




Your Companion
for the Future

One
Shinhan

Aim Higher and 
Creatively Pioneering Ahead

Shinhan Financial Group

FY2018

 Shinhan Financial Group



Korea's Leading Financial Institution

Sustainable Net Income growth driven by solid core earnings and consistent ROE enhancing business strategy (5th 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





Overview

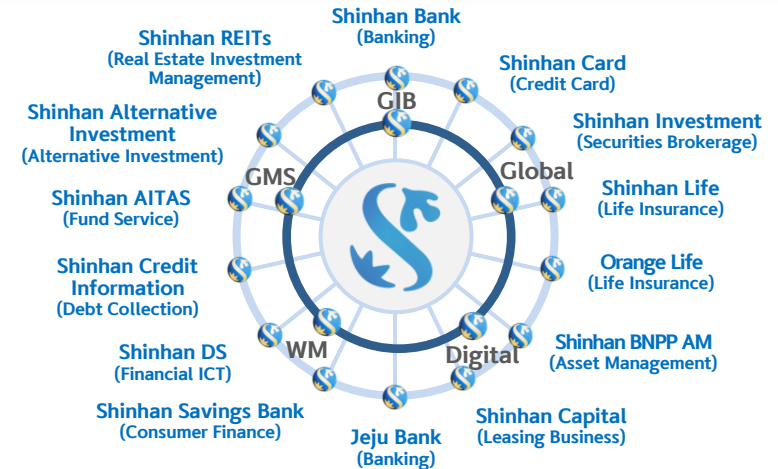
(As of Dec. 31, 2018)

- **Net Income : KRW 3.16 trillion**
- **Total Consolidated Assets : KRW 460 trillion**
- **Total Market Cap: KRW 18.8 trillion**
- **ROA : 0.72%**
- **ROE : 9.37%**
- **14 direct subsidiaries, 26 indirect subsidiaries**
- **Number of Employees : approx. 28 thousand**
- **Major Shareholders**
 - Korea National Pension Service 9.38%
 - BlackRock Fund Advisors 6.13%¹⁾
 - SFG ESOP 4.68%
 - BNP Paribas 3.55%
 - Citi Bank [ADR Dept.] 3.00%

