

 Aim Higher and Creatively Pioneering Ahead

Shinhan Financial Group



Korea's Leading Financial Institution

Sustainable Net Income growth driven by solid core earnings and consistent ROE enhancing business strategy (4th consecutive years)



Global Expansion and Diversification

Established the foundation for the sustainable growth through steady and consistent global expansion and business diversification



Thorough Risk Management

Maintaining sound asset qualities through preemptive and proactive risk management



Growth through Corporate Social Responsibility

Implementing the "Compassionate Finance" to build a virtuous cycle of shared prosperity for the company and society



About SFG – SFG at a Glance

Overview

(As of Dec. 31, 2017)

- **Net Income** : KRW 2.92 trillion
- **Total Consolidated Assets** : KRW 426 trillion
- **Total Market Cap**: KRW 23.4 trillion
- **ROA** : 0.71%
- **ROE** : 9.19%
- **14 direct subsidiaries, 25 indirect subsidiaries**
- **Number of Employees** : 26,443
- **Major Shareholders**
 - Korea National Pension Service 9.55%
 - BlackRock Fund Advisors 6.13%¹⁾
 - SFG ESOP 4.71%
 - BNP Paribas 3.55%
 - Citi Bank [ADR Dept.] 3.06%

1) Based on the Large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisory Service on Sep. 27, 2018



Well-diversified Business Portfolio



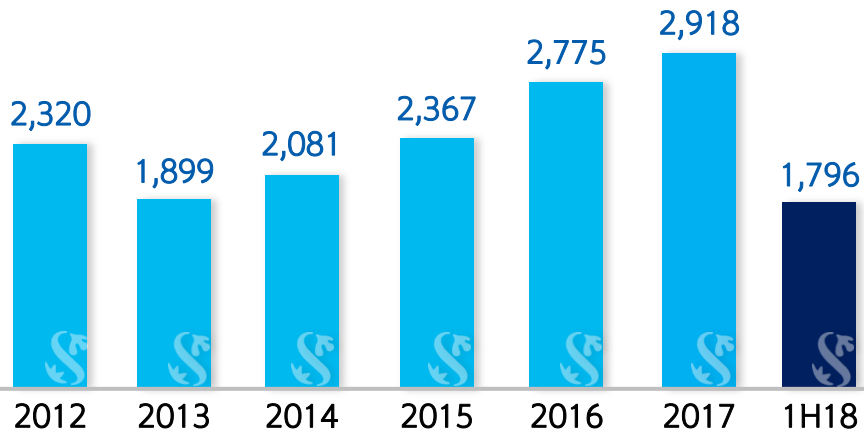
Top 500 Banking Brand

Ranking	Company	Nationality
1	ICBC	China
3	Wells Fargo	US
9	HSBC	UK
40	DBS Group	Singapore
52	Mizuho Financial Group	Japan
67	Shinhan Financial Group	Korea
	:	

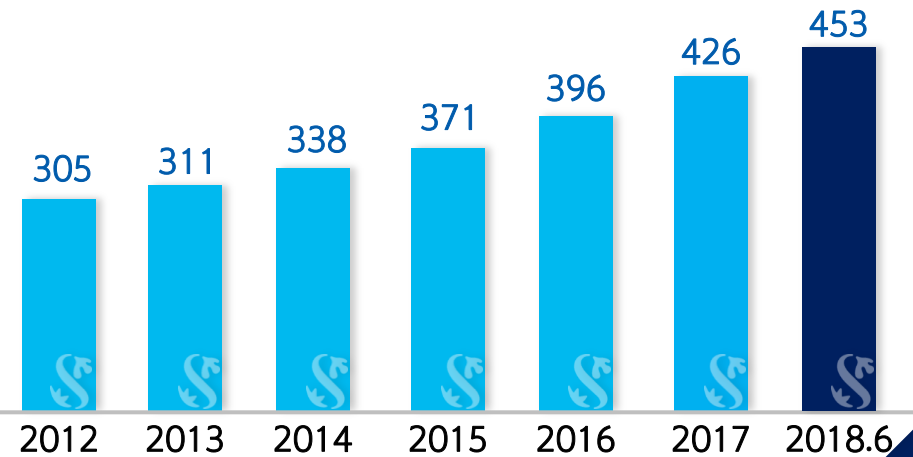
* Source: The Banker (Feb. 2018)

About SFG – Financial Highlights

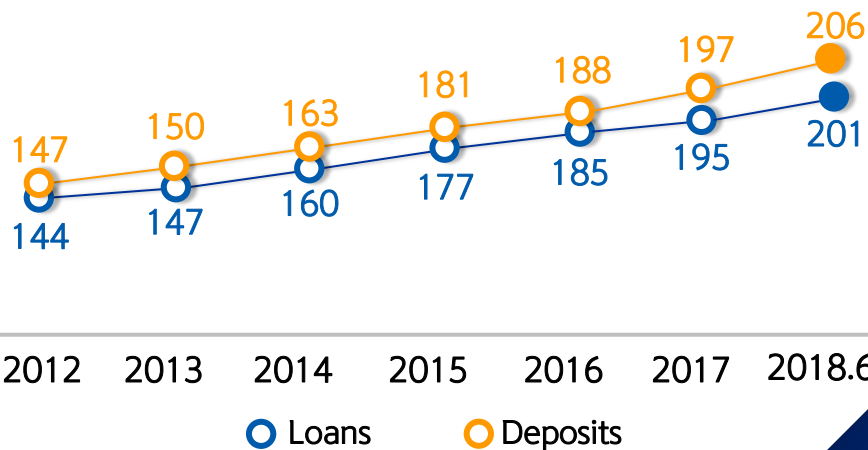
Group Consolidated NI (KRW billion)



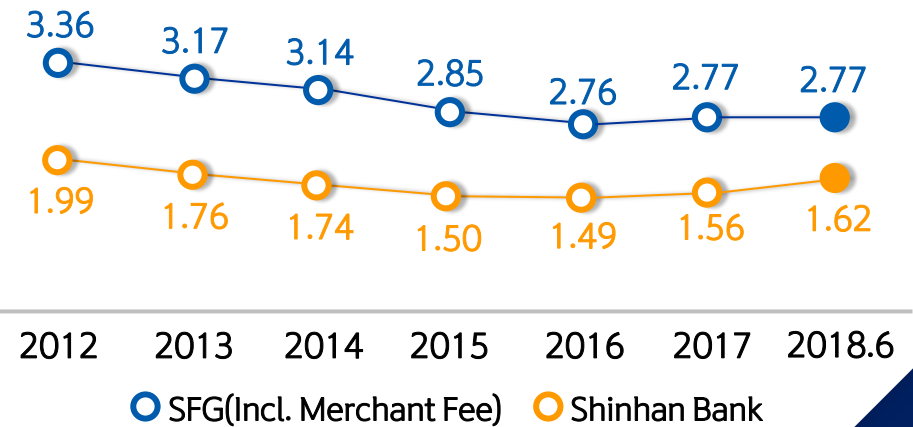
Group Consolidated Assets (KRW trillion)



