                   |
| Present value discount account  | (3,264)                   | (1,905)                  |
| Accounts receivable             | 977,129                   | 659,372                  |
| Allowance for doubtful accounts | (11,860)                  | (5,679)                  |
| Accrued income                  | 264,918                   | 207,225                  |
| Allowance for doubtful accounts | (15,892)                  | (12,819)                 |
| Advance payments                | 128,504                   | 113,930                  |
| Prepaid expenses                | 44,939                    | 410,271                  |
| Others (*)                      | 14,584                    | 18,022                   |
|                                 | <u>₩ 1,483,656</u>        | <u>1,469,532</u>         |

(\*) Includes reinsurance contract assets of ₩3,073 million and ₩3,095 million as of September 30, 2023 and December 31, 2022, which are classified in accordance with Korean-IFRS No. 1117.

(b) Changes in allowance for other assets for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

|                      | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|----------------------|---------------------------|--------------------------|
| Beginning balance    | ₩ 18,498                  | 16,228                   |
| Provision            | 29,437                    | 22,326                   |
| Write-offs           | (20,182)                  | (20,087)                 |
| Business combination | -                         | 31                       |
| Ending balance       | <u>₩ 27,753</u>           | <u>18,498</u>            |

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**21. Borrowings**

Details of borrowings as of September 30, 2023 and December 31, 2022 are as follows

|   | <u>Interest rate (%)</u> |   | <u>September 30,<br/>2023</u> |  | <u>Interest rate (%)</u> |   | <u>December 31,<br/>2022</u> |
|---|--------------------------|---|-------------------------------|--|--------------------------|---|------------------------------|
| Borrowings denominated in Korean won:         |                          |   |                               |  |                          |   |                              |
| Others  | 1.24~5.31                | ₩ | 7,465,800                     |  | 1.24~6.22                | ₩ | 8,120,000                    |
| Discount on debt securities issued            |                          |   | (283,649)                     |  |                          |   | -                            |
|   |                          |   | <u>7,182,151</u>              |  |                          |   | <u>8,120,000</u>             |
| Borrowings denominated in foreign currencies: |                          |   |                               |  |                          |   |                              |
| Others  | 1.53~18.75               |   | 1,122,716                     |  | 1.53~21.20               |   | 1,016,178                    |
|   |                          | ₩ | <u>8,304,867</u>              |  |                          | ₩ | <u>9,136,178</u>             |

**22. Debentures**

Details of debentures as of September 30, 2023 and December 31, 2022 are as follows:

|   | <u>Interest rate (%)</u> |   | <u>September 30,<br/>2023</u> |  | <u>Interest rate (%)</u> |   | <u>December 31, 2022</u> |
|---|--------------------------|---|-------------------------------|--|--------------------------|---|--------------------------|
| Debt securities issued in Korean won:         |                          |   |                               |  |                          |   |                          |
| Debt securities issued                        | 1.16~6.54                | ₩ | 19,350,000                    |  | 1.10~6.54                | ₩ | 18,415,000               |
| Discount on debt securities issued            |                          |   | (10,311)                      |  |                          |   | (9,093)                  |
|   |                          |   | <u>19,339,689</u>             |  |                          |   | <u>18,405,907</u>        |
| Debt securities issued in foreign currencies: |                          |   |                               |  |                          |   |                          |
| Debt securities issued                        | 1.11~6.95                |   | 2,737,693                     |  | 1.11~7.59                |   | 3,108,669                |
| Discount on debt securities issued            |                          |   | (10,195)                      |  |                          |   | (11,760)                 |
|   |                          |   | <u>2,727,498</u>              |  |                          |   | <u>3,096,909</u>         |
|   |                          | ₩ | <u>22,067,187</u>             |  |                          | ₩ | <u>21,502,816</u>        |

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**23. Defined benefit liabilities**

The Group operates a defined benefit plan based on final wages in various countries. The level of pension is calculated based on the employee's working period and final wage, and most of the pension is set aside in the fund and operated by outside professional trust companies, but some are not set aside in the fund. On the other hand, external professional trust companies that run the fund are regulated by the country.

(a) Defined benefit plan assets and liabilities as of September 30, 2023 and December 31, 2022 are as follows:

|  | September 30,<br>2023 | December 31, 2022 |
|--|-----------------------|-------------------|
| Present value of defined benefit obligations | ₩ 316,194             | 285,061           |
| Fair value of plan assets (*1)               | (333,047)             | (321,842)         |
| Net defined benefit liabilities (assets)(*2) | ₩ (16,853)            | (36,781)          |

(\*1) The fair value of plan assets as of September 30, 2023 and December 31, 2022 includes the existing Contribution to National Pension Plan of ₩319 million and ₩332 million.

(\*2) The asset for defined benefit plan of ₩16,853 million as of September 30, 2023 is the net defined benefit assets of ₩17,125 million less the net defined benefit liabilities of ₩272 million. In addition, the asset for defined benefit plan of ₩36,781 million as of December 31, 2022 is the net defined benefit assets of ₩36,988 million less the net defined benefit liabilities of ₩207 million.

(b) Changes in the present value of defined benefit obligations and plan assets for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows:

|  | September 30, 2023             |             |  |
|--|--------------------------------|-------------|--|
|  | Defined benefit<br>obligations | Plan assets | Net defined<br>benefit liabilities<br>(assets) |
| Beginning balance                            | ₩ 285,061                      | (321,842)   | (36,781)                                       |
| Recognized in profit or loss as incurred:    |                                |             |  |
| Current service cost                         | 13,252                         | -           | 13,252   |
| Interest expense (income)                    | 11,684                         | (13,229)    | (1,545)  |
|  | 24,936                         | (13,229)    | 11,707   |
| Recognized in other comprehensive<br>income: |                                |             |  |
| Remeasurement loss                           |                                |             |  |
| - Actuarial losses                           |                                |             |  |
| Demographic assumptions                      | -                              | -           | -  |
| Financial assumptions                        | 8,340                          | -           | 8,340  |
| Experience adjustments                       | 2,643                          | -           | 2,643  |
| - Return on plan assets                      | -                              | 1,007       | 1,007  |
|  | 10,983                         | 1,007       | 11,990   |
| Others:                                      |                                |             |  |
| Contributions paid into the plan             | -                              | (4,606)     | (4,606)  |
| Benefits paid by the plan                    | (5,423)                        | 5,623       | 200  |
| Others (*)                                   | 621                            | -           | 621  |
| Exchange rate differences                    | 16                             | -           | 16   |
|  | (4,786)                        | 1,017       | (3,769)  |
| Ending balance                               | ₩ 316,194                      | (333,047)   | (16,853)                                       |

(\*) Transfer from/to related parties.

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**23. Defined benefit liabilities (asset) (continued)**

(b) Changes in the present value of defined benefit obligations and plan assets for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows: (continued)

|   |   | December 31, 2022           |                  |  |
|---|---|-----------------------------|------------------|--|
|   |   | Defined benefit obligations | Plan assets      | Net defined benefit liabilities (assets) |
| Beginning balance                         | ₩ | 322,692                     | (286,783)        | 35,909                                   |
| Recognized in profit or loss as incurred: |   |                             |                  |  |
| Current service cost                      |   | 20,104                      | -                | 20,104                                   |
| Interest expense (income)                 |   | 9,963                       | (8,998)          | 965                                      |
|   |   | <u>30,067</u>               | <u>(8,998)</u>   | <u>21,069</u>                            |
| Recognized in other comprehensive income: |   |                             |                  |  |
| Remeasurement loss                        |   |                             |                  |  |
| - Actuarial losses                        |   |                             |                  |  |
| Demographic assumptions                   |   | 79                          | -                | 79                                       |
| Financial assumptions                     |   | (40,650)                    | -                | (40,650)                                 |
| Experience adjustments                    |   | (5,857)                     | -                | (5,857)                                  |
| - Return on plan assets                   |   | -                           | 3,779            | 3,779                                    |
|   |   | <u>(46,428)</u>             | <u>3,779</u>     | <u>(42,649)</u>                          |
| Others:                                   |   |                             |                  |  |
| Contributions paid into the plan          |   | -                           | (58,996)         | (58,996)                                 |
| Benefits paid by the plan                 |   | (26,270)                    | 33,626           | 7,356                                    |
| Others (*)                                |   | 617                         | -                | 617                                      |
| Exchange rate differences                 |   | 10                          | -                | 10                                       |
| Business combination                      |   | 4,373                       | (4,470)          | (97)                                     |
|   |   | <u>(21,270)</u>             | <u>(29,840)</u>  | <u>(51,110)</u>                          |
| Ending balance                            | ₩ | <u>285,061</u>              | <u>(321,842)</u> | <u>(36,781)</u>                          |

(\*) Transfer from/to related parties.

(c) The amounts recognized as expenses for defined contribution plans are ₩3,831 million and ₩2,970 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

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**24. Provisions**

(a) Details of provisions as of September 30, 2023 and December 31, 2022 are as follows:

| <b>September 30, 2023</b> |                                     |  |                             |               |              |
|---------------------------|-------------------------------------|--|-----------------------------|---------------|--------------|
|                           | <b>Allowance for<br/>litigation</b> | <b>Allowance for<br/>unused credit<br/>commitments</b> | <b>Asset<br/>retirement</b> | <b>Others</b> | <b>Total</b> |
| Beginning balance         | ₩ 4,240                             | 208,417  | 5,073                       | 22,330        | 240,060      |
| Provision (reversal)      | (74)                                | (6,798)  | (1,229)                     | 22,085        | 13,984       |
| Payment                   | (192)                               | -  | (337)                       | (31,228)      | (31,757)     |
| Others (*)                | -                                   | -  | 15                          | -             | 15           |
| Ending balance            | ₩ 3,974                             | 201,619  | 3,522                       | 13,187        | 222,302      |

(\*) This is the amount of increase in the current the period of the provision evaluated as present value.

| <b>December 31, 2022</b> |                                     |  |                             |               |              |
|--------------------------|-------------------------------------|--|-----------------------------|---------------|--------------|
|                          | <b>Allowance for<br/>litigation</b> | <b>Allowance for<br/>unused credit<br/>commitments</b> | <b>Asset<br/>retirement</b> | <b>Others</b> | <b>Total</b> |
| Beginning balance        | ₩ 264                               | 204,917  | 5,020                       | 11,169        | 221,370      |
| Provision                | 516                                 | 3,500  | 158                         | 33,115        | 37,289       |
| Payment                  | (68)                                | -  | (125)                       | (22,058)      | (22,251)     |
| Others (*)               | -                                   | -  | 20                          | -             | 20           |
| Business combination     | 3,528                               | -  | -                           | 104           | 3,632        |
| Ending balance           | ₩ 4,240                             | 208,417  | 5,073                       | 22,330        | 240,060      |

(\*) This is the amount of increase in the current year over the period of the provision evaluated as present value.

(b) Details of allowance for unused credit commitments as of September 30, 2023 and December 31, 2022 are as follows:

|                           | <b>September 30, 2023</b> | <b>December 31, 2022</b> |
|---------------------------|---------------------------|--------------------------|
| Unused credit commitments | ₩ 92,383,233              | 91,358,278               |
| Allowance                 | 201,619                   | 208,417                  |
| Ratio (%)                 | 0.22                      | 0.23                     |

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**24. Provisions (continued)**

(c) Changes in unused credit commitments for the nine-month period ended September 30, 2023 and the year December 31, 2022 are as follows:

|   | <b>September 30, 2023</b>                  |  |   |              |
|---|--|--|---|--------------|
|   | <b>12 month expected<br/>credit losses</b> | <b>Lifetime expected<br/>credit losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                             | ₩ 90,806                                   | 115,837                                    | 1,774                                       | 208,417      |
| 12 month expected credit losses substitution  | 59,758                                     | (59,598)                                   | (160)                                       | -            |
| Lifetime expected credit losses substitution  | (8,761)                                    | 8,794                                      | (33)  | -            |
| Credit-impaired financial assets substitution | (499)                                      | (1,842)                                    | 2,341                                       | -            |
| Provision (reversal) (*)                      | (44,660)                                   | 39,900                                     | (2,038)                                     | (6,798)      |
| Ending balance                                | ₩ 96,644                                   | 103,091                                    | 1,884                                       | 201,619      |

(\*) Provision has been increased in response to economic recession caused from COVID-19 pandemic. The Group reserved provision of ₩283 million through changing the expected credit loss measurement methodology the nine-month period ended September 30, 2023, and the Group recognized additional provision amounting to ₩19,063 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of September 30, 2023.

|   | <b>December 31, 2022</b>                   |  |   |              |
|---|--|--|---|--------------|
|   | <b>12 month expected<br/>credit losses</b> | <b>Lifetime expected<br/>credit losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                             | ₩ 79,592                                   | 123,710                                    | 1,615                                       | 204,917      |
| 12 month expected credit losses substitution  | 63,630                                     | (63,351)                                   | (279)                                       | -            |
| Lifetime expected credit losses substitution  | (7,664)                                    | 7,697                                      | (33)  | -            |
| Credit-impaired financial assets substitution | (270)                                      | (1,179)                                    | 1,449                                       | -            |
| Provision (reversal) (*)                      | (44,482)                                   | 48,960                                     | (978)                                       | 3,500        |
| Ending balance                                | ₩ 90,806                                   | 115,837                                    | 1,774                                       | 208,417      |

(\*) Provision has been increased in response to economic recession caused from COVID-19 pandemic. The Group recognized additional provision amounting to ₩19,583 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of December 31, 2022.

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**25. Other Liabilities**

(a) Details of other liabilities as of September 30, 2023 and December 31, 2022 are as follows:

|                                  |   | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|----------------------------------|---|---------------------------|--------------------------|
| Accounts payable                 | ₩ | 3,067,797                 | 2,118,717                |
| Accrued expenses                 |   | 279,235                   | 293,337                  |
| Advances from customers          |   | 163,122                   | 133,613                  |
| Unearned revenue                 |   | 194,843                   | 177,614                  |
| Withholdings                     |   | 498,647                   | 441,951                  |
| Security deposits received       |   | 782,992                   | 694,550                  |
| Present value discount account   |   | (77,294)                  | (63,606)                 |
| Advances of gift card and others |   | 570,175                   | 415,510                  |
| Lease liabilities                |   | 26,374                    | 27,165                   |
| Present value discount account   |   | (1,123)                   | (1,511)                  |
| Others (*)                       |   | 353,643                   | 373,070                  |
|                                  | ₩ | <u>5,858,411</u>          | <u>4,610,410</u>         |

(\*) Includes point liabilities of ₩292,151 million and ₩323,836 million as of September 30, 2023 and December 31, 2022 respectively, which are classified in accordance with K-IFRS 1115 and includes insurance liabilities of ₩3,073 million and ₩3,095 million as of September 30, 2023 and December 31, 2022, which are classified in accordance with K-IFRS 1117.

(b) Insurance liabilities

i) Details of insurance liabilities and reinsurance assets as of September 30, 2023 and December 31, 2022 are as follows:

|                                     |   | <u>September 30, 2023</u>    |                           | <u>December 31, 2022</u>     |                           |
|-------------------------------------|---|------------------------------|---------------------------|------------------------------|---------------------------|
|                                     |   | <u>Insurance liabilities</u> | <u>Reinsurance assets</u> | <u>Insurance liabilities</u> | <u>Reinsurance assets</u> |
| Debt Cancellation & Debt Suspension | ₩ | 3,073                        | 3,073                     | 3,095                        | 3,095                     |

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**25. Other Liabilities (continued)**

(b) Insurance liabilities (continued)

ii) The income and expenses related to insurance contracts for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|   | <b>September 30, 2023</b> |                          | <b>September 30, 2022</b> |                          |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
|   | <b>Insurance income</b>   | <b>Insurance expense</b> | <b>Insurance income</b>   | <b>Insurance expense</b> |
| ₩ | 21,924                    | 5,668                    | 23,841                    | 6,090                    |



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**26. Equity**

(a) Details of equity as of September 30, 2023 and December 31, 2022 are as follows:

|   | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|---|---------------------------|--------------------------|
| Common stock  | ₩ 626,847                 | 626,847                  |
| Hybrid bonds  | 699,822                   | 399,901                  |
| Capital surplus   |                           |                          |
| Gains on capital reduction                                      | 852,646                   | 852,646                  |
| Gains on sale of treasury stock                                 | 2                         | 2                        |
| Other additional capital  | 8,081                     | 8,081                    |
|   | <u>860,729</u>            | <u>860,729</u>           |
| Capital adjustments   |                           |                          |
| Stock options   | 1,897                     | 1,895                    |
| Other capital adjustments                                       | (3,445)                   | (3,445)                  |
|   | <u>(1,548)</u>            | <u>(1,550)</u>           |
| Accumulated other comprehensive income                          |                           |                          |
| Unrealized gain on valuation of financial assets at FVOCI       | 9,244                     | 7,061                    |
| Effective portion of valuation loss on cash flow hedges         | (22,080)                  | (10,724)                 |
| Remeasurements of the net defined benefit obligations           | (36,578)                  | (27,716)                 |
| Foreign currency translation adjustments for foreign operations | 20,075                    | 14,126                   |
|   | <u>(29,339)</u>           | <u>(17,253)</u>          |
| Retained earnings   |                           |                          |
| Legal reserve   | 313,424                   | 313,424                  |
| Reserve for credit losses (Note 27 reference) (*)               | 923,457                   | 847,036                  |
| Voluntary reserve   | 12,316                    | 12,316                   |
| Retained earnings (*)   | 4,523,741                 | 4,409,740                |
|   | <u>5,772,938</u>          | <u>5,582,516</u>         |
| Non-controlling interests                                       | 8,659                     | 7,564                    |
|   | <u>₩ 7,938,108</u>        | <u>7,458,754</u>         |

(\*) The Group plans to reverse ₩36,789 million and reserved ₩76,421 million of the unappropriated retained earnings for credit losses for the nine-month period ended September 30, 2023 and the year ended December 31, 2022.

(b) Capital stock and capital surplus

As of September 30, 2023 and December 31, 2022, par value of common stock is ₩5,000 and the Group authorized 2,000,000,000 shares and issued outstanding shares amounted to 125,369,403 shares.

(c) Hybrid bonds

Hybrid bonds classified as other equity instruments of September 30, 2023 are as follows:

| <u>Issue date</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Interest rate (%)</u> | <u>September 30, 2023</u> |
|-------------------|-----------------|----------------------|--------------------------|---------------------------|
| March 17, 2022    | KRW             | March 17, 2052       | 4.01%                    | ₩ 399,901                 |
| February 14, 2023 | KRW             | February 14, 2053    | 5.28%                    | 299,921                   |
|                   |                 |                      |                          | <u>₩ 699,822</u>          |

The hybrid bonds above can be repaid early after 5 years from the date of issuance, and the Group has an unconditional right to extend the maturity under the same condition.

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26. Equity (continued)

(d) Changes in accumulated other comprehensive income for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows

|  | September 30, 2023                                   |  |                                     |  |  |           |
|--|--|--|-------------------------------------|--|--|-----------|
|  | Items that will<br>be reclassified to profit or loss |  |                                     | Items that will never<br>be reclassified to profit or loss |  |           |
|  | Valuation of<br>financial<br>assets at<br>FVOCI      | Foreign<br>currency<br>translation<br>adjustments<br>for foreign<br>operations | Valuation of<br>cash flow<br>hedges | Remeasurements<br>of the defined<br>benefit plan           | Valuation of<br>financial assets at<br>FVOCI | Total     |
| Beginning balance ₩  | (17,894)   | 14,126   | (10,724)                            | (27,716)   | 24,955                                       | (17,253)  |
| Change due to fair<br>value                                | (169)  | -  | -                                   | -  | 3,122  | 2,953     |
| Reclassification   | -  | -  | (181,903)                           | -  | -  | (181,903) |
| Effect of hedge<br>accounting                              | -  | -  | 166,424                             | -  | -  | 166,424   |
| Effects from<br>changes in<br>foreign exchange<br>rate     | -  | 6,048  | -                                   | -  | -  | 6,048     |
| Remeasurements<br>of the defined<br>benefit<br>obligations | -  | -  | -                                   | (11,990)   | -  | (11,990)  |
| Effect of tax  | 21   | -  | 4,123                               | 3,128  | (791)  | 6,481     |
| Non-controlling<br>interests                               | -  | (99)   | -                                   | -  | -  | (99)      |
| Ending balance ₩   | (18,042)   | 20,075   | (22,080)                            | (36,578)   | 27,286                                       | (29,339)  |

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26. Equity (continued)

(d) Changes in accumulated other comprehensive income for the nine-month period ended September 30, 2023 and the year ended December 31, 2022 are as follows: (continued)

|  | September 30, 2023                                   |  |                                     |  |   | Total     |
|--|--|--|-------------------------------------|--|---|-----------|
|  | Items that will<br>be reclassified to profit or loss |  |                                     | Items that will never<br>be reclassified to profit or loss |   |           |
|  | Valuation of<br>financial<br>assets at<br>FVOCI      | Foreign<br>currency<br>translation<br>adjustments<br>for foreign<br>operations | Valuation of<br>cash flow<br>hedges | Remeasurements<br>of the defined<br>benefit plan           | Valuation of<br>financial<br>assets at<br>FVOCI |           |
| Beginning balance ₩                                    | (863)  | (3,693)  | 1,728                               | (58,270)   | 18,908  | (42,190)  |
| Change due to fair<br>value                            | (23,154)   | -  | -                                   | -  | 7,872   | (15,282)  |
| Reclassification                                       | -  | -  | (190,372)                           | -  | -   | (190,372) |
| Effect of hedge<br>accounting                          | -  | -  | 173,389                             | -  | -   | 173,389   |
| Effects from<br>changes in<br>foreign exchange<br>rate | -  | 19,440   | -                                   | -  | -   | 19,440    |
| Remeasurements<br>of the defined<br>benefit plans      | -  | -  | -                                   | 42,649   | -   | 42,649    |
| Deferred income<br>taxes                               | 6,123  | -  | 4,531                               | (12,095)   | (1,825)   | (3,266)   |
| Non-controlling<br>interests                           | -  | (1,621)  | -                                   | -  | -   | (1,621)   |
| Ending balance ₩                                       | (17,894)   | 14,126   | (10,724)                            | (27,716)   | 24,955  | (17,253)  |

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**27. Reserve for credit losses**

In accordance with Regulations on Supervision of Specialized Credit Finance Business, the Group reserves the difference between allowance for credit losses recognized under K-IFRS and Regulations on Supervision of Specialized Credit Finance Business in the account of reserve for legal reserve for credit losses.

(a) Reserve for credit losses as of September 30, 2023 and December 31, 2022 are summarized as follows:

|  | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--|---------------------------|--------------------------|
| Accumulated reserve for credit losses              | ₩ 923,457                 | 847,036                  |
| Reserve for (reversal of) credit losses, scheduled | (36,789)                  | 76,421                   |
| - Changes in 2023 and 2022                         | (36,789)                  | 76,421                   |
| Ending balance of reserve for credit losses        | <u>₩ 886,668</u>          | <u>923,457</u>           |

(b) Details of profit for the period attributable to owner of the Company after adjusting for reversal of credit losses and provision for reserve for credit losses for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  | <u>September 30, 2023</u> |                   | <u>September 30, 2022</u> |                   |
|--|---------------------------|-------------------|---------------------------|-------------------|
|  | <u>Three-month</u>        | <u>Nine-month</u> | <u>Three-month</u>        | <u>Nine-month</u> |
| Profit for the year attributable to owner of the Company   | ₩ 152,196                 | 469,112           | 174,955                   | 587,661           |
| Reversal for credit losses, scheduled  | (14,609)                  | 36,789            | (25,242)                  | (44,823)          |
| Profit for the period attributable to owner of the Company after adjusting for reserve for credit losses | <u>137,587</u>            | <u>505,901</u>    | <u>149,713</u>            | <u>542,838</u>    |
| Earnings per share after adjusting credit losses (*)<br>(in won)   | <u>₩ 1,034</u>            | <u>3,859</u>      | <u>1,163</u>              | <u>4,262</u>      |

(\*) Dividend on hybrid bonds is deducted.

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**28. Earnings per Share**

Earnings per share for the nine-month periods ended September 30, 2023 and 2022 are as follows:

(In millions of won, except shares outstanding and earnings per share)

|  | September 30, 2023 |             | September 30, 2022 |             |
|--|--------------------|-------------|--------------------|-------------|
|  | Three-month        | Nine-month  | Three-month        | Nine-month  |
| Profit for the period                                | ₩ 152,196          | 469,112     | 174,955            | 587,661     |
| Interest from hybrid bond                            | (7,978)            | (22,058)    | (3,945)            | (8,558)     |
| Profit for the period attributable to common stocks  | 144,218            | 447,054     | 171,010            | 579,103     |
| Weighted average number of common stocks outstanding | 125,369,403        | 125,369,403 | 125,369,403        | 125,369,403 |
| Earnings per share (in won)                          | ₩ 1,150            | 3,566       | 1,364              | 4,619       |

The Group has no dilutive potential ordinary shares in the calculation of diluted earnings per share for the reporting periods. Accordingly, diluted earnings per share equals basic earnings per share for the nine-month periods ended September 30, 2023 and 2022.

**29. Operating Revenue**

(a) Operating revenues for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  | September 30, 2023      |                         | September 30, 2022      |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | Three-month             | Nine-month              | Three-month             | Nine-month              |
| <b>Revenue from contracts with customers</b> |                         |                         |                         |                         |
| Fee and commission income                    |                         |                         |                         |                         |
| Credit card receivables                      | ₩ 379,251               | 1,009,504               | 301,054                 | 945,417                 |
|  | <u>379,251</u>          | <u>1,009,504</u>        | <u>301,054</u>          | <u>945,417</u>          |
| <b>Revenue from others</b>                   |                         |                         |                         |                         |
| Interest income                              | 724,472                 | 2,094,295               | 637,104                 | 1,841,780               |
| Fee and commission income                    |                         |                         |                         |                         |
| Loans  | 1,344                   | 4,561                   | 1,594                   | 4,663                   |
| Installment finance                          | 5,399                   | 13,940                  | 4,042                   | 10,610                  |
| Lease  | 153,451                 | 444,163                 | 124,549                 | 342,488                 |
| Other  | 15,165                  | 39,406                  | 12,020                  | 28,738                  |
| Dividend income                              | 75                      | 528                     | -                       | 415                     |
| Gains on financial assets at FVTPL           | 1,246                   | 19,186                  | 277                     | 14,678                  |
| Gains on derivative instruments              | 64,243                  | 193,063                 | 376,474                 | 633,828                 |
| Gains on foreign currency transactions       | 16,109                  | 50,363                  | 29,624                  | 61,436                  |
| Other operating income                       | 87,529                  | 239,502                 | 45,755                  | 121,693                 |
|  | <u>1,069,033</u>        | <u>3,099,007</u>        | <u>1,231,439</u>        | <u>3,060,329</u>        |
| ₩  | <u><u>1,448,284</u></u> | <u><u>4,108,511</u></u> | <u><u>1,532,493</u></u> | <u><u>4,005,746</u></u> |

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**29. Operating Revenue (continued)**

(b) Classification of revenue from contracts with Customers for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  | September 30, 2023 |                  | September 30, 2022 |                |
|--|--------------------|------------------|--------------------|----------------|
|  | Three-month        | Nine-month       | Three-month        | Nine-month     |
| <b>Revenue from contracts with customers</b> |                    |                  |                    |                |
| Credit sales commission                      | ₩ 265,311          | 766,238          | 240,667            | 767,865        |
| Insurance agency fee                         | 19,405             | 56,856           | 20,141             | 57,797         |
| Fee on card loan, etc.                       | 94,535             | 186,410          | 40,246             | 119,755        |
|  | ₩ <u>379,251</u>   | <u>1,009,504</u> | <u>301,054</u>     | <u>945,417</u> |
| <b>Timing of revenue recognition</b>         |                    |                  |                    |                |
| Transferred at a point in time               | ₩ 315,930          | 824,578          | 241,758            | 771,121        |
| Transferred over time                        | 63,321             | 184,926          | 59,296             | 174,296        |
|  | ₩ <u>379,251</u>   | <u>1,009,504</u> | <u>301,054</u>     | <u>945,417</u> |

**30. Net Interest Income**

Details of net interest income for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                            | September 30, 2023 |                  | September 30, 2022 |                  |
|----------------------------|--------------------|------------------|--------------------|------------------|
|                            | Three-month        | Nine-month       | Three-month        | Nine-month       |
| <b>Interest income</b>     |                    |                  |                    |                  |
| Cash and due from banks    | ₩ 142              | 4,146            | 3,722              | 7,866            |
| Credit card receivables    | 545,488            | 1,584,806        | 491,399            | 1,455,014        |
| Loans                      | 95,259             | 268,046          | 80,585             | 215,240          |
| Installment loans          | 52,578             | 150,688          | 44,697             | 119,607          |
| Financing leases (*)       | 26,917             | 76,339           | 14,210             | 38,177           |
| Others                     | 4,088              | 10,270           | 2,491              | 5,876            |
|                            | <u>724,472</u>     | <u>2,094,295</u> | <u>637,104</u>     | <u>1,841,780</u> |
| <b>Interest expenses</b>   |                    |                  |                    |                  |
| Borrowings                 | (67,948)           | (200,927)        | (58,076)           | (134,697)        |
| Debentures                 | (148,518)          | (419,228)        | (113,046)          | (305,327)        |
| Asset-backed Securities    | (18,688)           | (52,351)         | (15,206)           | (39,315)         |
| Lease liabilities (*)      | (255)              | (834)            | (244)              | (632)            |
| Others                     | (5,634)            | (15,370)         | (3,302)            | (8,070)          |
|                            | <u>(241,043)</u>   | <u>(688,710)</u> | <u>(189,874)</u>   | <u>(488,041)</u> |
| <b>Net interest income</b> | ₩ <u>483,429</u>   | <u>1,405,585</u> | <u>447,230</u>     | <u>1,353,739</u> |

(\*) It includes finance income and costs in financial lease receivables and lease liabilities under K-IFRS 1116.

Interest income on impaired financial assets for the nine-month periods ended September 30, 2023 and 2022 are ₩10,006 million and ₩9,543 million, respectively.

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**31. Net Fee and Commission Income**

Details of net fee and commission income for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                                      | September 30, 2023 |                  | September 30, 2022 |                  |
|--------------------------------------|--------------------|------------------|--------------------|------------------|
|                                      | Three-month        | Nine-month       | Three-month        | Nine-month       |
| <b>Fee and commission income</b>     |                    |                  |                    |                  |
| Credit card receivables              | ₩ 379,251          | 1,009,504        | 301,054            | 945,417          |
| Loans                                | 1,344              | 4,560            | 1,594              | 4,663            |
| Installment loans                    | 5,399              | 13,940           | 4,042              | 10,610           |
| Leases                               | 153,451            | 444,163          | 124,549            | 342,488          |
| Others (*)                           | 15,164             | 39,407           | 12,020             | 28,738           |
|                                      | <u>554,609</u>     | <u>1,511,574</u> | <u>443,259</u>     | <u>1,331,916</u> |
| <b>Fee and commission expense</b>    |                    |                  |                    |                  |
| Credit card receivables              | (287,652)          | (838,560)        | (277,535)          | (792,615)        |
| Installment loans                    | (5,665)            | (18,957)         | (10,970)           | (26,394)         |
| Leases                               | (486)              | (1,452)          | (686)              | (1,924)          |
| Others (*)                           | (31,454)           | (89,488)         | (31,531)           | (86,919)         |
|                                      | <u>(325,257)</u>   | <u>(948,457)</u> | <u>(320,722)</u>   | <u>(907,852)</u> |
| <b>Net fee and commission income</b> | ₩ <u>229,352</u>   | <u>563,117</u>   | <u>122,537</u>     | <u>424,064</u>   |

(\*) Other fee and commission income or expense includes profit or loss associated with Shinhan Credit Service (Debt exemption and debt suspension) given to credit card members. For the nine-month periods ended September 30, 2023 and 2022, the amount of income related to debt exemption and debt suspension are ₩21,945 million and ₩24,065 million, respectively, and the amount of expense are ₩5,800 million and ₩6,389 million, respectively.

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**32. General Administrative Expenses**

Details of general administrative expenses for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  | September 30, 2023 |                | September 30, 2022 |                |
|--|--------------------|----------------|--------------------|----------------|
|  | Three-month        | Nine-month     | Three-month        | Nine-month     |
| <b>Relate to employees</b>                   |                    |                |                    |                |
| Salaries and wages                           | ₩ 55,314           | 166,384        | 51,979             | 153,409        |
| Bonus  | 13,303             | 42,476         | 12,396             | 38,701         |
| Incentive of results                         | 3,677              | 15,241         | 3,898              | 16,240         |
| Share-based compensation expense             | 968                | 2,128          | 37                 | 2,297          |
| Employee benefits                            | 27,792             | 74,728         | 27,132             | 68,494         |
| Travel                                       | 1,664              | 4,692          | 1,471              | 4,273          |
| Defined benefit                              | 3,907              | 11,707         | 5,395              | 15,661         |
| Defined contribution                         | 733                | 3,831          | 604                | 2,970          |
| Voluntary resignation allowance              | -                  | 4              | -                  | 5              |
|  | <u>107,358</u>     | <u>321,191</u> | <u>102,912</u>     | <u>302,050</u> |
| <b>Depreciation and amortization</b>         |                    |                |                    |                |
| Depreciation                                 | 13,137             | 37,719         | 11,047             | 34,305         |
| Amortization                                 | 5,038              | 14,079         | 3,474              | 12,309         |
|  | <u>18,175</u>      | <u>51,798</u>  | <u>14,521</u>      | <u>46,614</u>  |
| <b>Other general administrative expenses</b> |                    |                |                    |                |
| Communication                                | 9,533              | 29,646         | 10,333             | 30,747         |
| Utility                                      | 6,004              | 17,107         | 5,836              | 15,618         |
| Vehicle maintenance                          | 807                | 2,342          | 797                | 2,253          |
| Supplies                                     | 2,917              | 8,386          | 3,110              | 8,215          |
| Rent   | 312                | 927            | 317                | 921            |
| Insurance                                    | 11,558             | 34,110         | 10,709             | 30,343         |
| Repairs                                      | 229                | 594            | 171                | 215            |
| Entertainment                                | 501                | 1,761          | 560                | 1,307          |
| Advertising                                  | 8,211              | 17,127         | 8,629              | 23,097         |
| Sales promotion                              | 8,079              | 22,376         | 13,742             | 31,806         |
| Training                                     | 877                | 2,648          | 876                | 1,948          |
| Publication                                  | 136                | 418            | 166                | 369            |
| Freight                                      | 215                | 667            | 230                | 555            |
| Provision for asset retirement obligation    | 3                  | (1,287)        | 6                  | 15             |
| Taxes and dues                               | 13,685             | 40,189         | 12,732             | 36,719         |
|  | <u>63,067</u>      | <u>177,011</u> | <u>68,214</u>      | <u>184,128</u> |
|  | <u>₩ 188,600</u>   | <u>550,000</u> | <u>185,647</u>     | <u>532,792</u> |



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**33. Other Operating Income and Expenses**

Details of other operating income and expenses for the nine-month periods ended September 30, 2023 and 2022 are as follows.

|                                   | September 30, 2023 |                  | September 30, 2022 |                  |
|-----------------------------------|--------------------|------------------|--------------------|------------------|
|                                   | Three-month        | Nine-month       | Three-month        | Nine-month       |
| <b>Other operating income</b>     |                    |                  |                    |                  |
| Gains on recovery of bad debt (*) | ₩ 2,428            | 7,249            | 6,115              | 13,672           |
| Others                            | 85,102             | 232,254          | 39,640             | 108,021          |
|                                   | <u>87,530</u>      | <u>239,503</u>   | <u>45,755</u>      | <u>121,693</u>   |
| <b>Other operating expenses</b>   |                    |                  |                    |                  |
| Depreciation of lease assets      | (112,061)          | (328,956)        | (90,873)           | (251,731)        |
| Others                            | (39,727)           | (124,894)        | (35,508)           | (95,493)         |
|                                   | <u>(151,788)</u>   | <u>(453,850)</u> | <u>(126,381)</u>   | <u>(347,224)</u> |
|                                   | ₩ <u>(64,258)</u>  | <u>(214,347)</u> | <u>(80,626)</u>    | <u>(225,531)</u> |

(\*) Gains on recovery of bad debt is the amount of interest received from the bad debt.

**34. Non-operating Income and Expenses**

Details of non-operating income and expenses for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|  | September 30, 2023 |                 | September 30, 2022 |                |
|--|--------------------|-----------------|--------------------|----------------|
|  | Three-month        | Nine-month      | Three-month        | Nine-month     |
| <b>Non-operating income</b>                  |                    |                 |                    |                |
| Gains on disposal of property and equipment  | ₩ 37               | 341             | 32                 | 62,896         |
| Reversal of litigation allowance             | 85                 | 74              | -                  | -              |
| Others                                       | 2,791              | 9,737           | 2,738              | 9,929          |
| Miscellaneous income                         | 652                | 1,407           | 144                | 460            |
|  | <u>3,565</u>       | <u>11,559</u>   | <u>2,914</u>       | <u>73,285</u>  |
| <b>Non-operating expenses</b>                |                    |                 |                    |                |
| Donations                                    | (945)              | (6,879)         | (338)              | (6,342)        |
| Provision for litigation allowance           | -                  | -               | (556)              | (578)          |
| Losses on disposal of property and equipment | (2)                | (5)             | (130)              | (133)          |
| Others                                       | (311)              | (3,564)         | (310)              | (931)          |
| Miscellaneous losses                         | (172)              | (252)           | (26)               | (102)          |
|  | <u>(1,430)</u>     | <u>(10,700)</u> | <u>(1,360)</u>     | <u>(8,086)</u> |
|  | ₩ <u>2,135</u>     | <u>859</u>      | <u>1,554</u>       | <u>65,199</u>  |

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**35. Income Taxes**

The components of income tax expense for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|   | September 30, 2023 |            | September 30, 2022 |            |
|---|--------------------|------------|--------------------|------------|
|   | Three-month        | Nine-month | Three-month        | Nine-month |
| Current income taxes payable                                    | ₩ 55,457           | 143,782    | 47,014             | 182,267    |
| Adjustments to the income tax expense for prior period          | (3,117)            | (4,537)    | (21,206)           | (15,873)   |
| Changes in deferred tax due to changes in temporary differences | (4,681)            | (10,823)   | 218                | 8,168      |
| Income tax expense associated with items recorded in equity     | 929                | 9,623      | 4,090              | (251)      |
| Others  | (2,046)            | (6,097)    | 234                | (2,340)    |
| Income tax expense  | ₩ 46,542           | 131,948    | 30,350             | 171,971    |
| Effective tax rate  | 23.38%             | 21.92%     | 14.72%             | 22.59%     |

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**36. Consolidated Interim Statements of Cash Flows**

(a) Details of cash and cash equivalents as of September 30, 2023 and 2022 are summarized as follows:

|                              | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|------------------------------|---------------------------|---------------------------|
| Cash                         | ₩ 167                     | 263                       |
| Available deposits from bank |                           |                           |
| Deposits on demand           | 825,458                   | 362,009                   |
| Current deposits             | 21,835                    | 7,665                     |
| Foreign currency deposits    | 24,753                    | 26,674                    |
| Others                       | 67,555                    | 1,629                     |
| Time deposits                | 200,000                   | 13,944                    |
| Cash and cash equivalents    | <u>₩ 1,139,768</u>        | <u>412,184</u>            |

(b) The turnover of transactions is quick, the amounts are large and The Company presents the cash inflows and outflows due to bank overdrafts and RP that expire in a short period of time as net amounts.

(c) Reconciliations of the amounts of cash and cash equivalents in the statements of cash flows with the equivalent items reported in the statements of financial position as of September 30, 2023 and 2022 are as follows:

|  | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|--|---------------------------|---------------------------|
| Cash and cash equivalents in the statements<br>of financial position | ₩ 1,396,551               | 676,735                   |
| Adjustment:  |                           |                           |
| Restricted due from banks  | (250,063)                 | (264,551)                 |
| Time deposits  | (6,720)                   |                           |
| Cash and cash equivalents in the statements<br>of cash flows         | 1,139,768                 | 412,184                   |

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**36. Statements of Cash Flows (continued)**

(d) The consolidated statements of cash flows of the Group is prepared by using indirect method. Significant transactions without cash inflows and outflows for the nine-month periods ended September 30, 2023 and 2022 :

|  |   | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|--|---|---------------------------|---------------------------|
| Valuation of financial assets at FVOCI | ₩ | 2,953                     | (24,755)                  |
| Valuation of derivatives               |   | (15,479)                  | (9,314)                   |

(e) Changes in assets and liabilities arising from financing activities for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                       |   | <u>2023</u>                               |  |  |  |                                      |                |  |
|-----------------------|---|---|--|--|--|--------------------------------------|----------------|--|
|                       |   | <u>Balance at<br/>January 1,<br/>2023</u> | <u>Changes<br/>from cash<br/>flows</u> | <u>Changes in<br/>foreign<br/>currency<br/>exchange<br/>rate</u> | <u>Amortization<br/>of discount on<br/>borrowings<br/>and<br/>debentures,<br/>etc.</u> | <u>Changes<br/>in fair<br/>value</u> | <u>Others</u>  | <u>Balance at<br/>September<br/>30, 2023</u> |
| <b>Assets</b>         |   |   |  |  |  |                                      |                |  |
| Net derivative assets | ₩ | 175,250                                   | (75,559)                               | -  | -  | 165,169                              | (1,808)        | 263,052                                      |
| <b>Liabilities</b>    |   |   |  |  |  |                                      |                |  |
| Borrowings            |   | (9,136,178)                               | 594,464                                | (33,325)   | 6,762  | -                                    | 263,410        | (8,304,867)                                  |
| Debentures            |   | (21,502,816)                              | (417,469)                              | (140,573)  | (4,854)  | -                                    | (1,475)        | (22,067,187)                                 |
| Lease liabilities(*)  |   | (25,468)                                  | 11,375                                 | -  | (834)  | -                                    | (10,325)       | (25,252)                                     |
|                       | ₩ | <u>(30,664,462)</u>                       | <u>188,370</u>                         | <u>(173,898)</u>   | <u>1,074</u>   | <u>-</u>                             | <u>251,610</u> | <u>(30,397,306)</u>                          |

(\*) The amount of change in cash flow includes ₩801 million in interest payments indicated as operating activities in the cash flow statement at the time of payment.

|                       |   | <u>2022</u>                               |  |  |  |                                      |                 |  |
|-----------------------|---|---|--|--|--|--------------------------------------|-----------------|--|
|                       |   | <u>Balance at<br/>January 1,<br/>2022</u> | <u>Changes<br/>from cash<br/>flows</u> | <u>Changes in<br/>foreign<br/>currency<br/>exchange<br/>rate</u> | <u>Amortization of<br/>discount on<br/>borrowings and<br/>debentures, etc.</u> | <u>Changes<br/>in fair<br/>value</u> | <u>Others</u>   | <u>Balance at<br/>September<br/>30, 2022</u> |
| <b>Assets</b>         |   |   |  |  |  |                                      |                 |  |
| Net derivative assets | ₩ | 71,958                                    | (27,032)                               | -  | -  | 606,196                              | 5,486           | 656,608                                      |
| <b>Liabilities</b>    |   |   |  |  |  |                                      |                 |  |
| Borrowings            |   | (6,662,856)                               | (2,758,406)                            | (107,199)  | -  | -                                    | (56,208)        | (9,584,669)                                  |
| Debentures            |   | (20,841,868)                              | (990,719)                              | (529,780)  | (718)  | -                                    | (8,144)         | (22,371,229)                                 |
| Lease liabilities(*)  |   | (25,801)                                  | 9,841                                  | -  | (632)  | -                                    | (10,340)        | (26,932)                                     |
|                       | ₩ | <u>(27,530,525)</u>                       | <u>(3,739,284)</u>                     | <u>(636,979)</u>   | <u>(1,350)</u>   | <u>-</u>                             | <u>(74,692)</u> | <u>(31,982,830)</u>                          |

(\*) The amount of change in cash flow includes ₩620 million in interest payments indicated as operating activities in the cash flow statement at the time of payment.

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**Notes to the Consolidated Interim Financial Statements (continued)**  
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**37. Contingent Liabilities and Commitments**

(a) Contingent liabilities

The Group has 24 pending lawsuits as a defendant including collection of overdue credit card receivables, as of September 30, 2023 for a total claim amount of ₩5,405 million.

A legal provision of ₩3,974 million is recognized in the accompanying consolidated financial statements for expected loss due to lost litigation cases.

Additional losses may be incurred from these legal actions, however the result of such the lawsuits cannot be predicted. Management believes that the result of the lawsuits would not have significant impact on the consolidated financial statements.

(b) ABS commitments

In trust-type asset securitizations, trust company can demand the Group to transfer additional assets if the transferred assets are below the agreed minimum amount. As prescribed by the respective asset transfer agreements and other contracts, the Group has an obligation to early redeem the asset-backed securities in certain cases, such as when outstanding balance of securitized assets falls below the agreed amount at each settlement period or when portfolio profitability ratio is less than primary cost ratio for three consecutive settlement periods. Investor Interest based on transferred assets is provided as collateral for asset-backed securities. As of September 30, 2023, the Group has no additional obligation for the asset-backed securities.

The Group has entered into an agreement with the trust company to provide asset management services for the transferred assets. Under the agreement, the Controlling Company provides various services such as billing, collection, and management of delinquencies, and receives service fees from the trust company recorded as asset securitization income.