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



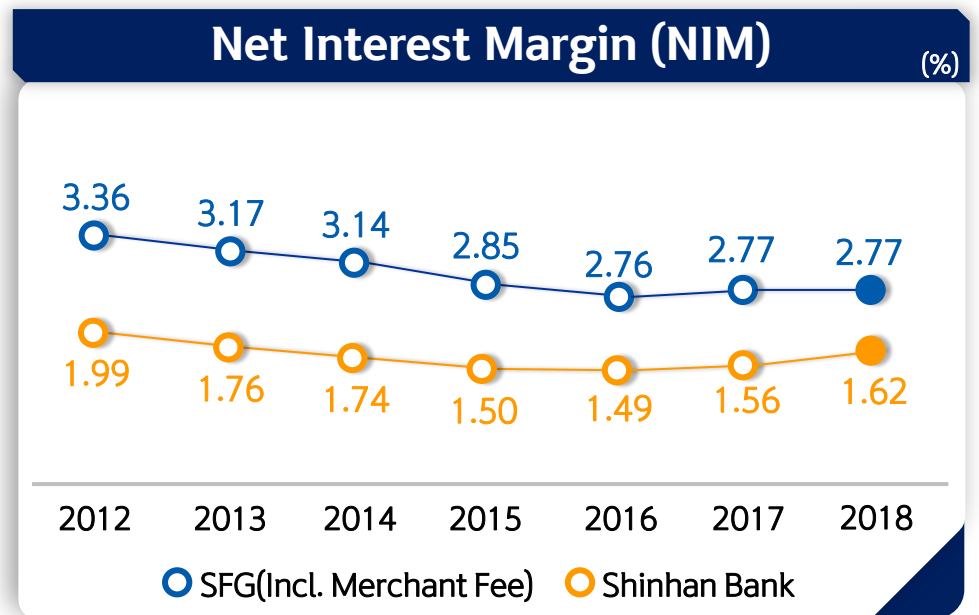
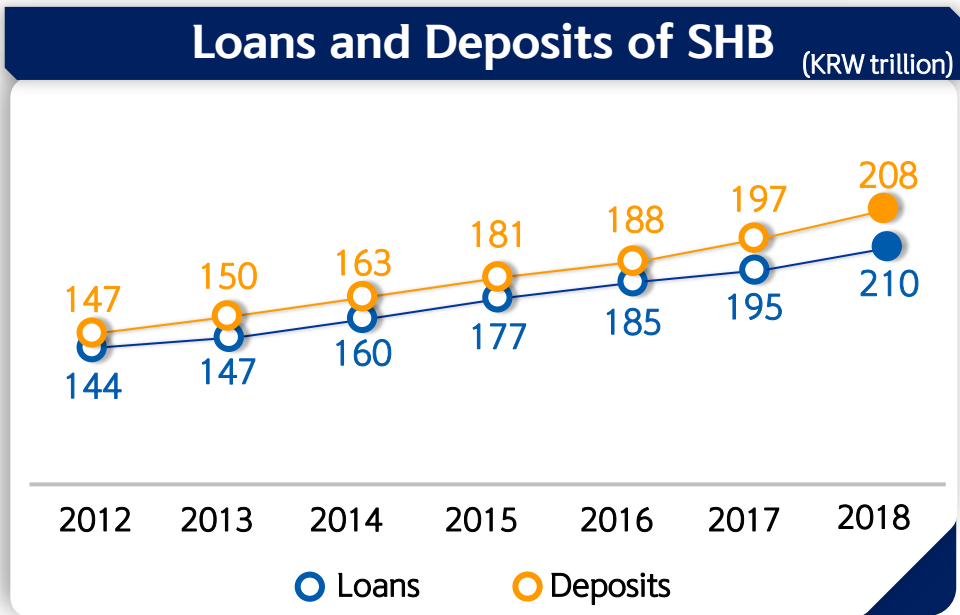
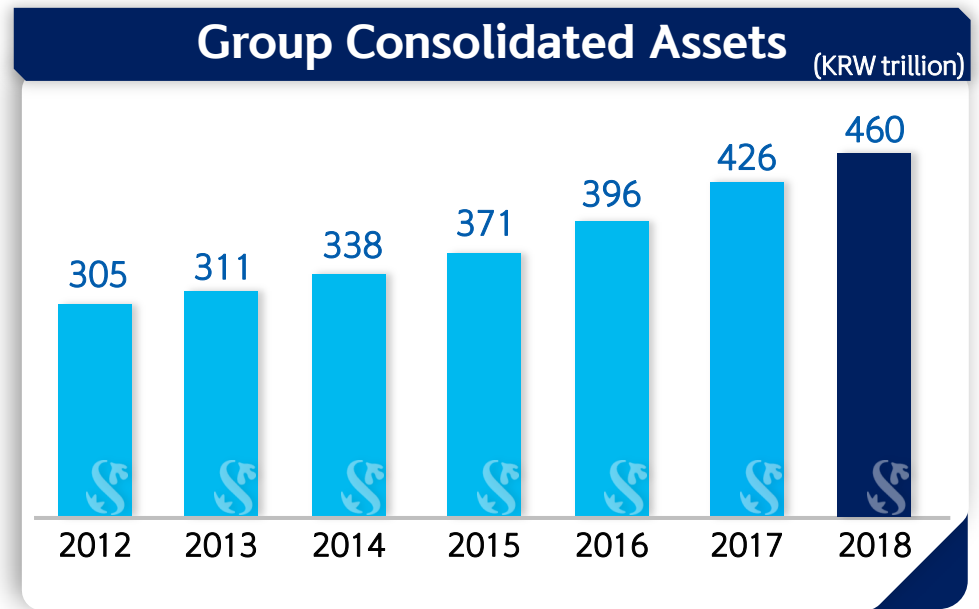
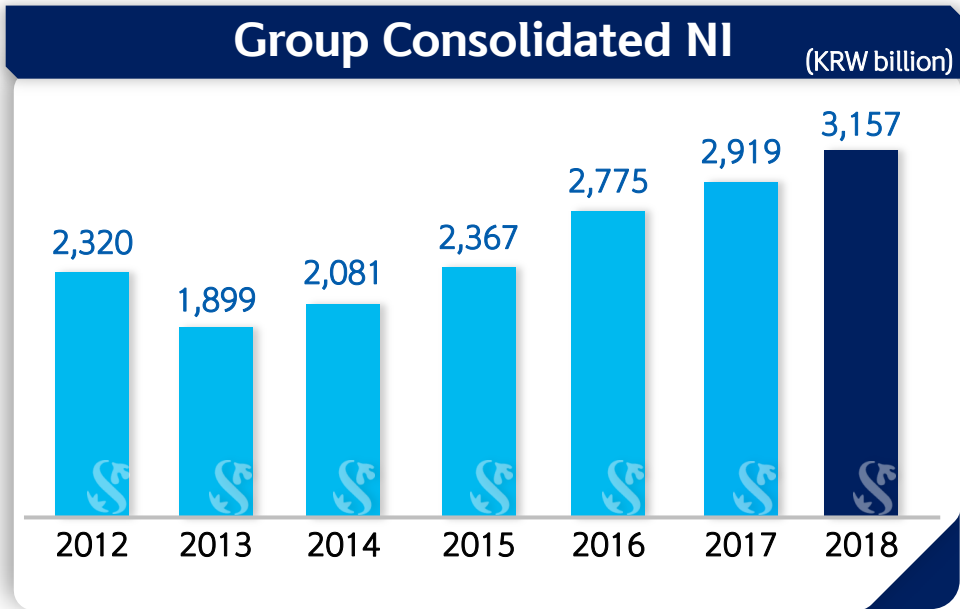
Well-diversified Business Portfolio