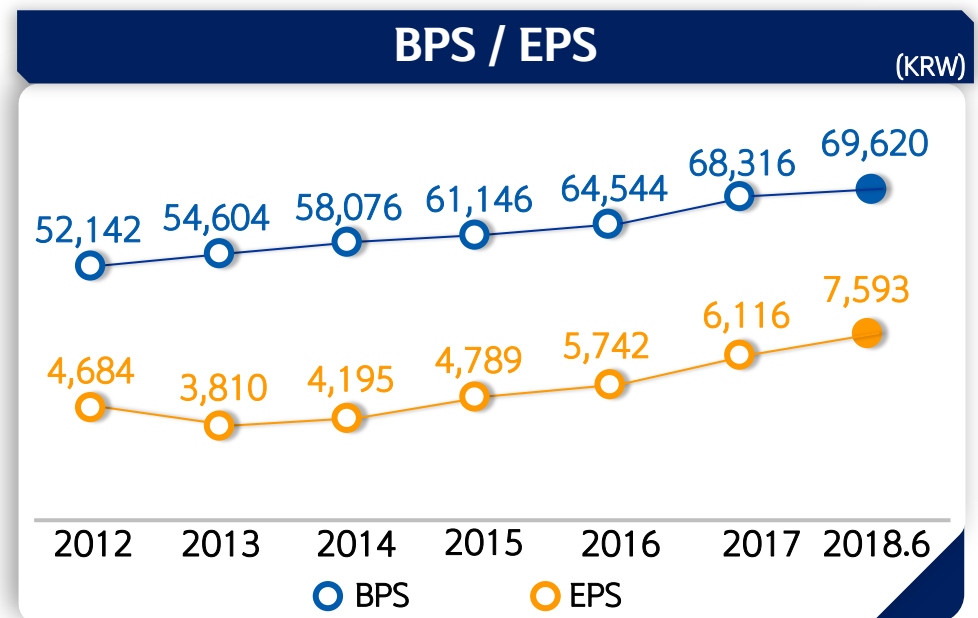
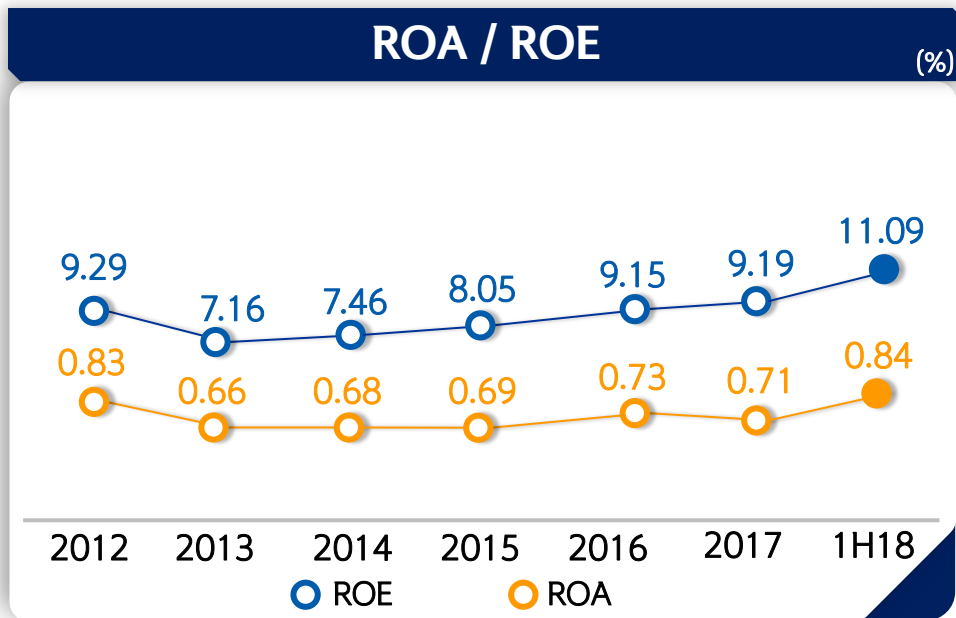
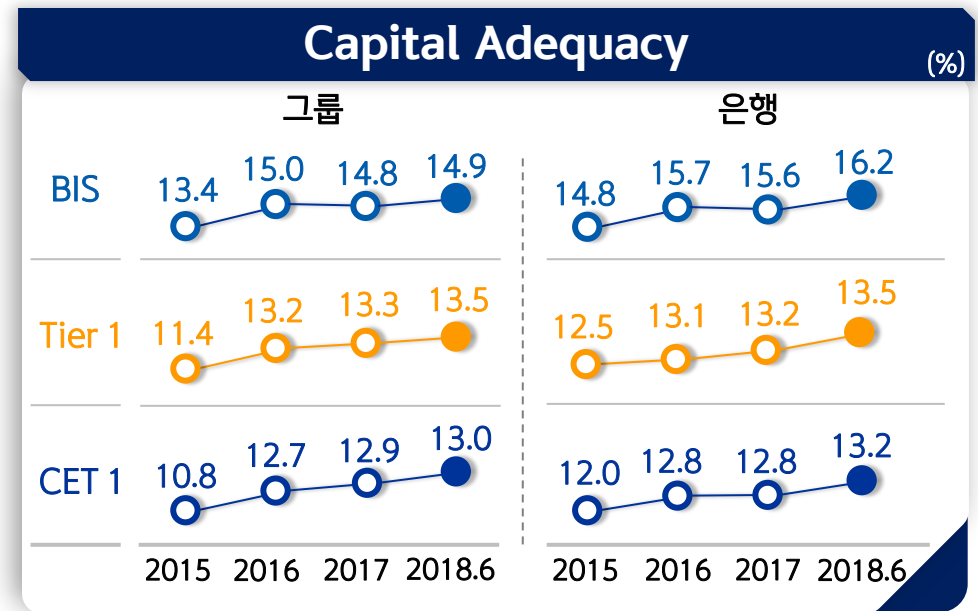
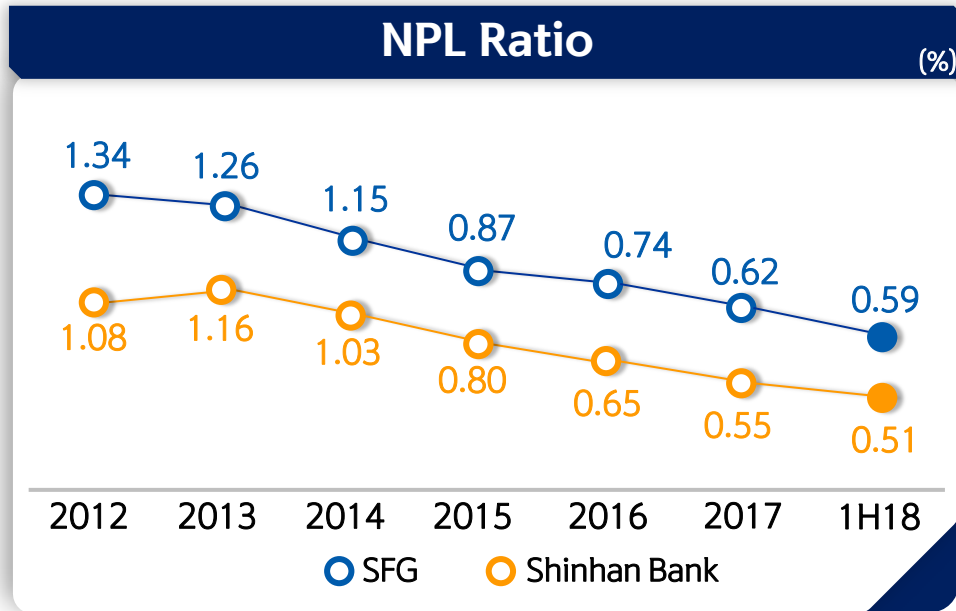
Loans and Deposits of SHB (KRW trillion)



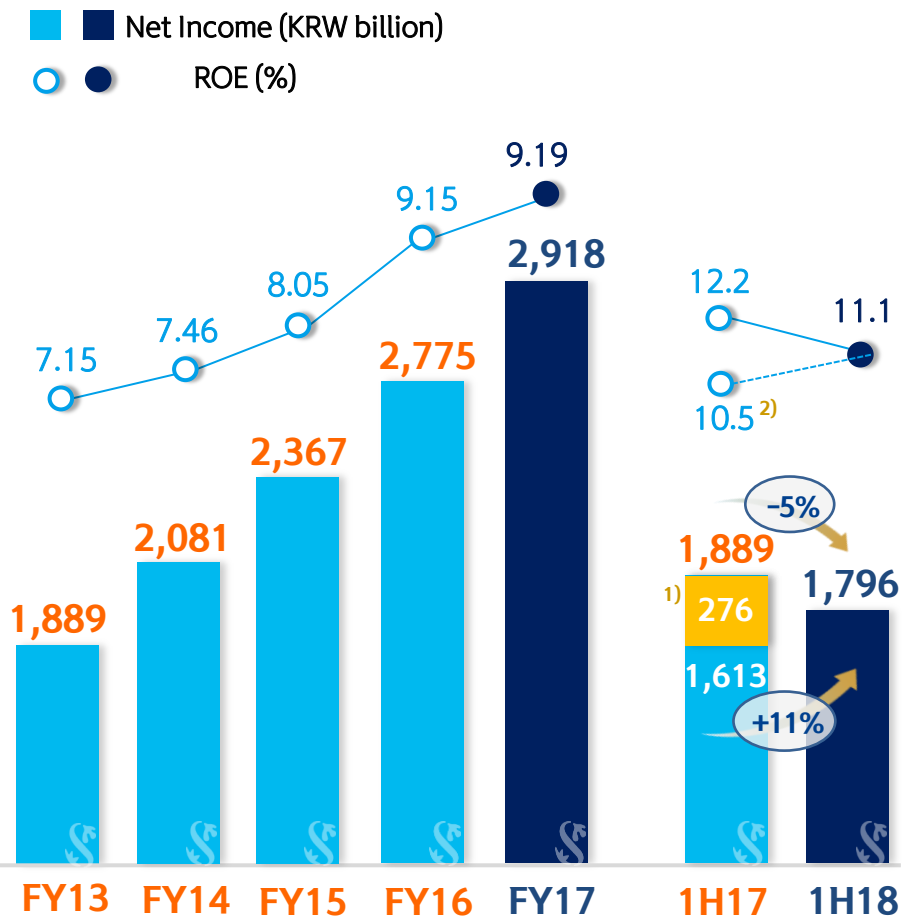
Net Interest Margin (NIM) (%)