(c) Other commitments

i) The Group has entered an agreement with Shinhan Bank for the trust and consignment in order to perform various credit card services including recruitment of credit card members and merchants.

ii) The Group is subject to take necessary measures, including accumulation of required reserve or subscription to insurances or deductions, pursuant to Article 43-3 of the Use and Protection of the Credit Information Act. Accordingly, the Group has accumulated ₩2 billion as liability reserve for electronic banking and credit information.

iii) As of September 30, 2023, the Group has limit loan commitments amounting to ₩1,222.9 billion with banks including Hana Bank and SC Bank. In addition, the Group has entered into loan overdraft agreements (including daily check) amounting to ₩1,325 billion with banks including Shinhan Bank and KB Kookmin Bank.

iv) As of September 30, 2023, the uncollectible bad debts, for which right to claim is still effective, amounts to ₩3,512,654 million.

v) The unused credit provided by the Group as of September 30, 2023 and December 31, 2022 are ₩92,383,233 million and ₩91,358,278 million respectively. As of September 30, 2023 and December 31, 2022, the securities purchase agreement signed by the Group are ₩120,627 million and ₩104,546 million.

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**38. Asset Backed Securitization (ABS)**

(a) The initial transfer price of the credit card receivables sold by *Asset-Backed Securitization Act* as of September 30, 2023 and December 31, 2022 are as summarized as follows:

|                     | <u>Transfer date</u> |   | <u>September 30, 2023</u> | <u>September 30, 2022</u> |
|---------------------|----------------------|---|---------------------------|---------------------------|
| Shinhan Card 2022-1 | 2022.04.28           | ₩ | -                         | 679,988                   |
| Shinhan Card 2022-2 | 2022.08.18           |   | -                         | 870,072                   |
| Shinhan Card 2022-3 | 2022.12.22           |   | -                         | 581,594                   |
| Shinhan Card 2023-1 | 2023.06.21           |   | 582,130                   | -                         |
|                     |                      | ₩ | <u>582,130</u>            | <u>2,131,654</u>          |

(b) Details of uncollected transferred assets, which were sold by act on ABS, as of September 30, 2023 and December 31, 2022 are summarized as follows:

|                     | <u>List of disposal asset</u> | <u>Transfer date</u> | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|---------------------|-------------------------------|----------------------|---------------------------|--------------------------|
| Shinhan Card 2019-2 | Credit card receivables       | 2019.07.10           | ₩ -                       | 650,493                  |
| Shinhan Card 2019-3 | Credit card receivables       | 2019.12.17           | -                         | 371,115                  |
| Shinhan Card 2020-1 | Credit card receivables       | 2020.04.23           | -                         | 772,162                  |
| Shinhan Card 2021-1 | Credit card receivables       | 2021.01.21           | 551,138                   | 597,833                  |
| Shinhan Card 2021-2 | Credit card receivables       | 2021.09.09           | 704,038                   | 759,603                  |
| Shinhan Card 2022-1 | Credit card receivables       | 2022.04.28           | 617,945                   | 669,963                  |
| Shinhan Card 2022-2 | Credit card receivables       | 2022.08.18           | 770,093                   | 823,128                  |
| Shinhan Card 2022-3 | Credit card receivables       | 2022.12.22           | 471,380                   | 519,466                  |
| Shinhan Card 2023-1 | Credit card receivables       | 2023.06.21           | 520,292                   | -                        |
|                     |                               |                      | ₩ <u>3,634,886</u>        | <u>5,163,763</u>         |

(c) Securitization of financial assets

The Group uses the securitization of financial assets as a means of financing and to transfer risk. Generally, these securitization transactions result in the transfer of contractual cash flows to the debt securities holders issued from the financial asset portfolio. The Group recognizes debt securities issued without derecognition of assets under individual agreements, partially recognizes assets to the extent of the Group's level of involvement in assets, or recognizes rights and obligations arising from the derecognition and transfer of assets as separate assets and liabilities. The Group derecognizes the entire asset only if it transfers contractual rights to the cash flows of financial assets or if it holds contractual rights but bears contractual obligations to pay cash flows to the other party without significant delays or reinvestment and transfers most of the risks and benefits of ownership (e.g., credit risk, interest rate risk, prepayment risk, etc.). As of September 30, 2023 and December 31, 2022, the carrying amount of financial assets related to securitization transactions that have neither been transferred nor derecognized are ₩3,634,886 million and ₩5,163,763 million, respectively; the carrying amount of related liabilities are ₩2,349,650 million and ₩2,981,836 million, respectively.

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**39. Related Parties and related Parties Transactions**

(a) As of September 30, 2023, related parties of the Group are summarized as follows. Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

| Name of company  | Control relationship  |
|--|-----------------------|
| Shinhan Financial Group Co., Ltd.  | Parent company        |
| Wave Technology  | Associates            |
| One Shinhan Connect Fund 1   | Associates            |
| One Shinhan Connect Fund 2   | Associates            |
| Shinhan hyper connect venture fund I   | Associates            |
| Shinhan Bank   | Other related parties |
| Shinhan Life Insurance Co., Ltd.   | Other related parties |
| Shinhan DS Co., Ltd.   | Other related parties |
| Shinhan Securities Co., Ltd.   | Other related parties |
| Jeju Bank  | Other related parties |
| BNP Paribas Cardif Life Insurance  | Other related parties |
| Shinhan Savings Bank   | Other related parties |
| Shinhan Fund Partners (*)  | Other related parties |
| Shinhan Capital Co., Ltd.  | Other related parties |
| Shinhan Asset Management Co., Ltd.   | Other related parties |
| SHC Management Co., Ltd.   | Other related parties |
| Shinhan EZ General Insurance Co., Ltd.   | Other related parties |
| Shinhan REITs Management Co., Ltd.   | Other related parties |
| Shinhan AI Co., Ltd.   | Other related parties |
| Shinhan Asset Trust Co., Ltd.  | Other related parties |
| Shinhan Venture Investment Co, Ltd.  | Other related parties |
| One Shinhan Futures New Technology Investment Association 1                          | Other related parties |
| One Shinhan Futures New Technology Investment Association 2                          | Other related parties |
| One Shinhan Futures New Technology Investment Association 3                          | Other related parties |
| Shinhan global flagship venture fund 1   | Other related parties |
| SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2        | Other related parties |
| Korea Credit Bureau  | Other related parties |
| Kiram Ho Chi Minh Office General Private Placement Real Estate Investment Trust(USD) | Other related parties |
| Shinhan hyper future's venture fund 1  | Other related parties |

(\*) Shinhan AITAS Co., Ltd. has changed its name to Shinhan Fund Partners on April 3, 2023.

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**39. Related Parties and Transactions (continued)**

(b) Significant transactions with the related parties for the nine-month periods ended September 30, 2023 and 2022 are as follows:

| Related party / Account                           | September 30, 2023 | September 30, 2022 |
|---|--------------------|--------------------|
| Shinhan Financial Group Co., Ltd.                 |                    |                    |
| Interest expense                                  | ₩ 39,191           | 34,897             |
| Fee and commission income                         | 64                 | 22                 |
| Fee and commission expense                        | 10,688             | 10,688             |
| Other general and administrative expense          | -                  | 83                 |
| Shinhan Bank (*1)                                 |                    |                    |
| Interest income                                   | 397                | 210                |
| Interest expense                                  | 11,219             | 4,150              |
| Fee and commission income                         | 6,134              | 2,492              |
| Fee and commission expense                        | 131,284            | 124,373            |
| Other general and administrative expense          | 2,058              | 1,248              |
| Other operating income                            | -                  | 47                 |
| Non-operating expenses                            | 2,624              | -                  |
| Gain on derivatives                               | 50,320             | 133,541            |
| Loss on derivatives                               | -                  | (208)              |
| Provision for (Reversal of) credit loss allowance | (7)                | 5                  |
| Shinhan Life Insurance Co., Ltd.                  |                    |                    |
| Interest income                                   | 1,412              | 541                |
| Interest expense                                  | 3,016              | 671                |
| Fee and commission income                         | 17,627             | 10,602             |
| Fee and commission expense                        | 2,560              | 2,291              |
| Other operating income                            | -                  | 1,472              |
| Other general and administrative expense          | 26                 | 11                 |
| Provision for (Reversal of) credit loss allowance | 1                  | 1                  |
| Shinhan DS Co., Ltd. (*2)                         |                    |                    |
| Fee and commission income                         | -                  | 1                  |
| Fee and commission expense                        | 50,116             | 47,486             |
| Other operating income                            | 2                  | 3                  |
| Other general and administrative expense          | 55                 | -                  |
| Provision for (Reversal of) credit loss allowance | 17                 | (4)                |
| Shinhan Securities Co., Ltd. (*1)                 |                    |                    |
| Interest income                                   | 160                | 83                 |
| Fee and commission income                         | 304                | 99                 |
| Fee and commission expense                        | 121                | 171                |
| Other operating expense                           | 4                  | 13                 |
| Provision for (Reversal of) credit loss allowance | (2)                | 2                  |
| Shinhan Capital Co., Ltd.                         |                    |                    |
| Fee and commission income                         | 67                 | -                  |



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**39. Related Parties and Transactions (continued)**

(b) Significant transactions with the related parties for the nine-month periods ended September 30, 2023 and 2022 are as follows: (continued)

| Related party / Account                           | September 30, 2023 | September 30, 2022 |
|---|--------------------|--------------------|
| Jeju Bank   |                    |                    |
| Fee and commission income                         | ₩ 10               | 10                 |
| Fee and commission expense                        | 3                  | 3                  |
| BNP Paribas Cardif Life Insurance                 |                    |                    |
| Fee and commission income                         | 28                 | 30                 |
| Provision for (Reversal of) credit loss allowance | 2                  | -                  |
| Shinhan Savings Bank                              |                    |                    |
| Fee and commission income                         | 1,087              | 194                |
| Fee and commission expense                        | 4                  | -                  |
| Interest income                                   | (27)               | 97                 |
| Other operating income                            | 9                  | 1,097              |
| Provision for (Reversal of) credit loss allowance | 2                  | -                  |
| Shinhan Fund Partners                             |                    |                    |
| Fee and commission income                         | -                  | 1                  |
| SHC Management Co., Ltd.                          |                    |                    |
| Other operating income                            | 41                 | 41                 |
| Shinhan EZ General Insurance Co., Ltd.            |                    |                    |
| Fee and commission income                         | 53                 | 1                  |
| Other operating income                            | -                  | 1                  |
| Provision for (Reversal of) credit loss allowance | 1                  | (5)                |
| Shinhan REITs Management Co., Ltd.                |                    |                    |
| Fee and commission income                         | -                  | 12                 |
| Shinhan Asset Trust Co., Ltd.                     |                    |                    |
| Provision for (Reversal of) credit loss allowance | (1)                | 1                  |
| Shinhan AI Co., Ltd.                              |                    |                    |
| Fee and commission income                         | 19                 | 10                 |
| Fee and commission expense                        | 30                 | -                  |
| Other general and administrative expense          | -                  | 30                 |
| Provision for (Reversal of) credit loss allowance | -                  | (2)                |
| Shinhan Asset Management Co., Ltd.                |                    |                    |
| Other operating income                            | 4                  | 5                  |
| Fee and commission income                         | -                  | 1                  |
| Fee and commission expense                        | 3                  | -                  |
| Interest income                                   | 4                  | 4                  |
| Provision for (Reversal of) credit loss allowance | -                  | (3)                |

(\*1) For the nine-month periods ended September 30, 2023 and 2022, the Group recognized the right-of-use assets and lease liabilities amounting to ₩11,149 million and ₩10,428 million, respectively, according to the lease contract with the other related amounting to ₩10,463 million and ₩9,117 million. In relation to this, the Group recognized interest expense amounting to ₩119 million and ₩328 million.

(\*2) As of September 30, 2023 and 2022, the Group acquired a tangible asset at ₩700 million and ₩891 million, and an intangible asset from other related parties amounting to ₩8,042 million and ₩7,994 million.

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**39. Related Parties and related Parties Transactions (continued)**

(c) Significant balances with the related parties as of September 30, 2023 and December 31, 2022 are summarized as follows:

| Related party / Account            | September 30, 2023 | December 31, 2022 |
|------------------------------------|--------------------|-------------------|
| Shinhan Financial Group Co., Ltd.  |                    |                   |
| Credit card receivables            | ₩ 434              | 579               |
| Consolidated tax accounts          | 21,619             | 21,634            |
| Shinhan Bank                       |                    |                   |
| Cash and due from banks            | 122,109            | 123,259           |
| Credit card receivables            | 7,428              | 8,674             |
| Financing lease assets             | -                  | 39                |
| Allowance for Doubtful Accounts    | (3)                | (6)               |
| Derivative assets                  | 76,416             | 44,644            |
| Accounts receivable                | 69,876             | 8,702             |
| Accrued income                     | 11                 | 33                |
| Security deposits paid             | 12,696             | 11,345            |
| Shinhan Life Insurance Co., Ltd.   |                    |                   |
| Credit card receivables            | 1,673              | 2,557             |
| Allowance for Doubtful Accounts    | (1)                | (2)               |
| Accounts receivable                | 704                | 42                |
| Plan assets                        | 34,648             | 33,236            |
| Shinhan DS Co., Ltd.               |                    |                   |
| Credit card receivables            | 2,032              | 744               |
| Allowance for Doubtful Accounts    | (14)               | (3)               |
| Shinhan Securities Co., Ltd.       |                    |                   |
| Cash and due from banks            | 4,825              | 1,436             |
| Credit card receivables            | 2,143              | 2,606             |
| Accounts receivable                | 755                | -                 |
| Allowance for Doubtful Accounts    | (1)                | (2)               |
| Security deposits paid             | 300                | 300               |
| Jeju Bank                          |                    |                   |
| Cash and due from banks            | 2,750              | 731               |
| BNP Paribas Cardif Life Insurance  |                    |                   |
| Credit card receivables            | 111                | 117               |
| Allowance for Doubtful Accounts    | (1)                | -                 |
| Shinhan Saving Bank                |                    |                   |
| Cash and due from banks            | 1,270              | 13,615            |
| Credit card receivables            | 164                | 173               |
| Accrued income                     | 49                 | 202               |
| Accounts receivable                | 60                 | 64                |
| Allowance for Doubtful Accounts    | (2)                | (1)               |
| Shinhan Fund Partners              |                    |                   |
| Credit card receivables            | 137                | 187               |
| Shinhan Capital Co., Ltd.          |                    |                   |
| Credit card receivables            | 292                | 426               |
| Accounts receivable                | 8                  | -                 |
| Shinhan Asset Management Co., Inc. |                    |                   |
| Credit card receivables            | 355                | 295               |
| Finance lease assets               | 55                 | 64                |

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**39. Related Parties and Transactions (continued)**

(c) Significant balances with the related parties as of September 30, 2023 and December 31, 2022 are summarized as follows, continued:

| Related party / Account                 | September 30, 2023 | December 31, 2022 |
|---|--------------------|-------------------|
| Shinhan REITs Management Co., Ltd.      |                    |                   |
| Credit card receivables                 | ₩ 62               | 65                |
| Shinhan AI Co., Ltd.                    |                    |                   |
| Credit card receivables                 | 33                 | 38                |
| Prepaid expenses                        | 37                 | 27                |
| Shinhan Asset Trust Co., Ltd.           |                    |                   |
| Credit card receivables                 | 320                | 349               |
| Allowance for Doubtful Accounts         | -                  | (1)               |
| Shinhan EZ General Insurance Co., Ltd.  |                    |                   |
| Credit card receivables                 | 60                 | 55                |
| Accounts receivable                     | 4                  | -                 |
| Allowance for unused credit commitments | (1)                | -                 |
| Shinhan Venture Investment Co, Ltd.     |                    |                   |
| Credit card receivables                 | 68                 | 62                |
| <b>Total accounts receivable</b>        | ₩ 363,481          | 276,285           |

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**39. Related Parties and Transactions (continued)**

(c) Significant balances with the related parties as of September 30, 2023 and December 31, 2022 are summarized as follows, continued:

| Related party / Account                 | September 30, 2023 | December 31, 2022 |
|---|--------------------|-------------------|
| Shinhan Financial Group Co., Ltd.       |                    |                   |
| Borrowings                              | ₩ 2,258,264        | 2,224,939         |
| Current tax liabilities                 | 71,900             | 79,310            |
| Accrued expenses                        | 21,986             | 25,487            |
| Allowance for unused credit commitments | -                  | 1                 |
| Shinhan Bank                            |                    |                   |
| Derivative liabilities                  | 243                | 1,046             |
| Borrowings                              | 170,356            | 494,608           |
| Provision for restoration               | 550                | 550               |
| Accounts payable                        | 67,025             | 8,618             |
| Accrued expenses                        | 1,231              | 969               |
| Lease liabilities                       | 10,463             | 9,953             |
| Allowance for unused credit commitments | 7                  | 11                |
| Shinhan Life Insurance Co., Ltd.        |                    |                   |
| Debentures                              | 30,000             | 30,000            |
| Accounts payable                        | 1,152              | 966               |
| Accrued expenses                        | 6,491              | 539               |
| Other liabilities                       | 36,642             | 24,971            |
| Allowance for unused credit commitments | 3                  | 1                 |
| Shinhan Securities Co., Ltd.            |                    |                   |
| Allowance for unused credit commitments | 1                  | 2                 |
| BNP Paribas Cardif Life Insurance       |                    |                   |
| Allowance for unused credit commitments | 2                  | 1                 |
| Shinhan DS Co., Ltd.                    |                    |                   |
| Accrued expenses                        | 871                | 1,080             |
| Accounts payable                        | 3                  | -                 |
| Allowance for unused credit commitments | 7                  | 1                 |
| Shinhan Capital Co., Ltd.               |                    |                   |
| Allowance for unused credit commitments | -                  | 1                 |
| Shinhan Asset Trust Co., Ltd.           |                    |                   |
| Allowance for unused credit commitments | -                  | 1                 |
| Shinhan Saving Bank                     |                    |                   |
| Allowance for unused credit commitments | 1                  | -                 |
| Shinhan EZ General Insurance Co., Ltd.  |                    |                   |
| Accounts payable                        | 2                  | -                 |
| Allowance for unused credit commitments | 1                  | -                 |
| <b>Total accounts payable</b>           | <b>₩ 2,677,201</b> | <b>2,903,055</b>  |

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**39. Related Parties and Transactions (continued)**

(d) Fund transactions between the related parties for the nine-month periods ended September 30, 2023 and 2022 are summarized as follows:

(i) Borrowing · Repayment

| Control relationship       | Related party                     | September 30, 2023 |           |                               | December 31, 2022 |           |                               |
|----------------------------|-----------------------------------|--------------------|-----------|-------------------------------|-------------------|-----------|-------------------------------|
|                            |                                   | Borrowing          | Repayment | Issuance of hybrid bonds (*2) | Borrowing         | Repayment | Issuance of hybrid bonds (*2) |
| Parent Company             | Shinhan Financial Group Co., Ltd. | ₩ 100,000          | (100,000) | 300,000                       | 300,000           | (300,000) | 400,000                       |
| Other related parties (*1) | Shinhan Bank Co.,                 | 284,283            | (613,905) | -                             | 535,849           | (140,791) | -                             |
| Other related parties      | Shinhan Life                      | 10,980             | -         | -                             | 25,622            | -         | -                             |

(\*1) For the year ended December 31, 2022, the amount of borrowing of lease liabilities under lease contracts concluded with other related parties is ₩212 million, and for the nine-month period ended September 30, 2023 and the year ended December 31, 2022, the repayment amount is ₩ 2,288 million and ₩ 1,791 million, respectively.

(\*2) It is the amount before deducting the costs associated with issuance of hybrid bonds. For the nine-month period ended September 30, 2023, the Group has paid dividend of ₩19,956 from hybrid bonds.

(ii) Investment – collection

| Control relationship      | Related party  | September 30, 2023 |            | December 31, 2022 |            |
|---------------------------|--|--------------------|------------|-------------------|------------|
|                           |  | Investment         | Collection | Investment        | Collection |
| Other related party       | One-Shinhan Futures New Technology Investment Association 1                          | ₩ -                | (306)      | -                 | (397)      |
| Other related party       | One-Shinhan Futures New Technology Investment Association 2                          | -                  | (66)       | -                 | -          |
| Other related party       | One-Shinhan Futures New Technology Investment Association 3                          | -                  | (102)      | 198               | -          |
| Other related party       | Kiram Ho Chi Minh Office General Private Placement Real Estate Investment Trust(USD) | 13,190             | -          | -                 | -          |
| Other related party       | Shinhan global flagship venture fund 1   | 6,000              | -          | 6,000             | -          |
| Other related party       | SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2        | 1,699              | (807)      | 7,561             | (386)      |
| Other related party       | Shinhan hyper future's venture fund 1  | 106                | -          | -                 | -          |
| Investments in associates | One-Shinhan Connect Fund 1   | -                  | (208)      | 11,100            | (12,163)   |
| Investments in associates | One-Shinhan Connect Fund 2   | -                  | (4,598)    | 11,250            | -          |
| Investments in associates | Shinhan hyper connect venture fund I   | 3,375              | -          | -                 | -          |

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**39. Related Parties and Transactions (continued)**

(d) Fund transactions between the related parties for the nine-month periods ended September 30, 2023 and 2022 are summarized as follows: (continued)

(iii) *The transaction of payment and deposit that occurs due to business reasons between related parties is excluded.*

(e) Key management personnel compensations for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                          | September 30,<br>2023 | September 30,<br>2022 |
|--------------------------|-----------------------|-----------------------|
| Salaries and wages       | ₩ 2,560               | 3,003                 |
| Post-employment benefits | 39                    | 84                    |
| Share-based payments     | 809                   | 774                   |
|                          | <u>₩ 3,408</u>        | <u>3,861</u>          |

(f) Details of the guarantee provided by related parties as of September 30, 2023 and December 31, 2022 are as follows:

| Guarantor    | Guaranteed party       | Amount of guarantee   |                      | Details                                |
|--------------|------------------------|-----------------------|----------------------|--|
|              |                        | September 30,<br>2023 | December 31,<br>2022 |  |
| Shinhan Bank | Shinhan Card Co., Ltd. | ₩ 300,000             | 300,000              | Daily check overdraft agreement        |
|              |                        | 44,064                | 42,592               | Unused credit commitment               |
|              |                        | 39,134                | 36,878               | Financial guarantee (letter of credit) |

(g) The main agreement with related parties as of September 30, 2023 and December 31, 2022 are as follows:

| Related party                          | Amount of commitment  |                      | Details                           |
|--|-----------------------|----------------------|-----------------------------------|
|  | September 30,<br>2023 | December<br>31, 2022 |                                   |
| Shinhan Bank                           | ₩ 893,096             | 1,037,409            | Derivative instruments commitment |
| Shinhan Financial Group Co., Ltd.      | 3,566                 | 3,421                | Unused credit card commitment     |
| Shinhan Bank                           | 59,802                | 58,225               | Unused credit card commitment     |
| Shinhan Life Insurance Co., Ltd.       | 6,827                 | 5,943                | Unused credit card commitment     |
| Shinhan DS Co., Ltd.                   | 3,468                 | 756                  | Unused credit card commitment     |
| Shinhan Securities Co., Ltd.           | 8,357                 | 7,894                | Unused credit card commitment     |
| BNP Paribas Cardif Life Insurance      | 889                   | 883                  | Unused credit card commitment     |
| Shinhan Savings Bank                   | 336                   | 77                   | Unused credit card commitment     |
| Shinhan Fund Partners                  | 863                   | 813                  | Unused credit card commitment     |
| Shinhan Capital Co., Ltd.              | 2,298                 | 2,164                | Unused credit card commitment     |
| Shinhan Asset Management               | 645                   | 705                  | Unused credit card commitment     |
| Shinhan EZ General Insurance Co., Ltd. | 190                   | 195                  | Unused credit card commitment     |
| Shinhan REITs Management Co., Ltd.     | 138                   | 135                  | Unused credit card commitment     |
| Shinhan Asset Trust Co., Ltd.          | 980                   | 951                  | Unused credit card commitment     |
| Shinhan AI Co., Ltd.                   | 67                    | 62                   | Unused credit card commitment     |
| Shinhan Venture Investment Co, Ltd.    | 432                   | -                    | Unused credit card commitment     |
| Structured Entities (*)                | 120,627               | 104,546              | Securities purchase commitments   |

(\*) The amount is for the Group's associates and other structured entities that are other related parties.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**39. Related Parties and Transactions (continued)**

(h) The collateral provided to related parties as of September 30, 2023 and December 31, 2022 are as follows.

| Related party                    | Collateral asset        | Set amount of collateral |                   |
|----------------------------------|-------------------------|--------------------------|-------------------|
|                                  |                         | September 30, 2023       | December 31, 2022 |
| Shinhan Bank                     | Bond(*)                 | ₩ 237,000                | 520,000           |
| Shinhan Bank                     | Cash and due from banks | 180                      | 180               |
| Shinhan Savings Bank             | Cash and due from banks | 50                       | 50                |
| Shinhan Life Insurance Co., Ltd. | Cash and due from banks | 10                       | 10                |

(\*) The Group provides lease bonds classified as operating leases and financial leases as collateral.

(i) For the nine-month period ended September 30, 2023, the receivables acquired to ₩77,218 million and sold through Shinhan Securities Co., Ltd. amounted to ₩69,437 million, of which Shinhan Securities Co., Ltd. acquired debentures issued by the Group for ₩90,000 million.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**40. Interests in Unconsolidated Structured Entities**

(a) The nature and extent of interests in unconsolidated structured entities

The Group involved in assets-backed securitization, beneficiary certificates and characteristics of these structured entities are as follows:

|                              | Description  |
|------------------------------|--|
| Assets-backed securitization | Securitization vehicles are established to buy the assets from the originators and issue the asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles as the asset manager.  |
| Investment fund              | Investment funds are investment trusts, private investment companies, and associations that raise funds by issuing profit (investment) securities to investors and distribute the profits to investors by investing in stocks or bonds. The Group is an investor in an investment fund and may be exposed to principal losses if the value of the investment fund falls. |

(i) The size of unconsolidated structured entities as of September 30, 2023 and December 31, 2022 are as follows:

|                              |   | September 30, 2023 | December 31, 2022 |
|------------------------------|---|--------------------|-------------------|
| Assets-backed securitization | ₩ | 232,921            | 260,986           |
| Investment fund              |   | 28,371,334         | 29,314,199        |
| Total assets                 | ₩ | 28,604,255         | 29,575,185        |

(ii) Gain or loss recognized in relation to the Group's interests in unconsolidated structured entities for the nine-month periods ended September 30, 2023 and 2022 are as follows:

|                   |   | September 30, 2023          |            |                 |            |
|-------------------|---|-----------------------------|------------|-----------------|------------|
|                   |   | Asset-backed securitization |            | Investment fund |            |
|                   |   | Three-month                 | Nine-month | Three-month     | Nine-month |
| Gain              |   |                             |            |                 |            |
| Gain on valuation | ₩ | (1,157)                     | 949        | 603             | 603        |
| Other income      |   | -                           | 6,263      | 81              | 519        |
|                   | ₩ | (1,157)                     | 7,212      | 684             | 1,122      |
| Loss              | ₩ | -                           | -          | 100             | 550        |
|                   |   | September 30, 2022          |            |                 |            |
|                   |   | Asset-backed securitization |            | Investment fund |            |
|                   |   | Three-month                 | Nine-month | Three-month     | Nine-month |
| Gain              |   |                             |            |                 |            |
| Gain on valuation | ₩ | -                           | -          | 78              | 78         |
| Other income      |   | (917)                       | 6,294      | 286             | 876        |
|                   | ₩ | (917)                       | 6,294      | 364             | 954        |
| Loss              | ₩ | -                           | -          | 69              | 195        |



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**40. Interests in Unconsolidated Structured Entities (continued)**

(b) Nature of risks

(i) The carrying amounts of the assets and liabilities recognized relating to the Group's interests in unconsolidated structured entities as of September 30, 2023 and December 31, 2022 are as follows:

|                           |   | <b>September 30, 2023</b>              |                        |              |
|---------------------------|---|--|------------------------|--------------|
|                           |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b> |
| Assets:                   |   |  |                        |              |
| Financial assets at FVTPL | ₩ | 1,252                                  | 499,002                | 500,254      |
|                           |   | <b>December 31, 2022</b>               |                        |              |
|                           |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b> |
| Assets:                   |   |  |                        |              |
| Financial assets at FVTPL | ₩ | 1,526                                  | 379,411                | 380,937      |

(ii) Maximum exposure to risk relating to the Group's interests in unconsolidated structured entities as of September 30, 2023 and December 31, 2022 are as follows:

|                      |   | <b>September 30, 2023</b>              |                        |                |
|----------------------|---|--|------------------------|----------------|
|                      |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b>   |
| Assets held          | ₩ | 1,252                                  | 499,002                | 500,254        |
| Purchase commitments |   | -                                      | 48,547                 | 48,547         |
|                      | ₩ | <u>1,252</u>                           | <u>547,549</u>         | <u>548,801</u> |
|                      |   | <b>December 31, 2022</b>               |                        |                |
|                      |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b>   |
| Assets held          | ₩ | 1,526                                  | 379,411                | 380,937        |
| Purchase commitments |   | -                                      | 33,896                 | 33,896         |
|                      | ₩ | <u>1,526</u>                           | <u>413,307</u>         | <u>414,833</u> |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Interim Financial Statements (continued)**  
September 30, 2023 and 2022 (Unaudited), and December 31, 2022  
(In millions of won)

**41. Uncertainty due to Changes in Domestic and Global Economic Conditions**

The outbreak of COVID-19 has had a significant impact on the global economy including Korea. Financial and economic conditions arising may have a negative impact on the Group's results of operations by increasing a potential impairment on assets and the expected credit losses of certain asset portfolio.

The risk exposure of the portfolio, which is determined to be highly affected by the COVID-19, is as follows.

|                    | <b>Business</b>       |   | <b>Financial assets<br/>at amortized cost</b> | <b>Total limit</b> |
|--------------------|-----------------------|---|---|--------------------|
| Credit card assets | Credit Sales          | ₩ | 376,481                                       | 653,521            |
|                    | Short-term card loans |   | 107,384                                       |                    |
|                    | Long-term card loans  |   | 323,852                                       | -                  |
|                    |                       |   | ₩   | <u>807,717</u>     |

In comprehensive consideration of the above circumstances, the Group reassessed the forward-looking information used to estimate expected credit losses allowances in applying K-IFRS 1109 'Financial Instrument'.

In a statistical model that assumes the correlation between the default rates used in estimating the expected credit losses and the major economic factors, the Group reassessed forecasting default rates by applying estimates from major economic factors.

The Group will continue to monitor forward-looking information, taking into account the duration of COVID-19 pandemic impact to the economy and the government's policies.



## Independent Auditor's Report

English translation of a Report Originally Issued in Korean

To the Board of Directors and Shareholder of Shinhan Card Co., Ltd.

### ***Opinion***

We have audited the accompanying consolidated financial statements of Shinhan Card Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS).

### ***Basis for Opinion***

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

### ***Other Matter***

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

*Samid PricewaterhouseCoopers*

Seoul, Korea  
March 6, 2023

This report is effective as of March 6, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Financial Position**  
As of December 31, 2022 and 2021

(In millions of won, except share data)

|   | <i>Note</i> | <b>2022</b>         | <b>2021</b>       |
|---|-------------|---------------------|-------------------|
| <b>Assets</b>   |             |                     |                   |
| Cash and due from banks   | 10,40       | ₩ 664,928           | 435,662           |
| Financial assets at fair value through profit or loss             | 11          | 389,326             | 353,562           |
| Derivative assets   | 12          | 196,596             | 88,201            |
| Credit card receivables at amortized cost and other               | 13          | 36,831,167          | 33,755,177        |
| Lease assets  | 14          | 1,944,650           | 1,397,773         |
| Financial assets at fair value through other comprehensive income | 16          | 375,471             | 197,019           |
| Property and equipment, net                                       | 15,17       | 646,555             | 646,873           |
| Intangible assets   | 18          | 214,085             | 190,275           |
| Investments in associates   | 19          | 88,692              | 71,391            |
| Current tax assets  | 39          | 21,634              | 93                |
| Deferred tax assets   | 39          | 124,738             | 140,651           |
| Investment property   | 20          | 45,959              | 47,201            |
| Net defined benefit assets  | 24          | 36,988              | -                 |
| Other assets  | 21          | 1,469,532           | 1,148,350         |
| <b>Total assets</b>   |             | ₩ <u>43,050,321</u> | <u>38,472,228</u> |
| <b>Liabilities</b>  |             |                     |                   |
| Derivative liabilities  | 12          | ₩ 21,346            | 16,243            |
| Borrowings  | 22          | 9,136,178           | 6,662,856         |
| Debentures, net   | 23          | 21,502,816          | 20,841,868        |
| Net defined benefit obligations                                   | 24          | 207                 | 35,909            |
| Current tax liabilities   | 39          | 80,550              | 181,483           |
| Provisions  | 25          | 240,060             | 221,370           |
| Other liabilities   | 15,26       | 4,610,410           | 3,777,496         |
| <b>Total liabilities</b>  |             | <u>35,591,567</u>   | <u>31,737,225</u> |
| <b>Equity</b>   |             |                     |                   |
| Common stock  | 27          | 626,847             | 626,847           |
| Hybrid bonds  | 27          | 399,901             | -                 |
| Capital surplus   | 27          | 860,729             | 860,592           |
| Capital adjustments   | 27          | (1,550)             | 1,871             |
| Accumulated other comprehensive loss                              | 27          | (17,253)            | (42,190)          |
| Retained earnings   | 27,28       | 5,582,516           | 5,291,390         |
| <b>Equity attributable to owner of the Company</b>                |             | <u>7,451,190</u>    | <u>6,738,510</u>  |
| <b>Non-controlling interests</b>                                  | 27          | <u>7,564</u>        | <u>(3,507)</u>    |
| <b>Total equity</b>   |             | <u>7,458,754</u>    | <u>6,735,003</u>  |
| <b>Total liabilities and equity</b>                               |             | ₩ <u>43,050,321</u> | <u>38,472,228</u> |

See accompanying notes to the consolidated financial statements

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income**  
For the years ended December 31, 2022 and 2021

(In millions of won, except earnings per share)

|   | <u>Note</u> | <u>2022</u>      | <u>2021</u>      |
|---|-------------|------------------|------------------|
| Interest income   |             | ₩ 2,508,702      | 2,306,053        |
| Interest expense  |             | (710,697)        | (506,900)        |
| Net interest income   | 32          | <u>1,798,005</u> | <u>1,799,153</u> |
| Fee and commission income   |             | 1,758,461        | 1,618,369        |
| Fee and commission expense  |             | (1,221,388)      | (1,156,732)      |
| Net fee and commission income   | 33          | <u>537,073</u>   | <u>461,637</u>   |
| Dividend income   | 34          | 415              | 430              |
| Net gain on financial assets at fair value through profit or loss   | 11          | 19,867           | 10,544           |
| Net gain (loss) on derivatives  | 12          | 191,068          | 216,006          |
| Net gain (loss) on foreign currency transactions  | 7           | (160,792)        | (188,036)        |
| Provision for credit loss allowance   | 35          | (560,265)        | (442,669)        |
| General administrative expenses   | 36          | (741,626)        | (749,337)        |
| Other operating expense, net  | 37          | (318,704)        | (204,238)        |
| <b>Operating income</b>   |             | 765,041          | 903,490          |
| Non-operating income, net   | 38          | 64,575           | 4,505            |
| Share of gain (loss) of associates  | 18          | 7,115            | (1,109)          |
| <b>Profit before income tax</b>   |             | <u>836,731</u>   | <u>906,886</u>   |
| Income tax expense  | 39          | (192,176)        | (230,589)        |
| <b>Profit for the year</b>  |             | <u>₩ 644,555</u> | <u>676,297</u>   |
| <b>Other comprehensive income (loss):</b>   |             |                  |                  |
| <b>Items that will never be reclassified to profit or loss</b>  |             |                  |                  |
| Remeasurement of the net defined benefit obligations  | 24,27       | ₩ 30,554         | 409              |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income | 7,27        | 6,047            | 5,474            |
| <b>Items that are or may be reclassified subsequently to profit or loss</b>                                   |             |                  |                  |
| Loss on financial assets at fair value through other comprehensive income                                     |             | (17,031)         | (863)            |
| Net changes in the unrealized fair value of cash flow hedges  | 12,27       | (12,452)         | 22,740           |
| Foreign currency translation adjustments for foreign operations   | 27          | 19,440           | 6,033            |
| <b>Other comprehensive income (loss) for the year, net of tax</b>   |             | <u>26,558</u>    | <u>33,793</u>    |
| <b>Total comprehensive income for the year</b>  |             | <u>₩ 671,113</u> | <u>710,090</u>   |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Comprehensive Income (continued)**  
For the years ended December 31, 2022 and 2021

(In millions of won, except earnings per share)

|   | <u>Note</u> | <u>2022</u>      | <u>2021</u>    |
|---|-------------|------------------|----------------|
| <b>Profit attributable to:</b>                            |             |                  |                |
| Owner of the Company                                      | 30          | ₩ 641,368        | 674,997        |
| Non-controlling interests                                 |             | 3,187            | 1,300          |
| <b>Profit</b>   |             | <u>₩ 644,555</u> | <u>676,297</u> |
| <b>Total comprehensive income (loss) attributable to:</b> |             |                  |                |
| Owner of the Company                                      |             | ₩ 666,304        | 708,892        |
| Non-controlling interests                                 |             | 4,809            | 1,198          |
| <b>Total comprehensive income</b>                         |             | <u>₩ 671,113</u> | <u>710,090</u> |
| <b>Earnings per share</b>                                 |             |                  |                |
| Basic and diluted earnings per share (in won)             | 30          | ₩ 5,015          | 5,384          |

*See accompanying notes to the consolidated financial statements*

SHINHAN CARD CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31, 2021

|   | 2021         |              |                 |                     |   |                   |           |                           |              |
|---|--------------|--------------|-----------------|---------------------|---|-------------------|-----------|---------------------------|--------------|
|   | Common stock | Hybrid bonds | Capital surplus | Capital adjustments | Accumulated other comprehensive income (loss) | Retained earnings | Sub total | Non-controlling interests | Total equity |
| <b>Balance at January 1, 2021</b>   | ₩ 626,847    | -            | 860,592         | 2,219               | (73,314)                                      | 5,007,909         | 6,424,253 | (4,705)                   | 6,419,548    |
| <b>Transactions with owner</b>  |              |              |                 |                     |   |                   |           |                           |              |
| Dividends   | -            | -            | -               | -                   | -   | (394,287)         | (394,287) | -                         | (394,287)    |
| Share-based payment transactions  | -            | -            | -               | (348)               | -   | -                 | (348)     | -                         | (348)        |
| <b>Total comprehensive income for the year:</b>   |              |              |                 |                     |   |                   |           |                           |              |
| Profit for the year   | -            | -            | -               | -                   | -   | 674,997           | 674,997   | 1,300                     | 676,297      |
| Remeasurement of the net defined benefit obligations  | -            | -            | -               | -                   | 409   | -                 | 409       | -                         | 409          |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income | -            | -            | -               | -                   | 1,840   | 2,771             | 4,611     | -                         | 4,611        |
| Net changes in the unrealized fair value of cash flow hedges  | -            | -            | -               | -                   | 22,740  | -                 | 22,740    | -                         | 22,740       |
| Foreign currency translation adjustments for foreign operations   | -            | -            | -               | -                   | 6,135   | -                 | 6,135     | (102)                     | 6,033        |
| <b>Balance at December 31, 2021</b>   | ₩ 626,847    | -            | 860,592         | 1,871               | (42,190)                                      | 5,291,390         | 6,738,510 | (3,507)                   | 6,735,003    |

See accompanying notes to the consolidated financial statements



**SHINHAN CARD CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity (continued)**  
For the year ended December 31, 2022

|   | 2022            |                 |                    |                        |  |                      |           |                                  |                 |
|---|-----------------|-----------------|--------------------|------------------------|--|----------------------|-----------|----------------------------------|-----------------|
|   | Common<br>stock | hybrid<br>bonds | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income (loss) | Retained<br>earnings | Sub total | Non-<br>controlling<br>interests | Total<br>equity |
| <b>Balance at January 1, 2022</b>   | ₩ 626,847       | -               | 860,592            | 1,871                  | (42,190)   | 5,291,390            | 6,738,510 | (3,507)                          | 6,735,003       |
| <b>Transactions with owner</b>  |                 |                 |                    |                        |  |                      |           |                                  |                 |
| Dividends   | -               | -               | -                  | -                      | -  | (337,620)            | (337,620) | -                                | (337,620)       |
| Share-based payment transactions  | -               | -               | -                  | 24                     | -  | -                    | 24        | -                                | 24              |
| Issuance of hybrid bonds  | -               | 399,901         | -                  | -                      | -  | -                    | 399,901   | -                                | 399,901         |
| Dividend on hybrid bonds  | -               | -               | -                  | -                      | -  | (12,622)             | (12,622)  | -                                | (12,622)        |
| Net changes from business combination   | -               | -               | 137                | -                      | -  | -                    | 137       | -                                | 137             |
| Net change in non-controlling interests   | -               | -               | -                  | (3,445)                | -  | -                    | (3,445)   | 6,263                            | 2,818           |
| <b>Total comprehensive income for the year:</b>   |                 |                 |                    |                        |  |                      |           |                                  |                 |
| Profit for the year   | -               | -               | -                  | -                      | -  | 641,368              | 641,368   | 3,187                            | 644,555         |
| Remeasurement of the net defined benefit obligations  | -               | -               | -                  | -                      | 30,554   | -                    | 30,554    | -                                | 30,554          |
| Net changes in the unrealized fair value of financial assets at fair value through other comprehensive income | -               | -               | -                  | -                      | (10,984)   | -                    | (10,984)  | -                                | (10,984)        |
| Net changes in the unrealized fair value of cash flow hedges  | -               | -               | -                  | -                      | (12,452)   | -                    | (12,452)  | -                                | (12,452)        |
| Foreign currency translation adjustments for foreign operations   | -               | -               | -                  | -                      | 17,819   | -                    | 17,819    | 1,621                            | 19,440          |
| <b>Balance at December 31, 2022</b>   | ₩ 626,847       | 399,901         | 860,729            | (1,550)                | (17,253)   | 5,582,516            | 7,451,190 | 7,564                            | 7,458,754       |

*See accompanying notes to the consolidated financial statements*

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2022 and 2021

(In millions of won)

|   | <u>2022</u>          | <u>2021</u>        |
|---|----------------------|--------------------|
| <b>Cash flows from operating activities</b>                                     |                      |                    |
| Profit before income tax  | ₩ 836,731            | 906,886            |
| Adjustment for:   |                      |                    |
| Interest income   | (2,508,702)          | (2,306,053)        |
| Interest expense  | 710,697              | 506,900            |
| Dividend income   | (415)                | (430)              |
| Fee and commission income   | 32,470               | 18,862             |
| Fee and commission expense  | 670                  | 107                |
| Net gain on sales of financial assets at fair value through profit or loss      | (7,129)              | (3,024)            |
| Net gain on valuation of financial assets at fair value through profit or loss  | (4,414)              | (959)              |
| Net loss on valuation of financial assets at fair value through profit or loss  | 1,133                | 35                 |
| Net gain on valuation and transaction of derivatives                            | (234,298)            | (224,689)          |
| Net loss on valuation and transaction of derivatives                            | 43,230               | 8,683              |
| Net gain on foreign currency transaction  | (32,691)             | (11,489)           |
| Net loss on foreign currency transaction  | 177,659              | 198,655            |
| Provision for credit loss allowance   | 560,265              | 442,669            |
| Employee expenses   | 24,577               | 26,135             |
| Depreciation expenses   | 63,942               | 67,492             |
| Increase (decrease) in restoration liabilities                                  | 20                   | 16                 |
| Other operating income  | (24)                 | (24,274)           |
| Other operating expenses  | 351,264              | 256,594            |
| Non-operating income  | (62,987)             | (626)              |
| Non-operating expenses  | 2,012                | 2,398              |
| Equity method loss (income), net  | (7,114)              | 1,109              |
|   | <u>(889,835)</u>     | <u>(1,041,889)</u> |
| Changes in assets and liabilities:  |                      |                    |
| Restricted due from banks   | (84,988)             | 106,955            |
| Financial assets at fair value through profit or loss                           | (19,956)             | 140,028            |
| Credit card receivables at amortized cost and other                             | (3,447,311)          | (3,048,946)        |
| Lease assets  | (898,312)            | (638,131)          |
| Other assets  | (320,603)            | (421,353)          |
| Net defined benefit obligations   | (51,013)             | (26,339)           |
| Provisions  | (22,251)             | (8,712)            |
| Other liabilities   | 543,472              | (26,698)           |
|   | <u>(4,300,962)</u>   | <u>(3,923,196)</u> |
| Income taxes paid   | (300,946)            | (83,021)           |
| Interest received   | 2,337,839            | 2,163,666          |
| Interest paid   | (667,545)            | (494,396)          |
| Dividend received   | 415                  | 430                |
| <b>Net cash outflow from operating activities</b>                               | <u>₩ (2,984,303)</u> | <u>(2,471,520)</u> |
| <b>Cash flows from investing activities</b>                                     |                      |                    |
| Proceeds from disposal of financial assets at fair value through profit or loss | ₩ 37,269             | 3,024              |
| Acquisition of financial assets at fair value through profit or loss            | (42,663)             | (4,922)            |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Consolidated Statements of Cash Flows (continued)**  
For the years ended December 31, 2022 and 2021

(In millions of won)

|   | <u>2022</u>        | <u>2021</u>      |
|---|--------------------|------------------|
| Proceeds from disposal of financial assets at fair value through other comprehensive income | ₩ -                | 4,368            |
| Acquisition of financial assets at fair value through other comprehensive income            | (192,894)          | (162,623)        |
| Acquisition of investments in associates  | (22,350)           | (72,370)         |
| Proceeds from disposal of investments in associates   | 12,163             | -                |
| Proceeds from disposal of property and equipment  | 77,157             | 378              |
| Acquisition of property and equipment   | (33,905)           | (48,356)         |
| Proceeds from disposal of intangible assets   | 679                | -                |
| Acquisition of intangible assets  | (34,453)           | (47,939)         |
| Decrease in security deposits paid  | 4,558              | 50,365           |
| Increase in security deposits paid  | (4,236)            | (55,327)         |
| Net cash outflows from business combination   | (4,260)            | -                |
| <b>Net cash outflow from investing activities</b>   | <b>₩ (202,935)</b> | <b>(333,402)</b> |
| <b>Cash flows from financing activities</b>   |                    |                  |
| Proceeds from borrowings  | ₩ 5,062,702        | 4,370,535        |
| Repayment of borrowings   | (2,622,384)        | (1,850,395)      |
| Proceeds from debentures  | 7,446,370          | 4,842,948        |
| Repayment of debentures   | (6,909,706)        | (4,387,295)      |
| Cash inflows from cash flow hedges  | 2,391,500          | 1,221,382        |
| Cash outflows from cash flow hedges   | (2,319,927)        | (1,210,366)      |
| Repayment of lease liabilities  | (12,629)           | (8,878)          |
| Dividends paid  | (337,620)          | (394,287)        |
| Increase in security deposits received  | 215,385            | 91,498           |
| Issuance of hybrid bonds  | 399,901            | -                |
| Payment of dividend on hybrid bonds   | (12,042)           | -                |
| Increase in other financial liabilities   | 25,622             | -                |
| Increase in paid-in capital   | 3,158              | -                |
| <b>Net cash inflow from financing activities</b>  | <b>3,330,330</b>   | <b>2,675,142</b> |
| <b>Effect of exchange rate fluctuations on cash and cash equivalents</b>                    | <b>854</b>         | <b>796</b>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                 | <b>143,946</b>     | <b>(128,984)</b> |
| <b>Cash and cash equivalents at the beginning of year</b>                                   | <b>319,868</b>     | <b>448,852</b>   |
| <b>Cash and cash equivalents at the end of year (Note 40)</b>                               | <b>₩ 463,814</b>   | <b>319,868</b>   |

See accompanying notes to the consolidated financial statements

# SHINHAN CARD CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(In millions of won)

### 1. Reporting Entity

General information of Shinhan Card Co., Ltd. (the “Company” or the “Controlling Company”) and its subsidiaries (collectively the “Group”) is as follows.