Top 500 Banking Brand

Ranking	Company	Nationality
1	ICBC	China
5	Wells Fargo	US
10	HSBC	UK
34	DBS Group	Singapore
51	Mizuho Financial Group	Japan
67	Shinhan Financial Group	Korea

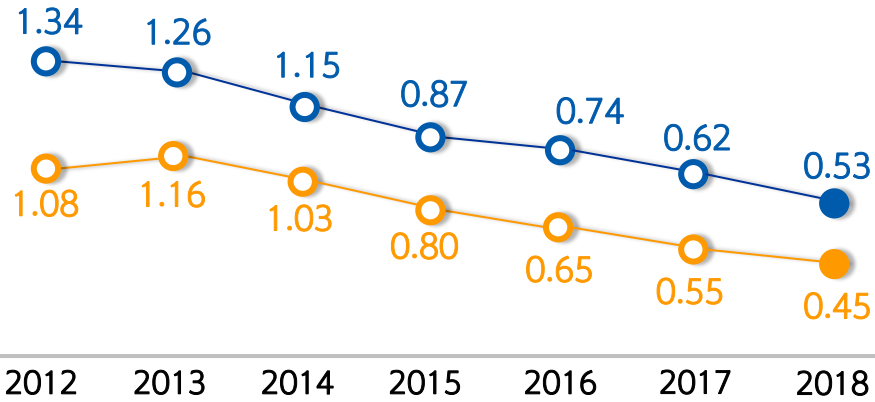
* Source: The Banker (Feb. 2018)





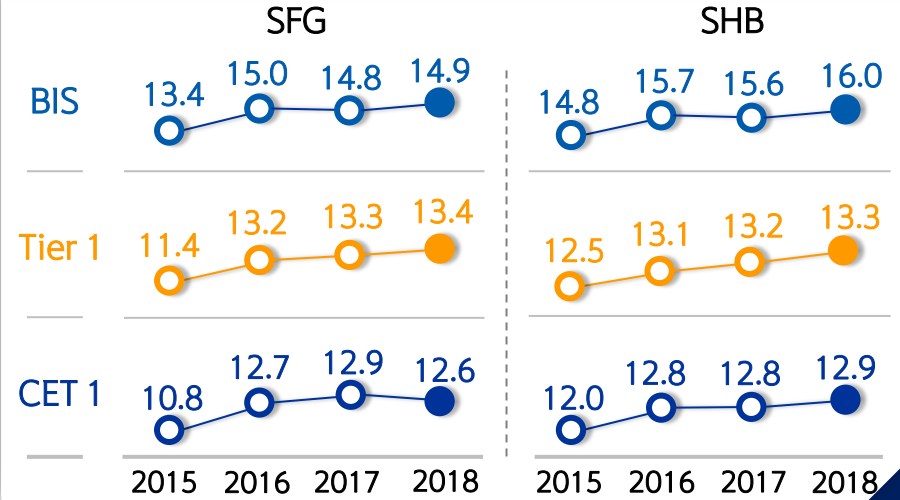
NPL Ratio (%)