About SFG - Financial Highlights



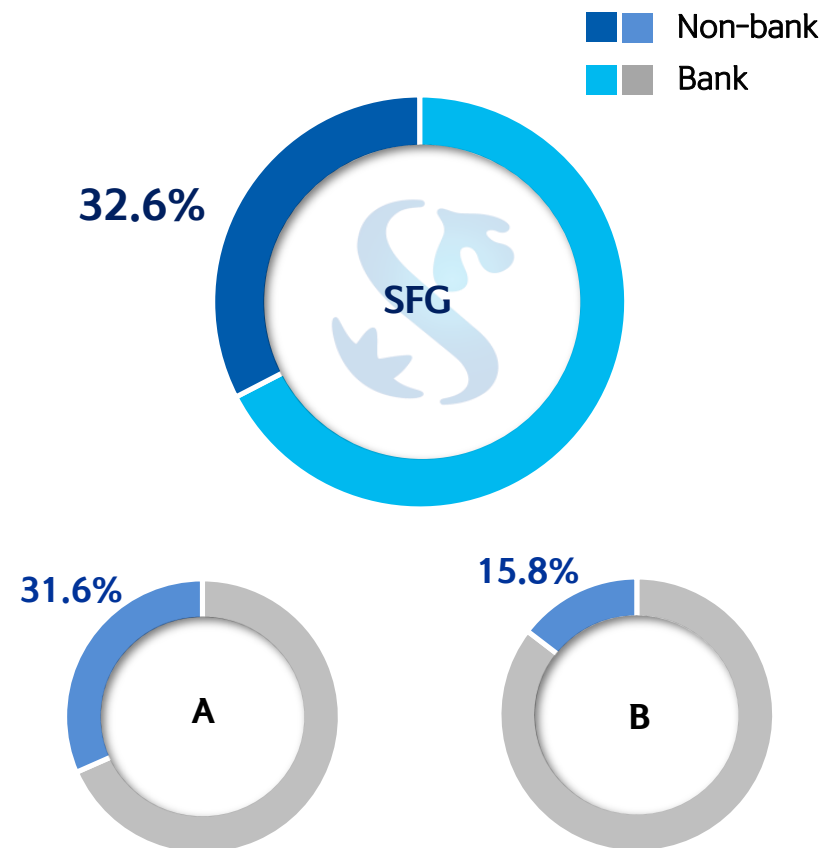
Consistent Net Income Growth



Note 1) Write-backs from SHC in 1Q17
 Note 2) ROE Excluding Write-backs from SHC in 1Q17

Diversified Profit Base

Net Income Contribution by Non-bank Subsidiaries (1H18)