#### (a) The Controlling Company

The Controlling Company was incorporated on December 17, 1985. The address of the Company’s registered office is Eulji-Ro 100, Building A, Jung-Gu, Seoul (Pine Avenue Eulji-Ro 2 Ga). The Group provides credit card services, factoring, installment financing and lease financing under the Specialized Credit Finance Business Act.

As of December 31, 2022, the Group has approximately 20.75 million (actual member criteria) personal credit card holders, 1.96 million merchants in its network and 33 branch offices (including the headquarter office). The Group is a wholly owned subsidiary of Shinhan Financial Group Co., Ltd. (“Shinhan Financial Group”).

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
(In millions of won)

**1. Reporting Entity (continued)**

(b) Subsidiaries

As of December 31, 2022 and 2021, consolidated subsidiaries are summarized below.

| Name of subsidiary   | Location   | Closing month | Operating activities  | 2022                 |                          | 2021                   |                          |
|--|------------|---------------|---|----------------------|--------------------------|------------------------|--------------------------|
|  |            |               |   | Controlling interest | Non-controlling interest | Controlling interest   | Non-controlling interest |
| Shinhan Card 2018-2<br>(*1)(*2)  | Korea      | December      | ABS   | -                    | -                        | 0.5%                   | 99.5%                    |
| Shinhan Card 2019-1<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | 0.5%                   | 99.5%                    |
| Shinhan Card 2019-2<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | 0.5%                   | 99.5%                    |
| Shinhan Card 2019-3<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | 0.5%                   | 99.5%                    |
| Shinhan Card 2020-1<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | 0.5%                   | 99.5%                    |
| Shinhan Card 2021-1<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | 0.5%                   | 99.5%                    |
| Shinhan Card 2021-2<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | 0.5%                   | 99.5%                    |
| Shinhan Card 2022-1<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | -                      | -                        |
| Shinhan Card 2022-2<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | -                      | -                        |
| Shinhan Card 2022-3<br>(*1)(*2)  | Korea      | December      | ABS   | 0.5%                 | 99.5%                    | -                      | -                        |
| Shinhan Credit Information Co., Ltd. (*3)  | Korea      | December      | Debt collection,<br>credit investigation,<br>complaints service<br>agency | 100.0%               | -                        | -                      | -                        |
| Shinhan Finance LLC  | Kazakhstan | December      | Installment,<br>credit loan<br>lease financing                            | 100.0%               | -                        | 100.0%                 | -                        |
| Shinhan Indo Finance (*4)  | Indonesia  | December      | Installment,<br>credit card and<br>lease financing                        | 76.33%               | 23.67%                   | 50%+1 of the<br>shares | 50%-1 of the<br>shares   |
| Shinhan Microfinance Co., Ltd.   | Myanmar    | September     | Credit loan   | 100.0%               | -                        | 100.0%                 | -                        |
| Shinhan Vietnam Finance Co., Ltd.  | Vietnam    | December      | Credit loan   | 100.0%               | -                        | 100.0%                 | -                        |
| Specified money in trusts (*1) (As of December 31, 2022: 7 cases, as of December 31, 2021: 11 cases) | Korea      | December      | Trust asset management  | 100.0%               | -                        | 100.0%                 | -                        |

(\*1) The above subsidiaries are structured entities that are designed voting rights or similar rights are not major factors when determining control.

(\*2) Although the Controlling Company's percentage of ownership in shares of structured entities is less than 50%, with consideration of the terms and conditions of structured entities' incorporate agreement, the Group obtains substantially all gains and losses from the operations of the structured entities, and the Group has the ability to direct the activities of structured entities that can significantly affect such gains and losses. Accordingly, the structured entities are included in the consolidation. The Group may trust credit card receivables additionally if these consolidated structured entities are unable to repay securitized debentures connected to the entities' underlying assets.

(\*3) The Group has acquired 100% shares of Shinhan Credit Information Co., Ltd. from Shinhan Financial Group Co., Ltd. and Shinhan Credit Information Co., Ltd. became a wholly-owned subsidiary of the Group for the year ended December 31, 2022.

(\*4) The percentage of ownership in this entity changed from 50%+1 of the shares to 76.33% because of a paid in capital increase for the year ended December 31, 2022.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
(In millions of won)

**1. Reporting Entity (continued)**

(c) Changes in investments in subsidiaries during the year ended December 31, 2022 are as follows:

| Status of change | Name of the subsidiary               | Reason                    |
|------------------|--------------------------------------|---------------------------|
| Included         | Shinhan card 2022-1                  | Newly invested subsidiary |
|                  | Shinhan card 2022-2                  | Newly invested subsidiary |
|                  | Shinhan card 2022-3                  | Newly invested subsidiary |
| Excluded         | Shinhan Credit Information Co., Ltd. | Business combination      |
|                  | Shinhan card 2018-2                  | Liquidation               |

(d) Condensed financial information of the Group's subsidiaries as of and for the years ended December 31, 2022 and 2021 are as follows:

| Name of subsidiary                   | December 31, 2022 |                   |              |                            |                                   |
|--------------------------------------|-------------------|-------------------|--------------|----------------------------|-----------------------------------|
|                                      | Total assets      | Total liabilities | Total equity | Profit (loss) for the year | Total comprehensive income (loss) |
| Shinhan Card 2019-1                  | ₩ -               | -                 | -            | -                          | -                                 |
| Shinhan Card 2019-2                  | 318,122           | 316,846           | 1,276        | -                          | (1,127)                           |
| Shinhan Card 2019-3                  | 175,049           | 175,049           | -            | -                          | -                                 |
| Shinhan Card 2020-1                  | 522,352           | 520,408           | 1,944        | -                          | (2,973)                           |
| Shinhan Card 2021-1                  | 350,076           | 350,076           | -            | -                          | -                                 |
| Shinhan Card 2021-2                  | 400,104           | 400,104           | -            | -                          | -                                 |
| Shinhan Card 2022-1                  | 400,246           | 400,246           | -            | -                          | -                                 |
| Shinhan Card 2022-2                  | 521,907           | 514,232           | 7,675        | -                          | 7,675                             |
| Shinhan Card 2022-3                  | 327,155           | 329,924           | (2,769)      | -                          | (2,769)                           |
| Shinhan Credit Information Co., Ltd. | 31,397            | 10,488            | 20,909       | 558                        | 558                               |
| Shinhan Finance LLC                  | 109,400           | 85,303            | 24,097       | 4,504                      | 4,853                             |
| Shinhan Indo Finance                 | 145,938           | 113,982           | 31,956       | 6,375                      | 9,619                             |
| Shinhan Microfinance Co., Ltd.       | 11,434            | 11,804            | (370)        | (858)                      | (864)                             |
| Shinhan Vietnam Finance Co., Ltd.    | 647,313           | 511,926           | 135,387      | 17,303                     | 20,534                            |
| Specified money in trusts            | 475,000           | -                 | 475,000      | 126                        | 126                               |

(\*) It is disclosed as financial information after the consolidation for year ended December 31, 2022.

| Name of subsidiary                | December 31, 2021 |                   |              |                            |                                   |
|-----------------------------------|-------------------|-------------------|--------------|----------------------------|-----------------------------------|
|                                   | Total assets      | Total liabilities | Total equity | Profit (loss) for the year | Total comprehensive income (loss) |
| Shinhan Card 2018-2               | ₩ 443,447         | 443,261           | 186          | -                          | 8,054                             |
| Shinhan Card 2019-1               | 400,123           | 400,123           | -            | -                          | -                                 |
| Shinhan Card 2019-2               | 595,191           | 592,789           | 2,402        | -                          | 8,431                             |
| Shinhan Card 2019-3               | 350,074           | 350,074           | -            | -                          | -                                 |
| Shinhan Card 2020-1               | 490,323           | 485,405           | 4,918        | -                          | 3,953                             |
| Shinhan Card 2021-1               | 350,068           | 350,068           | -            | -                          | -                                 |
| Shinhan Card 2021-2               | 400,092           | 400,092           | -            | -                          | -                                 |
| Shinhan Finance LLC               | 41,425            | 22,181            | 19,244       | 2,098                      | 1,735                             |
| Shinhan Indo Finance              | 110,131           | 117,145           | (7,014)      | 2,601                      | 2,396                             |
| Shinhan Microfinance Co., Ltd.    | 11,688            | 11,194            | 494          | (9,784)                    | (11,581)                          |
| Shinhan Vietnam Finance Co., Ltd. | 470,264           | 355,411           | 114,853      | 6,478                      | 14,903                            |
| Specified money in trusts         | 570,000           | -                 | 570,000      | 59                         | 59                                |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
(In millions of won)

**2. Basis of Preparation**

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), which prescribed in the Act on External Audit of Stock Companies. The accompanying consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Group's financial position, financial performance or cash flows, is not presented in the accompanying consolidated financial statements.

The consolidated financial statements of the Group have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the Republic of Korea.

The consolidated financial statements were authorized for issue by the Board of Directors on February 7, 2023, which will be submitted for approval to the shareholder's meeting to be held on March 22, 2023.

(a) Basis of measurement

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

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Financial instruments at fair value through other comprehensive income are measured at fair value;
- Liabilities recognized for cash-settled share-based payment; and
- Present value of liabilities recognized for defined benefit plans, net of the fair value of plan assets.

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with Korean 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, 2022 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.

The rapid spread of the COVID-19 epidemic is having a negative impact on the global economy. The Group uses forward-looking information to estimate expected credit loss in accordance with Korean IFRS 1109 'Financial Instruments'. For the year ended December 31, 2022, there have been significant changes on the forward-looking information due to the spread of the COVID-19. Accordingly, the economic recession is expected to be more severe than

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
(In millions of won)

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

(c) Use of estimates and judgements **(continued)**

the previous forecast, and the default rate forecast as of December 31, 2022 is re-estimated using the updated forward-looking information on the GDP growth rate, private consumption growth rate, which are major macroeconomic variables for calculating the default rate forecast. The Group will continue to monitor the economic effects of the COVID-19.

(d) Changes in accounting policies

Except for the following new accounting standards enacted or amended for the first time for their annual reporting period commencing January 1, 2022, 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, 2021.

There are other new standards applied from January 1, 2022, which does not have a significant impact on the Group's consolidated financial statements.

*(i) New and amended standards and interpretations adopted by the Group*

The Group has applied the following standards and interpretations for the first time for their annual reporting period commencing January 1, 2022.

1) Korean IFRS 1116 Leases – Covid-19-Related Rent Concessions beyond 30 June 2021

The amendments permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The lessee should apply practical expedient in a consistent manner, to the contracts with similar characteristics in similar situations. The amendments do not have a significant impact on the consolidated financial statements.

2) Korean IFRS 1103 'Business combination' amended – Reference to the Conceptual Framework

The amendments update a reference of definition of assets and liabilities to be recognized in a business combination in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of Korea IFRS 1037 'Provisions, Contingent Liabilities and Contingent Assets', and Korean IFRS 2121 'Levies'. The amendments also clarify that contingent assets should not be recognized at the acquisition date. The amendments do not have a significant impact on the consolidated financial statements.

3) Korean IFRS 1016 'Property, Plant and Equipment' amended – Proceeds before the intended use

The amendments require the entity to recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss, and prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. The amendments do not have a significant impact on the consolidated financial statements.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
(In millions of won)

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

**(d) Changes in accounting policies (continued)**

4) Korean IFRS 1037, 'Provisions, Contingent Liabilities and Contingent Assets' amended - Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments do not have a significant impact on the consolidated financial statements.

5) Annual Improvements to Korean IFRSs 2018-2020 Cycle

For Annual Improvements to Korean IFRSs 2018-2020 Cycle, the amendments will take effect for annual periods beginning after January 1, 2022 and earlier application is permitted. The amendments do not have a significant impact on the consolidated financial statements.

- Korean IFRS 1101 'First-time Adoption of Korean IFRS' - First-time adopter subsidiaries
- Korean IFRS 1109 'Financial Instruments' - 10% test-related fee for financial liabilities removal
- Korean IFRS 1041 'Agriculture' - Fair value measurement

*ii) New standards and interpretations not yet adopted by the Group*

The following new accounting standards and interpretations have been published that are not mandatory for December 31, 2022 reporting periods and have not been early adopted by the Group.

1) Korean IFRS 1001 'Presentation of Financial Statements' amended - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review of the impact on the amendments on the consolidated financial statements.

2) Korean IFRS 1001 'Presentation of Financial Statements' amended - Disclosure of Accounting Policies

The amendments require an entity to define and to disclose its material information about accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group is in review of the impact on the amendments on the consolidated financial statements.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
(In millions of won)

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

**(d) Changes in accounting policies (continued)**

*ii) New standards and interpretations not yet adopted by the Group (continued)*

3) Korean IFRS 1008 'Accounting Policies, Changes in Accounting Estimates and Errors' amended - Definition of Accounting Estimates

The amendments clarify the definition of accounting estimates and how distinguish it from a change in accounting policies. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

4) Korean IFRS 1012 'Income Taxes' - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Under the amendments, an entity does not apply the initial recognition exemption for transactions which involve the recognition of both an asset and liability – which in turn leads to equal taxable and deductible temporary differences. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

5) Korean IFRS 1117 'Insurance Contracts'

Korean IFRS 1117 'Insurance Contracts' supersedes Korean IFRS 1104 'Insurance Contracts'. According to Korean IFRS 1117, the Group estimates all cash flows under the insurance contract and measure insurance liabilities by using discount rates that reflect assumptions and risks at the reporting point, then recognizes insurance revenue on an accrual basis including services (insurance coverage) provided to the policyholder for each fiscal year. Investment components (such as refunds due to termination/maturity) repaid to a policyholder even if an insured event does not occur, are excluded from insurance revenue, and insurance financial income or expense and the investment income or expense are presented separately to enable users of the information to understand the sources of income or expenses.

This amendment is effective for annual periods beginning on or after January 1, 2023, an earlier application is permitted for companies which have adopted Korean IFRS 1109 'Financial instruments'. The Group expects that the amendments will have no significant impact on the consolidated financial statements.

6) Korean IFRS 1001 'Presentation of Financial Statements' – Classification of Debt with Covenants as Current or Non-current

The amendments require disclosure of the carrying amount of the financial liability and its related gains or losses if, all or part of a financial instrument subject to adjustment of the exercise price according to changes in the issuer's stock price. The amendments should be applied for annual periods beginning on or after January 1, 2023, and earlier application is permitted. The Group expects that the amendments will not have a significant impact on the consolidated financial statements.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies**

Significant accounting policies applied by the Group in preparation of its consolidated financial statements are described below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise in Note 2 (d).

(a) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Group has a single reportable segment. Accordingly, information on segment assets, liabilities and profit or loss is not disclosed.

(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 like transactions and other events in similar circumstances, the Group prepares the consolidated financial statements by making appropriate adjustments.

*(ii) Structured entities*

The Group has established a number of structured entities by transferring credit card receivables and others. A structured entity is consolidated if, based on an evaluation of the substance of its relationship with the Group and the structured entity's risks and rewards, it is concluded that the Group controls the structured entity.

*(iii) Elimination of intra-group transactions*

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. If intra-group losses indicate an asset impairment that requires recognition on the consolidated financial statements, the intra-group losses are recognized as a loss.

*(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 allocation reduces the non-controlling interest balance below zero.

(c) Cash and cash equivalents

They are short-term investment assets with high liquidity, such as cash balances, foreign currencies, and call deposits, and short-term investment assets with a slight risk of value fluctuations are classified as cash and cash equivalents.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**3. Significant Accounting Policies (continued)**

(d) Non-derivative financial assets

*(i) Recognition and initial measurement*

Issued debentures are initially recognized at the time of issue. Other financial instruments and financial liabilities are recognized only when the Group becomes a party to the contract for the financial instrument.

At initial recognition, financial assets or financial liabilities are measured at fair value, and transaction costs directly related to the acquisition of the financial assets or the issue of the financial liabilities are added to fair value unless they are measured at fair value through profit or loss.

*(ii) Classification and subsequent measurement*

**Financial asset**

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (“FVOCI”) – debt investment; FVOCI – equity investment; or fair value through profit or loss (“FVTPL”).

Unless the Group changes its business model for managing financial assets, after first recognition, the financial assets cannot be reclassified. When, and only when, the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets on the first day of the Group’s next reporting period.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**3. Significant Accounting Policies (continued)**

(d) Non-derivative financial assets (continued)

*(ii) Classification and subsequent measurement (continued)*

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (See Note 6). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Financial asset: Business model***

The Group assesses the objective of the business model held at the portfolio level of financial assets because it best reflects the way the business is managed, and information is provided to management. Such information takes into account the following:

- The accounting policies and objectives specified for the portfolio and the actual operation of these policies. These include management's strategy focused on obtaining contractual interest revenue, maintaining the level of interest revenue, and financing the debt financing and matching the duration of the financial asset's duration and on the outflow or realization of expected cash flows through the sale of the asset;
- Assessment of the performance of financial assets held in a business model and reporting the assessment to key management personnel;
- The risks affecting the performance of the business model (and the financial assets held in the business model) and how they are managed;
- Compensation for management (e.g., compensation based on the fair value of the managed asset or on the contractual cash flows received); and
- The frequency, amount, timing, reasons and expectations of future sales activities of financial assets in prior periods.

For this purpose, transfers of financial assets from transactions that do not meet the derecognition requirements to third parties are not considered as sales.

A portfolio of financial assets that meets the definition of trading or whose performance is measured at fair value through profit or loss.

***Financial asset: Contractual cash flows are solely payments of principal and interest on the principal amount outstanding***

'Principal' amount is defined as the fair value on initial recognition of the financial asset. 'Interest' consists of profit as well as consideration for the time value of money, consideration for the credit risk associated with the principal balance in a particular period, and consideration for other basic loan risks and costs (such as liquidity risk and operating costs).

In assessing whether contractual cash flows consist solely of principal and interest payments, the Group considers the terms and conditions of the instrument. If a financial asset contains a contractual term that changes the timing or amount of contractual cash flows, the entity must determine whether the contractual cash flows that may arise over the life of the financial instrument are solely payments of principal and interest.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**3. Significant Accounting Policies (continued)**

(d) Non-derivative financial assets (continued)

(ii) *Classification and subsequent measurement (continued)*

To make an assessment, the Group considers the following:

- Contractual terms that change the timing or amount of contractual cash flows;
- Terms that adjust the contractual interest rate, including variable interest rate features;
- Prepayment features and extension features; and
- Terms and conditions that limit the Group's claims on cash flows arising from specific assets. (e.g., non-recourse features)

If the prepayment amount represents interest on substantially outstanding principal and remaining principal and includes reasonable additional compensation for early termination of the contract, the early repayment characteristics are consistent with the terms of paying principal and interest on a specified date.

In addition, for financial assets acquired at a significant discount or premium to the contractual face value, the prepayment amount effectively represents the contractual face value and the contractual interest accrual (however unpaid), and the prepayment feature meets this condition when the fair value of the feature is insignificant on initial recognition of the financial asset.

***Financial Asset: Subsequent measurement and profit or loss***

The following accounting policies apply to the subsequent measurement of financial assets.

| <u>Category of financial instruments</u> | <u>Accounting policies</u>  |
|--|---|
| Financial assets at FVTPL                | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. However, see Note 3 (e) for derivative financial assets designated as the hedging instruments.   |
| Financial assets at amortized cost       | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairment and any gain or loss on derecognition are recognized in profit or loss.  |
| Debt investments at FVOCI                | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI              | These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.  |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(d) Non-derivative financial assets (continued)

*(iii) Derecognition of financial assets*

***Financial asset***

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

When the Group transfers a right on cash flow of a financial asset, but, retains substantially all of the risk and rewards of ownership relating the transferred asset, the transferred assets are continuously recognized, and the proceeds from the transfer are recognized as a liability.

*(iv) Offsetting*

Financial assets and liabilities are offset only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(e) Derivative financial assets

*(i) Derivatives and Hedge Accounting*

The Group holds derivative financial instruments to hedge foreign exchange and interest rate exposures. If the host contract is not a financial asset and meets certain requirements, the embedded derivative is accounted for separately and separated from the host contract.

Derivatives are measured at fair value on initial recognition and subsequently measured at fair value and changes are generally recognized in profit or loss.

The Group designate specific derivatives and non-derivative financial liabilities as hedging instruments to hedge the variability of cash flows associated with future forecast transactions that are likely to arise from changes in exchange rates and interest rates, as the purpose of hedging exchange risk against net investments in foreign operations.

At the inception of the hedge, the Group documents the purpose and strategy of risk management to perform the hedge. The Group documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**3. Significant Accounting Policies (continued)**

(e) Derivative financial assets (continued)

*(ii) Cash flow hedge*

When a derivative is designated as a cash flow hedge, an effective part of the change in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedge reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on the basis of present value from the inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If a hedged item that is a forecast transaction is subsequently recognized in a non-financial asset, the cumulative hedge reserve and the cost of the hedge are included directly in the initial cost of the non-financial asset when the non-financial asset is recognized.

For other hedged items that are forecast transactions, the accumulated hedge reserve and the cost of the hedge are reclassified to profit or loss in the same period or in the period during which the expected hedged future cash flows affect profit or loss.

If the hedge no longer meets the hedge accounting requirements or the hedging instrument is sold, decimated, terminated or exercised, the hedge accounting is discontinued prospectively.

If a non-financial item is a recognized hedge transaction and hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the cash flow hedge reserve and the cost of the non-financial item remain in equity until the non-financial item is initially recognized and its amount is included in the cost of the non-financial item. For other cash flow hedges, the amounts are reclassified to profit or loss in the same period or periods as the hedged future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

*(iii) Net-investment hedge*

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognized in other comprehensive income and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognized immediately in profit or loss.

The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(f) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

For financial instruments traded in active markets, the fair value of financial instruments is measured at quoted prices. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties, if available, reference to the current fair value of other instruments that are substantially the same. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available and observable market data.

The fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. However, if part of the consideration given or received is for something other than the financial instrument, the fair value of the financial instrument is estimated, using a valuation technique. Any additional amount lent is an expense or a reduction of income unless it qualifies for recognition as some other type of asset.

The fair value of interest-free installment purchases (which is offered for marketing purpose to expand credit sales) is measured by using the discount rate considering the credit rating of the Group and the credit risk of customers. As the source of the yield and the purpose of customers using interest-free installment purchases are different from those of installment purchases with interest, the discount rate is calculated in that way.

(g) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on the following assets:

- Financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to the lifetime expected credit losses (“ECLs”), except for the following, which are measured as twelve month ECLs:

- Financial instrument that are determined to have low credit risk at the reporting date; and

- Financial instrument for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(g) Impairment of financial assets (continued)

The Group assumes that the credit risk on a financial asset has increased significantly when:

- Asset credit quality is cautionary or less;
- Significant changes in credit rating occur; or
- Specified overdue pool segment (Personal card receivables past due over seven days, etc.) incur.

The Group considers a financial asset to be in default when:

- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

*(i) Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*(ii) Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that financial assets are impaired includes observable information.

- Significant financial difficulty of the borrower or issuer
- Default or delinquency in interest or principal payments
- Restructuring of a loan or a concession granted by the Group, which the Group would not otherwise consider
- Indications that a borrower or issuer will enter bankruptcy or other financial reorganization
- The disappearance of an active market for a security
- Observable data that there is a measurable decrease in the estimated future cash flows from a group of financial assets, since the initial recognition of those assets, although individual cash flows cannot be discriminated

*(iii) Presentation of impairment*

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(g) Impairment of financial assets (continued)

(iv) *Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group evaluates whether there is a reasonable expectation of recovering a financial asset based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(h) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Costs include expenditures that are directly attributable to the acquisition of the assets. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. The Group elected to measure land and buildings at fair value at the date of transition and use those fair values as their deemed costs. After initial recognition, an item of property and equipment is recognized at its carrying amount, which is the amount of its acquisition cost less accumulated depreciation and accumulated impairment losses.

The cost of replacing a part of an item of property or equipment is recognized in its carrying amount if it is probable that the Group will economically benefit from the part and its cost can be measured reliably. The carrying amount of the replaced part is removed. The costs of the day-to-day servicing of items of property and equipment are recognized in profit or loss as incurred.

Land is not depreciated, and items of other property and equipment are depreciated using the straight-line method over their estimated useful lives, which most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses from disposing an item of property and equipment are the amount of difference between the carrying amount of the item and the proceeds from the disposal and are recognized as non-operating income.

The estimated useful lives and depreciation methods of property and equipment are as follows:

| Descriptions          | Useful lives | Depreciation method  |
|-----------------------|--------------|----------------------|
| Buildings             | 40 years     | Straight-line method |
| Vehicles              | 5 years      | Straight-line method |
| Other tangible assets | 5 years      | Straight-line method |

Depreciation methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted if appropriate. Such adjustments are accounted for as a change in an accounting estimate.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(i) Intangible assets

Intangible assets are measured initially at cost and, after initial recognition, are carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line method over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

| Descriptions            | Useful lives    |
|-------------------------|-----------------|
| Membership              | Indefinite      |
| Development cost        | 5 years         |
| Software                | 5 years         |
| Other intangible assets | 5 years or less |

Amortization methods, useful lives and residual values are reviewed at each fiscal year-end and adjusted if appropriate. 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 the indefinite useful life assessments for those assets. Such adjustments are accounted for as a change in an accounting estimate.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or 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.

(j) Leases

(i) Lessor

Where the Group is a lease provider, it classifies each lease as an operating lease and a financial lease. Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. In the case of financial leases, assets held under financial leases are recognized in the statement of financial position at the commencement of the lease, the assets are presented as receivables of the same amount as net lease investment, and financial returns are recognized over the lease period.

(ii) Lessee

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is lessee, the Group applies the practical expedient which has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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**3. Significant Accounting Policies (continued)**

(j) Leases (continued)

(ii) Lessee (continued)

The Group determines the lease term as the non-cancellable period of a lease, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. When the lessee and the lessor each has the right to terminate the lease without permission from the other party, the Group should consider a termination penalty in determining the period for which the contract is enforceable.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group (the lessee) under residual value guarantees
- The exercise price of a purchase option if the Group (the lessee) is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Group (the lessee) exercising that option

The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate, the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by, a subsidiary of the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

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**3. Significant Accounting Policies (continued)**

(j) Leases (continued)

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Although the Group elected to apply the revaluation model to its land and buildings that are presented in property and equipment, the Group elected not to apply that revaluation model to buildings held by the Group that are presented in the right-of-use assets.

Payments associated with short-term leases of equipment and vehicles and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT-equipment and small items of office furniture.

(k) Investment property

A property held for rental income or investment gains is classified as investment property. Investment property is measured at cost at initial recognition, and after initial recognition, it is presented as the accumulated depreciation and the accumulated impairment losses are deducted from the cost. Among properties, an investment property excluding land is depreciated with a straight-line method for 40 years of useful life.

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit ("CGU"). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pretax 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 CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(m) Non-derivative financial liabilities

The Group classifies financial liabilities based on the substance of the contractual agreement and the definition of a financial liability into financial liabilities at fair value through profit or loss and other financial liabilities and recognize them on the consolidated financial statements when the Group becomes the party to the contractual agreement.

(i) Financial liabilities at fair value through profit or loss

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are subsequently measured at fair value, and changes in the fair value are recognized in profit or loss. Transaction costs incurred for issuing such liabilities at initial recognition are immediately recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities not classified as at fair value through profit or loss are classified as other financial liabilities. Other financial liabilities are measured at fair value less direct transactions costs incurred for issuing such liabilities at initial recognition. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, and related interest expenses are recognized using the effective interest method.

(iii) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(n) Employee benefits

*(i) Short-term employee benefits*

Short-term employee benefits that are due for settlement within 12 months following the end of the reporting period during which the employees render the related service are recognized as the amount expected to be paid when the service is provided in profit or loss. Short-term employee benefits are measured undiscounted.

*(ii) Post-employment benefit plan*

The Group has introduced and manages both a defined benefit pension plan and a defined contribution pension plan. Employees have a right to choose one of the pension plans.

***Defined contribution plans***

With relations to defined contribution plans, when an employee rendered a service for a certain period of time, obligations for contributions to defined contribution plans are expensed in profit or loss, unless included in the cost of an asset. Obligations for contributions less prepaid contributions are recognized as a liability (accrued expenses). In addition, when prepaid contributions are exceed the obligations for contributions for the service provided before the end of reporting period, the Group recognizes the decrease in future payments or cash refunds as an asset (prepaid expense).



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**3. Significant Accounting Policies (continued)**

(n) Employee benefits (continued)

*(ii) Post-employment benefit plan (continued)*

***Defined benefit plans***

The Group recognizes defined benefit liabilities related to defined benefit plans at the present value of the defined benefit obligations less the fair value of plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets excluding interest and the effect of the asset ceiling excluding interest, are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes the gains and losses on the settlement of a defined benefit plan when the settlement occurs.

*(iii) Termination benefits*

Termination benefits are expensed 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 redundancy are expensed 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 following the reporting period, then they are discounted at present value.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(o) Provisions

A provision is 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.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and taken into account the risks and uncertainties that inevitably surround events and circumstances. Where the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when it is virtually certain that reimbursement will be received, and the reimbursement is recognized as a separate asset.

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.

The Group recognizes provisions related to litigations and unused credit commitments from credit card sales and cash services. Provisions for unused credit commitments from credit card sales and cash service are estimated using a valuation model that takes credit conversion factor, probability of default, and loss given default into account. In addition, when the Group bears the responsibility for restoration following the expiration of a rental contract, the Group recognizes the present value of the estimated restoration costs as a provision.

(p) Foreign currencies

(i) Transactions in foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined.

Foreign currency differences arising on the settlement of monetary items and on translating monetary items 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 hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. When gains or losses on non-monetary items are recognized in other comprehensive income, exchange components of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on non-monetary items are recognized in profit or loss, exchange components of those gains or losses are recognized in profit or loss.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(p) Foreign currencies (continued)

*(ii) Foreign operations*

When the functional currency of a foreign operation differs from the presentation currency of the Group, the Group translates the financial statements into the presentation currency using the following procedures.

The results and financial position of a foreign operation whose functional currency is not the currency of a hyperinflationary economy is translated into the presentation currency using the following procedures. The assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position. The income and expenses for each statement presenting profit or loss and other comprehensive income (including comparatives) is translated at exchange rates at the dates of the transactions

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 is treated as assets and liabilities of the foreign operation. They are expressed in the functional currency of the foreign operation and translated at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

*(iii) Translation of net investment in foreign operations*

An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation, and is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(r) Share-based payment transactions

For equity-settled share-based payment transactions, the Group measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. 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.

In the case of cash-settled share-based payment transactions in which cash is paid in exchange for the goods or services received, the goods or services received and the liabilities borne in return are measured at fair value and recognized as employee benefit expenses and liabilities during the vesting period. In addition, the fair value of the liability is remeasured at the end of each reporting period and at the final settlement date until the liability is settled, and the change in fair value is recognized as salary.

Shinhan Financial Group, which is the parent company, has granted shares or share options to the Group's employees. In accordance with a repayment arrangement with Shinhan Financial Group, the Group is required to pay Shinhan Financial Group for the provision of the share-based payments. The Group recognizes the costs as expenses and accrued expenses in liabilities for the service period. When vesting conditions are not satisfied because of death, retirement or dismissal of employees during the specified service period, no amount is recognized for goods or services received on a cumulative basis. Share-based payment agreements granted by Shinhan Financial Group to employees are accounted for as equity-settled share-based payment transactions, and share-based payment agreements granted by the Group to employees are accounted for as cash-settled share-based payment transactions, regardless of the repayment arrangement with Shinhan Financial Group.

(s) Revenue from Contracts with Customers

The Group recognizes fee income from cardholders and merchants on an accrual basis applying the following five steps: ① Identify the contracts with the customers, ② Identify the separate performance obligations, ③ Determine the transaction price of the contract, ④ Allocate the transaction price to each of the separate performance obligations, and ⑤ Recognize the revenue as each performance obligation is satisfied. However, the Group recognizes fee income related to delinquent receivables, whose probability of future economic benefits is low, on a cash basis.

The fair value of the consideration received or receivable in respect of an initial sale is allocated to reward points ("points") and other components of fee and commission income. The Group provides rewards in various forms including discounts on credit settlements and gifts. The amount allocated to points is estimated at the amount expected to be paid on points rewarded to cardholders in consideration of the expected redemption rate and is recognized as a deduction from the fee and commission income.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(t) Finance income and finance costs

The Group's finance income and finance costs consist of :

- Interest income;
- Interest expense;
- Dividend income;
- The net gain or loss on financial assets measured at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;
- Impairment losses (and reversals) on investments in debt securities carried at amortized cost;
- The gain on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination;
- The fair value loss on contingent consideration classified as a financial liability;
- Hedge ineffectiveness recognized in profit or loss; and
- The reclassification of net gains and losses previously recognized in other comprehensive income on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established. In addition, handling fee income and incidental expenses related to loans are deferred and presented as a deduction from loan receivables. They are depreciated using the effective interest method during the loan period and recognized in income and expense.

The effective interest rate is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability.

When calculating interest income or interest expense, the effective interest rate is applied to the gross carrying amount of the asset (if the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that subsequently have been credit-impaired since initial recognition, interest revenue is calculated by applying an effective interest rate to the amortised cost of the financial asset. The Group calculates the interest revenue by applying the effective interest rate to the gross carrying amount if the financial asset is no longer credit impaired.

(u) Income taxes

Income tax expense comprises current and deferred tax. It is 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.

Shinhan Financial Group, the parent company of the Group, files its national income tax return with the Korean tax authorities under the consolidated corporate tax system, allowing it to make national income tax payments based on the consolidated profits or losses of the Shinhan Financial Group and its wholly owned domestic subsidiaries including the Group. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected profits or losses of eligible companies in accordance with the consolidated corporate tax system. Consolidated corporate tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their stand-alone financial statements.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(u) Income taxes (continued)

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that The Group is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that, and only to the extent that it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and deferred tax assets reflect the tax consequences that would follow from the way 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 offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

Tax uncertainty arises from the Group's claims for correction due to the complexity of transactions or differences in tax law interpretation, and refund lawsuits and tax investigations by tax authorities. Where the Group has paid tax according to Korean IFRS 2123, and there is a highly probable of having a tax refund in the future, it will be recognized as corporate tax assets, and the amount expected to be paid as a result of tax audits will be recognized as corporate tax liabilities.

If there are any additional corporate tax expenses incurred by dividend payments, it is recognized at the time the liability related to the dividend payments are recognized.

(v) Earnings per share

The Group calculates basic earnings per share (EPS) using profit or loss and presents it in the consolidated statements of comprehensive income. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(w) Goodwill impairment test

The recoverable amounts of each CGU are evaluated based on their respective value in use (See Note 18).

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**3. Significant Accounting Policies (continued)**

(x) Insurance contracts

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. A contract that meets the definition of an insurance contract remains an insurance contract until all rights and obligations are extinguished. The Group recognized assets and liabilities related to insurance contracts as other assets and liabilities in the consolidated statements of financial position and income and expenses related to insurance contracts as other commission income and expense in the consolidated statements of comprehensive income.

The Group recognizes insurance liabilities to provision the future payment that will be paid based on above insurance contracts, and details are as follows:

(i) *Premium reserves*

The Group reserves expected amount to be paid after the reporting period although the insured event had occurred before the reporting period.

(ii) *Unpaid premium reserves*

At the end of the reporting period, premiums that have paid due are calculated based on premiums and the liability reserve calculation method.

**4. Financial Risk Management**

(a) General information of risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk, Liquidity risk, Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(i) *Organization for risk management*

Major decisions relating to risk management are made by the Risk Management Committee under the Board of Directors. To effectively implement the Risk Management Committee's determination and deliberation, the Group runs the Risk Management Council which includes the CRO (Chief Risk Officer) as chairman and consists of heads of relevant units and divisions. In order to assist the two committees, there is an independent risk executive team which is fully in charge of tasks related to risk management.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(a) General information of risk management (continued)

*(i) Organization for risk management (continued)*

In addition, the Group established a Credit Review Committee separately from the Risk Management Council to conduct credit evaluations of corporate customers with outstanding loans over a certain amount and other significant credit matters. The Credit Review Committee is led by the CRO and consists of heads of relevant divisions.

*(ii) Risk management process*

The Group measures credit risk, liquidity risk, market risk, and interest rate risk. The Group presents an acceptable level of risks before the establishment of an annual financial plan, and sets the upper growth limit as a guideline, which considers available capital and risk capital. On the basis of organized financial plans in accordance with established guidelines, the Group organizes risk plans and sets risk limits, which encompass the Group's entire risk appetite.

Risk limits are set on the basis of the risk capital in principle or set by the regulatory capital in case of absence of a risk capital calculation system. The Group manages total risk limits, risk limits for each type of risk and risk limits by product. If total risk exceeds 95% of its limit, the Group immediately reports the risk limits to the CRO of Shinhan Financial Group and to the Group Risk Management Committee. In case of risk limits for each type of risk, after consultation with the Shinhan Financial Group, it is adjustable by resolution of the Risk Management Committee within the range of total risk limits. In case of risk limits by product, after prepared countermeasures, it is adjustable by resolution of the Risk Management Council.

*(iii) Risk monitoring*

Risk Monitoring is performed by Shinhan Financial Group's risk dashboard for early detection of risk, regular risk measurement and monitoring systems the Risk Management Council and Risk Management Committee, and the Enterprise Risk Management System. The Group performs weekly monitoring on short-term credit quality indicators and leading economic indicators.

- Risk dashboard

The risk dashboard is a risk monitoring system to provide early detection and proactive response to portfolio risks and abnormal symptoms, and key monitoring targets of portfolios by business line and credit quality of members(credit ratings). It performs the pre-detection function on the risk factors such as increases in assets, and risks by each monitoring target. Regarding quantitative indicators such as increases in assets and increases in risks, the Group defines the determination level of risk detection by the statistical significance level. By regular monitoring, the risk management team together with relevant teams analyses the cause and prepares and implements a countermeasure.

- Risk measurement and monitoring reporting

The Group regularly reports the overall results of risk measurement and monitoring to the Risk Management Council and Risk Management Committee. Regular monitoring items consist of operational status of risk limits (total / type / product), portfolio guidelines, levels of enterprise crisis, economic / market trends, detailed indicators of credit quality, and financing and liquidity risks.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(a) General information of risk management (continued)

*(iv) Enterprise crisis management system*

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. The Group 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 impact analysis, and upon the happening of any such contingency, is required to respond according to a prescribed contingency plan.

Internal and external crisis indicators for each of credit risk and liquidity risk are divided into core indicators, and leading indicators and the stage of crisis is determined quantitatively. Risk management working-level committee performs analysis of qualitative information and risk management council, consisting heads of departments decides whether to perform entity-wide impact analysis.

Enterprise crisis stages consist of six stages, Normal 1, Normal 2, Cautionary 1, Cautionary 2, Crisis Impending and Crisis, which are determined by a scoring system based on internal and external indicators.

Based on the assessment of crisis stage, appropriate action items for each crisis stage are set up and implemented. For the purpose of efficient operation of the Enterprise Crisis Management System, detailed roles and responsibilities for each organization are predefined. Crisis management organizations consist of a Risk management working-level committee which performs daily monitoring, risk management council, consisting heads of departments which is convened when the crisis stage is assessed as above the Cautionary 2 two times in succession. In addition, the Group has Risk Management Council and Crisis Management Council headed by the CEO, and Group Crisis Management Council headed by the CEO of the Shinhan Financial Group. These organizations and their detailed roles and responsibilities enable the Group to cope with crisis systematically.

*(v) Evaluation process*

The Group sets and operates the standards on credit card issuance pursuant to the standard of review for payment ability prescribed by the Regulation on Supervision of Specialized Credit Finance Business. If the basic qualification standards are not met, credit card issuance is prohibited. When standards are met, credit card issuance is possible only if the AS (Application Score) credit rating is above a certain degree, which is based on the Group's internal information, external information from Credit Bureaus, and personal information in the application form. The Group prohibits higher-risk customers from being issued a credit card by using supplementary information such as overdue history and Credit Bureaus' credit ratings.

The Group utilizes customer transaction records with Shinhan Financial Group's subsidiaries, internal or external credit information, and characteristics of each customer group to improve its assessment functions on credit card issuance for new customers. The Group performs various kinds of simulations to cope with the changes in surroundings such as market conditions and economic trends so that the Group is able to predict the potential risk of certain customer groups and establish the management policy for higher-risk groups.

The Group determines an optimized credit limit for new credit card holders according to their payment ability by considering occupation, income, property, debt, and transaction records with Shinhan Financial Group's subsidiaries. The Group operates a management system which enables the Group to monitor the changes in risk and prevent high-risk groups from being credit card holders by monitoring monthly indicators.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(a) General information of risk management (continued)

*(vi) Credit Scoring System*

The Group's Credit Scoring System consists of ASS (Application Scoring System) and BSS (Behavioural Scoring System). BS (Behavioural Score) evaluates the credit card holder's credit quality regularly. Credit card AS (Application Score) evaluates potential credit card holder's credit quality when they apply for credit card issuance. Card loan AS and installment AS evaluate potential customers' credit quality. The Group utilizes the Credit Scoring System in order to monitor its customers' and portfolios' risk exposures.

AS is mainly based on the application form information, and BS is based on history information such as card use and payment after issuing a card. Common use information is calculated by using internal information such as payment ability, assets, period of use of our company, financial institution transaction details of applicants, external information such as credit rating agencies (NICE, KCB), and banking association.

AS application work is approved if the applicant's credit rating is above a certain score and does not correspond to the policy refusal reason such as delinquency of other card companies. AS application is a long-term customer of Shinhan Financial Group and a card applicant with good credit history. In addition, the Group uses the elements of credit rating as the basis for setting the limit when issuing cards. The monthly recalculated BS predicts the delinquency rate of card members, and the Group uses it to monitor members and monitor portfolio risk exposures.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group complies with credit risk management procedures pursuant to internal guidelines and regulations and continually monitors and improves these guidelines and regulations. Application of credit risk management includes not only all the transactions in these consolidated financial statements but also off balance items such as guarantees, loan agreements and derivatives transactions that could possibly generate economic loss. The Group assesses credit risks of those transactions and sets a limit on expected credit risks in advance.