(%)



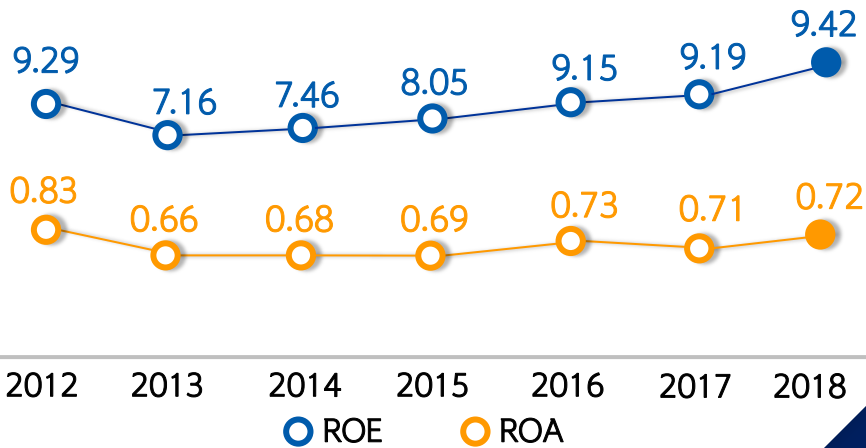
Capital Adequacy (%)

(%)



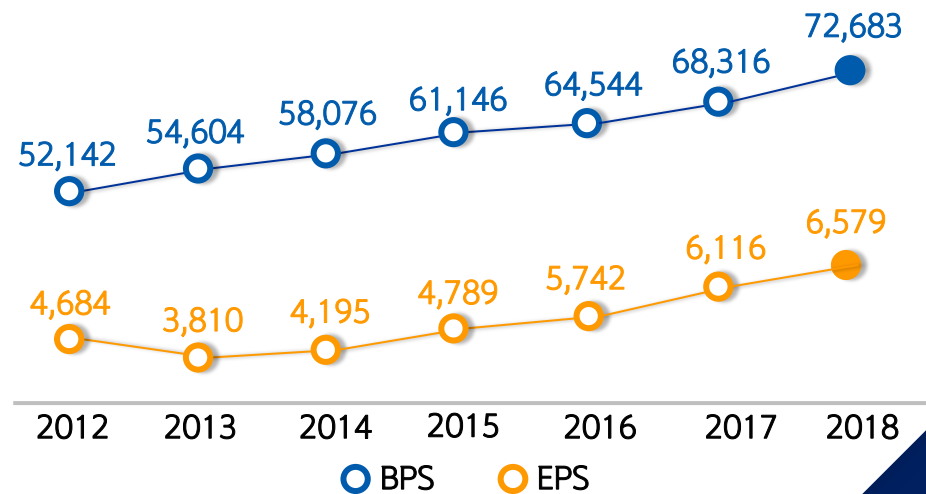
ROA / ROE (%)

(%)