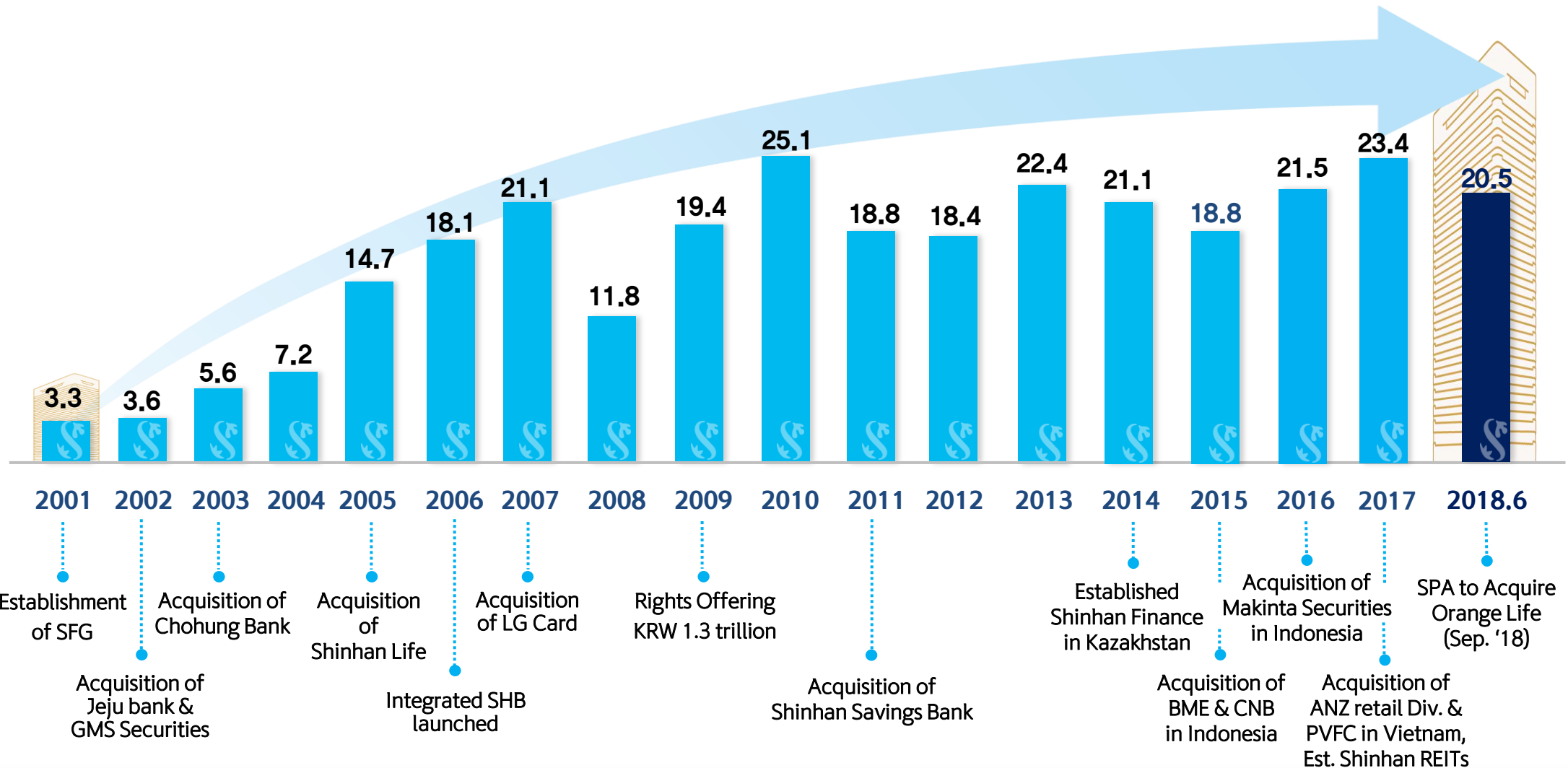




About SFG – Consistent Inorganic Growth Strategy

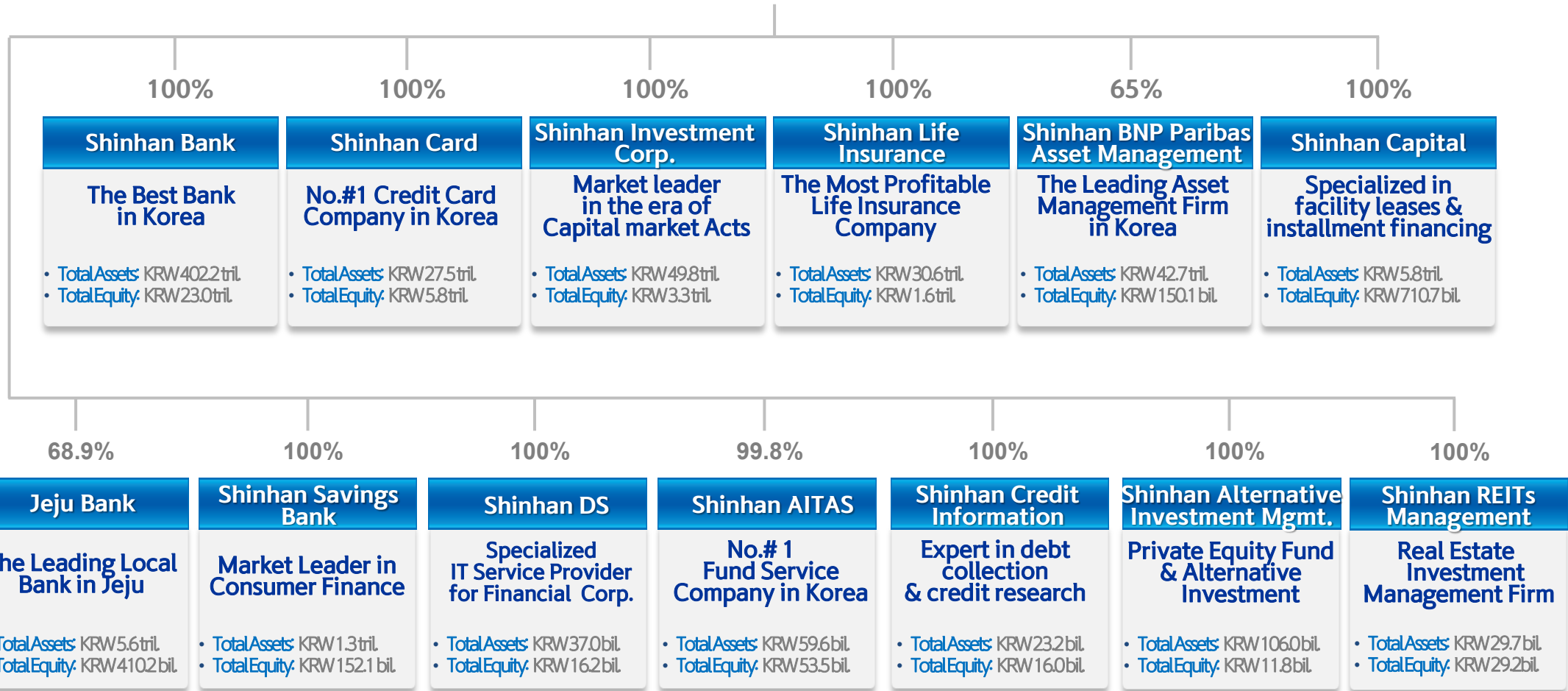
● Market Capitalization

(KRW trillion)



About SFG – Group Organization

Well-organized Leading Financial Group in Korea










Note) Based on Consolidated Financial Statements, Trust A/C and AUM are included in Total Assets.

(As of June 30, 2018)

About SFG – Recognition of SFG’s CSR

SFG is included in global CSR initiatives, as well as composed of Socially Responsible Investment funds following ESG indices. Due to continuous CSR activities, SFG is recognized as a role model that fits the global CSR standard by global investment and research firms. The evaluation is above the industrial average.

Milestones in the CSR Journey

	Index	Grade/Score	Benchmark Index	Award/Certification	
Overseas	 <p>MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM</p>	DJSI	Score: 81	DJSI World DJSI Asia-Pacific DJSI Korea	Included in DJSI World index for the first time among Korean financial groups for six consecutive years
	 <p>GLOBAL 100</p>	Global 100	Rank: 46th Score: 67.00	Global 100	Selected Global 100 Most Sustainable Corporations in the Davos Forum for six consecutive years
	 <p>CDP DRIVING SUSTAINABLE ECONOMIES</p>	CDP	Leadership A	-	First financial group in Korea to be included in the Honors Club for four consecutive years
	 <p>ISS Governance QuickScore 3.0</p>	ISS Quality Score	Grade: 1 (Highest: 1)	-	-
Domestic	 <p>CGS Corporate Governance Service 한국기업지배구조원</p>	Korea Corporate Governance Service (CGS)	Grade: A+ (Governance: S ('17), sole recipient in Korea)	KRX ESG SRI Index KRX ESG Leaders 150 KRX Governance Leaders 100 KRX Eco Leaders 100	Awarded the Grand Prize in the Korea Corporate Governance Service for two consecutive years
	 <p>대신지배구조연구소 Daeshin Corporate Governance Institute</p>	Daeshin Corporate Governance Inst.	The Best Company among Korean financial groups	-	-
	 <p>산업통상자원부 MINISTRY OF TRADE, INDUSTRY & ENERGY MOTIE</p>	Ministry of Trade, Industry and Energy	President’s Commendation for Korea’s Most Loved company	-	Awarded the Grand Prize for Sustainable Management

Group Vision “World Class Financial Group”

2020 S.M.A.R.T PROJECT

Since the establishment of the financial holding company in 2001, Shinhan Financial Group has strived to become Korea's world-class financial group

Set Mid-term Goal

- Leap to the Asia's leading financial group
 - Balanced Growth
 - Glocalization
 - Digital Transformation
 - Uphold the Shinhan Culture

New Initiatives (2017~2020)

Qualitative Growth (2011~2016)

Solidifying Sustainable Growth

- Declaration of Group Mission 『Compassionate Finance』
- Established “CIB/WM” business model

Overcoming Crisis (2008~2010)

Global Financial Crisis

- Enhanced capacity to overcome financial meltdown
- Innovating the group-wide business management system

Quantitative Growth (2002~2007)

Switched to a Financial Holding Company

- Strengthening banking & non-banking operations through a series of successful M&As (bank, credit card, brokerage, asset management and life insurance)

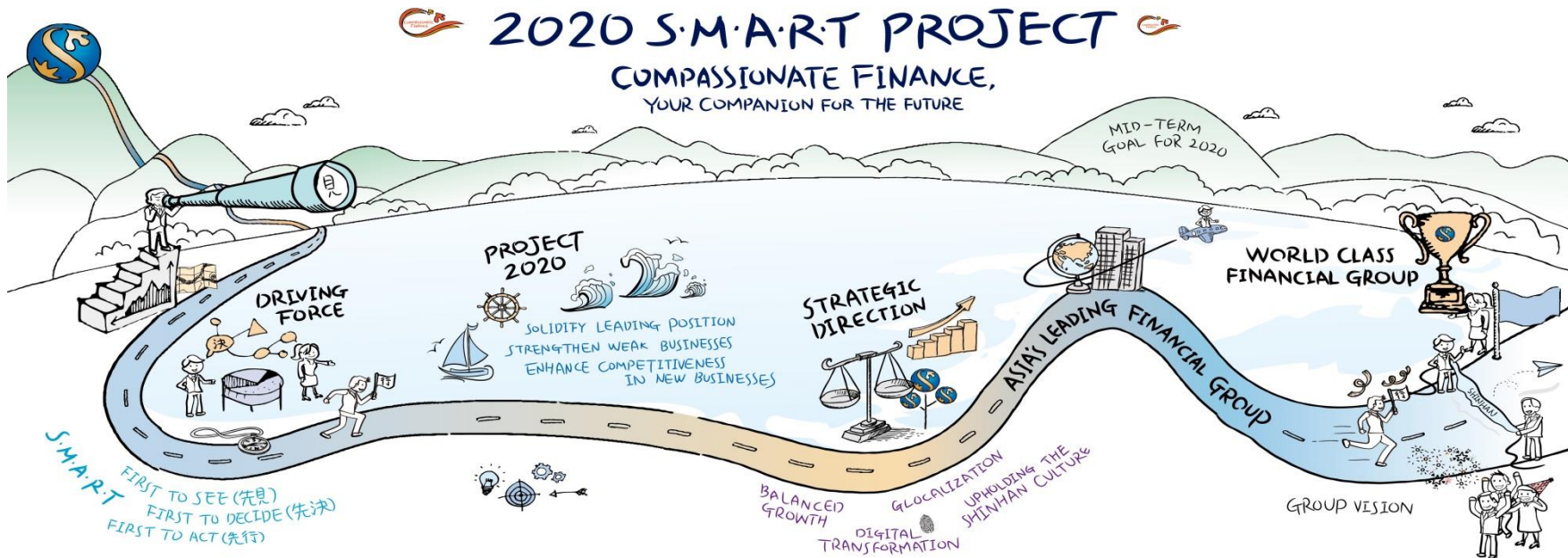
Competency Building (1982~2001)

Early stages

- Establishment of Shinhan Bank
- Consistent organic growth through innovated products and services

SFG Mid-term Goal – 2020 S·M·A·R·T Project

SFG launched 2020 SMART Project to give Shinhan a practical means of making the leap forward into 'Asia's Leading Financial Group,' which is our mid-term goal.