The Group estimates credit risks of financial instruments using PD (Probability of Default), LGD (Loss Given Default), and EAD (Exposure at Default) utilizing the risk estimation methodology of Basel II. The Group applies the Basel basis conservatively to reflect the credit card crisis of 2003 and the nature of the credit card business. Credit risks of derivatives, due from banks and securities are assessed using the modified standard methodology of Basel. Credit risks are divided into respective business segments and merchandise segments, and the Group sets limits for each segment, which are monitored by the risk control process, and established an action plan in case that credit risks get close to, or exceed limits.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

(i) Exposure to credit risk

The carrying amount of financial instruments represents the Group's maximum exposure to credit risk. Exposure to credit risk of the Group as of December 31, 2022 and 2021 are as follows. Cash held by the Group is excluded.

|   | <u>2022</u>         | <u>2021</u>       |
|---|---------------------|-------------------|
| Due from banks and credit card receivables at<br>amortized cost and others(*) |                     |                   |
| Banks   | ₩ 664,097           | 435,172           |
| Retail  | 6,787,006           | 6,150,564         |
| Government/ Public section/<br>Central bank                                   | 725                 | 603               |
| Corporations  | 2,960,420           | 2,778,119         |
| Card receivable   | 27,083,541          | 24,826,232        |
|   | <u>37,495,789</u>   | <u>34,190,690</u> |
| Financial assets at FVTPL   |                     |                   |
| Debt securities   | 9,924               | 3,803             |
| Beneficiary certificates  | 371,012             | 344,710           |
|   | <u>380,936</u>      | <u>348,513</u>    |
| Financial assets at FVOCI   |                     |                   |
| Debt securities   | 302,693             | 161,494           |
| Derivative financial assets   | 196,596             | 88,201            |
| Other assets(*)   |                     |                   |
| Other financial assets  | 928,626             | 766,652           |
|   | <u>₩ 39,304,640</u> | <u>35,555,550</u> |

(\*) The maximum exposure to credit risk is measured as net of allowance for doubtful accounts, deferred loan origination costs (fees), and present value discount amount.

As of December 31, 2022 and 2021, the maximum exposure to credit risk caused by unused credit commitments amounted to ₩91,358,278 million and ₩87,060,206 million, respectively. As of December 31, 2022 and 2021, the securities purchase agreement signed by the Group are ₩104,546 million and ₩34,468 million, respectively.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

(ii) Credit risk exposure by measurement method

Details of the financial instruments based on measurement method of loss allowance by internal credit rating as of December 31, 2022 and 2021 are as follows:

|  | 2022                      |           |                           |           |                 |            |                                 |            |
|--|---------------------------|-----------|---------------------------|-----------|-----------------|------------|---------------------------------|------------|
|  | 12-month ECLs measurement |           | Lifetime ECLs measurement |           | Impaired assets | Subtotal   | Allowance for doubtful accounts | Total      |
|  | Prime                     | Normal    | Prime                     | Normal    | Impaired        |            |                                 |            |
| Due from banks and credit card receivables at amortized cost |                           |           |                           |           |                 |            |                                 |            |
| Banks  | ₩ 664,066                 | 36        | -                         | -         | -               | 664,102    | (5)                             | 664,097    |
| Retail   | 5,561,921                 | 909,560   | 215,491                   | 165,159   | 74,844          | 6,926,975  | (139,969)                       | 6,787,006  |
| Government   |                           |           |                           |           |                 |            |                                 |            |
| /Public section  |                           |           |                           |           |                 |            |                                 |            |
| /Central bank  | 725                       | -         | -                         | -         | -               | 725        | -                               | 725        |
| Corporations   | 1,042,986                 | 1,832,326 | 1,930                     | 116,682   | 4,629           | 2,998,553  | (38,133)                        | 2,960,420  |
| Card receivable  | 20,857,764                | 2,447,850 | 1,670,848                 | 2,647,398 | 487,351         | 28,111,211 | (1,027,670)                     | 27,083,541 |
|  | 28,127,462                | 5,189,772 | 1,888,269                 | 2,929,239 | 566,824         | 38,701,566 | (1,205,777)                     | 37,495,789 |
| Financial assets at FVOCI                                    |                           |           |                           |           |                 |            |                                 |            |
| Debt securities(*)   | 302,693                   | -         | -                         | -         | -               | 302,693    | -                               | 302,693    |
|  | ₩ 28,430,155              | 5,189,772 | 1,888,269                 | 2,929,239 | 566,824         | 39,004,259 | (1,205,777)                     | 37,798,482 |

(\*) As of December 31, 2022, the allowance for expected credit loss of debt securities at fair value through other comprehensive income is ₩98 million.

|  | 2021                      |           |                           |           |                 |            |                                 |            |
|--|---------------------------|-----------|---------------------------|-----------|-----------------|------------|---------------------------------|------------|
|  | 12-month ECLs measurement |           | Lifetime ECLs measurement |           | Impaired assets | Subtotal   | Allowance for doubtful accounts | Total      |
|  | Prime                     | Normal    | Prime                     | Normal    | Impaired        |            |                                 |            |
| Due from banks and credit card receivables at amortized cost |                           |           |                           |           |                 |            |                                 |            |
| Banks  | ₩ 435,172                 | -         | -                         | -         | -               | 435,172    | -                               | 435,172    |
| Retail   | 4,988,378                 | 906,265   | 179,144                   | 126,342   | 88,225          | 6,288,354  | (137,790)                       | 6,150,564  |
| Government   |                           |           |                           |           |                 |            |                                 |            |
| /Public section  |                           |           |                           |           |                 |            |                                 |            |
| /Central bank  | 603                       | -         | -                         | -         | -               | 603        | -                               | 603        |
| Corporations   | 1,185,515                 | 1,508,038 | 1,377                     | 106,002   | 2,255           | 2,803,187  | (25,068)                        | 2,778,119  |
| Card receivable  | 18,795,883                | 2,329,609 | 1,829,345                 | 2,335,646 | 421,813         | 25,712,296 | (886,064)                       | 24,826,232 |
|  | 25,405,551                | 4,743,912 | 2,009,866                 | 2,567,990 | 512,293         | 35,239,612 | (1,048,922)                     | 34,190,690 |
| Financial assets at FVOCI                                    |                           |           |                           |           |                 |            |                                 |            |
| Debt securities(*)   | 161,494                   | -         | -                         | -         | -               | 161,494    | -                               | 161,494    |
|  | ₩ 25,567,045              | 4,743,912 | 2,009,866                 | 2,567,990 | 512,293         | 35,401,106 | (1,048,922)                     | 34,352,184 |

(\*) As of December 31, 2021, the allowance for expected credit loss of debt securities at fair value through other comprehensive income is ₩24 million.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

Details of the off-balance item based on measurement method of loss allowance by internal credit rating as of December 31, 2022 and 2021 are as follows:

|  |   | <b>2022</b>  |                  |                 |                   |
|--|---|--|------------------|-----------------|-------------------|
|  |   | <b>Loan commitments and other credit-related liabilities</b> |                  |                 |                   |
|  |   | <b>Prime</b>   | <b>Normal</b>    | <b>Impaired</b> | <b>Total</b>      |
| <b>Loan commitments and other credit-related liabilities</b> | ₩ |  |                  |                 |                   |
| 12-month expected credit loss                                |   |  |                  |                 |                   |
|  | ₩ | 86,373,438   | 2,217,839        | -               | 88,591,277        |
| Lifetime expected credit loss                                |   |  |                  |                 |                   |
|  |   | 1,890,951  | 976,498          | -               | 2,867,449         |
| Impaired financial asset                                     |   | -  | -                | 4,098           | 4,098             |
|  | ₩ | <u>88,264,389</u>  | <u>3,194,337</u> | <u>4,098</u>    | <u>91,462,824</u> |
|  |   | <b>2021</b>  |                  |                 |                   |
|  |   | <b>Loan commitments and other credit-related liabilities</b> |                  |                 |                   |
|  |   | <b>Prime</b>   | <b>Normal</b>    | <b>Impaired</b> | <b>Total</b>      |
| <b>Loan commitments and other credit-related liabilities</b> | ₩ |  |                  |                 |                   |
| 12-month expected credit loss                                |   |  |                  |                 |                   |
|  |   | 80,299,149   | 2,333,776        | -               | 82,632,925        |
| Lifetime expected credit loss                                |   |  |                  |                 |                   |
|  |   | 3,469,031  | 988,835          | -               | 4,457,866         |
| Impaired financial asset                                     |   | -  | -                | 3,883           | 3,883             |
|  | ₩ | <u>83,768,180</u>  | <u>3,322,611</u> | <u>3,883</u>    | <u>87,094,674</u> |

In the case of individual members, based on the internal credit rating, the Group manages the members with lower credit loss ratio compared to the profit ratio before impairment with prime, while others are classified as normal. In case of corporate members, AAA ~ BBB+ rating and non-rating of government/public section/central bank are classified as prime, while others are classified as normal.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

(iii) Concentration by geographic location

An analysis of concentration by geographic location for financial instrument, net of allowance, as of December 31, 2022 and 2021 are as follows:

|   | 2022                |               |              |               |             |                |                |                | Total             |
|---|---------------------|---------------|--------------|---------------|-------------|----------------|----------------|----------------|-------------------|
|   | Korea               | USA           | UK           | Japan         | Germany     | Vietnam        | China          | Other          |                   |
| Due from banks and credit card receivables at amortized cost: |                     |               |              |               |             |                |                |                |                   |
| Banks   | ₩ 625,294           | -             | -            | -             | -           | 21,591         | -              | 17,212         | 664,097           |
| Retail  | 6,110,356           | 1,340         | 70           | 16            | -           | 544,878        | 8,797          | 121,549        | 6,787,006         |
| Government/Public section/                                    |                     |               |              |               |             |                |                |                |                   |
| Central bank  | 24                  | -             | -            | -             | -           | 701            | -              | -              | 725               |
| Corporations  | 2,848,312           | -             | -            | -             | -           | -              | -              | 112,108        | 2,960,420         |
| Card receivable   | <u>27,007,623</u>   | <u>10,055</u> | <u>337</u>   | <u>2,225</u>  | <u>254</u>  | <u>5,326</u>   | <u>38,312</u>  | <u>19,409</u>  | <u>27,083,541</u> |
|   | <u>36,591,609</u>   | <u>11,395</u> | <u>407</u>   | <u>2,241</u>  | <u>254</u>  | <u>572,496</u> | <u>47,109</u>  | <u>270,278</u> | <u>37,495,789</u> |
| Securities measured at  |                     |               |              |               |             |                |                |                |                   |
| FVTPL   | 380,936             | -             | -            | -             | -           | -              | -              | -              | 380,936           |
| Securities at FVOCI   | <u>302,693</u>      | <u>-</u>      | <u>-</u>     | <u>-</u>      | <u>-</u>    | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>302,693</u>    |
|   | <u>₩ 37,275,238</u> | <u>11,395</u> | <u>407</u>   | <u>2,241</u>  | <u>254</u>  | <u>572,496</u> | <u>47,109</u>  | <u>270,278</u> | <u>38,179,418</u> |
| Off-balance accounts  |                     |               |              |               |             |                |                |                |                   |
| Loan commitments and other liabilities related credit         | ₩ <u>91,272,312</u> | <u>33,083</u> | <u>1,021</u> | <u>10,685</u> | <u>769</u>  | <u>4,132</u>   | <u>93,353</u>  | <u>47,469</u>  | <u>91,462,824</u> |
|   |                     |               |              |               |             |                |                |                |                   |
|   | 2021                |               |              |               |             |                |                |                | Total             |
|   | Korea               | USA           | UK           | Japan         | Germany     | Vietnam        | China          | Other          |                   |
| Due from banks and credit card receivables at amortized cost: |                     |               |              |               |             |                |                |                |                   |
| Banks   | ₩ 417,001           | -             | -            | -             | -           | 9,706          | -              | 8,465          | 435,172           |
| Retail  | 5,589,064           | 2,201         | 84           | 15            | -           | 425,368        | 8,196          | 125,636        | 6,150,564         |
| Government/Public section/                                    |                     |               |              |               |             |                |                |                |                   |
| Central bank  | 77                  | -             | -            | -             | -           | 526            | -              | -              | 603               |
| Corporations  | 2,778,119           | -             | -            | -             | -           | -              | -              | -              | 2,778,119         |
| Card receivable   | <u>24,762,956</u>   | <u>8,853-</u> | <u>377</u>   | <u>1,989-</u> | <u>215-</u> | <u>1,423-</u>  | <u>32,198-</u> | <u>18,221-</u> | <u>24,826,232</u> |
|   | <u>33,547,217</u>   | <u>11,054</u> | <u>461</u>   | <u>2,004</u>  | <u>215</u>  | <u>437,023</u> | <u>40,394</u>  | <u>152,322</u> | <u>34,190,690</u> |
| Securities measured at  |                     |               |              |               |             |                |                |                |                   |
| FVTPL   | 348,513             | -             | -            | -             | -           | -              | -              | -              | 348,513           |
| Securities at FVOCI   | <u>161,494</u>      | <u>-</u>      | <u>-</u>     | <u>-</u>      | <u>-</u>    | <u>-</u>       | <u>-</u>       | <u>-</u>       | <u>161,494</u>    |
|   | <u>₩ 34,057,224</u> | <u>11,054</u> | <u>461</u>   | <u>2,004</u>  | <u>215</u>  | <u>437,023</u> | <u>40,394</u>  | <u>152,322</u> | <u>34,700,697</u> |
| Off-balance accounts  |                     |               |              |               |             |                |                |                |                   |
| Loan commitments and other liabilities related credit         | ₩ <u>86,920,624</u> | <u>30,601</u> | <u>953</u>   | <u>10,861</u> | <u>751</u>  | <u>3,519</u>   | <u>82,119</u>  | <u>45,246</u>  | <u>87,094,674</u> |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**4. Financial Risk Management (continued)**

(b) Credit risk (continued)

(iv) Concentration by industry sector

An analysis of concentration by industry sector of financial instrument, net of allowance, as of and December 31, 2022 and 2021 are as follows:

|   | 2022                  |                |                      |                          |                      |                        |                  |                   |                   |
|---|-----------------------|----------------|----------------------|--------------------------|----------------------|------------------------|------------------|-------------------|-------------------|
|   | 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 credit card receivables at amortized cost: |                       |                |                      |                          |                      |                        |                  |                   |                   |
| Banks   | ₩ 664,097             | -              | -                    | -                        | -                    | -                      | -                | -                 | 664,097           |
| Retail  | -                     | -              | -                    | -                        | -                    | -                      | -                | 6,787,006         | 6,787,006         |
| Government/ Public section/ Central bank                      | 701                   | -              | -                    | -                        | -                    | -                      | 24               | -                 | 725               |
| Corporations  | 542,222               | 355,412        | 359,662              | 208,190                  | 175,029              | 8,190                  | 1,311,715        | -                 | 2,960,420         |
| Card receivable   | 64,346                | 274,169        | 255,931              | 45,030                   | 45,936               | 19,473                 | 1,053,766        | 25,324,890        | 27,083,541        |
|   | <u>1,271,366</u>      | <u>629,581</u> | <u>615,593</u>       | <u>253,220</u>           | <u>220,965</u>       | <u>27,663</u>          | <u>2,365,505</u> | <u>32,111,896</u> | <u>37,495,789</u> |
| Securities measured at FVTPL                                  | -                     | -              | -                    | -                        | -                    | -                      | 380,936          | -                 | 380,936           |
| Securities at FVOCI   | -                     | -              | -                    | -                        | -                    | -                      | 302,693          | -                 | 302,693           |
|   | ₩ <u>1,271,366</u>    | <u>629,581</u> | <u>615,593</u>       | <u>253,220</u>           | <u>220,965</u>       | <u>27,663</u>          | <u>3,049,134</u> | <u>32,111,896</u> | <u>38,179,418</u> |
| Off-balance accounts  |                       |                |                      |                          |                      |                        |                  |                   |                   |
| Loan commitments and other liabilities related credit         | 292,848               | 735,625        | 531,173              | 177,612                  | 125,114              | 89,081                 | 1,863,103        | 87,648,268        | 91,462,824        |

|   | 2021                  |                |                      |                          |                      |                        |                  |                   |                   |
|---|-----------------------|----------------|----------------------|--------------------------|----------------------|------------------------|------------------|-------------------|-------------------|
|   | Finance and insurance | Manu facturing | Retail and wholesale | Real estate and business | Construction service | Lodging and Restaurant | Other            | Retail customers  | Total             |
| Due from banks and credit card receivables at amortized cost: |                       |                |                      |                          |                      |                        |                  |                   |                   |
| Banks   | ₩ 435,172             | -              | -                    | -                        | -                    | -                      | -                | -                 | 435,172           |
| Retail  | -                     | -              | -                    | -                        | -                    | -                      | -                | 6,150,564         | 6,150,564         |
| Government/ Public section/ Central bank                      | 526                   | -              | -                    | -                        | -                    | -                      | 77               | -                 | 603               |
| Corporations  | 827,987               | 331,955        | 407,942              | 158,264                  | 162,412              | 6,667                  | 882,892          | -                 | 2,778,119         |
| Card receivable   | 51,024                | 250,764        | 218,870              | 43,130                   | 40,788               | 18,653                 | 944,680          | 23,258,323        | 24,826,232        |
|   | <u>1,314,709</u>      | <u>582,719</u> | <u>626,812</u>       | <u>201,394</u>           | <u>203,200</u>       | <u>25,320</u>          | <u>1,827,649</u> | <u>29,408,887</u> | <u>34,190,690</u> |
| Securities measured at FVTPL                                  | -                     | -              | -                    | -                        | -                    | -                      | 348,513          | -                 | 348,513           |
| Securities at FVOCI   | -                     | -              | -                    | -                        | -                    | -                      | 161,494          | -                 | 161,494           |
|   | ₩ <u>1,314,709</u>    | <u>582,719</u> | <u>626,812</u>       | <u>201,394</u>           | <u>203,200</u>       | <u>25,320</u>          | <u>2,337,656</u> | <u>29,408,887</u> | <u>34,700,697</u> |
| Off-balance accounts  |                       |                |                      |                          |                      |                        |                  |                   |                   |
| Loan commitments and other liabilities related credit         | 315,035               | 711,063        | 607,284              | 191,309                  | 128,575              | 105,521                | 1,826,610        | 83,209,277        | 87,094,674        |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial risk management (continued)**

(b) Credit risk (continued)

*(iv) Reflection of forward-looking information*

The Group reflects the forward-looking information presented by the internal expert group based on various information when measuring expected credit losses. For the purpose of forecasting this forward-looking information, the Group utilizes the economic prospects disclosed by domestic and overseas research institutes or government and public institutions.

The Group reflects the future macroeconomic situation reflecting the weights calculated by the Group in the measurement of expected loss. The expected loss in this respect reflects the most likely outcome and is based on the same assumptions as the Group estimates based on its business plan and management strategy.

The Group analyzed data from the past to derive correlations between major macroeconomic variables and credit risk necessary for predicting credit risk and credit loss for each portfolio, and then reflected forward-looking information through regression equation estimation. To reflect the COVID-19 economic situation, the Group reviewed three scenarios: upside, central and downside, and reflected the final forward-looking information.

| Major macroeconomic variables(*) | Correlation between credit risks |
|----------------------------------|----------------------------------|
| GDP growth rate                  | Negative correlation             |
| Private consumption growth rate  | Negative correlation             |
| Facility investment growth rate  | Negative correlation             |
| Base rate                        | Positive correlation             |
| Domestic consumption growth rate | Negative correlation             |

(\*) In addition to the above table, the forecast for the composite stock index was additionally selected.

The predicted correlation between the macroeconomic variables used by the Group and the risk of default is derived based on long-term data over the past 10 years.

When estimating the default rate considering future economic prospects, the recent actual default rate is an important reference. Although various economic indicators deteriorated due to the economic contraction caused by COVID-19 in 2022, the actual measurement default rate of the Group is being maintained stably.

The Group has considered multiple economic scenarios in applying forward-looking information for measuring expected credit loss. If the weight of the upside, central, and downside scenarios is assumed to be 100% with all other assumptions held constant the sensitivity analysis according to the impact on the Group's expected credit loss provision is as follows.

| Scenarios | 100% Assumption | Difference to book amount |
|-----------|-----------------|---------------------------|
| Upside    | ₩ 1,364,624     | ₩ (68,069)                |
| Central   | 1,418,448       | (14,245)                  |
| Downside  | 1,504,987       | 72,295                    |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk could be caused by maturity mismatch of financial assets and liabilities, or temporary insolvency by unexpected cash outflows. It includes economic losses that the Group will incur in the process of financing high interest rates, or disposing of invested assets in order to meet its obligations. The Group manages liquidity risk by considering all liquidity variation factors that can cause cash inflows and outflows.

The Group sets the goal of “month-end liquidity” as the liquidity level at which the Group could pay its obligations in the next three months. Real liquidity gap ratio of maturity of financial assets and liabilities, liquidity buffer ratio and ABS to borrowings ratio are major indices of liquidity risks monitored by the Group, defined as cautious, apprehensive, and risky. The Group has prepared contingency plans for various liquidity crises.

(i) Maturity analysis of non-derivative financial instruments

The maturity analysis for non-derivative financial assets and liabilities as of December 31, 2022 and 2021 are as follows: Such undiscounted contractual cash flows differ from the discounted amount included in the consolidated statements of financial position, as they include estimated interest payments.

The Group expects that there would be no significant changes in the timing of cash flows.

|  | 2022                 |            |            |                      |              |                 | Total      |
|--|----------------------|------------|------------|----------------------|--------------|-----------------|------------|
|  | Less than<br>1 month | 1~3 months | 3~6 months | 6 months<br>~ 1 year | 1~5<br>years | Over<br>5 years |            |
| <b>Assets:</b>   |                      |            |            |                      |              |                 |            |
| Cash and due from banks<br>(*1)                        | ₩ 463,814            | -          | -          | -                    | -            | -               | 463,814    |
| Credit card receivables at<br>amortized cost and other | 12,430,741           | 7,253,758  | 4,297,465  | 5,491,232            | 10,743,066   | 334,958         | 40,551,220 |
| Financial assets at FVTPL                              | 389,326              | -          | -          | -                    | -            | -               | 389,326    |
| Financial assets at FVOCI                              | 302,693              | -          | -          | -                    | -            | 72,778          | 375,471    |
| Other financial assets                                 | 882,130              | 12,263     | 3,647      | 23,240               | 24,725       | 3,024           | 949,029    |
|  | ₩ 14,468,704         | 7,266,021  | 4,301,112  | 5,514,472            | 10,767,791   | 410,760         | 42,728,860 |
| <b>Liabilities:</b>                                    |                      |            |            |                      |              |                 |            |
| Borrowings   | ₩ 142,973            | 237,705    | 67,343     | 1,382,940            | 7,495,522    | -               | 9,326,483  |
| Debentures   | 545,094              | 1,524,512  | 1,656,389  | 3,853,963            | 14,683,000   | 370,933         | 22,633,891 |
| Other financial liabilities                            | 3,233,182            | 14,857     | 31,223     | 53,902               | 599,019      | 3,693           | 3,935,876  |
|  | ₩ 3,921,249          | 1,777,074  | 1,754,955  | 5,290,805            | 22,777,541   | 374,626         | 35,896,250 |
| <b>Off-balance item (*2):</b>                          |                      |            |            |                      |              |                 |            |
| Securities purchase agreement                          | 104,546              | -          | -          | -                    | -            | -               | 104,546    |
| Unused credit commitments                              | 91,358,278           | -          | -          | -                    | -            | -               | 91,358,278 |
|  | ₩ 91,462,824         | -          | -          | -                    | -            | -               | 91,462,824 |

(\*1) Restricted due from banks as of December 31, 2022 are excluded.

(\*2) Unused credit commitments are classified into the earliest possible period because the payment must be executed immediately if the counterparty requests payment.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(c) Liquidity risk (continued)

(i) Maturity analysis of non-derivative financial instruments (continued)

|  | 2021                 |                  |                  |                      |                   |                 | Total             |
|--|----------------------|------------------|------------------|----------------------|-------------------|-----------------|-------------------|
|  | Less than<br>1 month | 1~3 months       | 3~6 months       | 6 months<br>~ 1 year | 1~5<br>years      | Over<br>5 years |                   |
| <b>Assets:</b>   |                      |                  |                  |                      |                   |                 |                   |
| Cash and due from banks (*1) ₩                         | 319,868              | -                | -                | -                    | -                 | -               | 319,868           |
| Credit card receivables at<br>amortized cost and other | 11,340,382           | 6,525,297        | 4,526,182        | 5,284,745            | 8,974,750         | 255,068         | 36,906,424        |
| Financial assets at FVTPL                              | 353,562              | -                | -                | -                    | -                 | -               | 353,562           |
| Financial assets at FVOCI                              | 161,494              | -                | -                | -                    | -                 | 35,525          | 197,019           |
| Other financial assets                                 | 723,936              | 7,515            | 5,883            | 13,916               | 29,273            | 3,670           | 784,193           |
| ₩  | <u>12,899,242</u>    | <u>6,532,812</u> | <u>4,532,065</u> | <u>5,298,661</u>     | <u>9,004,023</u>  | <u>294,263</u>  | <u>38,561,066</u> |
| <b>Liabilities:</b>                                    |                      |                  |                  |                      |                   |                 |                   |
| Borrowings   | ₩ 480,214            | 700,334          | 273,377          | 213,314              | 5,168,660         | -               | 6,835,899         |
| Debentures   | 581,844              | 462,642          | 1,339,704        | 3,471,327            | 15,143,405        | 641,606         | 21,640,528        |
| Other financial liabilities                            | 2,648,347            | 15,365           | 24,206           | 41,213               | 403,993           | 12,167          | 3,145,291         |
| ₩  | <u>3,710,405</u>     | <u>1,178,341</u> | <u>1,637,287</u> | <u>3,725,854</u>     | <u>20,716,058</u> | <u>653,773</u>  | <u>31,621,718</u> |
| <b>Off-balance item (*2):</b>                          |                      |                  |                  |                      |                   |                 |                   |
| Securities purchase agreement                          | 34,468               | -                | -                | -                    | -                 | -               | 34,468            |
| Unused credit commitments                              | 87,060,206           | -                | -                | -                    | -                 | -               | 87,060,206        |
| ₩  | <u>87,094,674</u>    | <u>-</u>         | <u>-</u>         | <u>-</u>             | <u>-</u>          | <u>-</u>        | <u>87,094,674</u> |

(\*1) Restricted due from banks as of December 31, 2021 are excluded.

(\*2) Unused credit commitments are classified into the earliest possible period because the payment must be executed immediately if the counterparty requests payment.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**4. Financial Risk Management (continued)**

(c) Liquidity risk (continued)

(ii) Maturity analysis of derivative financial instruments

A maturity analysis including the remaining contractual maturities for the derivatives as of December 31, 2022 and 2021 are as follows:

The amounts shown in the table were calculated based on the information below.

- Gross settlement derivatives: gross amount of cash received or paid.

- Net settlement derivatives: net amount of cash received or paid.

|                  |   | <b>2022</b>                  |                       |                       |                              |                      |                         |                |
|------------------|---|------------------------------|-----------------------|-----------------------|------------------------------|----------------------|-------------------------|----------------|
|                  |   | <b>Less than<br/>1 month</b> | <b>1~3<br/>months</b> | <b>3~6<br/>months</b> | <b>6 months<br/>~ 1 year</b> | <b>1~5<br/>years</b> | <b>Over<br/>5 years</b> | <b>Total</b>   |
| Net settlement   |   |                              |                       |                       |                              |                      |                         |                |
| cash inflow      | ₩ | 3,024                        | 2,612                 | 4,824                 | 5,376                        | 14,489               | 3,887                   | 34,212         |
| Gross settlement |   |                              |                       |                       |                              |                      |                         |                |
| cash inflow      |   | 120,502                      | 489,512               | 319,513               | 177,729                      | 2,806,265            | -                       | 3,913,521      |
| Gross settlement |   |                              |                       |                       |                              |                      |                         |                |
| cash outflow     |   | (110,037)                    | (450,357)             | (297,352)             | (162,889)                    | (2,645,364)          | -                       | (3,665,999)    |
|                  | ₩ | <u>13,489</u>                | <u>41,767</u>         | <u>26,985</u>         | <u>20,216</u>                | <u>175,390</u>       | <u>3,887</u>            | <u>281,734</u> |
|                  |   | <b>2021</b>                  |                       |                       |                              |                      |                         |                |
|                  |   | <b>Less than<br/>1 month</b> | <b>1~3<br/>months</b> | <b>3~6<br/>months</b> | <b>6 months<br/>~ 1 year</b> | <b>1~5<br/>years</b> | <b>Over<br/>5 years</b> | <b>Total</b>   |
| Net settlement   |   |                              |                       |                       |                              |                      |                         |                |
| cash outflow     | ₩ | (295)                        | (963)                 | (916)                 | (1,005)                      | (721)                | (2,377)                 | (6,277)        |
| Gross settlement |   |                              |                       |                       |                              |                      |                         |                |
| cash inflow      |   | 91,090                       | 184,648               | 222,232               | 435,312                      | 2,057,776            | -                       | 2,991,058      |
| Gross settlement |   |                              |                       |                       |                              |                      |                         |                |
| cash outflow     |   | (88,541)                     | (176,069)             | (214,642)             | (432,146)                    | (2,000,708)          | -                       | (2,912,106)    |
|                  | ₩ | <u>2,254</u>                 | <u>7,616</u>          | <u>6,674</u>          | <u>2,161</u>                 | <u>56,347</u>        | <u>(2,377)</u>          | <u>72,675</u>  |

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**4. Financial Risk Management (continued)**

(d) Market risk

Market risk from trading positions is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to interest rate risk of financial assets and liabilities in the case of non-trading assets and interest rate risk of MMF (Money Market Fund) in the case of trading assets and only foreign exchange rate risk of foreign currency deposits because the Group hedges 100% cash flows of foreign currency liabilities with currency rate swaps.

The Group assesses risks of expected transactions and sets up limits to control market risks to the extent that the Group can handle. The Group assessed market risks on the basis of the Basel standard methodology and the Historical VaR (Value at Risk) method, established risk limits respectively, monitored, and established an action plan in case that market risks get close to, or exceed limits.

*(i) Market risk management from trading positions*

The Group assessed market risk from trading positions using the standard methodology of Financial Supervisory Service. The following represents the Group's assessment of its potential loss in financial assets at fair value through profit or loss as of December 31, 2022 and 2021 that are exposed to the respective risks:

|                        |   | <b>2022</b>    |                |            |                    |
|------------------------|---|----------------|----------------|------------|--------------------|
|                        |   | <u>Average</u> | <u>Maximum</u> | <u>Low</u> | <u>December 31</u> |
| Interest rate risk (*) | ₩ | 1,784          | 2,401          | 1,650      | 1,801              |

(\*) Overseas subsidiaries were excluded from the calculation.

|                        |   | <b>2021</b>    |                |            |                    |
|------------------------|---|----------------|----------------|------------|--------------------|
|                        |   | <u>Average</u> | <u>Maximum</u> | <u>Low</u> | <u>December 31</u> |
| Interest rate risk (*) | ₩ | 1,996          | 2,350          | 1,700      | 1,700              |

(\*) Overseas subsidiaries were excluded from the calculation.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(d) Market risk (continued)

*(ii) VaR and EaR management from non-trading positions*

-Interest rate risk from non-trading positions

The principal market risk from non-trading activities of the Group is interest rate risk. The Group makes an effort to minimize variations of net assets and profit by assessing and controlling interest rate risk of non-trading positions. Interest rate VaR and EaR, to which real interest rate variations of assets and liabilities are applied, are used to assess interest rate risk.

Interest rate VaR estimates, at a 99.9% confidence level, the expected maximum loss assuming a one-year holding period. The Group calculates the Interest rate VaR using an internal model which has been designed to apply historical interest rate scenarios provided by accompanying net asset value simulations due to interest rate changes.

Interest rate EaR (Earning at Risk) is the maximum expected loss of net interest income within the next year due to negative variations of interest rates. Interest rate EaR is computed using interest rate repricing gap, differences between expected interest rate variation timing and target period (one year) and expected interest rate variation, and also applied interest rate variation timing for each maturity level and interest rate shock (200bp) were suggested by Basel. However, interest rate shock was not applied for financial assets with low sensitivity from a conservative point of view.

Interest rate VaR and EaR of non-trading positions as of December 31, 2022 and 2021 are as follows:

|                   |   | <u>2022</u> | <u>2021</u> |
|-------------------|---|-------------|-------------|
| Interest rate VaR | ₩ | 1,249,597   | 831,361     |
| Interest rate EaR |   | 693,911     | 672,303     |

-Equity price risk and foreign exchange rate risk from non-trading positions

The Group assessed equity price risk and foreign exchange rate risk from foreign currency equity securities of non-trading positions using the Historical VaR method. Assuming that asset returns are possible in case of crisis, historical VaR of the equity price and foreign currency rate is calculated at bottom 99% of 10 day holding period volatility for one year (250 trading days) in reporting date. Total VaR is calculated assuming that equity price risk and foreign exchange rate risk occur at the same time. Variance effect is calculated based on the difference between the total VaR and the sum of price risk and foreign exchange rate risk.

The Group does not have any non-trading positions that are exposed to equity risk and foreign exchange rate risk

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**

For the years ended December 31, 2022 and 2021  
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**4. Financial Risk Management (continued)**

(d) Market risk (continued)

(iii) Foreign exchange risk

The Group has been exposed to foreign exchange risk of financial assets and financial liabilities denominated in foreign currencies other than the functional currency, Korean won. Cash outflows of liabilities denominated by foreign currency were hedged by currency rate swap. Exposures to foreign exchange risk of foreign currency denominated assets and liabilities as of December 31, 2022 and 2021 are as follows:

|                                 | 2022    |             |       |           |          |          |             |           |          |          |             |           |                |
|---------------------------------|---------|-------------|-------|-----------|----------|----------|-------------|-----------|----------|----------|-------------|-----------|----------------|
|                                 | USD     |             | SGD   |           | KZT      |          | IDR         |           | MMK      |          | VND         |           | KRW equivalent |
|                                 | USD     | KRW         | SGD   | KRW       | KZT      | KRW      | IDR         | KRW       | MMK      | KRW      | VND         | KRW       |                |
| <b>Assets</b>                   |         |             |       |           |          |          |             |           |          |          |             |           |                |
| Cash                            | -       | 88          | -     | -         | 15       | 42       | 10          | 1         | 291      | 175      | -           | -         | 306            |
| Deposit                         | -       | 252         | -     | -         | 843      | 2,319    | 180,340     | 14,589    | 501      | 303      | 411,082     | 22,075    | 39,538         |
| Loans                           | -       | -           | -     | -         | 37,509   | 103,150  | 1,502,239   | 121,531   | 15,040   | 9,076    | 10,202,907  | 547,896   | 781,653        |
| Financial assets at FVOCI       | 23      | 29,379      | -     | -         | -        | -        | -           | -         | -        | -        | -           | -         | 29,379         |
| Other financial assets          | 7       | 8,238       | -     | -         | 683      | 1,879    | 46,681      | 3,776     | 1,429    | 862      | 228,805     | 12,287    | 27,042         |
|                                 | 30      | 37,957      | -     | -         | 39,050   | 107,390  | 1,729,270   | 139,897   | 17,261   | 10,416   | 10,842,794  | 582,258   | 877,918        |
| <b>Liabilities</b>              |         |             |       |           |          |          |             |           |          |          |             |           |                |
| Debentures                      | (2,204) | (2,793,129) | (278) | (261,839) | -        | -        | -           | -         | -        | -        | (1,000,000) | (53,700)  | (3,108,668)    |
| Borrowings                      | (467)   | (591,829)   | -     | -         | (30,120) | (82,830) | (1,369,858) | (110,821) | (17,000) | (10,259) | (4,105,000) | (220,439) | (1,016,178)    |
| Other financial liabilities     | -       | (16)        | -     | -         | (432)    | (1,187)  | (32,417)    | (2,623)   | (2,663)  | (1,607)  | (875,846)   | (47,033)  | (52,466)       |
|                                 | (2,671) | (3,384,974) | (278) | (261,839) | (30,552) | (84,017) | (1,402,275) | (113,444) | (19,663) | (11,866) | (5,980,846) | (321,172) | (4,177,312)    |
| On-balance exposure             | (2,641) | (3,347,017) | (278) | (261,839) | 8,498    | 23,373   | 326,995     | 26,453    | (2,402)  | (1,450)  | 4,861,948   | 261,086   | (3,299,394)    |
| <b>Off-balance</b>              |         |             |       |           |          |          |             |           |          |          |             |           |                |
| <b>balance</b>                  |         |             |       |           |          |          |             |           |          |          |             |           |                |
| Derivative                      | 2,659   | 3,369,751   | 278   | 261,839   | -        | -        | -           | -         | -        | -        | -           | -         | 3,631,590      |
| Off-balance derivative exposure | 2,659   | 3,369,751   | 278   | 261,839   | -        | -        | -           | -         | -        | -        | -           | -         | 3,631,590      |
| Net position                    | 18      | 22,734      | -     | -         | 8,498    | 23,373   | 326,995     | 26,453    | (2,402)  | (1,450)  | 4,861,948   | 261,086   | 332,196        |

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**Notes to the Consolidated Financial Statements (continued)**  
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**4. Financial Risk Management (continued)**

(d) Market risk (continued)

(iii) Foreign exchange risk (continued)

|                                 | 2021    |             |       |           |       |           |          |             |          |          |         |             |           |             |                |
|---------------------------------|---------|-------------|-------|-----------|-------|-----------|----------|-------------|----------|----------|---------|-------------|-----------|-------------|----------------|
|                                 | USD     |             | SGD   |           | EUR   |           | KZT      |             | IDR      |          | MMK     |             | VND       |             | KRW equivalent |
|                                 | USD     | KRW         | SGD   | KRW       | EUR   | KRW       | KZT      | KRW         | IDR      | IDR      | MMK     | KRW         | VND       | VND         | KRW            |
| <b>Assets</b>                   |         |             |       |           |       |           |          |             |          |          |         |             |           |             |                |
| Cash                            | -       | 2           | -     | -         | -     | 18        | 50       | 10          | 1        | 144      | 96      | -           | -         | -           | 149            |
| Deposit                         | -       | 15          | -     | -         | -     | 316       | 858      | 77,095      | 6,407    | 1,802    | 1,202   | 196,389     | 10,232    | 18,714      | 18,714         |
| Loans                           | -       | -           | -     | -         | -     | 14,594    | 39,549   | 1,409,917   | 117,164  | 29,790   | 19,863  | 8,549,188   | 445,413   | 621,989     | 621,989        |
| Other financial assets          | 5       | 6,047       | -     | -         | -     | 402       | 1,089    | 59,322      | 4,930    | 1,852    | 1,235   | 208,800     | 10,878    | 24,179      | 24,179         |
|                                 | 5       | 6,064       | -     | -         | -     | 15,330    | 41,546   | 1,546,344   | 128,502  | 33,588   | 22,396  | 8,954,377   | 466,523   | 665,031     | 665,031        |
| <b>Liabilities</b>              |         |             |       |           |       |           |          |             |          |          |         |             |           |             |                |
| Debtentures                     | (1,592) | (1,886,723) | (278) | (243,524) | (165) | (221,050) | -        | -           | -        | -        | -       | (1,000,000) | (52,100)  | (2,403,397) | (2,403,397)    |
| Borrowings                      | (450)   | (533,807)   | -     | -         | -     | (7,750)   | (21,003) | (1,011,577) | (84,082) | (14,467) | (9,646) | (2,866,000) | (149,319) | (797,857)   | (797,857)      |
| Other financial liabilities     | -       | (133)       | -     | -         | -     | (47)      | (128)    | (66,239)    | (5,504)  | (453)    | (302)   | (253,650)   | (13,215)  | (19,282)    | (19,282)       |
|                                 | (2,042) | (2,420,663) | (278) | (243,524) | (165) | (7,797)   | (21,131) | (1,077,816) | (89,586) | (14,920) | (9,948) | (4,119,650) | (214,634) | (3,220,536) | (3,220,536)    |
| On-balance exposure             | (2,037) | (2,414,599) | (278) | (243,524) | (165) | 7,533     | 20,415   | 468,528     | 38,916   | 18,668   | 12,448  | 4,834,727   | 251,889   | (2,555,505) | (2,555,505)    |
| <b>Off-balance</b>              |         |             |       |           |       |           |          |             |          |          |         |             |           |             |                |
| Derivative                      | 2,042   | 2,420,530   | 278   | 243,524   | 165   | -         | -        | -           | -        | -        | -       | -           | -         | -           | 2,885,104      |
| Off-balance derivative exposure | 2,042   | 2,420,530   | 278   | 243,524   | 165   | -         | -        | -           | -        | -        | -       | -           | -         | -           | 2,885,104      |
| Net position                    | 5       | 5,931       | -     | -         | -     | 7,533     | 20,415   | 468,528     | 38,916   | 18,668   | 12,448  | 4,834,727   | 251,889   | 329,599     | 329,599        |

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**4. Financial Risk Management (continued)**

(e) Capital risk management

The Group has exposure to credit risk, liquidity risk and market risk. By maintaining an optimal capital structure, the Group's objective is to control its financial risks, enhance its safety and soundness, stabilize the financial system, and advance the company's credit standing.

The Group operates the credit card business under the Specialized Credit Finance Business Act. Accordingly, the Group should obey the Regulations on Supervision of Specialized Credit Finance Business. The regulations require the Group to maintain an adjusted equity capital ratio of more than 8%. Adjusted total assets and adjusted equity capital for the ratio are based on the separate statements of financial position and adjusted by the regulation that considered standards of the Bank for International Settlements and the nature of credit card business. The Group observes ratios of adjusted equity capital requirements regulated by the Specialized Credit Finance Business and the Group complied with the regulatory requirement for the adjusted equity capital ratio.

**5. Significant Estimates and Judgments**

The preparation of consolidated financial statements requires the application of certain critical estimates and judgments relative to the future. These critical estimates and judgments are assessed continually based on the elements like historic experiences and reasonably predictable future events under current conditions. Management's estimated outcomes may differ from actual outcomes.

Information about judgments on accounting assumptions and estimates, including significant risk that may result in a material adjustment in the reported amounts of assets and liabilities within the financial year are included in the following notes.

(a) Valuation of financial instruments

The fair values of financial instruments which are not actively traded in the market are determined by using valuation techniques. The Group determines valuation methods 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 generally accepted valuation models in the market to internally developed valuation model that incorporates various types of assumptions and variables.

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**5. Significant Estimates and Judgments (continued)**

(b) Allowance for doubtful accounts

(i) Individually assessed loan allowance

In assessing individual impairment, it is based on the best estimation of the Group's management about the present value of estimated future cash flows of secured financial assets. The present value is calculated by including cash flows from collateral after deducting costs to acquire and sell the collateral, regardless of probability of realization of such collateral.

(ii) Collectively assessed loan allowance

In assessing collective impairment, future cash flow of financial assets applicable to collective impairment assessment is estimated by using statistical methods of historical trends of the probability of default, and the loss rate at default, adjusted for management's judgment as to whether current economic and credit conditions are such that the impairment losses are likely to be greater or less than suggested by historical methods. In adjusting the future cash flow by historical methods, the result has to be in line with changes and trends of observable data (e.g. loan and borrower type, credit rating, EAD by periods, significant changes in credit rating, recovery period and other variables). Methodologies and assumptions used to estimate future cash flow are reviewed on regular basis in order to narrow down discrepancy between impairment loss estimation and actual loss.

(c) Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship. In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(d) Net defined benefit obligations

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 rate used to discount post-employment benefit obligations is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. Actuarial gains and losses including experience adjustments and the effects of changes in actuarial assumptions are recognized in other comprehensive income.

(e) Income taxes

Within the normal business process, there are various types of transactions and different accounting methods that may add uncertainties to the realizability of tax assets. The Group has recognized current and deferred taxes that reflect tax consequences that would follow from the manner in which the entity expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities. However, actual income tax in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred taxes at the year when the final tax effect is conformed.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**6. Fair Value Measurement of Financial Instruments**

The Group primarily uses the published price quotations in an active market for measurement of the fair value of financial instruments. If the market for a financial instrument is not active, fair value is established either by using a valuation technique or an independent third-party valuation service.

The Group uses diverse valuation techniques under reasonable assumptions which are based on the observable inputs in markets at the end of each reporting period.