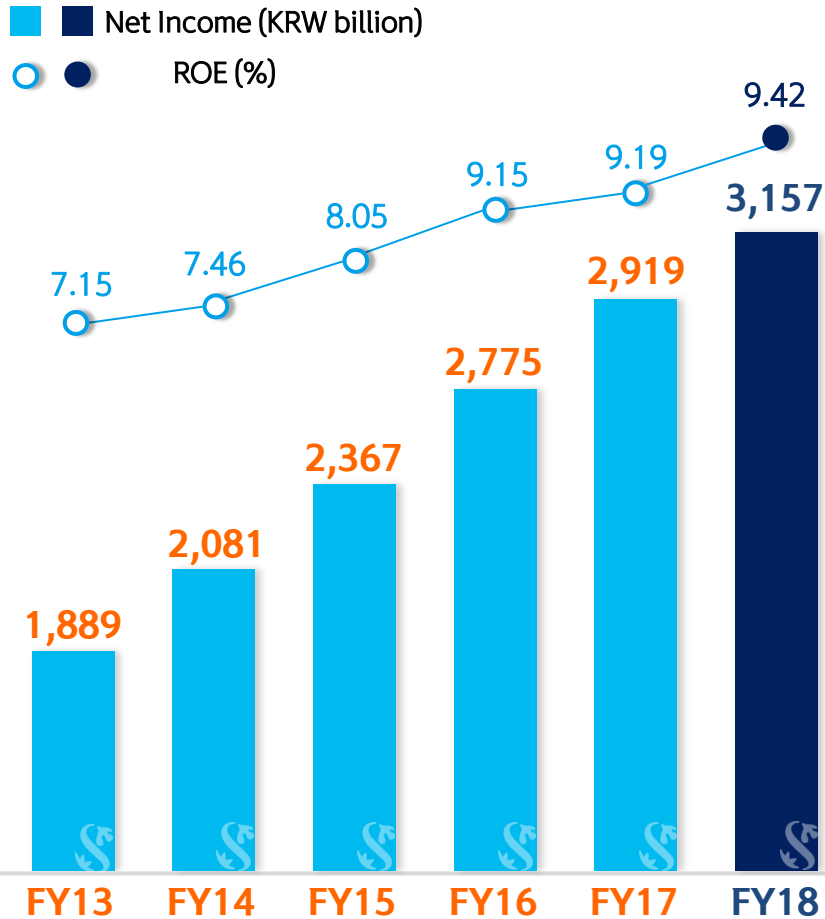
BPS / EPS (KRW)

(KRW)