2020 SMART Project

- 1** Driving Force - Leadership
First to See, First to Decide, First to Act
- 2** Strategic Direction
 1. Balanced Growth
 2. Glocalization
 3. Digital Transformation
 4. Uphold the Shinhan Culture

3 Way of Work

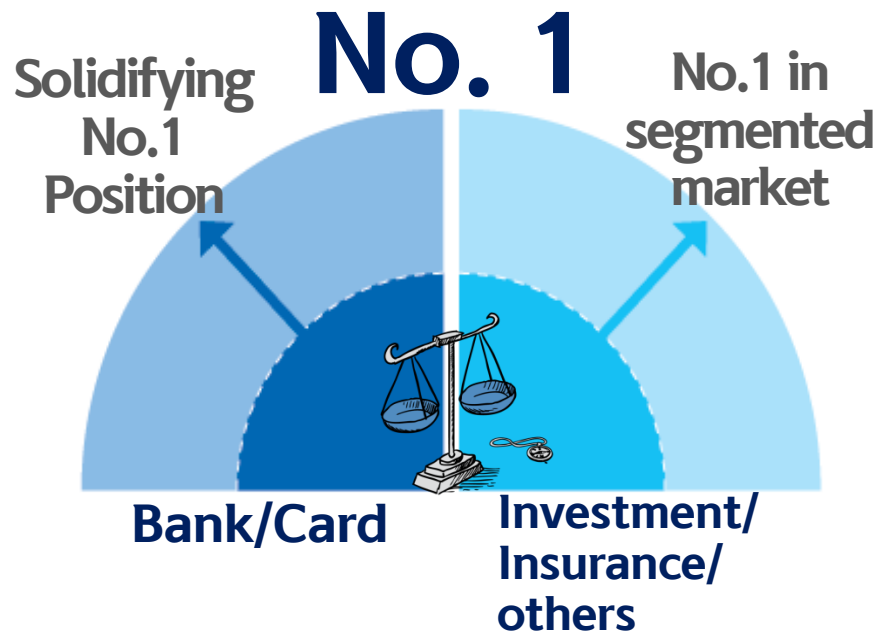
- S** Specific / Segmentation
- M** Measurable
- A** Action-oriented
- R** Realistic
- T** Time-based

2020 SMART Project – Balanced Growth

Based on the stable source of income, SFG implements balanced growth strategy for banks and non-bank subsidiaries by finding new growth drivers to maximize the value.

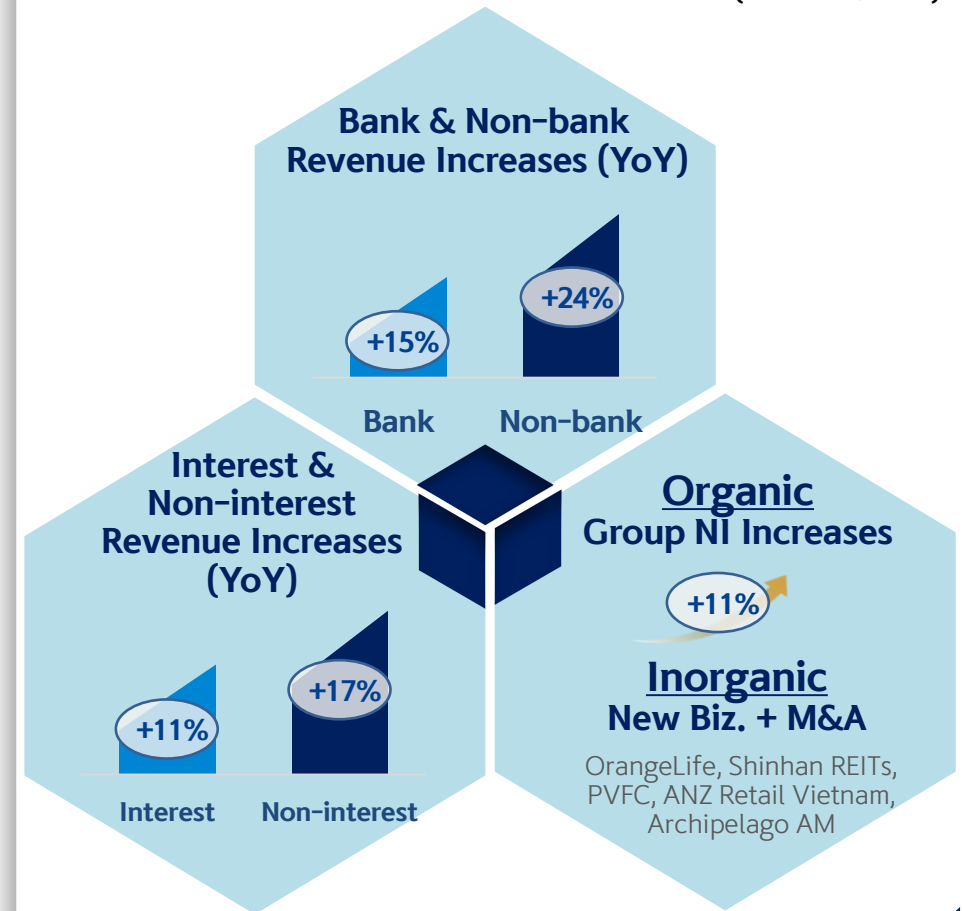
Balanced Growth Strategy

Organic + Inorganic Growth
to Maximize the Group's Value



Major Achievements

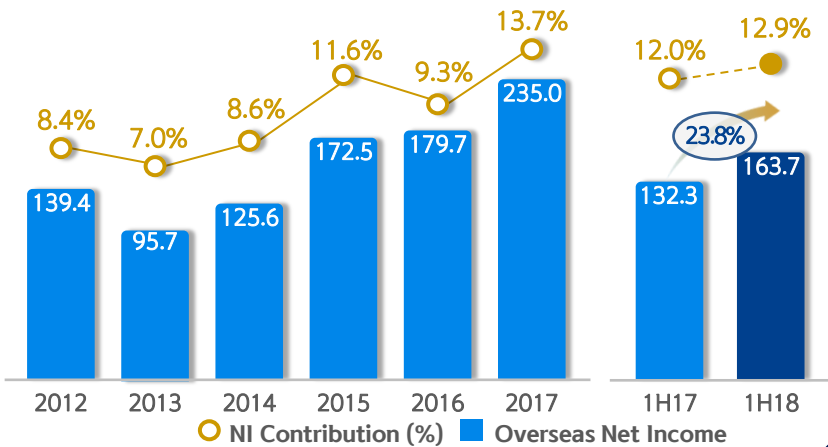
(As of Jun. 2018)



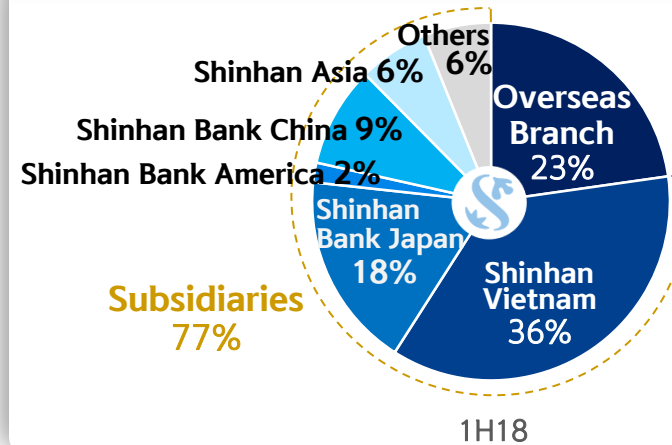
2020 SMART Project – Glocalization

SFG has been consistently putting a lot of effort into the global business operations not only to secure the long-term future growth driver but to diversify the profit base as well.