Valuation techniques include using the recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted market price (unadjusted) in an active market for an identical instrument (Level 1)
- Valuation techniques based on observable inputs, either directly or indirectly (Level 2)
- Valuation techniques using significant unobservable inputs (Level 3)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**6. Fair Value Measurement of Financial Instruments (continued)**

(a) Financial instruments measured at fair value

(i) *Fair value measurement methods of financial instruments that are measured at fair value are as follows:*

|   | <b>Fair value measurement methods</b>   |
|---|---|
| Financial assets at FVTPL                   | In case that the market of a financial instrument is active, fair value is established at the closing quoted price as of the last day for the reporting period. Fair value of debt securities which are not quoted in an active market are determined at the amount which is present value of the future cash flow estimated reasonably discounted by the rate considering the counterparty's credit risk. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost as estimates of fair value. |
| Derivative assets<br>Derivative liabilities | In case that the market of a financial instrument is active, fair value is established at the closing quoted price as of the last day for the reporting period. If the market is not active, fair value is determined at the amount which is present value of the future cash flow reasonably estimated considering the counterparty's credit risk and discounted by the appropriate rate such as a risk free rate. If observable market data for the valuation is not available enough, the valuation result of the qualified external institutes is used as fair value.                                 |
| Financial assets at FVOCI                   | In case that the market of a financial instrument is active, fair value is established at the closing quoted price at the last day for the reporting period. Fair value of equity securities which are not quoted in an active market are measured by the valuation model of independent and professional institutes using reliable data. Equity instruments that do not have a quoted market price in an active market and whose fair values are not reliably measurable are measured at cost as an estimate of fair value.  |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

(ii) The fair value measurements classified by fair value hierarchy as of December 31, 2022 and 2021 are summarized as follows:

|  | <b>2022</b>      |                |                |                |
|--|------------------|----------------|----------------|----------------|
|  | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| <b>Financial assets</b>                      |                  |                |                |                |
| Beneficiary certificates at FVTPL            | ₩ -              | 360,175        | 10,837         | 371,012        |
| Debt securities at FVTPL                     | -                | -              | 9,924          | 9,924          |
| Equity securities at FVTPL                   | 401              | -              | 7,989          | 8,390          |
| Derivative financial assets for hedging      | -                | 196,596        | -              | 196,596        |
| Equity securities at FVOCI                   | -                | -              | 72,778         | 72,778         |
| Debt securities at FVOCI                     | 266,994          | 35,699         | -              | 302,693        |
|  | <u>₩ 267,395</u> | <u>592,470</u> | <u>101,528</u> | <u>961,393</u> |
| <b>Financial liabilities</b>                 |                  |                |                |                |
| Derivative financial liabilities for hedging | ₩ -              | 21,346         | -              | 21,346         |
|  |                  |                |                |                |
|  | <b>2021</b>      |                |                |                |
|  | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
| <b>Financial assets</b>                      |                  |                |                |                |
| Beneficiary certificates at FVTPL            | ₩ -              | 341,051        | 3,659          | 344,710        |
| Debt securities at FVTPL                     | -                | -              | 3,803          | 3,803          |
| Equity securities at FVTPL                   | 1,363            | -              | 3,686          | 5,049          |
| Derivative financial assets for hedging      | -                | 88,201         | -              | 88,201         |
| Equity securities at FVOCI                   | -                | -              | 35,525         | 35,525         |
| Debt securities at FVOCI                     | 153,438          | 8,056          | -              | 161,494        |
|  | <u>₩ 154,801</u> | <u>437,308</u> | <u>46,673</u>  | <u>638,782</u> |
| <b>Financial liabilities</b>                 |                  |                |                |                |
| Derivative financial liabilities for hedging | ₩ -              | 16,243         | -              | 16,243         |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

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

Changes of fair value measurement in level 3 for the years ended December 31, 2022 and 2021 are as follows:

|  | 2022                                    |                                |                                  |                                  | Total          |
|--|---|--------------------------------|----------------------------------|----------------------------------|----------------|
|  | Beneficiary<br>certificates at<br>FVTPL | Debt<br>securities at<br>FVTPL | Equity<br>securities at<br>FVTPL | Equity<br>securities at<br>FVOCI |                |
| <b>Balance at January 1, 2022</b> ₩                          | 3,659                                   | 3,803                          | 3,686                            | 35,525                           | 46,673         |
| Net gain on valuation of<br>financial assets at FVTPL<br>(*) | 2                                       | 320                            | 3,735                            | -                                | 4,057          |
| Net changes in the<br>unrealized fair value of<br>FVOCI      | -                                       | -                              | -                                | 7,872                            | 7,872          |
| Acquisition  | 7,561                                   | 6,198                          | 1,251                            | 29,381                           | 44,391         |
| Disposal   | (385)                                   | (397)                          | (687)                            | -                                | (1,469)        |
| Business combination   | -                                       | -                              | 4                                | -                                | 4              |
| <b>Balance at December 31,<br/>2022</b> ₩                    | <u>10,837</u>                           | <u>9,924</u>                   | <u>7,989</u>                     | <u>72,778</u>                    | <u>101,528</u> |

|   | 2021                                    |                                |                                  |                                  | Total         |
|---|---|--------------------------------|----------------------------------|----------------------------------|---------------|
|   | Beneficiary<br>certificates at<br>FVTPL | Debt<br>securities at<br>FVTPL | Equity<br>securities at<br>FVTPL | Equity<br>securities at<br>FVOCI |               |
| <b>Balance at January 1, 2022</b> ₩                                       | -                                       | 3,128                          | 3,715                            | 32,143                           | 38,986        |
| Net gain on valuation of<br>financial assets at FVTPL<br>(*)              | 127                                     | 285                            | -                                | -                                | 412           |
| Net changes in the<br>unrealized fair value of<br>FVOCI                   | -                                       | -                              | -                                | 7,550                            | 7,550         |
| Acquisition   | 3,532                                   | 390                            | 1,000                            | 200                              | 5,122         |
| Reclassification to level 1   | -                                       | -                              | (900)                            | -                                | (900)         |
| Transfer to investment<br>stocks accounted for using<br>the equity method | -                                       | -                              | (129)                            | -                                | (129)         |
| Disposal  | -                                       | -                              | -                                | (4,368)                          | (4,368)       |
| <b>Balance at December 31,<br/>2021</b> ₩                                 | <u>3,659</u>                            | <u>3,803</u>                   | <u>3,686</u>                     | <u>35,525</u>                    | <u>46,673</u> |

(\*) Recognized profit or loss of the changes in carrying amount of financial instruments classified as Level 3 for the years ended December 31, 2022 and 2021 are included in the accounts of the statements of comprehensive income, of which the amounts and the related accounts are as follows.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

(iv) Valuation techniques and inputs related to level 2

Information about valuation techniques and inputs in measuring financial instruments categorized as level 2 as of December 31, 2022 and 2021 are as follows:

|                                   |                             | <b>2022</b>                          |                        |                                    |
|-----------------------------------|-----------------------------|--------------------------------------|------------------------|------------------------------------|
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant inputs</b>          |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 360,175              | Interest rate                      |
| <b>Derivative assets:</b>         | Discounted cash flow        | Interest rate swap, Currency swap    | 196,596                | Discount rate exchange rate, etc.  |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow        | Debt securities                      | 35,699                 | Interest rate                      |
|                                   |                             |                                      | ₩ <u>592,470</u>       |                                    |
| <b>Derivative liabilities:</b>    | Discounted cash flow        | Interest rate swap, Currency swap    | ₩ 21,346               | Discount rate exchange rate, etc.  |
|                                   |                             | <b>2021</b>                          |                        |                                    |
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant inputs</b>          |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 341,051              | Interest rate                      |
| <b>Derivative assets:</b>         | Discounted cash flow        | Interest rate swap, Currency swap    | 88,201                 | Discount rate, exchange rate, etc. |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow        | Debt securities                      | 8,056                  | Interest rate                      |
|                                   |                             |                                      | ₩ <u>437,308</u>       |                                    |
| <b>Derivative liabilities:</b>    | Discounted cash flow        | Interest rate swap, Currency swap    | ₩ 16,243               | Discount rate, exchange rate, etc. |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

(v) *Valuation techniques and inputs related to level 3*

Information about valuation techniques and inputs in measuring financial instruments categorized as level 3 as of December 31, 2022 and 2021 are as follows:

|                                   |                             | <b>2022</b>                          |                        |  |   |  |
|-----------------------------------|-----------------------------|--------------------------------------|------------------------|--|---|--|
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant unobservable inputs</b> | <b>Range of estimates for unobservable inputs</b> |  |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 10,837               | Asset value                            | -   |  |
|                                   |                             | Debt securities                      | 9,924                  |  |   |  |
|                                   |                             | Equity securities                    | 7,989                  |  |   |  |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow, etc.  | Equity securities                    | 72,778                 | Discount rate.<br>Growth rate          | 9.25%~17.98%,<br>0.00%                            |  |
|                                   |                             |                                      | ₩ <u>101,528</u>       |  |   |  |
|                                   |                             | <b>2021</b>                          |                        |  |   |  |
|                                   | <b>Valuation techniques</b> | <b>Type of financial instruments</b> | <b>Carrying amount</b> | <b>Significant unobservable inputs</b> | <b>Range of estimates for unobservable inputs</b> |  |
| <b>Financial assets at FVTPL:</b> | Net asset value, etc.       | Beneficiary certificates             | ₩ 3,659                | Asset value                            | -   |  |
|                                   |                             | Debt securities                      | 3,803                  |  |   |  |
|                                   |                             | Equity securities                    | 3,686                  |  |   |  |
| <b>Financial assets at FVOCI:</b> | Discounted cash flow, etc.  | Equity securities                    | 35,525                 | Discount rate<br>Growth rate           | 10.46%~13.66%,<br>1.00%                           |  |
|                                   |                             |                                      | ₩ <u>46,673</u>        |  |   |  |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

(vi) *Sensitivity to changes on unobservable inputs*

For level 3 fair value measurement, a reasonably possible change in one or more of the unobservable inputs used to determine the fair value would have the following effect on profit or loss, or other comprehensive.

| Type of financial instrument  |   | 2022             |                    |
|-------------------------------|---|------------------|--------------------|
|                               |   | Favorable change | Unfavorable change |
| Financial assets at FVOCI (*) | ₩ | 4,639            | (3,353)            |

(\*) Changes in fair value have been assessed by increasing or decreasing unobservable inputs such as growth rate (-1%~1%) and discount rate (-1%~1%).



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**6. Fair Value Measurement of Financial Instruments (continued)**

(b) Financial instruments measured at amortized cost

(i) *The methods of measuring the fair value of financial instruments measured at amortized cost are as follows:*

|  | <u>Fair value measurement methods</u>  |
|--|--|
| Cash and due from banks                              | Carrying amount of cash is the same as fair value. Carrying amount (matured within three months at acquisition date) is used as approximation of fair value for cash equivalents. Fair value of other due from banks is present value of expected cash flows discounted by the rate considering market interest rate and spread.   |
| Credit card receivables at amortized Cost and others | Fair value of credit card receivables measured at amortized cost and other is the present value of expected cash flows discounted by the rate considering market interest rate and counterparty's credit ratings. However, carrying amount is used as approximation of fair value for credit card receivables for lump-sum purchase and cash advances which contractual credit period granted is less than three months. |
| Other financial assets                               | Fair value of other financial assets is the present value of expected cash flows discounted by the rate considering market interest rate and counterparty's credit ratings. However, carrying amount is used as approximation of fair value for other financial assets when reliable expected cash flow is not available.  |
| Borrowings   | Fair value of borrowings is the present value of expected cash flows discounted by the rate considering market interest rate and the Group's credit ratings.   |
| Debentures   | Where the market of a financial instrument is active, fair value is established at the quoted price. Fair value of debentures which quoted market price is not available is determined to be the present value of contractual cash flows discounted by the rate considering market interest rate and the Group's credit ratings.   |
| Other financial liabilities                          | Fair value of other financial liabilities is determined to be the present value of contractual cash flows discounted by the rate considering market interest rate and the Group's credit ratings. Carrying amount is used as approximation of fair value of liabilities when reliable expected cash flows are not available.   |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2022 and 2021  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

(ii) The carrying amount and the fair value of financial instruments measured at amortized cost as of December 31, 2022 and 2021 are as follows:

|                                |              | 2022                                       |                                 |            |            |
|--------------------------------|--------------|--|---------------------------------|------------|------------|
|                                |              | Carrying amount                            |                                 |            |            |
|                                | Balance      | Deferred loan origination costs and others | Allowance for doubtful accounts | Total      | Fair value |
| <b>Financial assets</b>        |              |  |                                 |            |            |
| Cash                           | ₩ 306        | -  | -                               | 306        | 306        |
| Deposits                       | 664,622      | -  | -                               | 664,622    | 664,622    |
| Credit card receivables        | 28,157,165   | (45,954)                                   | (1,027,670)                     | 27,083,541 | 27,441,994 |
| Loans                          | 3,811,385    | 41,436                                     | (112,058)                       | 3,740,763  | 3,755,823  |
| Installment assets             | 4,286,136    | 44,766                                     | (48,796)                        | 4,282,106  | 4,200,443  |
| Lease assets                   | 1,742,301    | (291)                                      | (17,253)                        | 1,724,757  | 1,684,006  |
| Other assets                   | 949,029      | (1,905)                                    | (18,498)                        | 928,626    | 927,706    |
|                                | ₩ 39,610,944 | 38,052                                     | (1,224,275)                     | 38,424,721 | 38,674,900 |
| <b>Financial liabilities</b>   |              |  |                                 |            |            |
| Borrowings                     | ₩ 9,136,178  | -  | -                               | 9,136,178  | 8,612,624  |
| Debentures in won              | 18,415,000   | (9,093)                                    | -                               | 18,405,907 | 17,675,091 |
| Debentures in foreign currency | 3,108,669    | (11,760)                                   | -                               | 3,096,909  | 2,953,336  |
| Other liabilities              | 3,935,876    | (65,117)                                   | -                               | 3,870,759  | 3,834,365  |
|                                | ₩ 34,595,723 | (85,970)                                   | -                               | 34,509,753 | 33,075,416 |
|                                |              | 2021                                       |                                 |            |            |
|                                |              | Carrying amount                            |                                 |            |            |
|                                | Balance      | Deferred loan origination costs and others | Allowance for doubtful accounts | Total      | Fair value |
| <b>Financial assets</b>        |              |  |                                 |            |            |
| Cash                           | ₩ 149        | -  | -                               | 149        | 149        |
| Deposits                       | 435,513      | -  | -                               | 435,513    | 435,513    |
| Credit card receivables        | 25,765,133   | (52,837)                                   | (886,064)                       | 24,826,232 | 25,205,111 |
| Loans                          | 3,685,650    | 26,968                                     | (93,125)                        | 3,619,493  | 3,642,227  |
| Installment assets             | 3,978,560    | 44,547                                     | (41,777)                        | 3,981,330  | 3,970,448  |
| Lease assets                   | 1,356,210    | (132)                                      | (27,956)                        | 1,328,122  | 1,325,797  |
| Other assets                   | 784,193      | (1,313)                                    | (16,228)                        | 766,652    | 766,373    |
|                                | ₩ 36,005,408 | 17,233                                     | (1,065,150)                     | 34,957,491 | 35,345,618 |
| <b>Financial liabilities</b>   |              |  |                                 |            |            |
| Borrowings                     | ₩ 6,662,856  | -  | -                               | 6,662,856  | 6,607,721  |
| Debentures in won              | 18,455,000   | (8,560)                                    | -                               | 18,446,440 | 18,330,682 |
| Debentures in foreign currency | 2,403,397    | (7,969)                                    | -                               | 2,395,428  | 2,399,729  |
| Other liabilities              | 3,145,291    | (24,202)                                   | -                               | 3,121,089  | 3,117,270  |
|                                | ₩ 30,666,544 | (40,731)                                   | -                               | 30,625,813 | 30,455,402 |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**6. Fair Value Measurement of Financial Instruments (continued)**

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

(iii) The fair value hierarchy of financial instruments which are measured at amortized cost in the consolidated statements of financial position as of December 31, 2022 and 2021 are as follows:

|                                   |   | <b>2022</b>    |                |                   |                   |
|-----------------------------------|---|----------------|----------------|-------------------|-------------------|
|                                   |   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>    | <b>Total</b>      |
| <b>Financial assets</b>           |   |                |                |                   |                   |
| Cash                              | ₩ | 306            | -              | -                 | 306               |
| Deposits                          |   |                | 664,622        | -                 | 664,622           |
| Credit card receivables           |   | -              | -              | 27,441,994        | 27,441,994        |
| Loans                             |   | -              | -              | 3,755,823         | 3,755,823         |
| Installment assets                |   | -              | -              | 4,200,443         | 4,200,443         |
| Lease assets                      |   | -              | -              | 1,684,006         | 1,684,006         |
| Other assets                      |   | -              | -              | 927,706           | 927,706           |
|                                   | ₩ | <u>306</u>     | <u>664,622</u> | <u>38,009,972</u> | <u>38,674,900</u> |
| <b>Financial liabilities:</b>     |   |                |                |                   |                   |
| Borrowings                        | ₩ | -              | -              | 8,612,624         | 8,612,624         |
| Debentures in won                 |   | -              | -              | 17,675,091        | 17,675,091        |
| Debentures in<br>foreign currency |   | -              | -              | 2,953,336         | 2,953,336         |
| Other liabilities                 |   | -              | -              | 3,834,365         | 3,834,365         |
|                                   | ₩ | <u>-</u>       | <u>-</u>       | <u>33,075,416</u> | <u>33,075,416</u> |
|                                   |   | <b>2021</b>    |                |                   |                   |
|                                   |   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>    | <b>Total</b>      |
| <b>Financial assets</b>           |   |                |                |                   |                   |
| Cash                              | ₩ | 149            | -              | -                 | 149               |
| Deposits                          |   | -              | 435,513        | -                 | 435,513           |
| Credit card receivables           |   | -              | -              | 25,205,111        | 25,205,111        |
| Loans                             |   | -              | -              | 3,642,227         | 3,642,227         |
| Installment assets                |   | -              | -              | 3,970,448         | 3,970,448         |
| Lease assets                      |   | -              | -              | 1,325,797         | 1,325,797         |
| Other assets                      |   | -              | -              | 766,373           | 766,373           |
|                                   | ₩ | <u>149</u>     | <u>435,513</u> | <u>34,909,956</u> | <u>35,345,618</u> |
| <b>Financial liabilities:</b>     |   |                |                |                   |                   |
| Borrowings                        | ₩ | -              | -              | 6,607,721         | 6,607,721         |
| Debentures in won                 |   | -              | -              | 18,330,682        | 18,330,682        |
| Debentures in<br>foreign currency |   | -              | -              | 2,399,729         | 2,399,729         |
| Other liabilities                 |   | -              | -              | 3,117,270         | 3,117,270         |
|                                   | ₩ | <u>-</u>       | <u>-</u>       | <u>30,455,402</u> | <u>30,455,402</u> |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**7. Categories of Financial Instruments**

(a) The carrying amounts of the categories of financial assets as of December 31, 2022 and 2021 are summarized as follows:

|  |   | <b>2022</b>                              |   |  |                                 |                   |
|--|---|--|---|--|---------------------------------|-------------------|
|  |   | <b>Financial<br/>assets at<br/>FVTPL</b> | <b>Financial<br/>assets at<br/>amortized<br/>cost</b> | <b>Financial<br/>assets at<br/>FVOCI</b> | <b>Derivative<br/>for hedge</b> | <b>Total</b>      |
| Cash and due from banks                                    | ₩ | -  | 664,928   | -  | -                               | 664,928           |
| Financial assets at FVTPL                                  |   | 389,326                                  | -   | -  | -                               | 389,326           |
| Derivative assets  |   | -  | -   | -  | 196,596                         | 196,596           |
| Credit card receivables at<br>amortized cost and other (*) |   | -  | 36,831,167  | -  | -                               | 36,831,167        |
| Financial assets at FVOCI                                  |   | -  | -   | 375,471                                  | -                               | 375,471           |
| Other financial assets                                     |   | -  | 928,626   | -  | -                               | 928,626           |
|  | ₩ | <u>389,326</u>                           | <u>38,424,721</u>                                     | <u>375,471</u>                           | <u>196,596</u>                  | <u>39,386,114</u> |

(\*) It includes ₩1,724,757 million in financial lease receivables under Korean IFRS 1116.

|  |   | <b>2021</b>                              |   |  |                                 |                   |
|--|---|--|---|--|---------------------------------|-------------------|
|  |   | <b>Financial<br/>assets at<br/>FVTPL</b> | <b>Financial<br/>assets at<br/>amortized<br/>cost</b> | <b>Financial<br/>assets at<br/>FVOCI</b> | <b>Derivative<br/>for hedge</b> | <b>Total</b>      |
| Cash and due from banks                                    | ₩ | -  | 435,662   | -  | -                               | 435,662           |
| Financial assets at FVTPL                                  |   | 353,562                                  | -   | -  | -                               | 353,562           |
| Derivative assets  |   | -  | -   | -  | 88,201                          | 88,201            |
| Credit card receivables at<br>amortized cost and other (*) |   | -  | 33,755,177  | -  | -                               | 33,755,177        |
| Financial assets at FVOCI                                  |   | -  | -   | 197,019                                  | -                               | 197,019           |
| Other financial assets                                     |   | -  | 766,652   | -  | -                               | 766,652           |
|  | ₩ | <u>353,562</u>                           | <u>34,957,491</u>                                     | <u>197,019</u>                           | <u>88,201</u>                   | <u>35,596,273</u> |

(\*) It includes ₩1,328,122 million in financial lease receivables under Korean IFRS 1116.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**7. Categories of Financial Instruments (continued)**

(b) The carrying amounts of the categories of financial liabilities as of December 31, 2022 and 2021 are summarized as follows:

| <b>2022</b>                     |   |                             |                   |
|---------------------------------|---|-----------------------------|-------------------|
|                                 | <b>Financial liabilities<br/>measured at<br/>amortized cost</b> | <b>Derivative for hedge</b> | <b>Total</b>      |
| Derivative liabilities          | ₩ -   | 21,346                      | 21,346            |
| Borrowings                      | 9,136,178   | -                           | 9,136,178         |
| Debentures                      | 21,502,816  | -                           | 21,502,816        |
| Other financial liabilities (*) | 3,870,759   | -                           | 3,870,759         |
|                                 | ₩ <u>34,509,753</u>   | <u>21,346</u>               | <u>34,531,099</u> |

(\*) It includes ₩25,654 million in financial liabilities under Korean IFRS 1116.

| <b>2021</b>                     |   |                             |                   |
|---------------------------------|---|-----------------------------|-------------------|
|                                 | <b>Financial liabilities<br/>measured at<br/>amortized cost</b> | <b>Derivative for hedge</b> | <b>Total</b>      |
| Derivative liabilities          | ₩ -   | 16,243                      | 16,243            |
| Borrowings                      | 6,662,856   | -                           | 6,662,856         |
| Debentures                      | 20,841,868  | -                           | 20,841,868        |
| Other financial liabilities (*) | 3,121,089   | -                           | 3,121,089         |
|                                 | ₩ <u>30,625,813</u>   | <u>16,243</u>               | <u>30,642,056</u> |

(\*) It includes ₩25,801 million in financial liabilities under Korean IFRS 1116

**SHINHAN CARD CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements (continued)**

For the years ended December 31, 2022 and 2021  
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**7. Categories of Financial Instruments (continued)**

(c) Net gains (losses) of categories of financial instruments for the years ended December 31, 2022 and 2021 are as follows:

|   | 2022            |                  |                           |                            |                 |                                     |                             |                   |                                   |
|---|-----------------|------------------|---------------------------|----------------------------|-----------------|-------------------------------------|-----------------------------|-------------------|-----------------------------------|
|   | Interest income | Interest expense | Fee and commission income | Fee and commission expense | Dividend income | Provision for credit loss allowance | Other operating income, net | Net income (loss) | Other comprehensive income (loss) |
| <b>Financial assets</b>                     |                 |                  |                           |                            |                 |                                     |                             |                   |                                   |
| Financial assets at FVTPL                   | ₩ -             | -                | -                         | -                          | 35              | -                                   | 19,867                      | 19,902            | -                                 |
| Financial assets at amortized cost (*)      | 2,501,669       | -                | 1,758,461                 | (1,221,388)                | -               | (556,691)                           | 16,900                      | 2,498,951         | -                                 |
| Financial assets at FVOCI                   | 7,033           | -                | -                         | -                          | 380             | (74)                                | -                           | 7,339             | (10,984)                          |
| Derivative for hedge                        | -               | -                | -                         | -                          | -               | -                                   | 191,068                     | 191,068           | (12,452)                          |
|   | 2,508,702       | -                | 1,758,461                 | (1,221,388)                | 415             | (556,765)                           | 227,835                     | 2,717,260         | (23,436)                          |
| <b>Financial liabilities</b>                |                 |                  |                           |                            |                 |                                     |                             |                   |                                   |
| Financial liabilities at amortized cost (*) | -               | (710,697)        | -                         | -                          | -               | -                                   | -                           | (710,697)         | -                                 |
|   | ₩ 2,508,702     | (710,697)        | 1,758,461                 | (1,221,388)                | 415             | (556,765)                           | 227,835                     | 2,006,563         | (23,436)                          |

(\*) It includes finance income and costs occurred as a result of finance lease receivables and lease liability in accordance with Korean IFRS 1116 'Leases'

**SHINHAN CARD CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements (continued)**

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**7. Categories of Financial Instruments (continued)**

(c) Net gains (losses) of categories of financial instruments for the years ended December 31, 2022 and 2021 are as follows: (continued)

|   | 2021               |                  |                           |                            |                 |                                     |                             |                   |                                   |
|---|--------------------|------------------|---------------------------|----------------------------|-----------------|-------------------------------------|-----------------------------|-------------------|-----------------------------------|
|   | Interest income    | Interest expense | Fee and commission income | Fee and commission expense | Dividend income | Provision for credit loss allowance | Other operating income, net | Net income (loss) | Other comprehensive income (loss) |
| <b>Financial assets</b>                     |                    |                  |                           |                            |                 |                                     |                             |                   |                                   |
| Financial assets at FVTPL                   | ₩ -                | -                | -                         | -                          | 30              | -                                   | 10,544                      | 10,574            | -                                 |
| Financial assets at amortized cost (*)      | 2,304,525          | -                | 1,618,369                 | (1,156,732)                | -               | (433,578)                           | 14,918                      | 2,347,502         | -                                 |
| Financial assets at FVOCI                   | 1,528              | -                | -                         | -                          | 400             | (24)                                | -                           | 1,904             | 4,611                             |
| Derivative for hedge                        | -                  | -                | -                         | -                          | -               | -                                   | 216,006                     | 216,006           | 22,740                            |
|   | <u>2,306,053</u>   | -                | <u>1,618,369</u>          | <u>(1,156,732)</u>         | <u>430</u>      | <u>(433,602)</u>                    | <u>241,468</u>              | <u>2,575,986</u>  | <u>27,351</u>                     |
| <b>Financial liabilities</b>                |                    |                  |                           |                            |                 |                                     |                             |                   |                                   |
| Financial liabilities at amortized cost (*) | -                  | (506,900)        | -                         | -                          | -               | -                                   | -                           | (506,900)         | -                                 |
|   | <u>₩ 2,306,053</u> | <u>(506,900)</u> | <u>1,618,369</u>          | <u>(1,156,732)</u>         | <u>430</u>      | <u>(433,602)</u>                    | <u>241,468</u>              | <u>2,069,086</u>  | <u>27,351</u>                     |

(\*) It includes finance income and costs occurred as a result of finance lease receivables and lease liability in accordance with Korean IFRS 1116 'Leases'

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**7. Categories of Financial Instrument (continued)**

(d) The amounts of foreign exchange differences recognized in profit or loss for each category of financial instruments for the years ended December 31, 2022 and 2021 are as follows:

|   | 2022                                 |                                      |            | 2021                                 |                                      |            |
|---|--------------------------------------|--------------------------------------|------------|--------------------------------------|--------------------------------------|------------|
|   | Gain on foreign currency transaction | Loss on foreign currency transaction | Net amount | Gain on foreign currency transaction | Loss on foreign currency transaction | Net amount |
| Financial assets at amortized cost      | ₩ 48,492                             | (9,581)                              | 38,911     | 35,152                               | (4,480)                              | 30,672     |
| Financial liabilities at amortized cost | 27,609                               | (227,312)                            | (199,703)  | 3,655                                | (222,363)                            | (218,708)  |
|   | ₩ 76,101                             | (236,893)                            | (160,792)  | 38,807                               | (226,843)                            | (188,036)  |



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**8. Offsetting Financial Assets and Financial Liabilities**

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements as of December 31, 2022 and 2021 are as follows:

|                               | 2022                     |   |                                      |                                   |                          |            |
|-------------------------------|--------------------------|---|--------------------------------------|-----------------------------------|--------------------------|------------|
|                               | Gross amounts recognized | Gross amounts recognized for offsetting | Net amounts of financial instruments | Amounts not subject to offsetting |                          | Net amount |
|                               |                          |   |                                      | Financial instruments             | Cash collateral received |            |
| <b>Financial assets:</b>      |                          |   |                                      |                                   |                          |            |
| Derivatives                   | ₩ 196,596                | -                                       | 196,596                              | 7,469                             | -                        | 189,127    |
| Repurchase agreements (*)     | 385,000                  | -                                       | 385,000                              | 385,000                           | -                        | -          |
| Receivable spot exchange      | 8,238                    | -                                       | 8,238                                | 8,238                             | -                        | -          |
| <b>Financial liabilities:</b> |                          |   |                                      |                                   |                          |            |
| Derivatives                   | 21,346                   | -                                       | 21,346                               | 7,469                             | -                        | 13,877     |
| Payable spot exchange         | 8,238                    | -                                       | 8,238                                | 8,238                             | -                        | -          |

(\*) The amounts not subject to offsetting are securities that are received as collaterals for repurchase agreements.

|                               | 2021                     |   |                                      |                                   |                          |            |
|-------------------------------|--------------------------|---|--------------------------------------|-----------------------------------|--------------------------|------------|
|                               | Gross amounts recognized | Gross amounts recognized for offsetting | Net amounts of financial instruments | Amounts not subject to offsetting |                          | Net amount |
|                               |                          |   |                                      | Financial instruments             | Cash collateral received |            |
| <b>Financial assets:</b>      |                          |   |                                      |                                   |                          |            |
| Derivatives                   | ₩ 88,201                 | -                                       | 88,201                               | 15,264                            | -                        | 72,937     |
| Repurchase agreements (*)     | 310,000                  | -                                       | 310,000                              | 310,000                           | -                        | -          |
| Receivable spot exchange      | 6,047                    | -                                       | 6,047                                | 6,047                             | -                        | -          |
| <b>Financial liabilities:</b> |                          |   |                                      |                                   |                          |            |
| Derivatives                   | 16,243                   | -                                       | 16,243                               | 15,264                            | -                        | 979        |
| Payable spot exchange         | 6,047                    | -                                       | 6,047                                | 6,047                             | -                        | -          |

(\*) The amounts not subject to offsetting are securities that are received as collaterals for repurchase agreements.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**9. Operating Segments**

The Group has a single reportable segment.

(a) Details of revenues by financial service type for the years ended December 31, 2022 and 2021 are as follows:

|                           |   | <b>2022</b>        |                                |                  |               |              |
|---------------------------|---|--------------------|--------------------------------|------------------|---------------|--------------|
|                           |   | <b>Credit card</b> | <b>Installment<br/>finance</b> | <b>Lease (*)</b> | <b>Others</b> | <b>Total</b> |
| Interest incomes          | ₩ | 1,962,825          | 169,411                        | 57,470           | 318,996       | 2,508,702    |
| Fee and commission income |   | 1,219,567          | 14,735                         | 477,716          | 46,443        | 1,758,461    |
| Other income              |   | 11,220             | 304                            | 220              | 482,274       | 494,018      |

(\*) It includes finance income and costs occurred from finance lease receivables and lease liabilities under Korean IFRS 1116.

|                           |   | <b>2021</b>        |                                |                  |               |              |
|---------------------------|---|--------------------|--------------------------------|------------------|---------------|--------------|
|                           |   | <b>Credit card</b> | <b>Installment<br/>finance</b> | <b>Lease (*)</b> | <b>Others</b> | <b>Total</b> |
| Interest incomes          | ₩ | 1,878,220          | 138,472                        | 47,711           | 241,650       | 2,306,053    |
| Fee and commission income |   | 1,202,500          | 14,142                         | 364,448          | 37,279        | 1,618,369    |
| Other income              |   | 10,032             | 213                            | 173              | 424,787       | 435,205      |

(\*) It includes finance income and costs occurred from finance lease receivables and lease liabilities under Korean IFRS 1116.

(b) Revenues from external customers for the years ended December 31, 2022 and 2021 are all attributed to the Republic of Korea, where the Group is domiciled.

(c) There is no single external customer with revenues amount to 10 percent or more of the Group's revenues for the years ended December 31, 2022 and 2021.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**10. Cash and Due from Banks**

(a) Details of cash and due from banks as of December 31, 2022 and 2021 are as follows

|                                      | <u>2022</u>      | <u>2021</u>    |
|--------------------------------------|------------------|----------------|
| Cash                                 | ₩ 306            | 149            |
| Deposits in won:                     |                  |                |
| Deposits on demand                   | 363,235          | 297,719        |
| Current deposits                     | 47,470           | 841            |
| Foreign currency deposits            | 38,838           | 18,187         |
| Time deposits                        | 13,951           | 5              |
| Deposit for checking accounts        | 31               | 31             |
| Deposits on demand of SPC            | 200,036          | 115,232        |
| Deposits on foreign currency reserve | 701              | 526            |
| Installment payment                  | 360              | -              |
| Others                               | -                | 2,972          |
|                                      | <u>₩ 664,928</u> | <u>435,662</u> |

(b) Restricted due from banks as of December 31, 2022 and 2021 are as follows:

|                       | <u>2022</u>      | <u>2021</u>    | <u>Restrictions</u>                     |
|-----------------------|------------------|----------------|---|
| Time deposits:        |                  |                |   |
| Shinhan Bank          | ₩ 5              | 5              | Pledged as collateral for cash advances |
|                       | 341              | -              | Performance guarantee deposit           |
| Other deposits:       | <u>346</u>       | <u>5</u>       |   |
|                       | ₩ 31             | 31             | Deposit for checking accounts           |
| Woori Bank and others | 200,036          | 115,232        | Deposits on demand of SPC               |
|                       | 701              | 526            | Deposits on foreign currency reserve    |
|                       | <u>200,768</u>   | <u>115,789</u> |   |
|                       | <u>₩ 201,114</u> | <u>115,794</u> |   |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2022 and 2021  
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**11. Financial Assets at FVTPL**

(a) Details of financial assets at FVTPL as of December 31, 2022 and 2021 are as follows and no financial assets are designated as at FVTPL.

|                          | <u>2022</u>      | <u>2021</u>    |
|--------------------------|------------------|----------------|
| Beneficiary certificates | ₩ 371,012        | 344,710        |
| Debt securities          | 9,924            | 3,803          |
| Equity securities        | 8,390            | 5,049          |
|                          | <u>₩ 389,326</u> | <u>353,562</u> |

(b) Details of gain or loss on financial assets at FVTPL for the years ended December 31, 2022 and 2021 are as follows:

|                   | <u>2022</u>     | <u>2021</u>   |
|-------------------|-----------------|---------------|
| Gain on valuation | ₩ 4,414         | 959           |
| Loss on valuation | (1,133)         | (35)          |
| Gain on disposal  | 9,752           | 4,042         |
| Other income      | 6,834           | 5,578         |
|                   | <u>₩ 19,867</u> | <u>10,544</u> |

(c) Details of dividend income on financial assets at FVTPL for the years ended December 31, 2022 and 2021 are as follows:

|  | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Dividend income recognized in assets held at the end of the reporting period |             |             |
| Equity securities  | ₩ 35        | 30          |
|  | <u>₩ 35</u> | <u>30</u>   |

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**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**12. Derivatives**

(a) Derivative assets and liabilities

The notional amounts and fair values of derivative assets and liabilities as of December 31, 2022 and 2021 are as follows:

|                    |   | 2022             |                |               | 2021             |               |               |
|--------------------|---|------------------|----------------|---------------|------------------|---------------|---------------|
|                    |   | Notional amounts | Fair value     |               | Notional amounts | Fair value    |               |
|                    |   |                  | Assets         | Liabilities   |                  | Assets        | Liabilities   |
| Currency swap      | ₩ | 3,631,590        | 164,998        | 21,346        | 2,885,104        | 83,128        | 5,187         |
| Interest rate swap |   | 1,240,000        | 31,598         | -             | 1,695,000        | 5,073         | 11,056        |
|                    | ₩ | <u>4,871,590</u> | <u>196,596</u> | <u>21,346</u> | <u>4,580,104</u> | <u>88,201</u> | <u>16,243</u> |

(b) Gains (losses) on derivatives

Gains (losses) on derivatives for the years ended December 31, 2022 and 2021 are as follows:

|                           |   | 2022                     |                     | 2021                     |                     |
|---------------------------|---|--------------------------|---------------------|--------------------------|---------------------|
|                           |   | Gain (loss) on valuation | Gain (loss) on sale | Gain (loss) on valuation | Gain (loss) on sale |
| <b>Fair value hedges:</b> |   |                          |                     |                          |                     |
| Currency forwards         | ₩ | -                        | -                   | -                        | 444                 |
| <b>Cash flow hedges:</b>  |   |                          |                     |                          |                     |
| Currency swaps            |   | 140,523                  | 47,276              | 199,241                  | 17,488              |
| Interest rate swaps       |   | 3,334                    | (65)                | (1,167)                  | -                   |
|                           | ₩ | <u>143,857</u>           | <u>47,211</u>       | <u>198,074</u>           | <u>17,932</u>       |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**12. Derivatives (continued)**

(c) Gain or Losses on Hedge accounting

i) Gains(losses) on fair value hedged items and hedging instruments attributable to the hedged ineffectiveness for the years ended December 31, 2022 and 2021 are as follows:

|                           |                       | 2022   |   |  |
|---------------------------|-----------------------|--|---|--|
|                           |                       | Gains (losses) on<br>fair value hedges<br>(hedged items) | Gains (losses) on<br>fair value hedges<br>(hedging instruments) | Hedge ineffectiveness<br>recognized in profit<br>or loss |
| <b>Fair value hedges:</b> |                       |  |   |  |
|                           | Interest rate swaps   | ₩ -  | -   | -  |
|                           | Foreign exchange risk | -  | -   | -  |
|                           |                       | ₩ -  | -   | -  |
|                           |                       | 2021   |   |  |
|                           |                       | Gains (losses) on<br>fair value hedges<br>(hedged items) | Gains (losses) on<br>fair value hedges<br>(hedging instruments) | Hedge ineffectiveness<br>recognized in profit<br>or loss |
| <b>Fair value hedges:</b> |                       |  |   |  |
|                           | Interest rate swaps   | ₩ -  | -   | -  |
|                           | Foreign exchange risk | (444)  | 444   | -  |
|                           |                       | ₩ (444)  | 444   | -  |

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 profit or loss and other comprehensive income for the years ended December 31, 2022 and 2021, are as follows:

|                          |                       | 2022  |  |  |
|--------------------------|-----------------------|---|--|--|
|                          |                       | Gains (losses) on hedges<br>recognized in other<br>comprehensive income | Hedge ineffectiveness<br>recognized in profit<br>or loss | From cash flow hedge<br>reserve to profit or loss<br>Reclassified amount |
| <b>Cash flow hedges:</b> |                       |   |  |  |
|                          | Interest rate risk    | ₩ 34,312  | 3,334  | (65)   |
|                          | Foreign exchange risk | (51,295)  | (2,638)  | 190,437  |
|                          |                       | ₩ (16,983)  | 696  | 190,372  |
|                          |                       | 2021  |  |  |
|                          |                       | Gains (losses) on hedges<br>recognized in other<br>comprehensive income | Hedge ineffectiveness<br>recognized in profit<br>or loss | From cash flow hedge<br>reserve to profit or loss<br>Reclassified amount |
| <b>Cash flow hedges:</b> |                       |   |  |  |
|                          | Interest rate risk    | ₩ 23,479  | (1,167)  | -  |
|                          | Foreign exchange risk | 7,885   | 6,860  | 209,869  |
|                          |                       | ₩ 31,364  | 5,693  | 209,869  |

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**12. Derivatives (continued)**

(d) Hedging

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 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.

ii) Nominal amounts and average hedge ratios for hedging instruments as of December 31, 2022 and 2021 are as follows:

|   |   | 2022             |                |                |                  |                |                         |                  |
|---|---|------------------|----------------|----------------|------------------|----------------|-------------------------|------------------|
|   |   | Within<br>1 year | 1~2<br>years   | 2~3<br>years   | 3~4<br>years     | 4~5<br>years   | More<br>than 5<br>years | Total            |
| <b>Cash flow hedges :</b>                   |   |                  |                |                |                  |                |                         |                  |
| Currency swap (*)                           | ₩ | 1,008,279        | -              | 912,456        | 1,203,935        | 506,920        | -                       | 3,631,590        |
| Interest rate swap                          |   | 860,000          | 180,000        | -              | -                | -              | 200,000                 | 1,240,000        |
|   |   | <u>1,868,279</u> | <u>180,000</u> | <u>912,456</u> | <u>1,203,935</u> | <u>506,920</u> | <u>200,000</u>          | <u>4,871,590</u> |
| Average hedge ratio:                        |   | 100%             | 100%           | 100%           | 100%             | 100%           | 100%                    | 100%             |
| Average price condition-<br>interest rate : |   | 1.82%            | 1.10%          | -              | 4.02%            | -              | 2.52%                   | 2.53%            |

(\*) The average exchange rates conditions of Currency swap are USD/KRW 1,207.43, SGD/KRW 859.87.

|   |   | 2021             |                  |                |                |                |                         |                  |
|---|---|------------------|------------------|----------------|----------------|----------------|-------------------------|------------------|
|   |   | Within<br>1 year | 1~2<br>years     | 2~3<br>years   | 3~4<br>years   | 4~5<br>years   | More<br>than 5<br>years | Total            |
| <b>Cash flow hedges :</b>                   |   |                  |                  |                |                |                |                         |                  |
| Currency swap (*)                           | ₩ | 597,778          | 1,078,116        | -              | 853,560        | 355,650        | -                       | 2,885,104        |
| Interest rate swap                          |   | 435,000          | 890,000          | 170,000        | -              | -              | 200,000                 | 1,695,000        |
|   |   | <u>1,032,778</u> | <u>1,968,116</u> | <u>170,000</u> | <u>853,560</u> | <u>355,650</u> | <u>200,000</u>          | <u>4,580,104</u> |
| Average hedge ratio:                        |   | 100%             | 100%             | 100%           | 100%           | 100%           | 100%                    | 100%             |
| Average price condition-<br>interest rate : |   | 1.85%            | 1.68%            | 0.99%          | -              | -              | 2.52%                   | 1.74%            |

(\*) The average exchange rates conditions of Currency swap are USD/KRW 1,159.22, SGD/KRW 859.87, EUR/KRW 1,284.35.

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**12. Derivatives (continued)**

(d) Hedging (continued)

iii) The effect that hedge accounting has had on the consolidated statements of financial position and consolidated statements of comprehensive income.

Ⓐ The effect that hedge instruments have had on the consolidated statements of financial position and consolidated statements of comprehensive income as of and for the years ended December 31, 2022 and 2021 are as follows:

|                        |                    | <b>2022</b>           |                                 |                                       |  |
|------------------------|--------------------|-----------------------|---------------------------------|---------------------------------------|--|
|                        |                    | <b>Nominal amount</b> | <b>Carrying amount of asset</b> | <b>Carrying amount of liabilities</b> | <b>Changes in fair value in the period</b> |
| <b>Cash flow hedge</b> |                    |                       |                                 |                                       |  |
|                        | Interest rate swap | 1,240,000             | 31,598                          | -                                     | 33,634                                     |
|                        | Currency swap      | 3,631,590             | 164,998                         | 21,346                                | 90,756                                     |
|                        | <b>₩</b>           | <u>4,871,590</u>      | <u>196,596</u>                  | <u>21,346</u>                         | <u>124,390</u>                             |
|                        |                    | <b>2021</b>           |                                 |                                       |  |
|                        |                    | <b>Nominal amount</b> | <b>Carrying amount of asset</b> | <b>Carrying amount of liabilities</b> | <b>Changes in fair value in the period</b> |
| <b>Cash flow hedge</b> |                    |                       |                                 |                                       |  |
|                        | Interest rate swap | 1,695,000             | 5,073                           | 11,056                                | 23,027                                     |
|                        | Currency swap      | 2,885,104             | 83,128                          | 5,187                                 | 204,350                                    |
|                        | <b>₩</b>           | <u>4,580,104</u>      | <u>88,201</u>                   | <u>16,243</u>                         | <u>227,377</u>                             |



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**12. Derivatives (continued)**

(d) Hedging (continued)

iii) The effect that hedge accounting has had on the consolidated statements of financial position and consolidated statements of comprehensive income. (continued)

ⓑ The effect that hedged items have had on the consolidated statements of financial position and consolidated statements of comprehensive income as of and for the years ended December 31, 2022 and 2021 are as follows:

|   |   | <b>2022</b>                           |                              |                                |
|---|---|---------------------------------------|------------------------------|--------------------------------|
|   |   | <u>Carrying amount of liabilities</u> | <u>Changes in fair value</u> | <u>Cash flow hedge reserve</u> |
| <b>Cash flow hedge</b>                        |   |                                       |                              |                                |
| Interest rate swap                            |   |                                       |                              |                                |
| Borrowings and debentures in won              | ₩ | 1,239,605                             | 33,236                       | 21,680                         |
| Borrowings and debentures in foreign currency |   | 3,620,014                             | 89,613                       | (32,406)                       |
|   | ₩ | <u>4,859,619</u>                      | <u>122,849</u>               | <u>(10,726)</u>                |
|   |   | <b>2021</b>                           |                              |                                |
|   |   | <u>Carrying amount of liabilities</u> | <u>Changes in fair value</u> | <u>Cash flow hedge reserve</u> |
| <b>Cash flow hedge</b>                        |   |                                       |                              |                                |
| Interest rate swap                            |   |                                       |                              |                                |
| Borrowings and debentures in won              | ₩ | 1,694,329                             | 22,432                       | (3,492)                        |
| Borrowings and debentures in foreign currency |   | 2,877,414                             | 202,382                      | 5,218                          |
|   | ₩ | <u>4,571,743</u>                      | <u>224,814</u>               | <u>1,726</u>                   |

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**12. Derivatives (continued)**

(d) Hedging (continued)

iv) Cash flow hedge activity

For cash flow hedges, the amount that was recognized in other comprehensive income and the amount that was reclassified from equity to profit or loss for the years ended December 31, 2022 and 2021 are as follows:

|  |   | <u>2022</u>     | <u>2021</u>   |
|--|---|-----------------|---------------|
| Recognized in other comprehensive income                     | ₩ | 173,389         | 241,233       |
| Reclassified from equity to profit or loss                   |   | (190,372)       | (209,869)     |
| Deferred tax effect  |   | 4,531           | (8,624)       |
| Changes in accumulated other comprehensive income(loss), net | ₩ | <u>(12,452)</u> | <u>22,740</u> |

(e) 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 index reform. The exception assumes that when assessing whether the expected cash flows that comply with existing interest rate index 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 index that are based on the hedged item do not change due to the effect of the interest rate index reform.