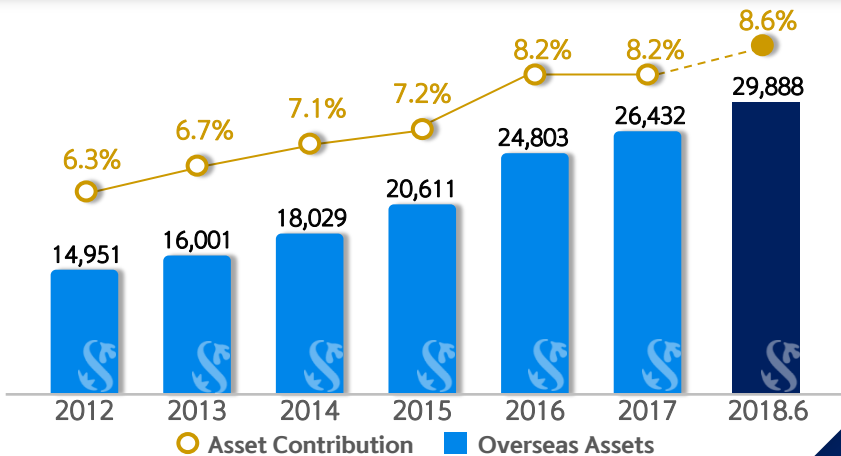
SHB NI Contribution by Overseas Operation



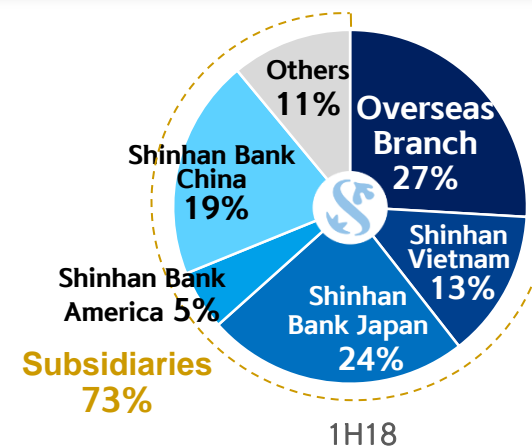
SHB NI Composition



SHB Asset Contribution by Overseas Operation



SHB Asset Composition

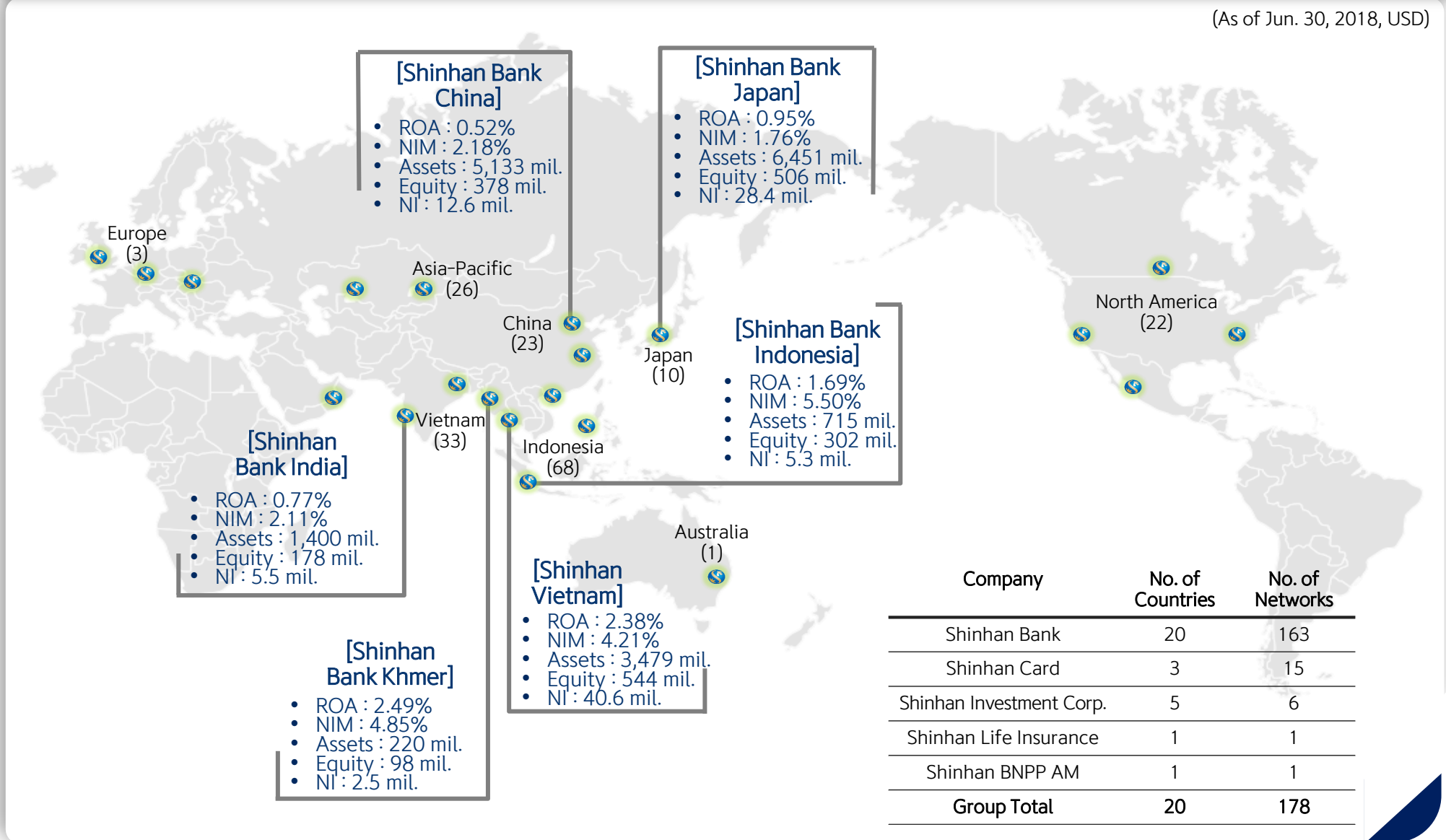




2020 SMART Project – Glocalization

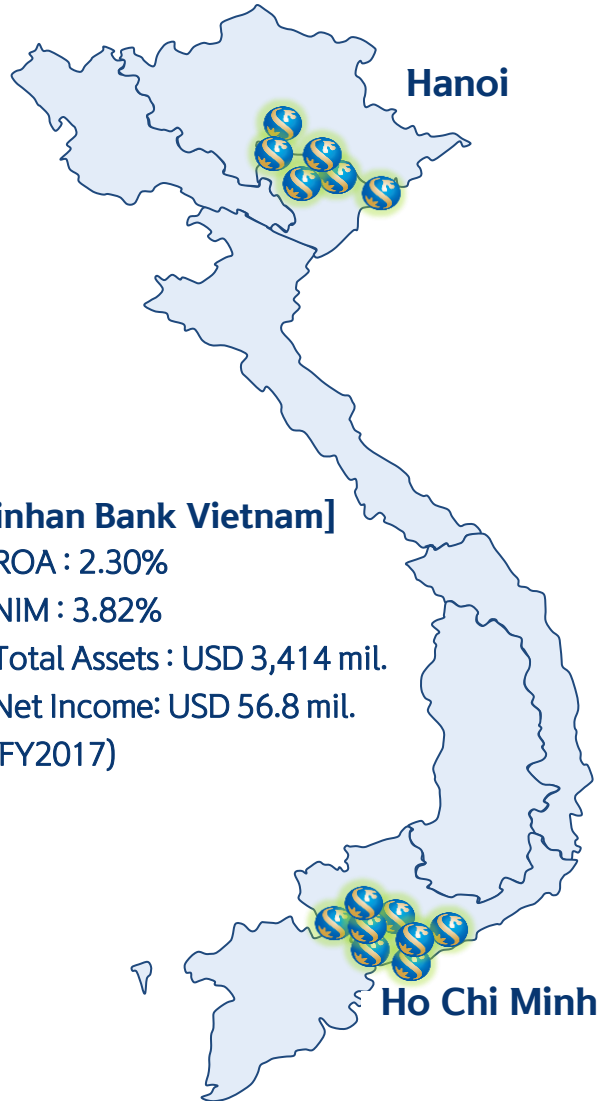
SFG Global Networks : 20 Countries, 186 Networks

(As of Jun. 30, 2018, USD)





Shinhan's Presence in Vietnam



[Shinhan Bank Vietnam]

- ROA : 2.30%
- NIM : 3.82%
- Total Assets : USD 3,414 mil.
- Net Income: USD 56.8 mil. (FY2017)