The carrying amount of hedged item and 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, 2022 is as follows:

|                   |   | <u>2022</u>  |   |
|-------------------|---|--|---|
|                   |   | <u>Notional amounts of<br/>hedging instruments</u> | <u>The book value of<br/>hedged liabilities</u> |
| KRW 3M CD (*1)    | ₩ | 1,240,000  | 1,239,605                                       |
| USD 1M LIBOR (*2) |   | 258,529  | 258,393   |

(\*1) The notional amounts of hedging instrument for CMS interest rate, which is determined based on CD rate, are included.

(\*2) Exclude the nominal amount of the hedging instrument that matures before the publication of LIBOR ceases.

The USD LIBOR interest rate will be replaced by a SOFR (Secured Overnight Financing Rate) based on actual transactions. In Korea, the "Korea Overnight Financing Repo Rate (KOFRR)" was finally selected as the risk-free index interest rate. The Group has assumed that in this hedging relationship, the spread changed on the basis of SOFR, KOFRR would be similar to the spread included in the interest rate swap and forward used as the hedging instrument after LIBOR rate is suspended. The Group does not assume any changes in other conditions.

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**13. Credit Card Receivables at Amortized Cost and Other**

(a) Details of credit card receivables at amortized cost and other as of December 31, 2022 and 2021 are as follows:

|   | <b>2022</b>         | <b>2021</b>       |
|---|---------------------|-------------------|
| Credit card receivables:                    |                     |                   |
| Lump-sum purchases                          | ₩ 7,969,699         | 6,966,688         |
| Installment purchases                       | 7,831,379           | 7,199,975         |
| Cash advances                               | 1,704,498           | 1,582,178         |
| Revolving cash advances                     | 88,869              | 90,274            |
| Revolving purchases                         | 2,623,203           | 2,272,233         |
| Card loans                                  | 7,630,672           | 7,364,257         |
| Restructured loans                          | 308,382             | 289,165           |
| Purchasing card                             | 463                 | 363               |
| Less: Allowance for doubtful accounts       | (1,027,670)         | (886,064)         |
| Present value discount account              | (18,264)            | (22,616)          |
| Deferred loan origination fees              | (27,690)            | (30,221)          |
|   | <u>27,083,541</u>   | <u>24,826,232</u> |
| Loans:                                      |                     |                   |
| General loans                               | 3,192,297           | 2,769,061         |
| Bonds purchased under repurchase agreements | 385,000             | 310,000           |
| Factoring receivables                       | 113,584             | 109,137           |
| Commercial paper                            | 120,000             | 497,027           |
| Others                                      | 504                 | 425               |
| Less: Allowance for doubtful accounts       | (112,058)           | (93,125)          |
| Add : Present value premium                 | 153                 | 1,566             |
| Add: Deferred loan origination costs        | 41,283              | 25,402            |
|   | <u>3,740,763</u>    | <u>3,619,493</u>  |
| Installment financing assets:               |                     |                   |
| Installment for cars                        | 4,249,280           | 3,963,331         |
| Installment for others                      | 36,856              | 15,229            |
| Less: Allowance for doubtful accounts       | (48,796)            | (41,777)          |
| Less: Present value discount account        | (110)               | (282)             |
| Add: Deferred loan origination costs        | 44,876              | 44,829            |
|   | <u>4,282,106</u>    | <u>3,981,330</u>  |
| Lease assets:                               |                     |                   |
| Financing lease receivables                 | 1,742,202           | 1,356,137         |
| Cancelled financing lease receivables       | 99                  | 73                |
| Less: Allowance for doubtful accounts       | (17,253)            | (27,956)          |
| Add : Present value premium                 | 422                 | 1,049             |
| Less: Deferred loan origination fees        | (713)               | (1,181)           |
|   | <u>1,724,757</u>    | <u>1,328,122</u>  |
|   | <u>₩ 36,831,167</u> | <u>33,755,177</u> |

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**13. Credit Card Receivables at Amortized Cost and Other (continued)**

(b) Changes in the gross carrying amount of credit card receivables at amortized cost and other for the years ended December 31, 2022 and 2021 are as follows:

|  | <b>2022</b>                                    |  |   |              |
|--|--|--|---|--------------|
|  | <b>12 month<br/>expected credit<br/>losses</b> | <b>Lifetime<br/>expected credit<br/>losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                                | ₩ 29,714,478                                   | 4,577,855                                      | 511,766                                     | 34,804,099   |
| Reclassified to 12 month expected credit losses  | 534,895  | (534,080)                                      | (815)                                       | -            |
| Reclassified to lifetime expected credit losses  | (981,688)                                      | 982,753  | (1,065)                                     | -            |
| Reclassified to credit-impaired financial assets | (141,794)                                      | (172,958)                                      | 314,752                                     | -            |
| Executed (Collected)                             | 3,526,721                                      | (36,062)                                       | 387,134                                     | 3,877,793    |
| Write-offs                                       | -  | -  | (644,948)                                   | (644,948)    |
| Ending balance                                   | 32,652,612                                     | 4,817,508                                      | 566,824                                     | 38,036,944   |
| Allowance for doubtful accounts                  | (281,434)                                      | (511,576)                                      | (412,767)                                   | (1,205,777)  |
| Net carrying amount                              | ₩ 32,371,178                                   | 4,305,932                                      | 154,057                                     | 36,831,167   |

|  | <b>2021</b>                                    |  |   |              |
|--|--|--|---|--------------|
|  | <b>12 month<br/>expected credit<br/>losses</b> | <b>Lifetime<br/>expected credit<br/>losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                                | ₩ 27,106,059                                   | 4,320,246                                      | 516,694                                     | 31,942,999   |
| Reclassified to 12 month expected credit losses  | 496,665  | (496,028)                                      | (637)                                       | -            |
| Reclassified to lifetime expected credit losses  | (856,418)                                      | 857,518  | (1,100)                                     | -            |
| Reclassified to credit-impaired financial assets | (130,460)                                      | (175,834)                                      | 306,294                                     | -            |
| Executed (Collected)                             | 3,098,632                                      | 71,953   | 319,913                                     | 3,490,498    |
| Write-offs                                       | -  | -  | (629,398)                                   | (629,398)    |
| Ending balance                                   | 29,714,478                                     | 4,577,855                                      | 511,766                                     | 34,804,099   |
| Allowance for doubtful accounts                  | (270,548)                                      | (432,720)                                      | (345,654)                                   | (1,048,922)  |
| Net carrying amount                              | ₩ 29,443,930                                   | 4,145,135                                      | 166,112                                     | 33,755,177   |

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**13. Credit Card Receivables at Amortized Cost and Other (continued)**

(c) Changes in allowance for credit card receivables at amortized cost and other for the years ended December 31, 2022 and 2021 are as follows:

| Classification(*)                                   | 2022                                  |                                       |                                     |           |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-----------|
|   | 12 month<br>expected credit<br>losses | Lifetime<br>expected credit<br>losses | Credit-impaired<br>financial assets | Total     |
| Beginning balance                                   | ₩ 270,548                             | 432,720                               | 345,654                             | 1,048,922 |
| Reclassified to 12 month expected<br>credit losses  | 28,721                                | (28,397)                              | (324)                               | -         |
| Reclassified to lifetime expected<br>credit losses  | (17,624)                              | 18,215                                | (591)                               | -         |
| Reclassified to credit-impaired<br>financial assets | (1,224)                               | (2,312)                               | 3,536                               | -         |
| Provision(*)  | 1,013                                 | 91,350                                | 702,133                             | 794,496   |
| Write-offs  | -                                     | -                                     | (644,948)                           | (644,948) |
| Unwinding effect                                    | -                                     | -                                     | 7,307                               | 7,307     |
| Ending balance                                      | ₩ 281,434                             | 511,576                               | 412,767                             | 1,205,777 |

(\*) Provision has been increased in response to the economic recession caused by COVID-19 pandemic. The Group recognized additional provision amounting to ₩48,486 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of December 31, 2022.

| Classification(*)                                   | 2021                                  |                                       |                                     |           |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-----------|
|   | 12 month<br>expected credit<br>losses | Lifetime<br>expected credit<br>losses | Credit-impaired<br>financial assets | Total     |
| Beginning balance                                   | ₩ 258,989                             | 397,841                               | 350,429                             | 1,007,259 |
| Reclassified to 12 month expected<br>credit losses  | 30,541                                | (30,240)                              | (301)                               | -         |
| Reclassified to lifetime expected<br>credit losses  | (16,731)                              | 17,338                                | (607)                               | -         |
| Reclassified to credit-impaired<br>financial assets | (1,013)                               | (2,179)                               | 3,192                               | -         |
| Provision (reversal)(*)                             | (1,238)                               | 49,960                                | 614,362                             | 663,084   |
| Write-offs  | -                                     | -                                     | (629,398)                           | (629,398) |
| Unwinding effect                                    | -                                     | -                                     | 7,977                               | 7,977     |
| Ending balance                                      | ₩ 270,548                             | 432,720                               | 345,654                             | 1,048,922 |

(\*) Provision has been increased in response to the economic recession caused from COVID-19 pandemic. The Group recognized additional provision amounting to ₩2,616 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of December 31, 2021. An additional ₩17,449 million won was accumulated by readjusting the provision reserve rate for the portfolio of COVID 19 credit recovery support measures.

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**13. Credit Card Receivables at Amortized Cost and Other (continued)**

(d) Financing lease assets

Total investments in financing leases and the present value of minimum lease payments for each of the following periods as of December 31, 2022 and 2021 are as follows:

|                          |   | 2022             |                            |  |
|--------------------------|---|------------------|----------------------------|--|
|                          |   | Total investment | Unrealized interest income | Present value of minimum lease payment |
| Less than one year       | ₩ | 586,109          | 77,697                     | 508,412                                |
| One year to two years    |   | 429,719          | 53,958                     | 375,761                                |
| Two year to three years  |   | 359,075          | 36,011                     | 323,064                                |
| Three year to four years |   | 312,012          | 20,816                     | 291,196                                |
| Four year to five years  |   | 250,567          | 7,415                      | 243,152                                |
| Over five years          |   | 1,142            | 4                          | 1,138                                  |
|                          | ₩ | <u>1,938,624</u> | <u>195,901</u>             | <u>1,742,723</u>                       |
| 2021                     |   |                  |                            |  |
|                          |   | Total investment | Unrealized interest income | Present value of minimum lease payment |
| Less than one year       | ₩ | 530,952          | 56,679                     | 474,273                                |
| One year to two years    |   | 396,899          | 35,094                     | 361,805                                |
| Two year to three years  |   | 260,743          | 16,960                     | 243,783                                |
| Three year to four years |   | 171,527          | 6,345                      | 165,182                                |
| Four year to five years  |   | 113,636          | 4,417                      | 109,219                                |
| Over five years          |   | 3,029            | 32                         | 2,997                                  |
|                          | ₩ | <u>1,476,786</u> | <u>119,527</u>             | <u>1,357,259</u>                       |

(e) Changes in deferred loan origination costs (fees)

Changes in deferred loan origination costs (fees) for the years ended December 31, 2022 and 2021 are as follows:

|                   |   | 2022          | 2021          |
|-------------------|---|---------------|---------------|
| Beginning balance | ₩ | 38,829        | 31,724        |
| Increase          |   | 46,966        | 15,590        |
| Decrease          |   | (28,039)      | (8,485)       |
| Ending balance    | ₩ | <u>57,756</u> | <u>38,829</u> |

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**14. Lease Assets**

(a) Details of lease assets as of December 31, 2022 and 2021 are as follows:

|                          | <b>2022</b>                   |   |                             |                  |
|--------------------------|-------------------------------|---|-----------------------------|------------------|
|                          | <b>Operating lease assets</b> | <b>Cancelled financing lease assets</b> | <b>Prepaid lease assets</b> | <b>Total</b>     |
| Acquisition cost         | ₩ 2,493,106                   | 2,406                                   | 11,709                      | 2,507,221        |
| Accumulated depreciation | (562,454)                     | (117)                                   | -                           | (562,571)        |
| Carrying amount          | ₩ <u>1,930,652</u>            | <u>2,289</u>                            | <u>11,709</u>               | <u>1,944,650</u> |
|                          | <b>2021</b>                   |   |                             |                  |
|                          | <b>Operating lease assets</b> | <b>Cancelled financing lease assets</b> | <b>Prepaid lease assets</b> | <b>Total</b>     |
| Acquisition cost         | ₩ 1,796,571                   | 1,663                                   | 2,327                       | 1,800,561        |
| Accumulated depreciation | (402,721)                     | (67)                                    | -                           | (402,788)        |
| Carrying amount          | ₩ <u>1,393,850</u>            | <u>1,596</u>                            | <u>2,327</u>                | <u>1,397,773</u> |

(b) Future minimum lease payments as lessor under lease assets as of December 31, 2022 and 2021 are as follows:

|                          | <b>2022</b>        | <b>2021</b>      |
|--------------------------|--------------------|------------------|
| Less than one year       | ₩ 507,042          | 353,971          |
| One year to two years    | 434,258            | 304,256          |
| Two year to three years  | 316,642            | 236,946          |
| Three year to four years | 185,739            | 132,327          |
| Four year to five years  | 69,167             | 40,926           |
| Over five years          | 340                | 311              |
|                          | ₩ <u>1,513,188</u> | <u>1,068,737</u> |

(c) Changes in operating lease assets for the years ended December 31, 2022 and 2021 are as follows:

|                      | <b>2022</b>        | <b>2021</b>      |
|----------------------|--------------------|------------------|
| Beginning balance    | ₩ 1,393,850        | 1,013,609        |
| Acquisition          | 1,017,230          | 691,246          |
| Disposal             | (128,950)          | (54,410)         |
| Business combination | (214)              | -                |
| Depreciation         | (351,264)          | (256,595)        |
| Ending balance       | ₩ <u>1,930,652</u> | <u>1,393,850</u> |

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**15. Right-to-use Asset and Lease Liabilities**

(a) Changes in right-of-use assets included in property and equipment for the years ended December 31, 2022 and 2021, are as follows:

|                      | 2022      |        | 2021      |
|----------------------|-----------|--------|-----------|
|                      | Buildings | Others | Buildings |
| Beginning balance    | ₩ 26,973  | -      | 21,414    |
| Business combination | 499       | 467    | -         |
| Acquisition          | 17,125    | 5      | 19,829    |
| Disposal             | (1,913)   | -      | (2,198)   |
| Depreciation         | (15,296)  | (70)   | (12,286)  |
| Others               | (97)      | (232)  | 214       |
| Ending balance       | ₩ 27,291  | 170    | 26,973    |

(b) Changes in lease liabilities included in other liabilities for the years ended December 31, 2022 and 2021, are as follows:

|                      | 2022      |        | 2021      |
|----------------------|-----------|--------|-----------|
|                      | Buildings | Others | Buildings |
| Beginning balance    | ₩ 25,801  | -      | 20,370    |
| Business combination | 402       | 442    | -         |
| Acquisition          | 14,256    | 5      | 17,559    |
| Payments             | (13,379)  | (74)   | (11,083)  |
| Termination          | (1,763)   | -      | (2,085)   |
| Interest expense     | 839       | 3      | 921       |
| Others               | (663)     | (215)  | 119       |
| Ending balance       | ₩ 25,493  | 161    | 25,801    |

(c) Details of maturity of lease liabilities as of December 31, 2022 and 2021 are as follows:

| Classification | 2022              |            |            |                   |           |              |          |
|----------------|-------------------|------------|------------|-------------------|-----------|--------------|----------|
|                | Less than 1 month | 1~3 months | 3~6 months | 6 months ~ 1 year | 1~5 years | Over 5 years | Total(*) |
| Buildings      | ₩ 1,447           | 1,929      | 2,741      | 4,132             | 14,253    | 2,477        | 26,979   |
| Others         | 12                | 23         | 32         | 65                | 54        | -            | 186      |
|                | ₩ 1,459           | 1,952      | 2,773      | 4,197             | 14,307    | 2,477        | 27,165   |

(\*) The amounts are undiscounted.

| Classification | 2021              |            |            |                   |           |              |          |
|----------------|-------------------|------------|------------|-------------------|-----------|--------------|----------|
|                | Less than 1 month | 1~3 months | 3~6 months | 6 months ~ 1 year | 1~5 years | Over 5 years | Total(*) |
| Buildings      | ₩ 1,021           | 1,795      | 2,517      | 4,331             | 13,703    | 4,094        | 27,461   |

(\*) The amounts are undiscounted.

(d) The amount of payments for leases of low-value assets are ₩886 million and ₩1,163 million for the years ended December 31, 2022 and 2021, respectively. There are no payments on short-term leases for the years ended December 31, 2022 and 2021.

(e) The amount of total cash outflow from leases recognized on the consolidated statements of cash flows are ₩14,339 million and ₩12,246 million, and the amount recognized as interest expenses are ₩842million and ₩921million for the years ended December 31, 2022 and 2021, respectively.



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**16. Financial Assets at FVOCI**

(a) Details of financial assets at FVOCI as of December 31, 2022 and 2021 are as follows:

|                           |   | <u>2022</u> | <u>2021</u> |
|---------------------------|---|-------------|-------------|
| Financial Assets at FVOCI | ₩ | 375,471     | 197,019     |

(b) The fair value of Financial assets at FVOCI investing in equity instruments as of December 31, 2022 and 2021 are as follows:

|                              |   | <u>2022</u>    | <u>2021</u>    |
|------------------------------|---|----------------|----------------|
| Debt securities:             |   |                |                |
| Government bonds             | ₩ | 266,994        | 153,438        |
| Corporation bonds and others |   | 35,699         | 8,056          |
| Equity securities (*):       |   |                |                |
| Debt securities              |   | 72,778         | 35,525         |
|                              | ₩ | <u>375,471</u> | <u>197,019</u> |

(\* ) The equity securities were exercised at the FVOCI option for the purpose of holding long term for the Group strategic purposes.

(c) Details of dividend income of financial assets at FVOCI for the years ended December 31, 2022 and 2021 are as follows:

|   |   | <u>2022</u> | <u>2021</u> |
|---|---|-------------|-------------|
| Dividend income recognized in assets held at the end of the reporting period: |   |             |             |
| Equity securities   | ₩ | 380         | 400         |

(d) Changes of financial assets at FVOCI for the years ended December 31, 2022 and 2021 are as follows:

|  |   | <u>2022</u>            |                          | <u>2021</u>            |                          |
|--|---|------------------------|--------------------------|------------------------|--------------------------|
|  |   | <u>Debt securities</u> | <u>Equity securities</u> | <u>Debt securities</u> | <u>Equity securities</u> |
| Beginning balance                                  | ₩ | 161,494                | 35,525                   | -                      | 32,143                   |
| Acquisition  |   | 163,513                | 29,381                   | 162,423                | 200                      |
| Disposal   |   | -                      | -                        | -                      | (4,368)                  |
| Changes in fair value (other comprehensive income) |   | (23,154)               | 7,872                    | (1,190)                | 7,550                    |
| Changes in fair value (profit or loss)             |   | 840                    | -                        | 261                    | -                        |
| Ending balance                                     | ₩ | <u>302,693</u>         | <u>72,778</u>            | <u>161,494</u>         | <u>35,525</u>            |

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**16. Financial Assets at FVOCI (continued)**

(e) Changes in carrying amount of debt securities at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

|  | <b>2022</b>                                  |   |              |
|--|--|---|--------------|
|  | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ 161,494                                    | -   | 161,494      |
| Reclassified to 12-month expected credit losses  | -  | -   | -            |
| Reclassified to lifetime expected credit losses  | -  | -   | -            |
| Reclassified to credit-impaired financial assets | -  | -   | -            |
| Acquisition                                      | 163,513                                      | -   | 163,513      |
| Others (*)                                       | (22,314)                                     | -   | (22,314)     |
| Ending balance                                   | ₩ 302,693                                    | -   | 302,693      |

(\*) Included the effects from amortization and fair value adjustments

|  | <b>2021</b>                                  |   |              |
|--|--|---|--------------|
|  | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ -  | -   | -            |
| Reclassified to 12-month expected credit losses  | -  | -   | -            |
| Reclassified to lifetime expected credit losses  | -  | -   | -            |
| Reclassified to credit-impaired financial assets | -  | -   | -            |
| Acquisition                                      | 162,423                                      | -   | 162,423      |
| Others (*)                                       | (929)  | -   | (929)        |
| Ending balance                                   | ₩ 161,494                                    | -   | 161,494      |

(\*) Included the effects from amortization and fair value adjustments

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**16. Financial Assets at FVOCI (continued)**

(f) Changes in allowance for credit loss of debt securities at fair value through other comprehensive income for the years ended December 31, 2022 and 2021 are as follows:

|  |   | <b>2022</b>                                  |   |              |
|--|---|--|---|--------------|
|  |   | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ | 24   | -   | 24           |
| Reclassified to 12-month expected credit losses  |   | -  | -   | -            |
| Reclassified to lifetime expected credit losses  |   | -  | -   | -            |
| Reclassified to credit-impaired financial assets |   | -  | -   | -            |
| Provisions                                       |   | 74   | -   | 74           |
| Ending balance                                   | ₩ | <u>98</u>                                    | <u>-</u>                                      | <u>98</u>    |
|  |   | <b>2021</b>                                  |   |              |
|  |   | <b>12-month<br/>expected<br/>credit loss</b> | <b>Life time<br/>expected<br/>credit loss</b> | <b>Total</b> |
| Beginning balance                                | ₩ | -  | -   | -            |
| Reclassified to 12-month expected credit losses  |   | -  | -   | -            |
| Reclassified to lifetime expected credit losses  |   | -  | -   | -            |
| Reclassified to credit-impaired financial assets |   | -  | -   | -            |
| Provisions                                       |   | 24   | -   | 24           |
| Ending balance                                   | ₩ | <u>24</u>                                    | <u>-</u>                                      | <u>24</u>    |

(g) There are no gains or losses on sales of financial assets at FVOCI for the years ended December 31, 2022 and 2021.

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**17. Property and Equipment**

(a) Details of property and equipment as of December 31, 2022 and 2021 are as follows:

|                          |   | <b>2022</b>    |                  |                |                                |                |
|--------------------------|---|----------------|------------------|----------------|--------------------------------|----------------|
|                          |   | <b>Land</b>    | <b>Buildings</b> | <b>Others</b>  | <b>Right-of-use<br/>assets</b> | <b>Total</b>   |
| Acquisition cost         | ₩ | 432,770        | 89,401           | 395,372        | 59,413                         | 976,956        |
| Accumulated depreciation |   | -              | (7,820)          | (290,629)      | (31,952)                       | (330,401)      |
| Ending balance           | ₩ | <u>432,770</u> | <u>81,581</u>    | <u>104,743</u> | <u>27,461</u>                  | <u>646,555</u> |
|                          |   | <b>2021</b>    |                  |                |                                |                |
|                          |   | <b>Land</b>    | <b>Buildings</b> | <b>Others</b>  | <b>Right-of-use<br/>assets</b> | <b>Total</b>   |
| Acquisition cost         | ₩ | 445,734        | 89,999           | 376,548        | 52,733                         | 965,014        |
| Accumulated depreciation |   | -              | (5,670)          | (286,711)      | (25,760)                       | (318,141)      |
| Ending balance           | ₩ | <u>445,734</u> | <u>84,329</u>    | <u>89,837</u>  | <u>26,973</u>                  | <u>646,873</u> |

(b) Changes in accounting estimates

In order to reflect the economic substance, the Group changed the estimates for the useful life of leased store facilities, computer equipment, and household appliances from 4 years to 5 years for the year ended December 31, 2022. As a result of the change in accounting estimates, depreciation expenses decreased by ₩9,941 million for year ended December 31, 2022, and other tangible assets and retained earnings increased by ₩9,941 million, respectively, as of December 31, 2022.

(c) Changes in property and equipment for the years ended December 31, 2022 and 2021 are as follows:

|                      |   | <b>2022</b>    |                  |                |                                 |                |
|----------------------|---|----------------|------------------|----------------|---------------------------------|----------------|
|                      |   | <b>Land</b>    | <b>Buildings</b> | <b>Others</b>  | <b>Right-of-<br/>use assets</b> | <b>Total</b>   |
| Beginning balance    | ₩ | 445,734        | 84,329           | 89,837         | 26,973                          | 646,873        |
| Business combination |   | -              | -                | 546            | 966                             | 1,512          |
| Acquisition          |   | -              | -                | 33,717         | 17,130                          | 50,847         |
| Disposal             |   | (12,964)       | (404)            | (1,027)        | (1,913)                         | (16,308)       |
| Reclassification     |   | -              | -                | 6,551          |                                 | 6,551          |
| Depreciation         |   | -              | (2,344)          | (29,001)       | (15,366)                        | (46,711)       |
| Others               |   | -              | -                | 4,120          | (329)                           | 3,791          |
| Ending balance       | ₩ | <u>432,770</u> | <u>81,581</u>    | <u>104,743</u> | <u>27,461</u>                   | <u>646,555</u> |
|                      |   | <b>2021</b>    |                  |                |                                 |                |
|                      |   | <b>Land</b>    | <b>Buildings</b> | <b>Others</b>  | <b>Right-of-<br/>use assets</b> | <b>Total</b>   |
| Beginning balance    | ₩ | 445,816        | 81,529           | 75,024         | 21,414                          | 623,783        |
| Business combination |   |                |                  |                |                                 |                |
| Acquisition          |   | -              | 1,216            | 46,881         | 19,829                          | 67,926         |
| Disposal             |   | (82)           | (104)            | (455)          | (2,198)                         | (2,839)        |
| Reclassification     |   | -              | 4,033            | 3,676          | -                               | 7,709          |
| Depreciation         |   | -              | (2,345)          | (36,682)       | (12,286)                        | (51,313)       |
| Others               |   | -              | -                | 1,393          | 214                             | 1,607          |
| Ending balance       | ₩ | <u>445,734</u> | <u>84,329</u>    | <u>89,837</u>  | <u>26,973</u>                   | <u>646,873</u> |

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**17. Property and Equipment**

(d) Insured assets

Details of insured assets as of December 31, 2022 are as follows:

| Type of insurance            | Assets covered  | Insurance company                     | Amount covered |
|------------------------------|-----------------|---------------------------------------|----------------|
| Property all risks policy    | Buildings, etc. | DB Life Insurance Co., Ltd.           | ₩ 108,342      |
| Business interruption policy |                 |                                       | 26,422         |
| Property all risks policy    | Buildings, etc. | Samsung Fire & Marine Insurance, Ltd. | 46,703         |
| Fire insurance policy        | Buildings, etc. | Hanwha General Insurance Co., Ltd     | 17,745         |

In addition, the Group maintains transportation theft insurance, custody theft insurance for cash and securities and liability insurance, full insurance for vehicles.

**18. Intangible Assets**

(a) Details of intangible assets as of December 31, 2022 and 2021, are as follows:

|                          |   | 2022             |                  |          |          |           |
|--------------------------|---|------------------|------------------|----------|----------|-----------|
|                          |   | Club memberships | Development cost | Goodwill | Others   | Total     |
| Acquisition cost         | ₩ | 17,737           | 137,820          | 119,379  | 44,526   | 319,462   |
| Accumulated amortization |   | -                | (66,009)         | -        | (38,127) | (104,136) |
| Impairment losses        |   | (905)            | (336)            | -        | -        | (1,241)   |
| Ending balance           | ₩ | 16,832           | 71,475           | 119,379  | 6,399    | 214,085   |

|                          |   | 2021             |                  |          |          |          |
|--------------------------|---|------------------|------------------|----------|----------|----------|
|                          |   | Club memberships | Development cost | Goodwill | Others   | Total    |
| Acquisition cost         | ₩ | 17,098           | 110,908          | 107,152  | 39,483   | 274,641  |
| Accumulated amortization |   | -                | (50,863)         | -        | (32,333) | (83,196) |
| Impairment losses        |   | (834)            | (336)            | -        | -        | (1,170)  |
| Ending balance           | ₩ | 16,264           | 59,709           | 107,152  | 7,150    | 190,275  |

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**18. Intangible Assets (continued)**

(b) Changes in accounting estimates

In order to reflect the economic substance, the Group changed the estimates for the useful life of I development costs from 4 years to 5 years for the year ended December 31, 2022. As a result of the change in accounting estimates, amortization expenses decreased by ₩6,375 million for year ended December 31, 2022, and intangible assets and retained earnings increased by ₩6,375 million, respectively, as of December 31, 2022.

(c) Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows, and amortization is included in general administrative expenses.

| 2022                          |                  |                  |          |         |          |
|-------------------------------|------------------|------------------|----------|---------|----------|
|                               | Club memberships | Development cost | Goodwill | Others  | Total    |
| Beginning balance             | ₩ 16,264         | 59,709           | 107,152  | 7,150   | 190,275  |
| Business combination          | 787              | -                | -        | 1,284   | 2,071    |
| Acquisition                   | 544              | 33,254           | -        | 737     | 34,535   |
| Disposal                      | (705)            | -                | -        | -       | (705)    |
| Reclassification              | -                | (6,337)          | -        | -       | (6,337)  |
| Amortization                  | -                | (15,146)         | -        | (2,085) | (17,231) |
| Impairment losses             | (59)             | -                | -        | -       | (59)     |
| Reversal of impairment losses | 1                | -                | -        | -       | 1        |
| Others                        | -                | (5)              | 12,227   | (687)   | 11,535   |
| Ending balance                | ₩ 16,832         | 71,475           | 119,379  | 6,399   | 214,085  |

| 2021              |                  |                  |          |         |          |
|-------------------|------------------|------------------|----------|---------|----------|
|                   | Club memberships | Development cost | Goodwill | Others  | Total    |
| Beginning balance | ₩ 15,727         | 29,444           | 107,152  | 10,276  | 162,599  |
| Acquisition       | 537              | 46,037           | -        | 1,365   | 47,939   |
| Disposal          | -                | -                | -        | -       | -        |
| Reclassification  | -                | (3,676)          | -        | -       | (3,676)  |
| Amortization      | -                | (12,058)         | -        | (4,120) | (16,178) |
| Others            | -                | (38)             | -        | (371)   | (409)    |
| Ending balance    | ₩ 16,264         | 59,709           | 107,152  | 7,150   | 190,275  |

(c) Goodwill

(i) Details of goodwill distributed to each cash-generating unit as of December 31, 2022 and 2021 are as follows:

|                                   | 2022      | 2021    |
|-----------------------------------|-----------|---------|
| Shinhan Vietnam Finance Co., Ltd. | ₩ 119,379 | 107,152 |

(ii) The recoverable amount of all cash-generating units required for impairment testing was based on value in use. When assessing recoverable amount based on value in use, DCF was applied among traditional approaches, taking into account the characteristics of financial institutions.

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**18. Intangible Assets (continued)**

(c) Goodwill (continued)

The evaluation base date for evaluating recoverable amount is June 30, 2022. When evaluating the value of use, the forecast period was 5.5 years (July 2022 to December 2027) considering the synergy effect after the acquisition, and the value after the forecast period was reflected using permanent value.

The expected future cash flows of the cash-generating unit considered the growth rate of the Consumer Price Index (CPI), market size and share of the Group, and the main financial assumptions applied during the forecast period is as follows:

|                                   | <u>The growth of net<br/>interest income</u> | <u>The growth of net<br/>fee income</u> | <u>The growth of General<br/>Administrative Expenses</u> | <u>The growth of net<br/>income</u> |
|-----------------------------------|--|---|--|-------------------------------------|
| Shinhan Vietnam Finance Co., Ltd. | ₩ 9.11                                       | 8.64                                    | 10.89  | 19.04                               |

The discount rate was applied by calculating the shareholder's required return and equity cost, and the equity cost was calculated using the Group's systematic risk in the market risk premium paid in return for the risk along with the risk-free interest rate. The permanent growth rate was estimated based on the inflation rate and did not exceed the expected long-term average growth rate of the relevant industry report.

|                                   | <u>The discount rates</u> | <u>The permanent growth rate</u> |
|-----------------------------------|---------------------------|----------------------------------|
| Shinhan Vietnam Finance Co., Ltd. | 13.90                     | 2.00                             |

The recoverable amount and the carrying amount of the cash-generating unit holding goodwill as of the valuation basis date is as follows:

|                    | <u>Shinhan Vietnam Finance Co., Ltd.</u> |                |
|--------------------|--|----------------|
| Recoverable amount | ₩  | 286,880        |
| Carrying amount    |  | <u>251,745</u> |
|                    |  | <u>35,126</u>  |

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**19. Investments in associates**

(a) Details of investments in associates as of December 31, 2022 and 2021 are as follows:

| Name of associates(*)          | Location | Closing month | Ownership         |                   |
|--------------------------------|----------|---------------|-------------------|-------------------|
|                                |          |               | December 31, 2022 | December 31, 2021 |
| Wave Technology                | Korea    | December      | 49%               | 49%               |
| One Shinhan Connect Fund 1     | Korea    | December      | 30%               | 30%               |
| One Shinhan Connect Fund 2 (*) | Korea    | December      | 25%               | -                 |

(\*) It is newly acquired for the year ended December 31, 2022.

(b) Changes in investments in associates for the years ended December 31, 2022 and 2021 are as follows:

**2022**

| Name of associates         | Acquisition cost | Beginning balance | Acquisition   | Disposal (*)    | Share of profit (loss) of associates | Ending balance |
|----------------------------|------------------|-------------------|---------------|-----------------|--------------------------------------|----------------|
| Wave Technology            | ₩ 500            | 451               | -             | -               | (6)                                  | 445            |
| One Shinhan Connect Fund 1 | 70,937           | 70,940            | 11,100        | (12,163)        | 7,632                                | 77,509         |
| One Shinhan Connect Fund 2 | 11,250           | -                 | 11,250        | -               | (512)                                | 10,738         |
|                            | <u>82,687</u>    | <u>71,391</u>     | <u>22,350</u> | <u>(12,163)</u> | <u>7,114</u>                         | <u>88,692</u>  |

(\*) This is the amount of principal distribution received from One Shinhan Connect Fund 1 for the year ended December 31, 2022.

**2021**

| Name of associates         | Acquisition cost | Beginning balance | Acquisition   | Share of profit (loss) of associates | Reclassification (*) | Ending balance |
|----------------------------|------------------|-------------------|---------------|--------------------------------------|----------------------|----------------|
| Wave Technology            | ₩ 500            | -                 | 370           | (49)                                 | 130                  | 451            |
| One Shinhan Connect Fund 1 | 72,000           | -                 | 72,000        | (1,060)                              | -                    | 70,940         |
|                            | <u>72,500</u>    | <u>-</u>          | <u>72,370</u> | <u>(1,109)</u>                       | <u>130</u>           | <u>71,391</u>  |

(\*) This is the amount reclassified from securities at fair value through profit or loss to investments in associates for the year ended December 31, 2021.



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

(c) Condensed financial statements of associates for the years ended December 31, 2022 and 2021 are as follows:

|                            |   | 2022         |                   |              |                               |                                   |
|----------------------------|---|--------------|-------------------|--------------|-------------------------------|-----------------------------------|
| Name of associates         |   | Total assets | Total liabilities | Total equity | Profit (loss) for the quarter | Total comprehensive income (loss) |
| Wave Technology            | ₩ | 483          | 95                | 388          | (13)                          | (13)                              |
| One Shinhan Connect Fund 1 |   | 258,363      | -                 | 258,363      | 25,439                        | 25,439                            |
| One Shinhan Connect Fund 2 |   | 42,953       | -                 | 42,953       | (2,047)                       | (2,047)                           |

|                            |   | 2021         |                   |              |                            |                                   |
|----------------------------|---|--------------|-------------------|--------------|----------------------------|-----------------------------------|
| Name of associates         |   | Total assets | Total liabilities | Total equity | Profit (loss) for the year | Total comprehensive income (loss) |
| Wave Technology            | ₩ | 402          | 4                 | 398          | (142)                      | (142)                             |
| One Shinhan Connect Fund 1 |   | 236,479      | 11                | 236,468      | (3,532)                    | (3,532)                           |

(d) Reconciliation of the financial information to the carrying amount of its interests in the associates as of December 31, 2022 and 2021 are as follows:

|                            |   | 2022           |                   |                                     |                          |       |                 |
|----------------------------|---|----------------|-------------------|-------------------------------------|--------------------------|-------|-----------------|
| Investees                  |   | Net assets (a) | Ownership (%) (b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| Wave Technology(*)         | ₩ | 388            | 49%               | 190                                 | -                        | 255   | 445             |
| One Shinhan Connect Fund 1 |   | 258,363        | 30%               | 77,509                              | -                        | -     | 77,509          |
| One Shinhan Connect Fund 2 |   | 42,953         | 25%               | 10,738                              | -                        | -     | 10,738          |

(\*) Other represents the adjustments of fair value when acquired.

|                            |   | 2021           |                   |                                     |                          |       |                 |
|----------------------------|---|----------------|-------------------|-------------------------------------|--------------------------|-------|-----------------|
| Investees                  |   | Net assets (a) | Ownership (%) (b) | Interests in the net assets (a)*(b) | Intra-group transactions | Other | Carrying amount |
| Wave Technology(*)         | ₩ | 398            | 49%               | 195                                 | -                        | 255   | 450             |
| One Shinhan Connect Fund 1 |   | 236,468        | 30%               | 70,940                              | -                        | -     | 70,940          |

(\*) Other represents the adjustments of fair value when acquired.

(e) There is no unrecognized equity loss amount and no cumulative unrecognized equity loss amount as a result of discontinuing the use of the equity method.

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**20. Investment Properties**

(a) Investment properties as of December 31, 2022 and 2021 are as follows:

|                          | <u>2022</u>     | <u>2021</u>   |
|--------------------------|-----------------|---------------|
| Acquisition cost         | ₩ 48,857        | 48,857        |
| Accumulated depreciation | (2,898)         | (1,656)       |
| Ending balance           | <u>₩ 45,959</u> | <u>47,201</u> |

(b) Changes in investment properties for the years ended December 31, 2022 and 2021 are as follows:

| <b>Building:</b>  | <u>2022</u>     | <u>2021</u>   |
|-------------------|-----------------|---------------|
| Beginning balance | ₩ 47,201        | 52,477        |
| Reclassification  | -               | (4,033)       |
| Amortization      | (1,242)         | (1,243)       |
| Ending balance    | <u>₩ 45,959</u> | <u>47,201</u> |

(c) Rental revenue from operating leases arising from investment property during the years ended December 31, 2022 and 2021 are ₩ 12,144 million and ₩ 12,304 million, and management expenses directly related to investment property (including maintenance costs) are ₩ 4,395 million and ₩ 4,238 million.

(d) As of December 31, 2022 and 2021, the fair value of the investment property are ₩ 59,983 million and ₩ 59,983 million, and the fair value assessment was performed by an independent appraiser.

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**21. Other Assets**

(a) Details of other assets as of December 31, 2022 and 2021 are as follows:

|                                 | <b>2022</b>        | <b>2021</b>      |
|---------------------------------|--------------------|------------------|
| Security deposits paid          | ₩ 81,115           | 76,148           |
| Present value discount account  | (1,905)            | (1,313)          |
| Accounts receivable             | 659,372            | 516,005          |
| Allowance for doubtful accounts | (5,679)            | (6,480)          |
| Accrued income                  | 207,225            | 190,642          |
| Allowance for doubtful accounts | (12,819)           | (9,748)          |
| Advance payments                | 113,930            | 124,190          |
| Prepaid expenses                | 410,271            | 244,770          |
| Others(*)                       | 18,022             | 14,136           |
|                                 | ₩ <u>1,469,532</u> | <u>1,148,350</u> |

(\*) Includes insurance assets of ₩3,095 million and ₩3,649 million as of December 31, 2022 and 2021, which are classified in accordance with Korean-IFRS No. 1104.

(b) Changes in allowance for other assets for the years ended December 31, 2022 and 2021 are as follows:

|                      | <b>2022</b>     | <b>2021</b>   |
|----------------------|-----------------|---------------|
| Beginning balance    | ₩ 16,228        | 16,345        |
| Provision            | 22,326          | 23,848        |
| Write-offs           | (20,087)        | (23,965)      |
| Business combination | 31              | -             |
| Ending balance       | ₩ <u>18,498</u> | <u>16,228</u> |

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**22. Borrowings**

Details of borrowings as of December 31, 2022 and 2021 are as follows

|   | <u>Interest rate (%)</u> |   | <u>2022</u>      |  | <u>Interest rate (%)</u> |   | <u>2021</u>      |
|---|--------------------------|---|------------------|--|--------------------------|---|------------------|
| Borrowings denominated in Korean won:         |                          |   |                  |  |                          |   |                  |
| Others  | 1.24~6.22                | ₩ | 8,120,000        |  | 0.92~3.43                | ₩ | 5,865,000        |
|   |                          |   | <u>8,120,000</u> |  |                          |   | <u>5,865,000</u> |
| Borrowings denominated in foreign currencies: |                          |   |                  |  |                          |   |                  |
| Others  | 1.53~21.20               |   | 1,016,178        |  | 0.00~12.29               |   | 797,856          |
|   |                          | ₩ | <u>9,136,178</u> |  |                          | ₩ | <u>6,662,856</u> |

**23. Debentures**

Details of debentures as of December 31, 2022 and 2021 are as follows:

|   | <u>Interest rate (%)</u> |   | <u>2022</u>       |  | <u>Interest rate (%)</u> |   | <u>2021</u>       |
|---|--------------------------|---|-------------------|--|--------------------------|---|-------------------|
| Debt securities issued in Korean won:         |                          |   |                   |  |                          |   |                   |
| Debt securities issued                        | 1.10~6.54                | ₩ | 18,415,000        |  | 0.96~3.02                | ₩ | 18,455,000        |
| Discount on debt securities issued            |                          |   | <u>(9,093)</u>    |  |                          |   | <u>(8,560)</u>    |
|   |                          |   | <u>18,405,907</u> |  |                          |   | <u>18,446,440</u> |
| Debt securities issued in foreign currencies: |                          |   |                   |  |                          |   |                   |
| Debt securities issued                        | 1.11~7.59                |   | 3,108,669         |  | 1.11~7.59                |   | 2,403,397         |
| Discount on debt securities issued            |                          |   | <u>(11,760)</u>   |  |                          |   | <u>(7,969)</u>    |
|   |                          |   | <u>3,096,909</u>  |  |                          |   | <u>2,395,428</u>  |
|   |                          | ₩ | <u>21,502,816</u> |  |                          | ₩ | <u>20,841,868</u> |

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**24. Defined benefit obligations**

The Group operates defined benefit pension plans. The level of benefits provided depends on employees' length of service and their salary in the final years leading up to retirement. The pension is fully funded and operated by an external trust company.

(a) Defined benefit plan assets and liabilities as of December 31, 2022 and 2021 are as follows:

|  |   | <b>2022</b> | <b>2021</b> |
|--|---|-------------|-------------|
| Present value of defined benefit obligations | ₩ | 285,061     | 322,692     |
| Fair value of plan assets (*1)               |   | (321,842)   | (286,783)   |
| Net defined benefit liabilities (assets)     | ₩ | (36,781)    | 35,909      |

(\*1) The fair value of plan assets as of December 31, 2022 and 2021 includes the existing Contribution to National Pension Plan of ₩332 million and ₩402 million.

(b) Changes in the present value of defined benefit obligations and plan assets for the years ended December 31, 2022 and 2021 are as follows:

|   |   | <b>2022</b>                        |                    |  |
|---|---|------------------------------------|--------------------|--|
|   |   | <b>Defined benefit obligations</b> | <b>Plan assets</b> | <b>Net defined benefit liabilities</b> |
| Beginning balance                         | ₩ | 322,692                            | (286,783)          | 35,909                                 |
| Recognized in profit or loss as incurred: |   |                                    |                    |  |
| Current service cost                      |   | 20,104                             | -                  | 20,104                                 |
| Interest expense (income)                 |   | 9,963                              | (8,998)            | 965                                    |
|   |   | 30,067                             | (8,998)            | 21,069                                 |
| Recognized in other comprehensive income: |   |                                    |                    |  |
| Remeasurement loss                        |   |                                    |                    |  |
| - Actuarial losses                        |   |                                    |                    |  |
| Demographic assumptions                   |   | 79                                 | -                  | 79                                     |
| Financial assumptions                     |   | (40,650)                           | -                  | (40,650)                               |
| Experience adjustments                    |   | (5,857)                            | -                  | (5,857)                                |
| - Return on plan assets                   |   | -                                  | 3,779              | 3,779                                  |
|   |   | (46,428)                           | 3,779              | (42,649)                               |
| Others:                                   |   |                                    |                    |  |
| Contributions paid into the plan          |   | -                                  | (58,996)           | (58,996)                               |
| Benefits paid by the plan                 |   | (26,270)                           | 33,626             | 7,356                                  |
| Others (*)                                |   | 617                                | -                  | 617                                    |
| Exchange rate differences                 |   | 10                                 | -                  | 10                                     |
| Business combination                      |   | 4,373                              | (4,470)            | (97)                                   |
|   |   | (21,270)                           | (29,840)           | (51,110)                               |
| Ending balance                            | ₩ | 285,061                            | (321,842)          | (36,781)                               |

(\*) Transfer from/to related parties.