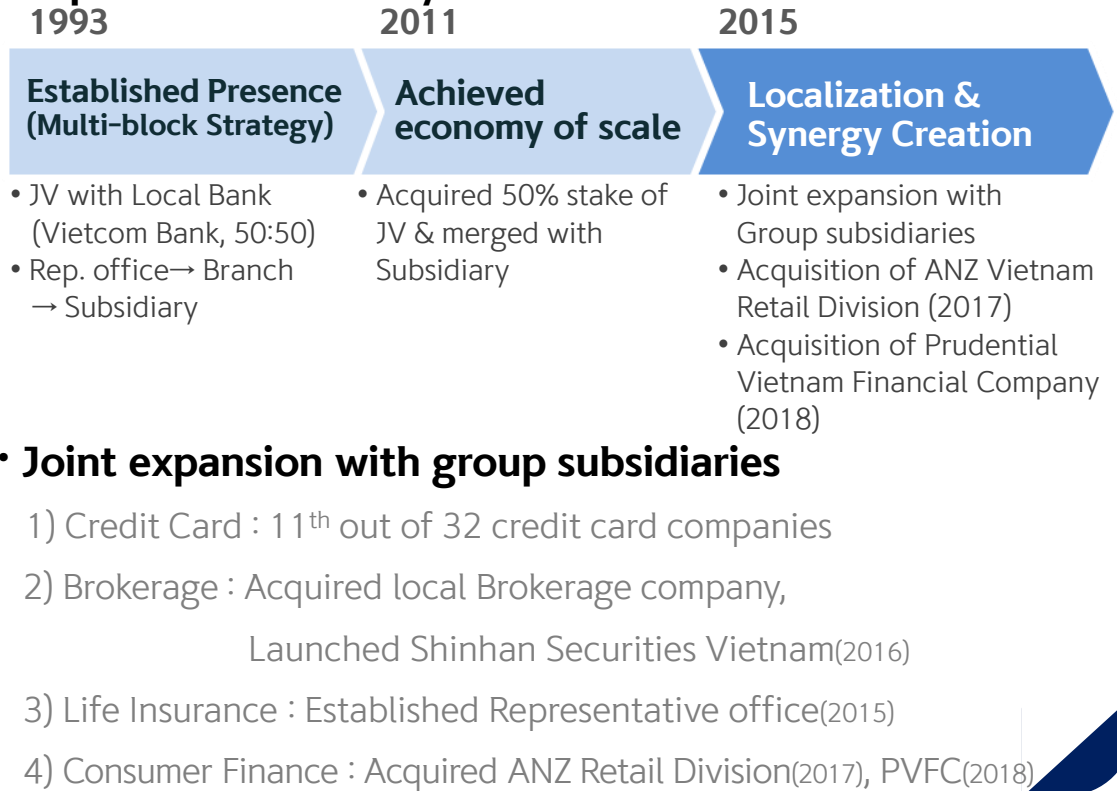
• 2nd Largest foreign Bank in Vietnam

(in terms of Net Profit & Loans)

• Largest network base among foreign banks

(29 Networks : Bank 26, Card 1, Investment 1, Life Insurance 1)

• Experiences over 20 years in Vietnam

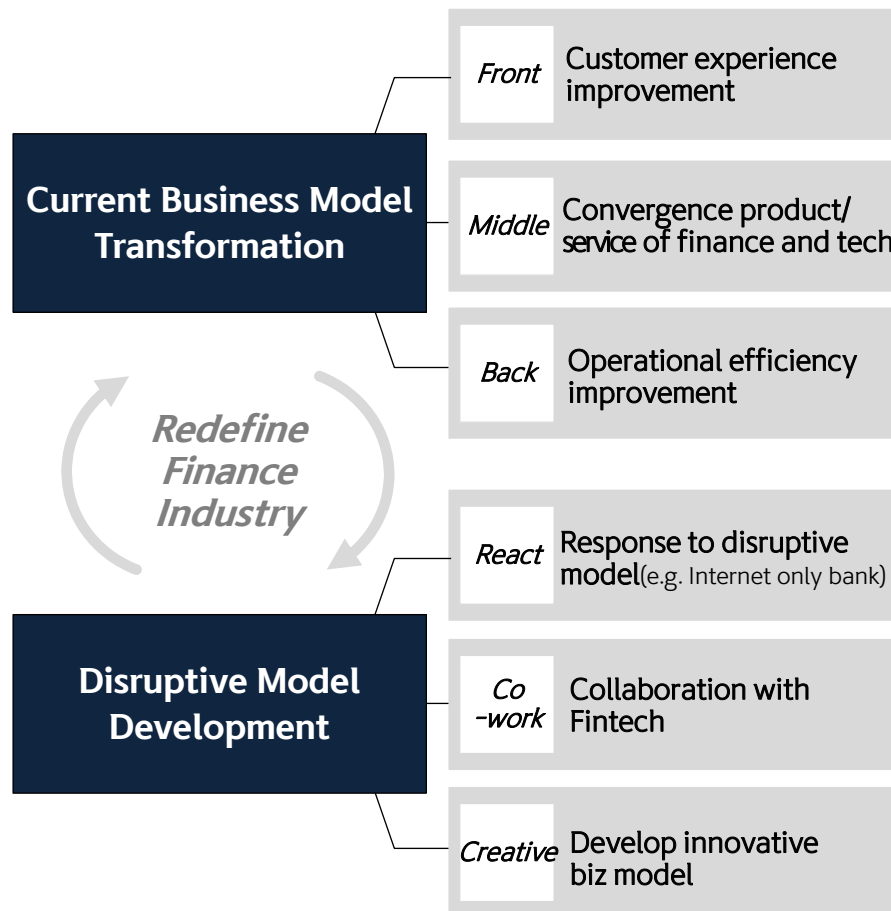


2020 SMART Project – Digital Transformation

In order to perfect 2020 SMART Project and take the Group business model to a next level, SFG established “Digital Shinhan” upgrade plan : 2 Tracks + 10 Enablers.

Shinhan Financial Group Digital Strategy

2 Tracks for DT Strategy



10 Enablers for Digital Transformation

- ① Digital Technology AI/IoT, Blockchain, Open Innovation, Cloud, DX(Digital Experience)
- ② Human Resources Development Digital specialists training program, Education
- ③ Recruiting, Industry-academy coop. Securing professionals, Industry and academy cooperation
- ④ Way of work, Culture Agile, Test & Learn, Magnanimity to new trials and failures
- ⑤ Organization, Governance Chief Digital Officer(CDO), Matrix system, Shinhan digital campus
- ⑥ Enhance & Connect Platform Renewal financial platform, Connect non-financial platform
- ⑦ Partnership, Joint Venture Partnership with ICT / retail leaders, Construct Digital ecosystem
- ⑧ Intellectual Property 'Digital Shinhan' intellectual property
- ⑨ Strategic Roadmap, Change Management Define strategic destination, 'To-Be', Prioritization of plans, Communications
- ⑩ Regulatory Reform Improvement of company regulations, Persuade authorities

Current Business Model Transformation

01

Customer Experience Improvement

- Understanding and communicating with customers as individuals
- Providing excellent customer experience in digital (Single View, Seamless Omni Channel)



SOLBank
- Shinhan Bank



FAN
- Shinhan Card

02

Convergence Products / Services

- Digitally specialized, mobile, convergence products and services



Geo Fencing
Card Linked
Offer Service
- Shinhan
Card

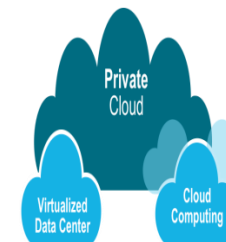


Bigdata-based
Affiliate
Marketing
Platform(MyShop)
- Shinhan
Card

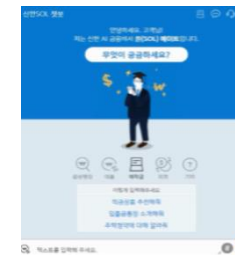
03

Operational Efficiency Improvement

- Achieving high efficiency in channel and operation via digital technology
- Optimization of channel, risk management, FDS¹⁾, RPA¹⁾, chatbot



Building and
expanding
private and
public Cloud



Chatbot
- Shinhan
Bank

Note 1) FDS : Fraud Detection System / RPA : Robot Process Automation

Disruptive Model Development

01

Response to Disruptive Model

- Providing Extreme customer convenience and substantial benefit
- Enhancing product/service/platform competitiveness



Launching preemptive services: Auto loan, digital deposit



Maximize convenience of existing products / services

02

Collaboration with Fintech

- Developing collaborative models through the creation of fintech ecosystem in Shinhan
- Building open innovation platform



Shinhan Future's Lab 2.0 (61 startups) - Expanding globally



Open Innovation - Advancement in group API platform & building digital ecosystem

03

Innovative Biz Model Development

- Shinhan's unique digital business model development
- Connecting life platform via digital technology