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**24. Defined benefit obligations (continued)**

(b) Changes in the present value of defined benefit obligations and plan assets for the years ended December 31, 2022 and 2021 are as follows, continued:

|   | <b>2021</b>                        |                    |  |
|---|------------------------------------|--------------------|--|
|   | <b>Defined benefit obligations</b> | <b>Plan assets</b> | <b>Net defined benefit liabilities</b> |
| Beginning balance                         | ₩ 314,324                          | (273,434)          | 40,890                                 |
| Recognized in profit or loss as incurred: |                                    |                    |  |
| Current service cost                      | 20,835                             | -                  | 20,835                                 |
| Interest expense (income)                 | 8,268                              | (7,181)            | 1,087                                  |
|   | <u>29,103</u>                      | <u>(7,181)</u>     | <u>21,922</u>                          |
| Recognized in other comprehensive income: |                                    |                    |  |
| Remeasurement loss                        |                                    |                    |  |
| - Actuarial losses                        |                                    |                    |  |
| Financial assumptions                     | (7,426)                            | -                  | (7,426)                                |
| Experience adjustments                    | 3,549                              | -                  | 3,549                                  |
| - Return on plan assets                   | -                                  | 3,313              | 3,313                                  |
|   | <u>(3,877)</u>                     | <u>3,313</u>       | <u>(564)</u>                           |
| Others:                                   |                                    |                    |  |
| Contributions paid into the plan          | -                                  | (25,000)           | (25,000)                               |
| Benefits paid by the plan                 | (16,341)                           | 15,519             | (822)                                  |
| Others (*)                                | (565)                              | -                  | (565)                                  |
| Exchange rate differences                 | 48                                 | -                  | 48                                     |
|   | <u>(16,858)</u>                    | <u>(9,481)</u>     | <u>(26,339)</u>                        |
| Ending balance                            | ₩ <u>322,692</u>                   | <u>(286,783)</u>   | <u>35,909</u>                          |

(\*) Transfer from/to related parties.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**24. Defined benefit obligations (continued)**

(c) Details of the amounts included in the fair value of plan assets for each category of financial instruments as of December 31, 2022 and 2021 are as follows:

|                           |   | <b>2022</b>    | <b>2021</b>    |
|---------------------------|---|----------------|----------------|
|                           |   | <b>Amounts</b> | <b>Amounts</b> |
| Time deposit              | ₩ | 321,510        | 286,381        |
| Others                    |   | 332            | 402            |
| Fair value of plan assets | ₩ | 321,842        | 286,783        |

(d) Actuarial assumptions as of December 31, 2022 and 2021 are as follows:

|                               | <b>2022</b>         | <b>2021</b>          |
|-------------------------------|---------------------|----------------------|
| Discount rate (AA0)           | 5.62%               | 3.19%                |
| Future salary increasing rate | 2.50%+ step-up rate | 2.10% + step-up rate |
| Weighted average maturity     | 6.75 years~         | 7.56 years           |

(e) Sensitivity analysis

As of December 31, 2022, 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.

|  |   | <b>2022</b>                       |                 |
|--|---|-----------------------------------|-----------------|
|  |   | <b>Defined benefit obligation</b> |                 |
|  |   | <b>Increase</b>                   | <b>Decrease</b> |
| Discount rate (1%p movement)               | ₩ | (17,526)                          | 18,934          |
| Future salary increase rate (1%p movement) |   | 19,345                            | (18,189)        |

Sensitivity analyses do not consider the variance of all cash flows expected to occur in the plan but provide approximation of the sensitivity to the assumptions.

(f) Effects of defined benefit plans on future cash flows

The Group reviews the level of accumulation of funds every year, and has a policy to compensate for any loss in funds. The estimated contribution for the year ending December 31, 2023 (the next annual reporting period) is ₩ 17,600 million. The weighted average maturity of the defined benefit obligation as of December 31, 2022 and 2021 are 6.75 years and 7.56 years. The maturity analysis of non-discounted benefits paid by the plan as of December 31, 2022 and 2021 are as follows:

|                           |   | <b>2022</b>                 |                  |                  |                     |                         |              |
|---------------------------|---|-----------------------------|------------------|------------------|---------------------|-------------------------|--------------|
|                           |   | <b>Less than<br/>1 year</b> | <b>1~2 years</b> | <b>2~5 years</b> | <b>5 ~ 10 years</b> | <b>over<br/>10years</b> | <b>Total</b> |
| Benefits paid by the plan | ₩ | 14,903                      | 21,008           | 78,238           | 144,062             | 167,175                 | 425,386      |

|                           |   | <b>2021</b>                 |                  |                  |                     |                         |              |
|---------------------------|---|-----------------------------|------------------|------------------|---------------------|-------------------------|--------------|
|                           |   | <b>Less than<br/>1 year</b> | <b>1~2 years</b> | <b>2~5 years</b> | <b>5 ~ 10 years</b> | <b>over<br/>10years</b> | <b>Total</b> |
| Benefits paid by the plan | ₩ | 12,800                      | 19,120           | 72,549           | 132,596             | 179,319                 | 416,384      |

(g) The amounts recognized as expenses for defined contribution plans are ₩3,654 million and ₩3,043 million for the years ended December 31, 2022 and 2021, respectively.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**25. Provisions**

(a) Changes of provisions for the years ended December 31, 2022 and 2021 are as follows:

|                      |   | <b>2022</b>                         |  |                             |               |                |
|----------------------|---|-------------------------------------|--|-----------------------------|---------------|----------------|
|                      |   | <b>Allowance for<br/>litigation</b> | <b>Allowance for<br/>unused credit<br/>commitments</b> | <b>Asset<br/>retirement</b> | <b>Others</b> | <b>Total</b>   |
| Beginning balance    | ₩ | 264                                 | 204,917  | 5,020                       | 11,169        | 221,370        |
| Provision            |   | 516                                 | 3,500  | 158                         | 33,115        | 37,289         |
| Payment              |   | (68)                                | -  | (125)                       | (22,058)      | (22,251)       |
| Others (*)           |   | -                                   | -  | 20                          | -             | 20             |
| Business combination |   | 3,528                               | -  | -                           | 104           | 3,632          |
| Ending balance       | ₩ | <u>4,240</u>                        | <u>208,417</u>   | <u>5,073</u>                | <u>22,330</u> | <u>240,060</u> |

(\*) This is the amount of increase in the current year over the period of the provision evaluated as present value.

|                   |   | <b>2021</b>                         |  |                             |               |                |
|-------------------|---|-------------------------------------|--|-----------------------------|---------------|----------------|
|                   |   | <b>Allowance for<br/>litigation</b> | <b>Allowance for<br/>unused credit<br/>commitments</b> | <b>Asset<br/>retirement</b> | <b>Others</b> | <b>Total</b>   |
| Beginning balance | ₩ | 33                                  | 195,849  | 4,785                       | 26,212        | 226,879        |
| Provision         |   | 283                                 | 9,068  | 219                         | (6,383)       | 3,187          |
| Payment           |   | (52)                                | -  | -                           | (8,660)       | (8,712)        |
| Others (*)        |   | -                                   | -  | 16                          | -             | 16             |
| Ending balance    | ₩ | <u>264</u>                          | <u>204,917</u>   | <u>5,020</u>                | <u>11,169</u> | <u>221,370</u> |

(\*) This is the amount of increase in the current year over the period of the provision evaluated as present value.

(b) Details of allowance for unused credit commitments as of December 31, 2022 and 2021 are as follows:

|                           |   | <b>2022</b> | <b>2021</b> |
|---------------------------|---|-------------|-------------|
| Unused credit commitments | ₩ | 91,358,278  | 87,060,206  |
| Allowance                 |   | 208,417     | 204,917     |
| Ratio (%)                 |   | 0.23        | 0.24        |



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**25. Provisions (continued)**

(c) Changes in unused credit commitments for the years ended December 31, 2022 and 2021 are as follows:

|   | <b>2022</b>                                |  |   |              |
|---|--|--|---|--------------|
|   | <b>12 month expected<br/>credit losses</b> | <b>Lifetime expected<br/>credit losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                             | ₩ 79,592                                   | 123,710                                    | 1,615                                       | 204,917      |
| 12 month expected credit losses substitution  | 63,630                                     | (63,351)                                   | (279)                                       | -            |
| Lifetime expected credit losses substitution  | (7,664)                                    | 7,697                                      | (33)  | -            |
| Credit-impaired financial assets substitution | (270)                                      | (1,179)                                    | 1,449                                       | -            |
| Provision (reversal) (*)                      | (44,482)                                   | 48,960                                     | (978)                                       | 3,500        |
| Ending balance                                | ₩ 90,806                                   | 115,837                                    | 1,774                                       | 208,417      |

(\*) Provision has been increased in response to economic recession caused from COVID-19 pandemic. The Group recognized additional provision amounting to ₩19,583 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of December 31, 2022.

|   | <b>2021</b>                                |  |   |              |
|---|--|--|---|--------------|
|   | <b>12 month expected<br/>credit losses</b> | <b>Lifetime expected<br/>credit losses</b> | <b>Credit-impaired<br/>financial assets</b> | <b>Total</b> |
| Beginning balance                             | ₩ 77,276                                   | 117,312                                    | 1,261                                       | 195,849      |
| 12 month expected credit losses substitution  | 58,636                                     | (58,552)                                   | (84)  | -            |
| Lifetime expected credit losses substitution  | (8,389)                                    | 8,409                                      | (20)  | -            |
| Credit-impaired financial assets substitution | (213)                                      | (849)                                      | 1,062                                       | -            |
| Provision (reversal) (*)                      | (47,718)                                   | 57,390                                     | (604)                                       | 9,068        |
| Ending balance                                | ₩ 79,592                                   | 123,710                                    | 1,615                                       | 204,917      |

(\*) Provision has been increased in response to economic recession caused by COVID-19 pandemic. The Group recognized additional provision amounting to ₩669 million by re-estimating the expected default rate in reflection of the modified forward-looking information available as of December 31, 2021. Additional ₩4,878 million was accumulated by re-adjusting the provisioning ratio for the portfolio applying the COVID-19 credit recovery support plan.

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**26. Other Liabilities**

(a) Details of other liabilities as of December 31, 2022 and 2021 are as follows:

|                                  |   | <u>2022</u>      | <u>2021</u>      |
|----------------------------------|---|------------------|------------------|
| Accounts payable                 | ₩ | 2,118,717        | 1,950,790        |
| Accrued expenses                 |   | 293,337          | 294,921          |
| Advances from customers          |   | 133,613          | 132,675          |
| Unearned revenue                 |   | 177,614          | 133,540          |
| Withholdings                     |   | 441,951          | 422,463          |
| Security deposits received       |   | 694,550          | 479,166          |
| Present value discount account   |   | (63,606)         | (22,542)         |
| Advances of gift card and others |   | 415,510          | 35,697           |
| Lease liabilities                |   | 27,165           | 27,461           |
| Present value discount account   |   | (1,511)          | (1,660)          |
| Others (*)                       |   | 373,070          | 324,985          |
|                                  | ₩ | <u>4,610,410</u> | <u>3,777,496</u> |

(\*) Includes point liabilities of ₩323,836 million and ₩315,286 million as of December 31, 2022 and 2021 respectively, which are classified in accordance with Korean IFRS 1115 and includes insurance liabilities of ₩3,095 million and ₩3,649 million as of December 31, 2022 and 2021, which are classified in accordance with Korean IFRS 1104.

(b) Details of insurance liabilities and reinsurance assets as of December 31, 2022 and 2021 are as follows

|                                     |   | <u>2022</u>                  |  |              |                            |  |              |
|-------------------------------------|---|------------------------------|--|--------------|----------------------------|--|--------------|
|                                     |   | <u>Insurance Liabilities</u> |  |              | <u>Reinsurance Assets</u>  |  |              |
|                                     |   | <u>Reserve for payment</u>   | <u>Retained Earnings for Undrawn Insurance</u> | <u>Total</u> | <u>Reserve for payment</u> | <u>Retained Earnings for Undrawn Insurance</u> | <u>Total</u> |
| Debt Cancellation & Debt Suspension | ₩ | 2,125                        | 970  | 3,095        | 2,125                      | 970  | 3,095        |

|                                     |   | <u>2021</u>                  |  |              |                            |  |              |
|-------------------------------------|---|------------------------------|--|--------------|----------------------------|--|--------------|
|                                     |   | <u>Insurance Liabilities</u> |  |              | <u>Reinsurance Assets</u>  |  |              |
|                                     |   | <u>Reserve for payment</u>   | <u>Retained Earnings for Undrawn Insurance</u> | <u>Total</u> | <u>Reserve for payment</u> | <u>Retained Earnings for Undrawn Insurance</u> | <u>Total</u> |
| Debt Cancellation & Debt Suspension | ₩ | 2,631                        | 1,018  | 3,649        | 2,631                      | 1,018  | 3,649        |

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**26. Other Liabilities (continued)**

(c) The income and expenses related to insurance contracts for the years ended December 31, 2022 and 2021 are as follows:

| 2022             |                      |                                   |        |                   |                |                                       |       |
|------------------|----------------------|-----------------------------------|--------|-------------------|----------------|---------------------------------------|-------|
| Insurance income |                      |                                   |        | Insurance Expense |                |                                       |       |
| Premium Revenues | Reinsurance Revenues | Contribution to reinsurance asset | Total  | Insurance premium | Insurance cost | Contribution to insurance liability ~ | Total |
| 28,616           | 3,171                | (554)                             | 31,233 | 5,469             | 3,178          | (554)                                 | 8,093 |
| 2021             |                      |                                   |        |                   |                |                                       |       |
| Insurance income |                      |                                   |        | Insurance Expense |                |                                       |       |
| Premium Revenues | Reinsurance Revenues | Contribution to reinsurance asset | Total  | Insurance premium | Insurance cost | Contribution to insurance liability ~ | Total |
| 29,301           | 3,415                | (1,108)                           | 31,608 | 5,717             | 3,423          | (1,108)                               | 8,032 |

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**27. Equity**

(a) Details of equity as of December 31, 2022 and 2021 are as follows:

|   | <u>2022</u>        | <u>2021</u>      |
|---|--------------------|------------------|
| Common stock  | ₩ 626,847          | 626,847          |
| Hybrid bonds  | 399,901            | -                |
| Capital surplus   |                    |                  |
| Gains on capital reduction                                      | 852,646            | 852,646          |
| Gains on sale of treasury stock                                 | 2                  | 2                |
| Other additional capital  | 8,081              | 7,944            |
|   | <u>860,729</u>     | <u>860,592</u>   |
| Capital adjustments   |                    |                  |
| Stock options   | 1,895              | 1,871            |
| Other capital adjustments                                       | (3,445)            | -                |
|   | <u>(1,550)</u>     | <u>1,871</u>     |
| Accumulated other comprehensive income                          |                    |                  |
| Unrealized gain on valuation of financial assets at FVOCI       | 7,061              | 18,045           |
| Effective portion of valuation loss on cash flow hedges         | (10,724)           | 1,728            |
| Remeasurements of the net defined benefit obligations           | (27,716)           | (58,270)         |
| Foreign currency translation adjustments for foreign operations | 14,126             | (3,693)          |
|   | <u>(17,253)</u>    | <u>(42,190)</u>  |
| Retained earnings   |                    |                  |
| Legal reserve   | 313,424            | 313,424          |
| Reserve for credit losses (Note 28 reference)(*)                | 847,036            | 816,703          |
| Voluntary reserve   | 12,316             | 11,216           |
| Retained earnings(*)  | 4,409,740          | 4,150,047        |
|   | <u>5,582,516</u>   | <u>5,291,390</u> |
| Non-controlling interests                                       | 7,564              | (3,507)          |
|   | <u>₩ 7,458,754</u> | <u>6,735,003</u> |

(\*) The Group plans to transfer ₩76,421 million of retained earnings as reserve for credit losses for the year ended December 31, 2022 and ₩30,333 million of retained earnings for the year ended December 31, 2021 was transferred into the reserve for credit losses.

(b) Capital stock and capital surplus

As of December 31, 2022, 2021, par value of common stock is ₩5,000 and the Group authorized 2,000,000,000 shares and issued outstanding shares amounted to 125,369,403 shares.

(c) Hybrid bonds

Hybrid bonds classified as other equity instruments of December 31, 2022 and 2021 are as follows:

| <u>Issue date</u> | <u>Currency</u> | <u>Maturity date</u> | <u>Interest rate (%)</u> | <u>December 31, 2022</u> |
|-------------------|-----------------|----------------------|--------------------------|--------------------------|
| March 17, 2022    | KRW             | March 17, 2052       | 4.01                     | 399,901                  |

The hybrid bonds above can be repaid early after 5 years from the date of issuance, and the Group has an unconditional right to extend the maturity under the same condition.

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27. Equity (continued)

(d) Changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021 are as follows

|  | 2022   |  |                                     |  |  | Total           |
|--|--|--|-------------------------------------|--|--|-----------------|
|  | Items that will<br>be reclassified to profit or loss |  |                                     | Items that will never<br>be reclassified to profit or loss |  |                 |
|  | Valuation of<br>financial<br>assets at<br>FVOCI      | Foreign<br>currency<br>translation<br>adjustments<br>for foreign<br>operations | Valuation of<br>cash flow<br>hedges | Remeasurements<br>of the defined<br>benefit plan           | Valuation of<br>financial assets at<br>FVOCI |                 |
| Beginning balance ₩  | (863)  | (3,693)  | 1,728                               | (58,270)   | 18,908                                       | (42,190)        |
| Change due to fair<br>value                                | (23,154)   | -  | -                                   | -  | 7,872  | (15,282)        |
| Reclassification:  | -  | -  | (190,372)                           | -  | -  | (190,372)       |
| Effect of hedge<br>accounting                              | -  | -  | 173,389                             | -  | -  | 173,389         |
| Effects from<br>changes in<br>foreign exchange<br>rate     | -  | 19,440   | -                                   | -  | -  | 19,440          |
| Remeasurements<br>of the defined<br>benefit<br>obligations | -  | -  | -                                   | 42,649   | -  | 42,649          |
| Effect of tax  | 6,123  | -  | 4,531                               | (12,095)   | (1,825)                                      | (3,266)         |
| Non-controlling<br>interests                               | -  | (1,621)  | -                                   | -  | -  | (1,621)         |
| Ending balance ₩   | <u>(17,894)</u>                                      | <u>14,126</u>  | <u>(10,724)</u>                     | <u>(27,716)</u>  | <u>24,955</u>                                | <u>(17,253)</u> |

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27. Equity (continued)

(d) Changes in accumulated other comprehensive income for the years ended December 31, 2022 and 2021 are as follows

|  | 2021  |   |                               |   |  | Total           |
|--|---|---|-------------------------------|---|--|-----------------|
|  | Items that will be reclassified to profit or loss |   |                               | Items that will never be reclassified to profit or loss |  |                 |
|  | Valuation of financial assets at FVOCI            | Foreign currency translation adjustments for foreign operations | Valuation of cash flow hedges | Remeasurements of the defined benefit plan              | Valuation of financial assets at FVOCI |                 |
| Beginning balance ₩  | -   | (9,828)   | (21,012)                      | (58,679)  | 16,205                                 | (73,314)        |
| Change due to fair value                                     | (1,190)   | -   | -                             | -   | 7,550                                  | 6,360           |
| Reclassification:  | -   | -   | (209,869)                     | -   | -                                      | (209,869)       |
| Hedging  | -   | -   | 241,233                       | -   | -                                      | 241,233         |
| Effects from changes in foreign exchange rate                | -   | 8,573   | -                             | -   | -                                      | 8,573           |
| Remeasurements of the defined benefit plans                  | -   | -   | -                             | 564   | -                                      | 564             |
| Amount transferred to retained earnings due to disposal etc. | -   | -   | -                             | -   | (2,771)                                | (2,771)         |
| Deferred income taxes  | 327   | (2,540)   | (8,624)                       | (155)   | (2,076)                                | (13,068)        |
| Non-controlling interests                                    | -   | 102   | -                             | -   | -                                      | 102             |
| Ending balance ₩   | <u>(863)</u>                                      | <u>(3,693)</u>  | <u>1,728</u>                  | <u>(58,270)</u>   | <u>18,908</u>                          | <u>(42,190)</u> |

(e) Earned surplus reserves

The Korean Commercial Act requires the Group to accumulate, as it earned surplus reserve, at least 10% of cash dividend in each period for the settlement of accounts until its reserve reaches half of the Group's capital. No reserve shall be disposed of, except in recovery from deficit in capital or capitalizing its reserve as approved in the shareholder's meeting.

(f) Voluntary reserve

The Group elected to measure an item of land and buildings at the date of transition to Korean IFRSs at its fair value and use that fair value as its deemed cost at that date. Revaluation surplus as a result of revaluation was classified as dividend restriction by the Board of Directors. Also, in accordance with amended Credit Information Use and Protection Act, the Group is liable to compensate the owners of credit information for inflicted damage and reserved voluntary reserve for fulfillment by the Act.

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27. Equity (continued)

(e) Voluntary reserve (continued)

Details of discretionary reserve as of December 31, 2022 and 2021 are as follows:

|   |   | <u>2022</u>   | <u>2021</u>   |
|---|---|---------------|---------------|
| Revaluation surplus of property and equipment | ₩ | 10,216        | 10,216        |
| Claim reserves for on-line transactions       |   | 2,000         | 1,000         |
| Other voluntary reserve                       |   | 100           | -             |
|   | ₩ | <u>12,316</u> | <u>11,216</u> |

(f) Statements of appropriation of retained earnings for the years ended December 31, 2022 and 2021 based on separate financial statements of the Group are as follows:

(In millions of won, except dividends per share)

|   |   | <u>2022</u>      | <u>2021</u>      |
|---|---|------------------|------------------|
| <b>Unappropriated retained earnings</b>                                       |   |                  |                  |
| Balance at beginning of year  | ₩ | 3,733,308        | 3,441,370        |
| Effect of changes in accounting policies                                      |   | -                | 2,771            |
| Profit for the year   |   | 609,613          | 658,120          |
| Dividend on hybrid bond   |   | (12,622)         | -                |
|   |   | <u>4,330,299</u> | <u>4,102,261</u> |
| <b>Reversal of Reserve for credit losses</b>                                  |   | -                | -                |
| <b>Balance at end of year before appropriation</b>                            |   | <u>4,330,299</u> | <u>4,102,261</u> |
| <b>Appropriation of retained earnings</b>                                     |   |                  |                  |
| Transfer to reserve for credit losses   |   | 76,421           | 30,333           |
| Reserves for electronic finance and credit information liability              |   | -                | 1,000            |
| Cash dividends  |   | 256,631          | 337,620          |
| Dividends per share (dividend as a percentage of par value):                  |   |                  |                  |
| ₩2,047 (40.94%) for 2022  |   |                  |                  |
| ₩2,693 (53.86%) for 2021  |   | <u>333,052</u>   | <u>368,953</u>   |
| <b>Unappropriated retained earnings to be carried over to subsequent year</b> | ₩ | <u>3,997,247</u> | <u>3,733,308</u> |

(\*) These statements of appropriation of retained earnings were based on the separate financial statements of Shinhan card.

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**28. Reserve for credit losses**

In accordance with Regulations on Supervision of Specialized Credit Finance Business, the Group reserves the difference between allowance for credit losses recognized under Korean IFRS and Regulations on Supervision of Specialized Credit Finance Business in the account of reserve for legal reserve for credit losses.

(a) Reserve for credit losses as of December 31, 2022 and 2021 are summarized as follows:

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Accumulated reserve for credit losses       | ₩ 847,036   | 816,703     |
| Reserve for credit losses, scheduled        |             |             |
| - Changes in 2022 and 2021                  | 76,421      | 30,333      |
| Ending balance of reserve for credit losses | ₩ 923,457   | 847,036     |

(b) Details of profit for the year attributable to owner of the Company after adjusting for reversal of credit losses and provision for reserve for credit losses for the years ended December 31, 2022 and 2021 are as follows:

|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
| Profit for the year attributable to owner of the Company   | ₩ 641,368   | 674,997     |
| Reversal for credit losses, scheduled  | (76,421)    | (30,333)    |
| Profit for the year attributable to owner of the Company after adjusting for reserve for credit losses | 564,947     | 644,664     |
| Earnings per share after adjusting credit losses (*) (in won)  | ₩ 4,406     | 5,142       |

(\*) Dividend on hybrid bonds is deducted.



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**29. Operating Revenue and Contract Liabilities**

(a) Details of operating revenues for the years ended December 31, 2022 and 2021 are as follows:

|  | <u>2022</u>        | <u>2021</u>      |
|--|--------------------|------------------|
| <b>Revenue from contracts with customers</b> |                    |                  |
| Fee and commission income                    | ₩ 1,219,567        | 1,202,500        |
| <b>Revenue from others</b>                   |                    |                  |
| Interest income                              | 2,508,702          | 2,306,053        |
| Fee and commission income                    |                    |                  |
| Loans  | 5,863              | 4,252            |
| Installment loans                            | 14,735             | 14,142           |
| Leases                                       | 477,716            | 364,448          |
| Other  | 40,580             | 33,027           |
| Dividend income                              | 415                | 430              |
| Net income on financial assets at FVTPL      | 20,999             | 10,579           |
| Gains on derivatives instruments             | 234,298            | 224,689          |
| Gains on foreign currency transactions       | 76,101             | 38,807           |
| Other operating income                       | 162,205            | 160,700          |
|  | <u>₩ 4,761,181</u> | <u>4,359,627</u> |

(b) Classification of revenue from contracts with customers for the years ended December 31, 2022 and 2021 are as follows:

|  | <u>2022</u>        | <u>2021</u>      |
|--|--------------------|------------------|
| <b>Revenue from contracts with customers</b> |                    |                  |
| Credit sales commission, etc.                | ₩ 977,355          | 978,286          |
| Insurance agency fee                         | 76,132             | 80,656           |
| Others                                       | 166,080            | 143,558          |
|  | <u>1,219,567</u>   | <u>1,202,500</u> |
| <b>Timing of revenue recognition</b>         |                    |                  |
| Transferred at a point in time               | 985,759            | 988,306          |
| Transferred over time                        | 233,808            | 214,194          |
|  | <u>₩ 1,219,567</u> | <u>1,202,500</u> |

(c) The contract liabilities recognized by the Group in relation to revenue from contracts with customers are as follows:

|                                | <u>2022</u>      | <u>2021</u>    |
|--------------------------------|------------------|----------------|
| Point liabilities              | ₩ 323,836        | 301,329        |
| Unearned revenue of annual fee | 106,530          | 101,643        |
|                                | <u>₩ 430,366</u> | <u>402,972</u> |

(\*) Recognized as other liabilities in the consolidated statements of financial position

(d) Among the revenue recognized in the years ended December 31, 2022 and 2021, the amount related to the contract liabilities carried forward in the prior term are ₩ 101,643 million and ₩ 92,226 million.

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**30. Earnings per Share**

Earnings per share for the years ended December 31, 2022 and 2021 are as follows:

*(In millions of won, except shares outstanding and earnings per share)*

|  | <u>2022</u>        | <u>2021</u>        |
|--|--------------------|--------------------|
| Profit for the year attributable to owner of the Company | ₩ 641,368          | 674,997            |
| Dividend on hybrid bond                                  | (12,622)           | -                  |
| Profit for the year attributable to common stocks        | 628,746            | 674,997            |
| Weighted average number of common stocks outstanding     | <u>125,369,403</u> | <u>125,369,403</u> |
| Earnings per share (in won)                              | ₩ 5,015            | 5,384              |

The Group has no dilutive potential ordinary shares in the calculation of diluted earnings per share for the reporting periods. Accordingly, diluted earnings per share equals basic earnings per share for the years ended December 31, 2022 and 2021.

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**31. Share-Based Payment**

Share-based payment as of December 31, 2022 is summarized as follows:

(a) Share-based payment arrangements with performance conditions

(i) Performance share granted as of December 31, 2022 are as follows:

a) Shinhan Card Co., Ltd

|                                    | <b>Granted in<br/>2016</b>  | <b>Granted in<br/>2017</b> | <b>Granted in<br/>2018</b> | <b>Granted in<br/>2019</b> | <b>Granted in<br/>2020</b> | <b>Granted in<br/>2021</b> | <b>Granted in<br/>2022</b> |
|------------------------------------|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Type                               | Equity-settled type(*)  | Equity-settled type(*)     | Equity-settled type(*)     | Equity-settled type(*)     | Cash-settled type          | Cash-settled type          | Equity-settled type        |
| Vesting period                     | 2016  | 2017                       | 2018                       | 2019                       | 2020                       | 2021                       | 2022                       |
| Performance condition              | Based on relative stock price (20.0%)<br>Based on 4 year management index (80.0%) |                            |                            |                            |                            |                            |                            |
| Estimated number of shares granted | 67,660  | 68,377                     | 60,378                     | 84,004                     | 72,210                     | 101,408                    | 99,784                     |
| Number of shares granted           | 51,560  | 62,011                     | 58,878                     | -                          | -                          | -                          | -                          |
| Remaining number of shares granted | 16,100  | 6,366                      | 1,500                      | 84,004                     | 72,210                     | 101,408                    | 99,784                     |

(\*) Financial Group. According to the commitment, the amount that the Group pays to the Shinhan Financial Group is recognized as liabilities, and the difference between the amount recognized as liabilities and the compensation cost based on equity-settled share-based payments is recognized in equity.

b) Shinhan Credit Information Co., Ltd.

|                                    | <b>Granted in 2019</b>  | <b>Granted in 2020</b> | <b>Granted in 2021</b> | <b>Granted in 2022</b> |
|------------------------------------|---|------------------------|------------------------|------------------------|
| Type                               | Equity-settled type(*)  | Cash-settled type      | Cash-settled type      | Cash-settled type      |
| Vesting period                     | 2019  | 2020                   | 2021                   | 2022                   |
| Performance condition              | Based on relative stock price (20.0%)<br>Based on 4 year management index (80.0%) |                        |                        |                        |
| Estimated number of shares granted | 3,463   | 2,918                  | 4,105                  | 1,597                  |
| Number of shares granted           | -   | -                      | -                      | -                      |
| Remaining number of shares granted | 3,463   | 2,918                  | 4,105                  | 1,597                  |

(\*) The Group granted shares of Shinhan Financial Group. According to the commitment, the amount that Shinhan Credit Information Co., Ltd. pays to the Shinhan Financial Group is recognized as liabilities, and the difference between the amount recognized as liabilities and the compensation cost based on equity-settled share-based payments is recognized in equity.

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**31. Share-Based Payment (continued)**

(a) Share-based payment arrangements with performance conditions (continued)

(ii) Granted shares and the fair value of grant date as of December 31, 2022 are as follows:

a) Shinhan Card Co., Ltd.

| Grant date       | Grant shares     | Fair value (in won) (*1) | Estimated shares (*2) | Paid shares    | Remained shares |
|------------------|------------------|--------------------------|-----------------------|----------------|-----------------|
| January 1, 2016  | 74,200 ₩         | 39,000                   | 50,300                | 34,200         | 16,100          |
| February 4, 2016 | 15,400           | 38,150                   | 13,204                | 13,204         | -               |
| June 3, 2016     | 5,200            | 38,800                   | 2,901                 | 2,901          | -               |
| August 1, 2016   | 1,900            | 40,650                   | 742                   | 742            | -               |
| October 31, 2016 | 3,100            | 43,850                   | 513                   | 513            | -               |
| January 1, 2017  | 70,200           | 45,300                   | 59,879                | 53,513         | 6,366           |
| March 7, 2017    | 10,600           | 46,950                   | 8,498                 | 8,498          | -               |
| January 1, 2018  | 59,900           | 49,400                   | 60,378                | 58,878         | 1,500           |
| January 1, 2019  | 84,266           | 39,600                   | 84,004                | -              | 84,004          |
| January 1, 2020  | 80,215           | 32,050                   | 72,210                | -              | 72,210          |
| January 1, 2021  | 111,887          | 36,800                   | 101,408               | -              | 101,408         |
| January 1, 2022  | 110,355          | 35,200                   | 99,784                | -              | 99,784          |
|                  | <u>627,223 ₩</u> |                          | <u>553,821</u>        | <u>172,449</u> | <u>381,372</u>  |

(\*1) The fair value per share was evaluated based on the closing price of Shinhan Financial Group at each grant date.

(\*2) Grant shares at grant date were adjusted pursuant to relative increase ratio of stock price and achievement of management index based on standard quantity applicable to the days of service among specified period of service, which allows for the determination of acquired quantity at the end of the operation period.

b) Shinhan Credit Information Co., Ltd.

| Grant date      | Grant shares    | Fair value (in won) (*1) | Estimated shares (*2) | Paid shares | Remained shares |
|-----------------|-----------------|--------------------------|-----------------------|-------------|-----------------|
| January 1, 2019 | 3,696 ₩         | 39,600                   | 692                   | -           | 692             |
| March 15, 2019  | 3,696           | 44,200                   | 2,771                 | -           | 2,771           |
| January 1, 2020 | 3,391           | 32,050                   | 2,918                 | -           | 2,918           |
| January 1, 2021 | 4,528           | 36,800                   | 4,105                 | -           | 4,105           |
| January 1, 2022 | 1,765           | 35,200                   | 1,597                 | -           | 1,597           |
|                 | <u>17,076 ₩</u> |                          | <u>12,083</u>         | <u>-</u>    | <u>12,083</u>   |

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**31. Share-Based Payment (continued)**

(ii) Granted shares and the fair value of grant date as of December 31, 2022 are as follows:

(b) Share-based compensation expense for the years ended December 31, 2022 and 2021 are as follows: (continued)

|   | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Share-based payment arrangements<br>with performance conditions | ₩ 3,508     | 4,213       |

(c) Details of accrued expenses and the intrinsic value as of December 31, 2022 are as follows:

|  | <u>Accrued expense related to<br/>compensation expenses<br/>associated with share-based<br/>payments</u> | <u>Intrinsic values (*1)</u> |
|--|--|------------------------------|
| Share-based payment arrangements<br>with performance conditions (*2) | ₩ 13,843   | 13,843                       |

(\*1) The fair value of share-based arrangements with performance conditions is considered as intrinsic value.

(\*2) Payments according to arrangements with Shinhan Financial Group are calculated on the basis of the closing price on December 31, 2022, and have been recognized as liabilities.

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**32. Net Interest Income**

Details of net interest income for the years ended December 31, 2022 and 2021 are as follows:

|                            | <u>2022</u>        | <u>2021</u>      |
|----------------------------|--------------------|------------------|
| <b>Interest income</b>     |                    |                  |
| Cash and due from banks    | ₩ 10,375           | 7,508            |
| Credit card receivables    | 1,962,825          | 1,878,220        |
| Loans                      | 299,768            | 231,234          |
| Installment loans          | 169,411            | 138,472          |
| Financing leases(*)        | 57,470             | 47,711           |
| Others                     | 8,853              | 2,908            |
|                            | <u>2,508,702</u>   | <u>2,306,053</u> |
| <b>Interest expense</b>    |                    |                  |
| Borrowings                 | (210,024)          | (102,651)        |
| Debentures                 | (431,801)          | (347,047)        |
| Securitized debentures     | (55,730)           | (48,934)         |
| Lease liabilities(*)       | (842)              | (921)            |
| Others                     | (12,300)           | (7,347)          |
|                            | <u>(710,697)</u>   | <u>(506,900)</u> |
| <b>Net interest income</b> | <u>₩ 1,798,005</u> | <u>1,799,153</u> |

(\*) It includes finance income and costs in financial lease receivables and lease liabilities under Korean IFRS 1116.

Interest income on impaired financial assets for the years ended December, 2022 and 2021 are ₩12,798 million and ₩11,071 million, respectively.

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**33. Net Fee and Commission Income**

Details of net fee and commission income for the years ended December 31, 2022 and 2021 are as follows:

|                                      | <u>2022</u>        | <u>2021</u>        |
|--------------------------------------|--------------------|--------------------|
| <b>Fee and commission income</b>     |                    |                    |
| Credit card receivables              | ₩ 1,219,567        | 1,202,500          |
| Loans                                | 5,863              | 4,252              |
| Installment loans                    | 14,735             | 14,142             |
| Leases                               | 477,716            | 364,448            |
| Others (*)                           | 40,580             | 33,027             |
|                                      | <u>1,758,461</u>   | <u>1,618,369</u>   |
| <b>Fee and commission expense</b>    |                    |                    |
| Credit card receivables              | (1,070,725)        | (1,016,144)        |
| Installment loans                    | (33,323)           | (32,639)           |
| Leases                               | (2,459)            | (1,647)            |
| Others (*)                           | (114,881)          | (106,302)          |
|                                      | <u>(1,221,388)</u> | <u>(1,156,732)</u> |
| <b>Net fee and commission income</b> | <u>₩ 537,073</u>   | <u>461,637</u>     |

(\*) Other fee and commission income or expense includes profit or loss associated with Shinhan Credit Service (Debt exemption and debt suspension) given to credit card members. For the years ended December 31, 2022 and 2021, the amount of income related to debt exemption and debt suspension are ₩31,787 million and ₩32,716 million, respectively, and the amount of expense are ₩ 8,751 million and ₩ 9,235 million, respectively.

**34. Dividend Income**

Details of dividend income for the years ended December 31, 2022 and 2021 are as follows:

|  | <u>2022</u>  | <u>2021</u> |
|--|--------------|-------------|
| Financial assets at FVTPL in Korean currency | ₩ 35         | 30          |
| Financial assets at FVOCI in Korean currency | 380          | 400         |
|  | <u>₩ 415</u> | <u>430</u>  |

**35. Provision for Credit Loss Allowance**

Details of provision for credit loss allowance for the years ended December 31, 2022 and 2021 are as follows:

|  | <u>2022</u>        | <u>2021</u>      |
|--|--------------------|------------------|
| Changes in credit card receivables at amortized cost and other | ₩ (536,672)        | (411,456)        |
| Other assets   | (20,019)           | (22,122)         |
| Allowance for unused loan commitments                          | (3,500)            | (9,067)          |
| Financial instruments at FVOCI                                 | (74)               | (24)             |
|  | <u>₩ (560,265)</u> | <u>(442,669)</u> |

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**36. General Administrative Expenses**

Details of general administrative expenses for the years ended December 31, 2022 and 2021 are as follows:

|   | <u>2022</u>      | <u>2021</u>    |
|---|------------------|----------------|
| <b>Relate to employees</b>                              |                  |                |
| Salaries and wages                                      | ₩ 209,064        | 198,569        |
| Bonus   | 50,887           | 52,731         |
| Incentive of results                                    | 20,062           | 36,240         |
| Share-based compensation expense                        | 3,508            | 4,213          |
| Employee benefits                                       | 96,500           | 95,935         |
| Travel  | 5,792            | 5,455          |
| Defined benefit   | 21,069           | 21,922         |
| Defined contribution                                    | 3,654            | 3,043          |
| Honorary retirement allowance                           | 8,223            | 26,211         |
|   | <u>418,759</u>   | <u>444,319</u> |
| <b>Depreciation and amortization</b>                    |                  |                |
| Depreciation  | 46,711           | 51,314         |
| Amortization  | 17,231           | 16,178         |
|   | <u>63,942</u>    | <u>67,492</u>  |
| <b>Other general administrative expenses</b>            |                  |                |
| Communication   | 41,520           | 42,269         |
| Utility   | 21,304           | 19,408         |
| Maintenance of vehicles                                 | 3,092            | 2,872          |
| Supplies  | 11,576           | 12,548         |
| Rent  | 886              | 1,163          |
| Insurance   | 41,350           | 36,771         |
| Repairs   | 518              | 84             |
| Entertainment   | 2,074            | 1,512          |
| Advertising   | 34,207           | 35,378         |
| Sales promotion   | 44,507           | 40,596         |
| Training  | 2,956            | 2,052          |
| Publication   | 526              | 494            |
| Freight   | 760              | 642            |
| (Reversal of) Provision for asset retirement obligation | 20               | 16             |
| Taxes and dues  | 53,629           | 41,721         |
|   | <u>258,925</u>   | <u>237,526</u> |
|   | <u>₩ 741,626</u> | <u>749,337</u> |



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**37. Other Operating Income and Expenses**

Details of other operating income and expenses for the years ended December 31, 2022 and 2021 are as follows

|                                  | <u>2022</u>        | <u>2021</u>      |
|----------------------------------|--------------------|------------------|
| <b>Other operating income</b>    |                    |                  |
| Gains on recovery of bad debt(*) | ₩ 14,328           | 14,918           |
| Reversal of other allowances     | 24                 | 24,274           |
| Others                           | 147,853            | 121,508          |
|                                  | <u>162,205</u>     | <u>160,700</u>   |
| <b>Other operating expenses</b>  |                    |                  |
| Depreciation of lease assets     | (351,264)          | (256,595)        |
| Others                           | (129,645)          | (108,343)        |
|                                  | <u>(480,909)</u>   | <u>(364,938)</u> |
|                                  | ₩ <u>(318,704)</u> | <u>(204,238)</u> |

(\*) Gains on recovery of bad debt is the amount of interest received from the bad debt.

**38. Non-operating Income and Expenses**

Details of non-operating income and expenses for the years ended December 31, 2022 and 2021 are as follows:

|  | <u>2022</u>     | <u>2021</u>     |
|--|-----------------|-----------------|
| <b>Non-operating income</b>                                      |                 |                 |
| Gains on disposal of property and equipment                      | ₩ 62,932        | 507             |
| Others   | 13,630          | 14,753          |
| Miscellaneous income   | 653             | 537             |
|  | <u>77,215</u>   | <u>15,797</u>   |
| <b>Non-operating expenses</b>                                    |                 |                 |
| Donations  | (10,490)        | (9,540)         |
| Provision for allowance for litigation                           | (516)           | (283)           |
| Losses on disposal of property and equipment                     | (170)           | (40)            |
| Impairment loss on intangible assets, and property and equipment | (59)            | -               |
| Miscellaneous losses   | (138)           | (186)           |
| Others   | (1,267)         | (1,243)         |
|  | <u>(12,640)</u> | <u>(11,292)</u> |
|  | ₩ <u>64,575</u> | <u>4,505</u>    |

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**39. Income Taxes**

(a) The components of income tax expense for the years ended December 31, 2022 and 2021 are as follows:

|   | <u>2022</u>      | <u>2021</u>    |
|---|------------------|----------------|
| Current income taxes payable  | ₩ 196,162        | 241,917        |
| Adjustments to the income tax expense for prior period              | (16,637)         | (3,661)        |
| Changes in deferred tax due to changes in temporary differences (*) | 17,527           | 10,613         |
| Income tax expense associated with items recorded in equity         | (3,229)          | (12,884)       |
| Others  | (1,647)          | (5,396)        |
| Income tax expense  | ₩ <u>192,176</u> | <u>230,589</u> |

(\*) The tax rate was changed due to amendments of the tax law at the end of 2022, reflecting the effect of changing the tax rate on deferred tax assets (liabilities) expected to be realized after 2023.