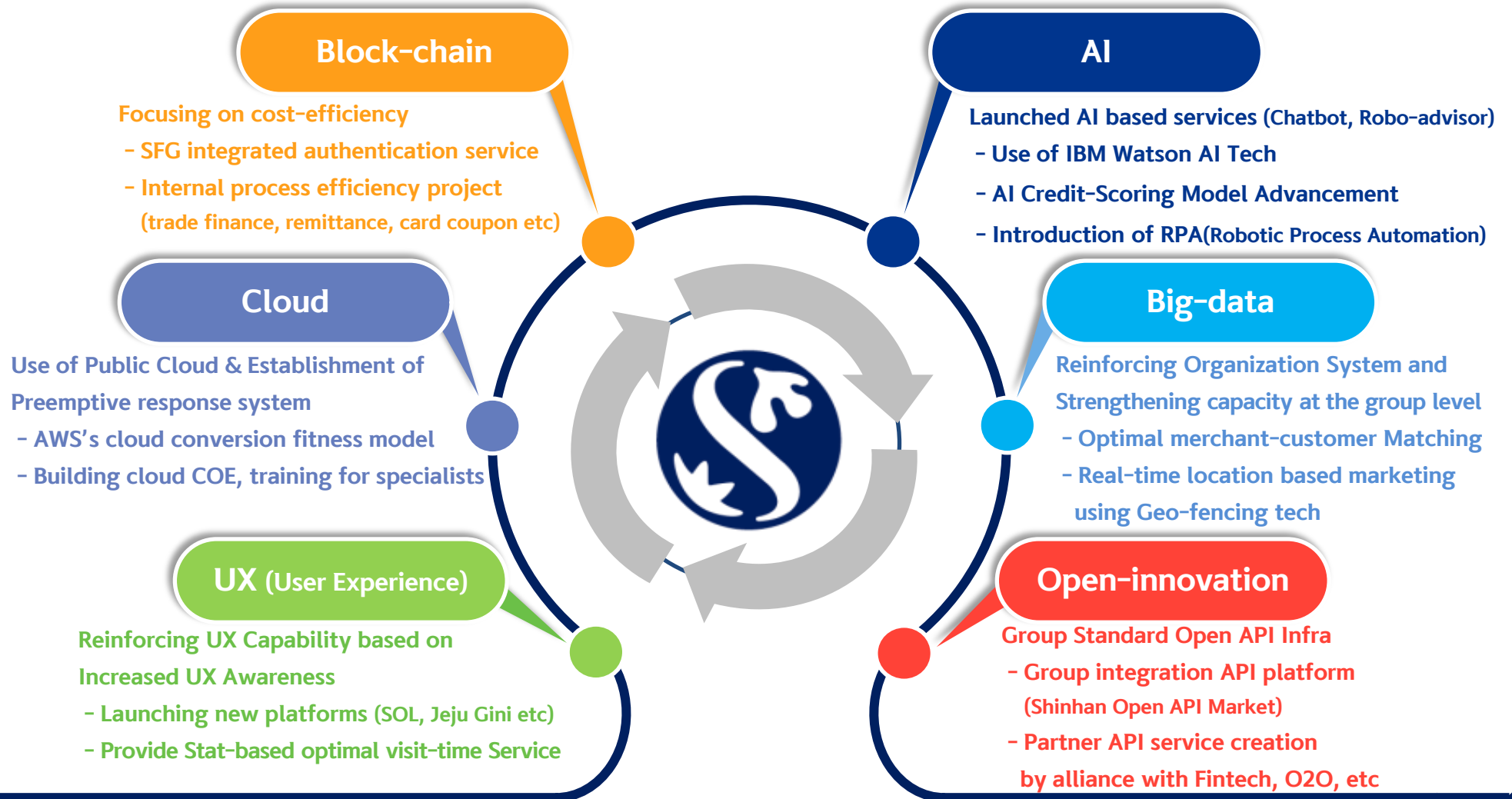


Non-financial platform - New biz service in Travel (Jeju-jini)



Participation in the third internet banking business

Business Areas with Key Digital Technologies



External Partnership

● Need for Collaboration with Competitors

Collaboration/alliance with other industry leaders is an essential capability under the regulation of 'separation of industrial and financial capital'

【SFG Major Alliances】

Global ICT	amazon webservices PayPal	Elec- tronics	SAMSUNG ELECTRONICS LG Electronics
Telecom	LG U+	Commerce	GS Retail GS 25
Portal	NAVER	Game	NCSoft
Messenger	TALK LINE	Shared Platform	SOCAR UBER Hotels.com

Creating Fintech Ecosystem

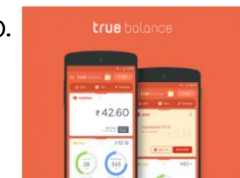
● Shinhan Future's Lab

『Shinhan Future's Lab』 is an Industry-first Fintech support program and Shinhan reinforces its alliances by nurturing and investing in promising start-ups

Country	Order	No. of Companies	Related Fields	Co-work Companies
Korea	1st(2015)	7	P2P, Block Chain, etc	5
	2nd(2016)	16	AI, Robo-Advisor, etc	9
	3rd(2017)	17	Platform Contents, etc	10
	4th(2018)	21	VR/AR, Insurance Tech, Security, etc	3
Vietnam	1st(2017)	5	Payment, e-Wallet, etc	-

● Shinhan Future's Lab Development

- Investment of KRW 8.1 bil. in 21 Future's Lab companies
 - Current Market Valuation : KRW 200 bil.
- Investment of KRW 51 bil. in promising start-ups
 - Direct investment KRW 14 bil., indirect Investment KRW 37bil.
- Case : Balance Hero (Financial Service APP in India)
 - KRW 3.8 bil. Investment in global Fintech Co.
 - 40 million current customers in India



2020 SMART Project – Digital Transformation | Cost Saving

SFG promotes efficiency of ICT infrastructure through various projects using new digital technologies and the expected cost reduction is estimated to be KRW 64 bil. in 2018 and KRW 100 bil. in 2020.

Cost-down through Digital Transformation

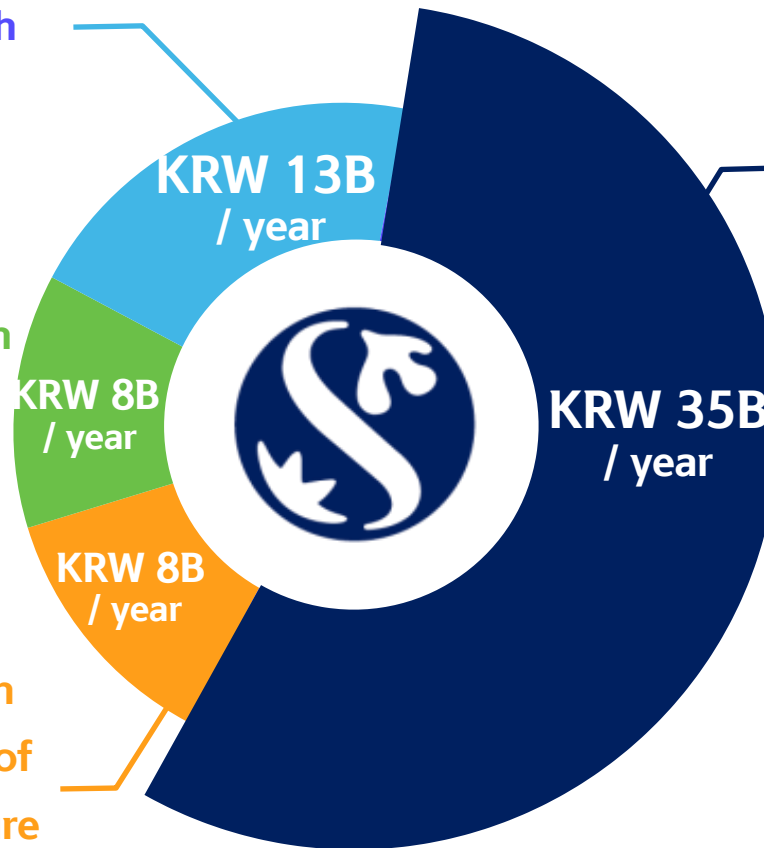


**Digitalized
Communication with
Customer**

**RPA & Digital
Business Automation**



**Cloud Migration
& Efficient use of
ICT infrastructure**



**Introduction of Paperless,
Digital Branch,
Online Account Opening**



Forward-Looking Statements

Shinhan Financial Group's 1H2018 e-Brochure may contain forward-looking statements to provide value-added account of Shinhan Financial Group's businesses and results of operations.

These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "expect", "plan", "intend", and similar expressions.

You are cautioned not to place undue reliance in these forward-looking statements, which reflect management's current analysis of future events.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.



Shinhan Mobile IR Application ① ir.shinhangroup.com or ②