(b) The relationship between income tax expense and profit before income taxes for the years ended December 31, 2022 and 2021 are as follows:

|   | <u>2022</u>      | <u>2021</u>    |
|---|------------------|----------------|
| Profit before income taxes (A)            | ₩ 836,731        | 906,886        |
| Income taxes at applicable tax rate       | 230,101          | 249,394        |
| Adjustments:                              |                  |                |
| Non-taxable income                        | (1,195)          | (498)          |
| Non-deductible expense                    | 752              | 979            |
| Tax deductions                            | (1,233)          | (149)          |
| Consolidated tax return effect and others | (36,249)         | (19,137)       |
| Income tax expense (B)                    | ₩ <u>192,176</u> | <u>230,589</u> |
| Effective tax rate (B/A)                  | 22.97%           | 25.43%         |

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**39. Income Taxes (continued)**

(c) Changes in deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows:

|   | <b>2022</b>  |                                      |   |   | <b>Ending<br/>deferred<br/>tax assets<br/>(liabilities)</b> |
|---|--|--------------------------------------|---|---|---|
|   | <b>Beginning<br/>deferred<br/>tax assets<br/>(liabilities)</b> | <b>Changes in<br/>profit or loss</b> | <b>Change in<br/>other<br/>comprehensive<br/>income</b> | <b>Change in<br/>business<br/>combination</b> |   |
| Accounts receivable   | ₩ 79   | (3)                                  | -   | -   | 76  |
| Financial assets at FVOCI                                       | 1,194  | (742)                                | -   | -   | 452   |
| Valuation on financial assets at FVOCI                          | (6,845)  | -                                    | 4,298   | -   | (2,547)   |
| Valuation on property and equipment,<br>depreciation and others | (2,068)  | (679)                                | -   | 3   | (2,744)   |
| Deferred loan origination costs                                 | (14,393)   | (1,505)                              | -   | -   | (15,898)  |
| Derivative assets   | (754)  | 66                                   | 4,531   | -   | 3,843   |
| Accrued expenses  | 18,726   | (942)                                | -   | 460   | 18,244  |
| Net defined benefit obligations                                 | 72,223   | 16,278                               | (12,762)  | 1,231   | 76,970  |
| Plan assets   | (66,334)   | (18,247)                             | 667   | (1,265)                                       | (85,179)  |
| Other provisions  | 153,856  | (1,678)                              | -   | 1,065   | 153,243   |
| Others  | (15,033)   | (6,731)                              | -   | 42  | (21,722)  |
|   | <u>₩ 140,651</u>   | <u>(14,183)</u>                      | <u>(3,266)</u>  | <u>1,536</u>                                  | <u>124,738</u>  |

|   | <b>2021</b>  |                                      |   |   | <b>Ending<br/>deferred<br/>tax assets<br/>(liabilities)</b> |
|---|--|--------------------------------------|---|---|---|
|   | <b>Beginning<br/>deferred<br/>tax assets<br/>(liabilities)</b> | <b>Changes in<br/>profit or loss</b> | <b>Change in other<br/>comprehensive<br/>income</b> | <b>Change in<br/>business<br/>combination</b> |   |
| Accounts receivable   | ₩ 79   | -                                    | -   | -   | 79  |
| Financial assets at FVOCI                                       | 1,424  | (230)                                | -   | -   | 1,194   |
| Valuation on financial assets at FVOCI                          | (6,147)  | -                                    | (698)   | -   | (6,845)   |
| Valuation on property and equipment,<br>depreciation and others | (2,176)  | 108                                  | -   | -   | (2,068)   |
| Deferred loan origination costs                                 | (13,094)   | (1,299)                              | -   | -   | (14,393)  |
| Derivative assets   | 7,870  | -                                    | (8,624)   | -   | (754)   |
| Accrued expenses  | 17,592   | 1,134                                | -   | -   | 18,726  |
| Net defined benefit obligations                                 | 66,411   | 6,878                                | (1,066)   | -   | 72,223  |
| Plan assets   | (57,754)   | (9,491)                              | 911   | -   | (66,334)  |
| Other provisions  | 152,442  | 1,414                                | -   | -   | 153,856   |
| Others  | (15,383)   | 2,890                                | (2,540)   | -   | (15,033)  |
|   | <u>₩ 151,264</u>   | <u>1,404</u>                         | <u>(12,017)</u>                                     | <u>-</u>                                      | <u>140,651</u>  |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**39. Income Taxes (continued)**

(d) Deferred income taxes associated with items, which are not recognized as profit (loss) for the years ended December 31, 2022 and 2021 are as follows:

|   | <b>2022</b>              |                   |                        |                   |                              |
|---|--------------------------|-------------------|------------------------|-------------------|------------------------------|
|   | <b>December 31, 2022</b> |                   | <b>January 1, 2022</b> |                   | <b>Changes in tax effect</b> |
|   | <b>Amount</b>            | <b>Tax effect</b> | <b>Amount</b>          | <b>Tax effect</b> |                              |
| Changes in fair value of financial assets at FVOCI              | ₩ 7,061                  | (2,547)           | 18,044                 | (6,845)           | 4,298                        |
| Effective portion of valuation gain or loss on cash flow hedges | (10,724)                 | 3,777             | 1,726                  | (754)             | 4,531                        |
| Remeasurements of defined benefit obligations                   | (27,716)                 | 10,008            | (58,271)               | 22,103            | (12,095)                     |
|   | <b>₩ (31,379)</b>        | <b>11,238</b>     | <b>(38,501)</b>        | <b>14,504</b>     | <b>(3,266)</b>               |
|   |                          |                   |                        |                   |                              |
|   | <b>2021</b>              |                   |                        |                   |                              |
|   | <b>December 31, 2021</b> |                   | <b>January 1, 2021</b> |                   | <b>Changes in tax effect</b> |
|   | <b>Amount</b>            | <b>Tax effect</b> | <b>Amount</b>          | <b>Tax effect</b> |                              |
| Changes in fair value of financial assets at FVOCI              | ₩ 18,044                 | (6,845)           | 16,205                 | (6,147)           | (698)                        |
| Effective portion of valuation gain or loss on cash flow hedges | 1,726                    | (754)             | (21,014)               | 7,870             | (8,624)                      |
| Overseas operations translation credit (debit)                  | (3,689)                  | -                 | (9,825)                | 2,540             | (2,540)                      |
| Remeasurements of defined benefit obligations                   | (58,271)                 | 22,103            | (58,678)               | 22,258            | (155)                        |
|   | <b>₩ (42,190)</b>        | <b>14,504</b>     | <b>(73,312)</b>        | <b>26,521</b>     | <b>(12,017)</b>              |

(e) The Group offsets 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 Group has a legally enforceable right to set off current tax assets against current tax liabilities. Deferred tax assets and liabilities before offsetting as of December 31, 2022 and 2021 are as follows:

|                          | <b>2022</b>      | <b>2021</b>    |
|--------------------------|------------------|----------------|
| Deferred tax assets      | ₩ 252,828        | 246,078        |
| Deferred tax liabilities | (128,090)        | (105,427)      |
|                          | <b>₩ 124,738</b> | <b>140,651</b> |

(f) Deferred tax assets have been recognized as the Group has determined it is probable that future profits will be available against which the Group can utilize the related benefit.

(g) As of December 31, 2022 and 2021 current tax liabilities are ₩80,550 million and ₩181,483 million, respectively. For consolidated tax return, the amount is paid to the taxation authorities through the Parent company of the Group.

(h) The Group is in the process of filing an administrative lawsuit against one case (claim amount: ₩ 21,611 million) as of the end of the year, which has tax uncertainty, but it is considered likely to win, so it was reflected as current tax assets and tax expenses.

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**40. Consolidated Statements of Cash Flows**

(a) Details of cash and cash equivalents as of December 31, 2022 and 2021 are summarized as follows:

|                                     | <u>2022</u>      | <u>2021</u>    |
|-------------------------------------|------------------|----------------|
| Cash                                | ₩ 306            | 149            |
| Available deposits from bank        |                  |                |
| Deposits on demand                  | 363,235          | 297,719        |
| Current deposits                    | 47,470           | 841            |
| Foreign currency deposits           | 38,838           | 18,187         |
| Others                              | -                | 2,972          |
| Time deposits · Installment payment | 13,965           | -              |
| Cash and cash equivalents           | <u>₩ 463,814</u> | <u>319,868</u> |

(b) The Group presents the cash inflows and outflows of bank overdrafts and call money as net amounts, because the turnover of transactions is quick, the amounts are large, and the maturities are short.

(c) Reconciliations of the amounts of cash and cash equivalents in the statements of cash flows with the equivalent items reported in the statements of financial position as of December 31, 2022 and 2021 are as follows:

|  | <u>2022</u>      | <u>2021</u>      |
|--|------------------|------------------|
| Cash and cash equivalents in the statements<br>of financial position | ₩ 664,928        | 435,662          |
| Adjustment:  |                  |                  |
| Restricted due from banks  | <u>(201,114)</u> | <u>(115,794)</u> |
| Cash and cash equivalents in the statements<br>of cash flows         | <u>₩ 463,814</u> | <u>319,868</u>   |

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**40. Statements of Cash Flows (continued)**

(d) The consolidated statements of cash flows of the Group is prepared by using indirect method. Significant transactions without cash inflows and outflows for the years ended December 31, 2022 and 2021:

|   |   | 2022     | 2021   |
|---|---|----------|--------|
| Transaction related right-of-use assets | ₩ | 17,130   | 19,829 |
| Valuation of financial assets at FVOCI  |   | (15,282) | 6,360  |
| Valuation of derivatives                |   | (16,983) | 31,365 |

(e) Changes in assets and liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows:

|                       |   | 2022                             |                               |  |   |                             |                 |                                    |
|-----------------------|---|----------------------------------|-------------------------------|--|---|-----------------------------|-----------------|------------------------------------|
|                       |   | Balance at<br>January 1,<br>2022 | Changes<br>from cash<br>flows | Changes<br>in<br>foreign<br>currency<br>exchange<br>rate | Amortization<br>of discount<br>on<br>borrowings<br>and<br>debentures,<br>etc. | Changes<br>in fair<br>value | Others          | Balance at<br>December<br>31, 2022 |
| <b>Assets</b>         |   |                                  |                               |  |   |                             |                 |                                    |
| Net derivative assets | ₩ | 71,958                           | (71,573)                      | -  | -   | 174,084                     | 781             | 175,250                            |
| <b>Liabilities</b>    |   |                                  |                               |  |   |                             |                 |                                    |
| Borrowings            |   | (6,662,856)                      | (2,440,318)                   | (35,174)   | -   | -                           | 2,170           | (9,136,178)                        |
| Debentures            |   | (20,841,868)                     | (536,664)                     | (119,008)  | (3,580)   | -                           | (1,696)         | (21,502,816)                       |
| Lease liabilities(*)  |   | (25,801)                         | 13,453                        | -  | (842)   | -                           | (12,464)        | (25,654)                           |
|                       | ₩ | <u>(27,530,525)</u>              | <u>(2,963,529)</u>            | <u>(154,182)</u>   | <u>(4,422)</u>  | <u>-</u>                    | <u>(11,990)</u> | <u>(30,664,648)</u>                |

(\*) The amount of change in cash flow includes ₩824 million in interest payments indicated as operating activities in the cash flow statement at the time of payment.

|                       |   | 2021                             |                               |  |   |                             |                 |                                    |
|-----------------------|---|----------------------------------|-------------------------------|--|---|-----------------------------|-----------------|------------------------------------|
|                       |   | Balance at<br>January 1,<br>2021 | Changes<br>from cash<br>flows | Changes<br>in<br>foreign<br>currency<br>exchange<br>rate | Amortization<br>of discount<br>on<br>borrowings<br>and<br>debentures,<br>etc. | Changes<br>in fair<br>value | Others          | Balance at<br>December<br>31, 2021 |
| <b>Assets</b>         |   |                                  |                               |  |   |                             |                 |                                    |
| Net derivative assets | ₩ | (163,403)                        | (11,016)                      | -  | -   | 247,372                     | (995)           | 71,958                             |
| <b>Liabilities</b>    |   |                                  |                               |  |   |                             |                 |                                    |
| Borrowings            |   | (4,084,495)                      | (2,520,140)                   | (40,881)   | -   | -                           | (17,340)        | (6,662,856)                        |
| Debentures            |   | (20,215,457)                     | (455,653)                     | (157,774)  | (6,813)   | -                           | (6,171)         | (20,841,868)                       |
| Lease liabilities(*)  |   | (20,370)                         | 9,279                         | -  | (921)   | -                           | (13,789)        | (25,801)                           |
|                       | ₩ | <u>(24,320,322)</u>              | <u>(2,966,514)</u>            | <u>(198,655)</u>   | <u>(7,734)</u>  | <u>-</u>                    | <u>(37,300)</u> | <u>(27,530,525)</u>                |

(\*) The amount of change in cash flow includes ₩908 million in interest payments indicated as operating activities in the cash flow statement at the time of payment.

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**41. Contingent Liabilities and Commitments**

(a) Contingent liabilities

The Group has 26 pending lawsuits as a defendant including collection of overdue credit card receivables, as of December 31, 2022 for a total claim amount of ₩8,740 million. A legal provision of ₩4,240 million is recognized in the accompanying consolidated financial statements for expected loss due to lost litigation cases. Additional losses may be incurred from these legal actions, however the result of such the lawsuits cannot be predicted. Management believes that the result of the lawsuits would not have significant impact on the consolidated financial statements.

(b) ABS commitments

In trust-type asset securitizations, trust company can demand the Group to transfer additional assets if the transferred assets are below the agreed minimum amount. As prescribed by the respective asset transfer agreements and other contracts, the Group has an obligation to early redeem the asset-backed securities in certain cases, such as when outstanding balance of securitized assets falls below the agreed amount at each settlement period or when portfolio profitability ratio is less than primary cost ratio for three consecutive settlement periods. Investor Interest based on transferred assets is provided as collateral for asset-backed securities. As of December 31, 2022, the Group has no additional obligation for the asset-backed securities.

The Group has entered into an agreement with the trust company to provide asset management services for the transferred assets. Under the agreement, the Controlling Company provides various services such as billing, collection, and management of delinquencies, and receives service fees from the trust company recorded as asset securitization income.

(c) Other commitments

i) The Group has entered an agreement with Shinhan bank for the trust and consignment in order to perform various credit card services including recruitment of credit card members and merchants.

ii) The Group is subject to take necessary measures, including accumulation of required reserve or subscription to insurances or deductions, pursuant to Article 43-3 of the Use and Protection of the Credit Information Act. Accordingly, the Group has accumulated ₩2 billion as liability reserve for electronic banking and credit information.

iii) As of December 31, 2022, the Group has limit loan commitments amounting to ₩9,698 billion with banks including Hana bank and SC bank. In addition, the Group has entered into loan overdraft agreements (including daily check) amounting to ₩1,425 billion with banks including Shinhan bank and KB Kookmin bank.

iv) As of December 31, 2022, the uncollectible bad debts, for which right to claim is still effective, amounts to ₩3,490,964 million.

v) The unused credit provided by the Group as of December 31, 2022 and 2021 are ₩91,358,278 and ₩87,060,206, respectively. As of December 31, 2022, and 2021, the securities purchase agreement signed by the Group are ₩104,546 million and ₩34,468 million.

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**42. Asset Backed Securitization (ABS)**

(a) The initial transfer price of the credit card receivables sold by *Asset-Backed Securitization Act* as of December 31, 2022 and 2021 are as summarized as follows:

|                     | Transfer date |   | 2022      | 2021      |
|---------------------|---------------|---|-----------|-----------|
| Shinhan Card 2021-1 | 2021.01.21    | ₩ | -         | 630,000   |
| Shinhan Card 2021-2 | 2021.09.09    |   | -         | 678,947   |
| Shinhan Card 2022-1 | 2022.04.28    |   | 679,988   | -         |
| Shinhan Card 2022-2 | 2022.08.18    |   | 870,072   | -         |
| Shinhan Card 2022-3 | 2022.12.22    |   | 581,594   | -         |
|                     |               | ₩ | 2,131,654 | 1,308,947 |

(b) Details of uncollected transferred assets, which were sold by act on ABS, as of December 31, 2022 and 2021 are summarized as follows:

|                     | List of disposal asset  | Transfer date |   | 2022      | 2021      |
|---------------------|-------------------------|---------------|---|-----------|-----------|
| Shinhan Card 2018-2 | Credit card receivables | 2018.08.30    | ₩ | -         | 696,709   |
| Shinhan Card 2019-1 | Credit card receivables | 2019.02.27    |   | -         | 618,393   |
| Shinhan Card 2019-2 | Credit card receivables | 2019.07.10    |   | 650,493   | 893,906   |
| Shinhan Card 2019-3 | Credit card receivables | 2019.12.17    |   | 371,115   | 518,082   |
| Shinhan Card 2020-1 | Credit card receivables | 2020.04.23    |   | 772,162   | 726,495   |
| Shinhan Card 2021-1 | Credit card receivables | 2021.01.21    |   | 597,833   | 569,914   |
| Shinhan Card 2021-2 | Credit card receivables | 2021.09.09    |   | 759,603   | 721,925   |
| Shinhan Card 2022-1 | Credit card receivables | 2022.04.28    |   | 669,963   | -         |
| Shinhan Card 2022-2 | Credit card receivables | 2022.08.18    |   | 823,128   | -         |
| Shinhan Card 2022-3 | Credit card receivables | 2022.12.22    |   | 519,466   | -         |
|                     |                         |               | ₩ | 5,163,763 | 4,745,424 |

(c) Securitization of financial assets

The Group uses the securitization of financial assets as a means of financing and to transfer risk. Generally, these securitization transactions result in the transfer of contractual cash flows to the debt securities holders issued from the financial asset portfolio. The Group recognizes debt securities issued without derecognition of assets under individual agreements, partially recognizes assets to the extent of the Group's level of involvement in assets, or recognizes rights and obligations arising from the derecognition and transfer of assets as separate assets and liabilities. The Group derecognizes the entire asset only if it transfers contractual rights to the cash flows of financial assets or if it holds contractual rights but bears contractual obligations to pay cash flows to the other party without significant delays or reinvestment and transfers most of the risks and benefits of ownership (e.g., credit risk, interest rate risk, prepayment risk, etc.). For the years ended December 31, 2022 and 2021, the carrying amount of financial assets related to securitization transactions that have neither been transferred nor derecognized are ₩5,163,763 million and ₩4,745,424 million, respectively; the carrying amount of related liabilities are ₩2,981,836 million and ₩3,018,648 million, respectively.



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**43. Related Parties and related Parties Transactions**

(a) As of December 31, 2022, related parties of the Group are summarized as follows. Intra-group balances, and income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

| Name of company   | Control relationship  |
|---|-----------------------|
| Shinhan Financial Group Co., Ltd.   | Parent company        |
| Wave Technology   | Associates            |
| One Shinhan Connect Fund 1  | Associates            |
| One Shinhan Connect Fund 2  | Associates            |
| Shinhan Bank  | Other related parties |
| Shinhan Life Insurance Co., Ltd.  | Other related parties |
| Shinhan DS Co., Ltd.  | Other related parties |
| Shinhan Securities Co., Ltd.(*1)  | Other related parties |
| Jeju Bank   | Other related parties |
| BNP Paribas Cardif Life Insurance   | Other related parties |
| Shinhan Savings Bank  | Other related parties |
| Shinhan Aitas Co., Ltd.   | Other related parties |
| Shinhan Capital Co., Ltd.   | Other related parties |
| Shinhan Asset Management Co., Ltd.(*2)  | Other related parties |
| SHC Management Co., Ltd.  | Other related parties |
| Shinhan EZ General Insurance Co., Ltd.(*3)                                    | Other related parties |
| Shinhan REITs Management Co., Ltd.  | Other related parties |
| Shinhan AI Co., Ltd.  | Other related parties |
| Shinhan Asset Trust Co., Ltd.(*4)   | Other related parties |
| Shinhan Venture Investment Co, Ltd  | Other related parties |
| One Shinhan Futures New Technology Investment Association 1                   | Other related parties |
| One Shinhan Futures New Technology Investment Association 2                   | Other related parties |
| One Shinhan Futures New Technology Investment Association 3                   | Other related parties |
| Shinhan global flagship venture fund 1  | Other related parties |
| SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | Other related parties |

(\*1) Shinhan Investment Co., Ltd. has changed its name to Shinhan Securities Co., Ltd. for the year ended December 31, 2022.

(\*2) Shinhan Asset Management Co., Ltd. and Shinhan Alternative Investment Management Inc. merged on January 5, 2022. The company name after the merger is Shinhan Asset Management Co., Ltd. The comparative information of Shinhan Asset Management Co., Ltd. includes both amounts of Shinhan Asset Management Co., Ltd. and Shinhan Alternative Investment Management Inc. as of December 31, 2021.

(\*3) During the period, BNP Paribas Cardif General Insurance has changed its name to Shinhan EZ General Insurance Co., Ltd.

(\*4) During the period, Asia Trust Co., Ltd. has changed its name to Shinhan Asset Trust Co., Ltd.

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**43. Related Parties and Transactions (continued)**

(b) Significant transactions with the related parties for years ended December 31, 2022 and 2021 are as follows:

| Related party / Account                           | 2022     | 2021    |
|---|----------|---------|
| Shinhan Financial Group Co., Ltd.                 |          |         |
| Interest expense                                  | ₩ 48,105 | 40,904  |
| Fee and commission income                         | 31       | 11      |
| Fee and commission expense                        | 14,251   | 12,255  |
| Other general and administrative expense          | 83       | -       |
| Shinhan Bank (*1)                                 |          |         |
| Interest income                                   | 409      | 265     |
| Interest expense                                  | 8,505    | 4,054   |
| Fee and commission income                         | 5,865    | 3,584   |
| Fee and commission expense                        | 165,869  | 172,881 |
| Other operating income                            | 60       | 65      |
| Other general and administrative expense          | 3,614    | 3,020   |
| Gain on derivatives                               | 45,322   | 41,689  |
| Loss on derivatives                               | -        | 6,850   |
| (Reversal of) Provision for credit loss allowance | 6        | (4)     |
| Shinhan Credit Information Co., Ltd. (*2)         |          |         |
| Fee and commission income                         | 37       | 55      |
| Fee and commission expense                        | 12,650   | 26,120  |
| Shinhan Life Insurance Co., Ltd.                  |          |         |
| Interest income                                   | 747      | 563     |
| Interest expense                                  | 1,181    | 761     |
| Fee and commission income                         | 17,919   | 15,222  |
| Fee and commission expense                        | 29       | 274     |
| Other general and administrative expense          | 13       | 70      |
| Provision for (Reversal of) credit loss allowance | 1        | (1)     |
| Shinhan DS Co., Ltd. (*3)                         |          |         |
| Interest income                                   | -        | 1       |
| Fee and commission income                         | 2        | 2       |
| Fee and commission expense                        | 63,908   | 57,561  |
| Other operating income                            | 3        | 1       |
| Other general and administrative expense          | 19       | 25      |
| (Reversal of) Provision for credit loss allowance | (3)      | (1)     |
| Shinhan Securities Co., Ltd. (*1)                 |          |         |
| Interest income                                   | 132      | 53      |
| Interest expenses                                 | -        | 42      |
| Fee and commission income                         | 141      | 154     |
| Fee and commission expense                        | 213      | 293     |
| Other operating expense                           | 18       | 26      |
| (Reversal of) Provision for credit loss allowance | 2        | -       |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**43. Related Parties and Transactions (continued)**

(b) Significant transactions with the related parties for the years ended December 31, 2022 and 2021 are as follows:  
(continued)

| Related party / Account                           | 2022  | 2021 |
|---|-------|------|
| Jeju Bank   |       |      |
| Fee and commission income                         | ₩ 13  | 14   |
| Fee and commission expense                        | 4     | 9    |
| BNP Paribas Cardif Life Insurance                 |       |      |
| Fee and commission income                         | 40    | 42   |
| Shinhan Savings Bank                              |       |      |
| Interest income                                   | 208   | -    |
| Fee and commission income                         | 372   | 12   |
| Other general and administrative income           | 1,379 | 11   |
| Shinhan Aitas Co., Ltd.                           |       |      |
| Fee and commission income                         | 1     | 2    |
| Shinhan Asset Management Co., Ltd.                |       |      |
| Fee and commission income                         | 1     | 5    |
| Fee and commission expense                        | -     | 2    |
| Other general and administrative income           | 5     | 2    |
| Interest income                                   | 5     | -    |
| (Reversal of) Provision for credit loss allowance | (3)   | 1    |
| SHC Management Co., Ltd.                          |       |      |
| Other operating income                            | 55    | 55   |
| Shinhan EZ General Insurance Co., Ltd.            |       |      |
| Fee and commission income                         | 1     | 4    |
| Other operating expense                           | 1     | -    |
| (Reversal of) Provision for credit loss allowance | (5)   | 6    |
| Shinhan REITs Management Co., Ltd.                |       |      |
| Fee and commission income                         | 16    | 16   |
| Shinhan Asset Trust Co., Ltd.                     |       |      |
| Provision for (Reversal of) credit loss allowance | 1     | 1    |
| Shinhan AI Co., Ltd.                              |       |      |
| Interest income                                   | -     | 2    |
| Fee and commission income                         | 16    | 2    |
| Fee and commission expense                        | -     | 180  |
| Other general and administrative expense          | 40    | 107  |
| (Reversal of) Provision for credit loss allowance | (2)   | 1    |

(\*1) For years ended December 31, 2022 and 2021, the Group recognized the right-of-use assets and lease liabilities amounting to ₩10,335 million and ₩11,203 million, respectively, according to the lease contract with the other related amounting to ₩9,953 million and ₩11,200 million. In relation to this, the Group recognized interest expense amounting to ₩22 million and ₩299 million.

(\*2) For year ended December 31, 2022, it was included as a wholly-owned subsidiary of the Group, the amount before it was included as a wholly-owned subsidiary of the Group is disclosed.

(\*3) As of December 31, 2022 and 2021, the Group acquired a tangible asset amounting to ₩1,915 million and ₩470 million, and an intangible asset from other related parties amounting to ₩10,947million and ₩8,600 million.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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43. Related Parties and related Parties Transactions (continued)

(c) Significant balances with the related parties as of December 31, 2022 and 2021 are summarized as follows:

| Related party / Account                   | 2022    | 2021   |
|---|---------|--------|
| Shinhan Financial Group Co., Ltd.         |         |        |
| Credit card receivables                   | ₩ 579   | 435    |
| Financing lease assets                    | -       | 9      |
| Consolidated tax accounts                 | 21,634  | 93     |
| Shinhan Bank(*1)                          |         |        |
| Cash and due from banks                   | 123,259 | 31,428 |
| Credit card receivables                   | 8,674   | 9,308  |
| Financing lease assets                    | 39      | 391    |
| Allowance for Doubtful Accounts           | (6)     | (4)    |
| Derivative assets                         | 44,644  | 23,090 |
| Accounts receivable                       | 8,702   | 9,843  |
| Accrued income                            | 33      | 3      |
| Security deposits paid                    | 11,345  | 9,284  |
| Shinhan Credit Information Co., Ltd. (*2) |         |        |
| Credit card receivables                   | -       | 112    |
| Shinhan Life Insurance Co., Ltd. (*1)     |         |        |
| Credit card receivables                   | 2,557   | 2,303  |
| Allowance for Doubtful Accounts           | (2)     | (1)    |
| Accounts receivable                       | 42      | 1,574  |
| Plan assets                               | 33,236  | 32,555 |
| Shinhan DS Co., Ltd.                      |         |        |
| Credit card receivables                   | 744     | 475    |
| Financing lease assets                    | -       | 10     |
| Allowance for Doubtful Accounts           | (3)     | (4)    |
| Shinhan Securities Co., Ltd. (*1)         |         |        |
| Cash and due from banks                   | 1,436   | 942    |
| Credit card receivables                   | 2,606   | 2,382  |
| Accounts receivable                       | -       | 1,449  |
| Allowance for Doubtful Accounts           | (2)     | (2)    |
| Security deposits paid                    | 300     | 300    |
| Jeju Bank                                 |         |        |
| Cash and due from banks                   | 731     | 214    |
| Finance lease assets                      | -       | 8      |
| BNP Paribas Cardif Life Insurance         |         |        |
| Credit card receivables                   | 117     | 87     |
| Shinhan Saving Bank                       |         |        |
| Cash and due from banks                   | 13,615  | -      |
| Credit card receivables                   | 173     | 96     |
| Allowance for Doubtful Accounts           | 202     | -      |
| Accrued income                            | 64      | -      |
| Allowance for Doubtful Accounts           | (1)     | (1)    |
| Shinhan Aitas Co., Ltd.                   |         |        |
| Credit card receivables                   | 187     | 131    |
| Shinhan Capital Co., Ltd.                 |         |        |
| Credit card receivables                   | 426     | 377    |
| Shinhan Asset Management Co., Inc.        |         |        |
| Credit card receivables                   | 295     | 268    |
| Finance lease assets                      | 64      | -      |
| Allowance for Doubtful Accounts           | -       | (2)    |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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For the years ended December 31, 2022 and 2021  
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**43. Related Parties and Transactions (continued)**

(c) Significant balances with the related parties as of December 31, 2022 and 2021 are summarized as follows, continued:

| Related party / Account                 | 2022             | 2021           |
|---|------------------|----------------|
| Shinhan REITs Management Co., Ltd.      |                  |                |
| Credit card receivables                 | ₩ 65             | 67             |
| Shinhan AI Co., Ltd.                    |                  |                |
| Credit card receivables                 | 38               | 34             |
| Finance lease assets                    | -                | 4              |
| Prepaid expenses                        | 27               | 27             |
| Allowance for Doubtful Accounts         | -                | (2)            |
| Shinhan Asset Trust Co., Ltd.           |                  |                |
| Credit card receivables                 | 349              | 384            |
| Allowance for Doubtful Accounts         | (1)              | (1)            |
| Shinhan EZ General Insurance Co., Ltd.  |                  |                |
| Credit card receivables                 | 55               | 24             |
| Allowance for unused credit commitments | -                | (2)            |
| Shinhan Venture Investment Co, Ltd.     |                  |                |
| Credit card receivables                 | 62               | 40             |
| <b>Total accounts receivable</b>        | <b>₩ 276,285</b> | <b>127,728</b> |

(\*1) The Group has paid ₩7,426 million to Shinhan Financial Group, the parent company, in connection with the group joint business during the previous term. Of these, ₩6,820 million will be preserved by Shinhan Bank, Shinhan Investment and Shinhan Life Insurance and is included in the receivables and debts of related parties.

(\*2) For the year ended December 31, 2022, it was included as a wholly-owned subsidiary of the Group.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**43. Related Parties and Transactions (continued)**

(c) Significant balances with the related parties as of December 31, 2022 and 2021 are summarized as follows, continued:

| Related party / Account                 | 2022        | 2021      |
|---|-------------|-----------|
| Shinhan Financial Group Co., Ltd.       |             |           |
| Borrowings                              | ₩ 2,224,939 | 2,189,765 |
| Current tax liabilities                 | 79,310      | 181,290   |
| Accrued expenses                        | 25,487      | 21,542    |
| Allowance for unused credit commitments | 1           | -         |
| Shinhan Bank                            |             |           |
| Derivative liabilities                  | 1,046       | 2,493     |
| Borrowings                              | 494,608     | 96,149    |
| Provision for restoration               | 550         | 550       |
| Accounts payable                        | 8,618       | 6,071     |
| Accrued expenses                        | 969         | 1,390     |
| Lease liabilities                       | 9,953       | 11,200    |
| Allowance for unused credit commitments | 11          | 7         |
| Shinhan Credit Information Co., Ltd.(*) |             |           |
| Accounts payable                        | -           | 2,955     |
| Shinhan Life Insurance Co., Ltd.        |             |           |
| Debentures                              | 30,000      | 30,000    |
| Accounts payable                        | 966         | 57        |
| Accrued expenses                        | 539         | 144       |
| Other liabilities                       | 24,971      | -         |
| Allowance for unused credit commitments | 1           | 1         |
| Shinhan Securities Co., Ltd.            |             |           |
| Allowance for unused credit commitments | 2           | 2         |
| Shinhan DS Co., Ltd.                    |             |           |
| Accrued expenses                        | 1,080       | 336       |
| Accounts payable                        | -           | 5         |
| Allowance for unused credit commitments | 1           | 2         |
| Shinhan Capital Co., Ltd.               |             |           |
| Allowance for unused credit commitments | 1           | -         |
| Shinhan Asset Trust Co., Ltd.           |             |           |
| Allowance for unused credit commitments | 1           | -         |
| Shinhan Saving Bank                     |             |           |
| Allowance for unused credit commitments | -           | 1         |
| Shinhan EZ General Insurance Co., Ltd.  |             |           |
| Allowance for unused credit commitments | -           | 4         |
| Shinhan Asset Management Co., Inc.      |             |           |
| Accounts payable                        | -           | 1         |
| Allowance for unused credit commitments | -           | 1         |
| <b>Total accounts payable</b>           | ₩ 2,903,055 | 2,543,966 |

(\* ) For the year ended December 31, 2022, it was included as a wholly-owned subsidiary of the Group.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**43. Related Parties and Transactions (continued)**

(d) Fund transactions between the related parties for the years ended December 31, 2022 and 2021 are summarized as follows:

(i) Borrowing · Repayment

| Control relationship       | Related party                     | 2022      |           |                               | 2021      |           |
|----------------------------|-----------------------------------|-----------|-----------|-------------------------------|-----------|-----------|
|                            |                                   | Borrowing | Repayment | Issuance of Hybrid bonds (*2) | Borrowing | Repayment |
| Parent Company             | Shinhan Financial Group Co., Ltd. | ₩ 300,000 | (300,000) | 400,000                       | 513,684   | (300,000) |
| Other related parties (*1) | Shinhan Bank Co., Ltd.            | 535,849   | (140,791) | -                             | 107,462   | (103,221) |
| Other related parties      | Shinhan Life Insurance Co., Ltd.  | 25,622    | -         | -                             | -         | -         |

(\*1) During the years ended December 31, 2022 and 2021, the amount of borrowing of lease liabilities under lease contracts concluded with other related parties is ₩ 212 million and ₩ 14,597 million, and the repayment amount is ₩ 1,791 million and ₩ 1,796 million, respectively.

(\*2) It is the amount before deducting the costs associated with issuance of hybrid bonds. For the year ended December 31, 2022, the Group has paid dividend of ₩12,042 from hybrid bonds.

(ii) Investment – collection

| Control relationship      | Related party   | 2022       |            | 2021       |            |
|---------------------------|---|------------|------------|------------|------------|
|                           |   | Investment | Collection | Investment | Collection |
| Other related party       | One-Shinhan Futures New Technology Investment Association 1                   | ₩ -        | (397)      | -          | -          |
| Other related party       | One-Shinhan Futures New Technology Investment Association 2                   | -          | -          | 390        | -          |
| Other related party       | One-Shinhan Futures New Technology Investment Association 3                   | 198        | -          | -          | -          |
| Other related party       | Shinhan global flagship venture fund 1  | 6,000      | -          | -          | -          |
| Other related party       | SH Real Estate Loan Investment Type Private Real Estate Investment Trust No.2 | 7,561      | (386)      | 3,532      | -          |
| Investments in associates | Wave Technology(*)  | -          | -          | 500        | -          |
| Investments in associates | One-Shinhan Connect Fund 1  | 11,100     | (12,163)   | 72,000     | -          |
| Investments in associates | One-Shinhan Connect Fund 2  | 11,250     | -          | -          | -          |

(\*) For the year ended December 31, 2022, ₩130 million replaced by fair value financial assets through profit or loss is included as investments asset in associates.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**43. Related Parties and Transactions (continued)**

(d) Fund transactions between the related parties for the years ended December 31, 2022 and 2021 are summarized as follows, continued:

(iii) *The transaction of payment and deposit that occurs due to business reasons between related parties is excluded.*

(e) Key management personnel compensations for the years ended December 31, 2022 and 2021 are as follows:

|                          | <u>2022</u>    | <u>2021</u>  |
|--------------------------|----------------|--------------|
| Salaries and wages       | ₩ 3,703        | 2,984        |
| Post-employment benefits | 111            | 50           |
| Share-based payments     | 1,247          | 1,658        |
|                          | <u>₩ 5,061</u> | <u>4,692</u> |

(f) Details of the guarantee provided by related parties as of December 31, 2022 and 2021 are as follows:

| <u>Guarantor</u> | <u>Guaranteed Party</u> |   | <u>Amount of guarantee</u> |             | <u>Details</u>                         |
|------------------|-------------------------|---|----------------------------|-------------|--|
|                  |                         |   | <u>2022</u>                | <u>2021</u> |  |
| Shinhan Bank     | Shinhan Card Co., Ltd   | ₩ | 300,000                    | 500,000     | Daily check overdraft agreement        |
|                  |                         |   | 42,592                     | 41,993      | Unused credit commitment               |
|                  |                         |   | 36,878                     | 16,716      | Financial guarantee (letter of credit) |

(g) The main agreement with related parties as of December 31, 2022 and 2021 are as follows:

| <u>Related Party</u>                      |   | <u>Amount of commitment</u> |             | <u>Details</u>                  |
|---|---|-----------------------------|-------------|---------------------------------|
|   |   | <u>2022</u>                 | <u>2021</u> |                                 |
| Shinhan Bank                              | ₩ | 1,037,409                   | 1,301,098   | Derivative facilities           |
| Shinhan Financial Group Co., Ltd.         |   | 3,421                       | 3,565       | Unused credit card commitment   |
| Shinhan Bank                              |   | 58,225                      | 58,263      | Unused credit card commitment   |
| Shinhan Life Insurance Co., Ltd.          |   | 5,943                       | 5,198       | Unused credit card commitment   |
| Shinhan DS Co., Ltd.                      |   | 756                         | 1,025       | Unused credit card commitment   |
| Shinhan Securities Co., Ltd.              |   | 7,894                       | 8,118       | Unused credit card commitment   |
| BNP Paribas Cardif Life Insurance         |   | 883                         | 913         | Unused credit card commitment   |
| Shinhan Savings Bank                      |   | 77                          | 154         | Unused credit card commitment   |
| Shinhan Aitas Co., Ltd.                   |   | 813                         | 869         | Unused credit card commitment   |
| Shinhan Capital Co., Ltd.                 |   | 2,164                       | 2,213       | Unused credit card commitment   |
| Shinhan Asset Management                  |   | 705                         | 301         | Unused credit card commitment   |
| Shinhan EZ General Insurance Co., Ltd.    |   | 195                         | 226         | Unused credit card commitment   |
| Shinhan REITs Management Co., Ltd.        |   | 135                         | 33          | Unused credit card commitment   |
| Shinhan Asset Trust Co., Ltd.             |   | 951                         | 616         | Unused credit card commitment   |
| Shinhan Credit Information Co., Ltd. (*1) |   | -                           | 288         | Unused credit card commitment   |
| Shinhan AI Co., Ltd.                      |   | 62                          | 16          | Unused credit card commitment   |
| Structured Entities (*2)                  |   | 104,546                     | 34,468      | Securities purchase commitments |

(\*1) For the year ended December 31, 2022, it was included as a wholly-owned subsidiary of the Group.

(\*2) The amount is for the Group's associates and other structured entities that are other related parties.



SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
For the years ended December 31, 2022 and 2021  
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**43. Related Parties and Transactions (continued)**

(h) The collateral provided to related parties as of December 31, 2022 and 2021 are as follows.

| Related Party                    | Collateral asset        | Set amount of collateral |      |
|----------------------------------|-------------------------|--------------------------|------|
|                                  |                         | 2022                     | 2021 |
| Shinhan Bank                     | Bond(*) ₩               | 520,000                  | -    |
| Shinhan Bank                     | Cash and due from banks | 180                      | -    |
| Shinhan Savings Bank             | Cash and due from banks | 50                       | -    |
| Shinhan Life Insurance Co., Ltd. | Cash and due from banks | 10                       | -    |

(\*) The Group provides lease bonds classified as operating leases and financial leases as collateral.

(i) During the year ended December 31, 2022, the receivables acquired and sold through Shinhan Securities Co., Ltd. amounted to ₩312,439 million and ₩342,915 million, respectively, of which Shinhan Securities Co., Ltd. acquired debentures issued by the Group for ₩190,000 million.

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
**Notes to the Consolidated Financial Statements (continued)**  
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**44. Interests in Unconsolidated Structured Entities**

(a) The nature and extent of interests in unconsolidated structured entities

The Group involved in assets-backed securitization, beneficiary certificates and characteristics of these structured entities are as follows:

|                              | <u>Description</u>   |
|------------------------------|--|
| Assets-backed securitization | Securitization vehicles are established to buy the assets from the originators and issue the asset-backed securities in order to facilitate the originators' funding activities and enhance their financial soundness. The Group is involved in the securitization vehicles as the asset manager.  |
| Investment fund              | Investment funds are investment trusts, private investment companies, and associations that raise funds by issuing profit (investment) securities to investors and distribute the profits to investors by investing in stocks or bonds. The Group is an investor in an investment fund and may be exposed to principal losses if the value of the investment fund falls. |

(i) The size of unconsolidated structured entities as of December 31, 2022 and 2021 are as follows:

|                              |   | <u>2022</u>       | <u>2021</u>       |
|------------------------------|---|-------------------|-------------------|
| Assets-backed securitization | ₩ | 260,986           | 227,072           |
| Investment fund              |   | 29,314,199        | 22,164,647        |
| Total assets                 | ₩ | <u>29,575,185</u> | <u>22,391,719</u> |

(ii) Gain or loss recognized in relation to the Group's interests in unconsolidated structured entities for the years ended December 31, 2022 and 2021 are as follows:

|                   | <u>2022</u>                        |                        |              |
|-------------------|------------------------------------|------------------------|--------------|
|                   | <u>Asset-backed securitization</u> | <u>Investment fund</u> | <u>Total</u> |
| Gain              |                                    |                        |              |
| Gain on valuation | ₩ 135                              | 533                    | 668          |
| Other income      | 6,159                              | 675                    | 6,834        |
|                   | ₩ <u>6,294</u>                     | <u>1,208</u>           | <u>7,502</u> |
| Loss              | ₩ -                                | 171                    | 171          |
|                   |                                    |                        |              |
|                   | <u>2021</u>                        |                        |              |
|                   | <u>Asset-backed securitization</u> | <u>Investment fund</u> | <u>Total</u> |
| Gain              |                                    |                        |              |
| Gain on valuation | ₩ 320                              | 175                    | 495          |
| Other income      | 5,578                              | -                      | 5,578        |
|                   | ₩ <u>5,898</u>                     | <u>175</u>             | <u>6,073</u> |
| Loss              | ₩ -                                | 35                     | 35           |

SHINHAN CARD CO., LTD. AND SUBSIDIARIES  
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**44. Interests in Unconsolidated Structured Entities (continued)**

(b) Nature of risks

(i) The carrying amounts of the assets and liabilities recognized relating to the Group's interests in unconsolidated structured entities as of December 31, 2022 and 2021 are as follows:

|                           |   | <b>2022</b>                            |                        |              |
|---------------------------|---|--|------------------------|--------------|
|                           |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b> |
| Assets:                   |   |  |                        |              |
| Financial assets at FVTPL | ₩ | 1,526                                  | 379,411                | 380,937      |

|                           |   | <b>2021</b>                            |                        |              |
|---------------------------|---|--|------------------------|--------------|
|                           |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b> |
| Assets:                   |   |  |                        |              |
| Financial assets at FVTPL | ₩ | 1,390                                  | 347,123                | 348,513      |

(ii) Maximum exposure to risk relating to the Group's interests in unconsolidated structured entities as of December 31, 2022 and 2021 are as follows:

|                      |   | <b>2022</b>                            |                        |              |
|----------------------|---|--|------------------------|--------------|
|                      |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b> |
| Assets held          | ₩ | 1,526                                  | 379,411                | 380,937      |
| Purchase commitments |   | -                                      | 33,896                 | 33,896       |

|                      |   | <b>2021</b>                            |                        |              |
|----------------------|---|--|------------------------|--------------|
|                      |   | <b>Asset-backed<br/>securitization</b> | <b>Investment fund</b> | <b>Total</b> |
| Assets held          | ₩ | 1,390                                  | 347,123                | 348,513      |
| Purchase commitments |   | -                                      | 16,468                 | 16,468       |

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**Notes to the Consolidated Financial Statements (continued)**  
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**45. Interest Rate Index Reform**

In relation to interest rate index reform, the amendments provide exceptions including adjust effective interest rate instead of carrying amounts when interest rate index of financial instruments at amortized costs is replaced and apply hedge accounting without discontinuance although the interest rate index is replaced in hedging relationship.

Regarding the suspension of LIBOR interest rate calculation, the financial instruments that have not been converted to replaced interest rate index among the LIBOR interest rates as of December 31, 2022 are as follows:

(a) Non-derivative financial liabilities

|   | <u>Carrying amount</u> |
|---|------------------------|
|   | <u>USD LIBOR (*)</u>   |
| Financial liabilities at amortized cost:                        |                        |
| Debentures  | ₩ 258,393              |
| (*) Products due before the end of June 2023 have been excluded |                        |

(b) Derivative financial assets

|  | <u>Notional amount</u> |
|--|------------------------|
|  | <u>USD LIBOR (*)</u>   |
| For hedge:   |                        |
| Currency related   | ₩ 258,529              |
| (*) Products due before the end of June 2023 have been excluded. |                        |

**46. Uncertainty due to Changes in Domestic and Global Economic Conditions**

The outbreak of COVID-19 has had a significant impact on the global economy including Korea. Financial and economic conditions arising may have a negative impact on the Group's results of operations by increasing a potential impairment on assets and the expected credit losses of certain asset portfolio.

The risk exposure of the portfolio, which is determined to be highly affected by the COVID-19 virus, is as follows.

|                    | <u>Business</u>       |   | <u>Financial assets</u>  |  | <u>Total limit</u> |
|--------------------|-----------------------|---|--------------------------|--|--------------------|
|                    |                       |   | <u>at amortized cost</u> |  |                    |
| Credit card assets | Credit Sales          | ₩ | 439,882                  |  | 870,572            |
|                    | Short-term card loans |   | 187,652                  |  |                    |
|                    | Long-term card loans  |   | 424,445                  |  | -                  |
|                    |                       | ₩ | <u>1,051,979</u>         |  | <u>870,572</u>     |

In comprehensive consideration of the above circumstances, the Group reassessed the forward-looking information used to estimate expected credit losses allowances in applying Korean IFRS 1109 'Financial Instrument'.

In a statistical model that assumes the correlation between the default rates used in estimating the expected credit losses and the major economic factors, the Group reassessed forecasting default rates by applying estimates from major economic factors.

The Group will continue to monitor forward-looking information, taking into account the duration of COVID-19 pandemic impact to the economy and the government's policies.

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**47. Business combination**

(a) Business combination

On December 23, 2020, the Group entered into a stock purchase agreement to purchase all issued shares of Shinhan Credit Information Co., Ltd. from Shinhan Financial Group Co., Ltd. After obtaining approval for dealing in stocks in accordance with the relevant laws, all issued shares were acquired on July 28, 2022. As the transaction is a business combination between the controlling subsidiaries, the assets and liabilities of Shinhan Credit Information acquired by the consolidated company were reflected in the carrying amount, and the difference between consideration of transfer of stocks of ₩20,354 million and the acquired net asset value of ₩20,491 million was adjusted to the capital surplus.

(b) Acquisition assets and Liabilities

| <u>Account</u>  | <u>Amount</u>   |
|---|-----------------|
| <b>Assets</b>   |                 |
| Cash and due from banks                               | ₩ 16,426        |
| Financial assets at fair value through profit or loss | 4               |
| Property and equipment, net                           | 1,512           |
| Intangible assets                                     | 2,071           |
| Deferred tax assets                                   | 1,536           |
| Net defined benefit assets                            | 97              |
| Other assets  | 9,204           |
|   | <u>30,850</u>   |
| <b>Liabilities</b>                                    |                 |
| Provisions  | 3,632           |
| Other liabilities                                     | 6,727           |
|   | <u>10,359</u>   |
| <b>Net assets</b>                                     | <u>₩ 20,491</u> |

(c) Net cash outflows from business combination

| <u>Classification</u>                 | <u>Amount</u>  |
|---------------------------------------|----------------|
| Consideration paid in cash            | ₩ 20,354       |
| Cash and cash equivalents acquired(*) | (16,094)       |
|                                       | <u>₩ 4,260</u> |

(\*) The amount of cash and cash equivalents acquired is the amount of cash and due from banks excluding restricted deposits.

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