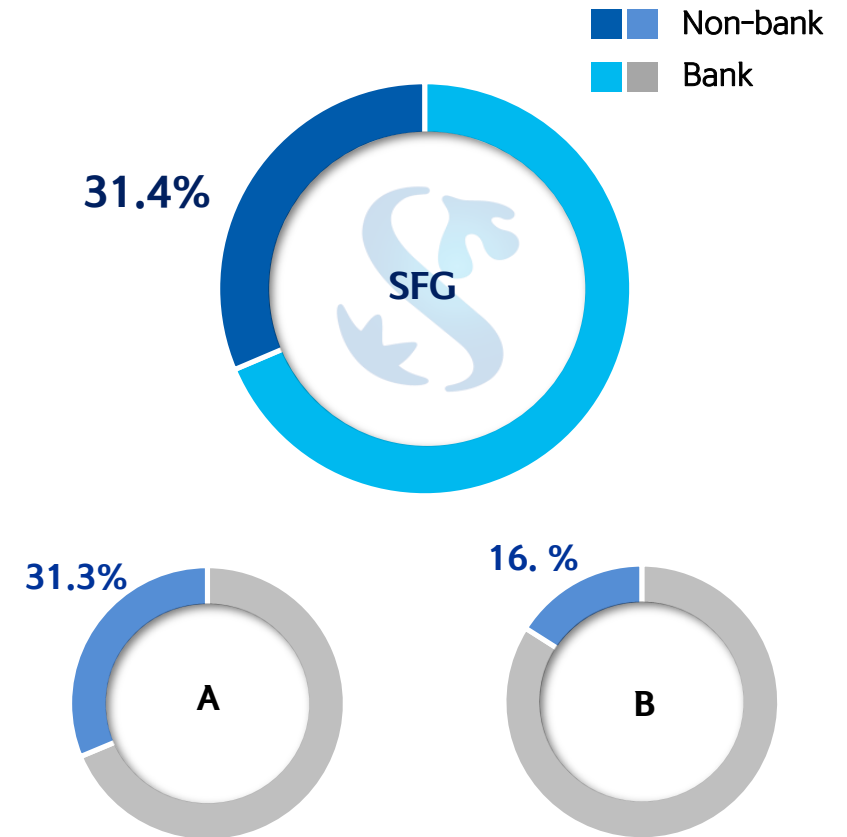


Consistent Net Income Growth



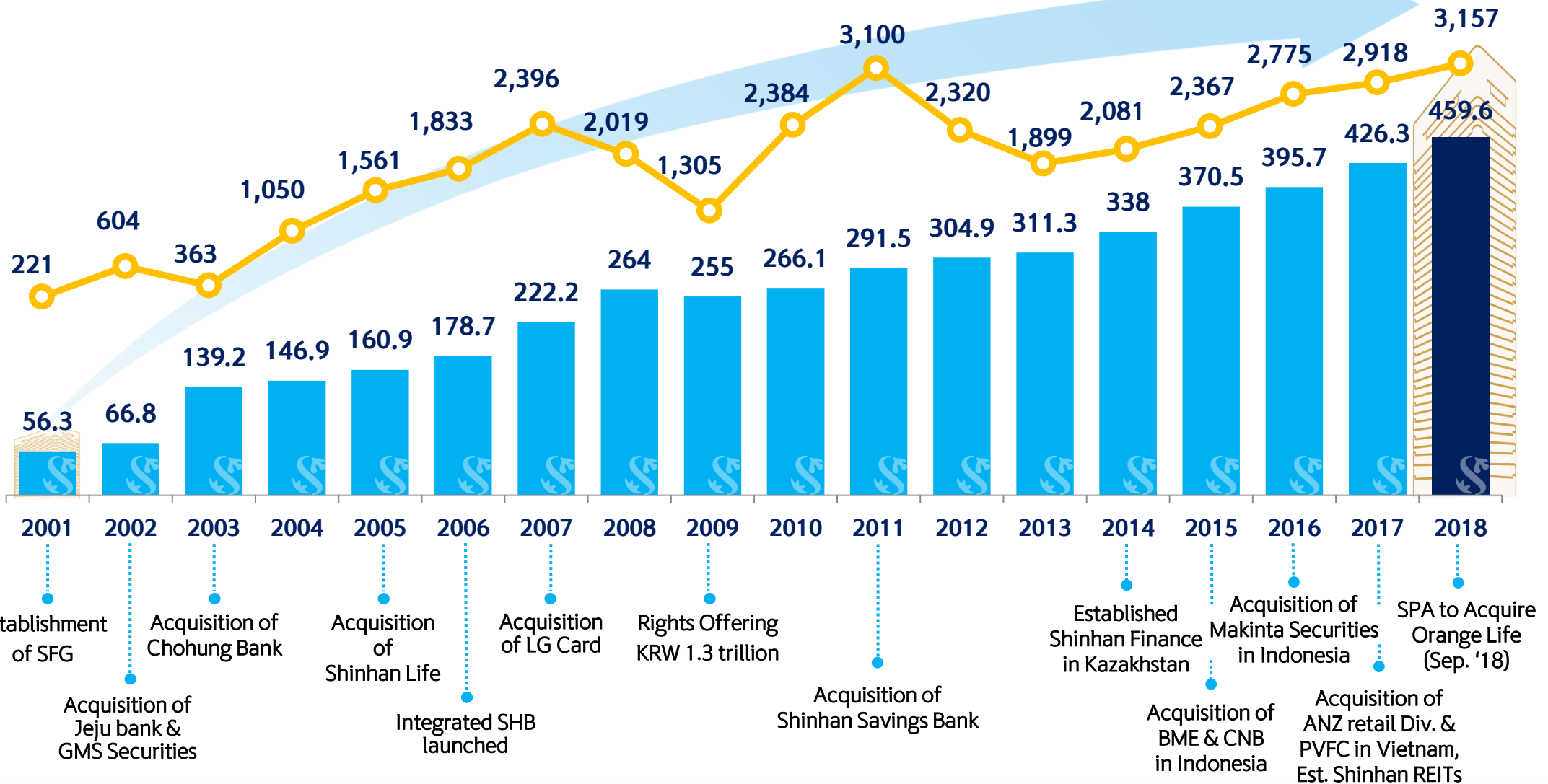
Diversified Profit Base

Net Income Contribution by Non-bank Subsidiaries (FY18)

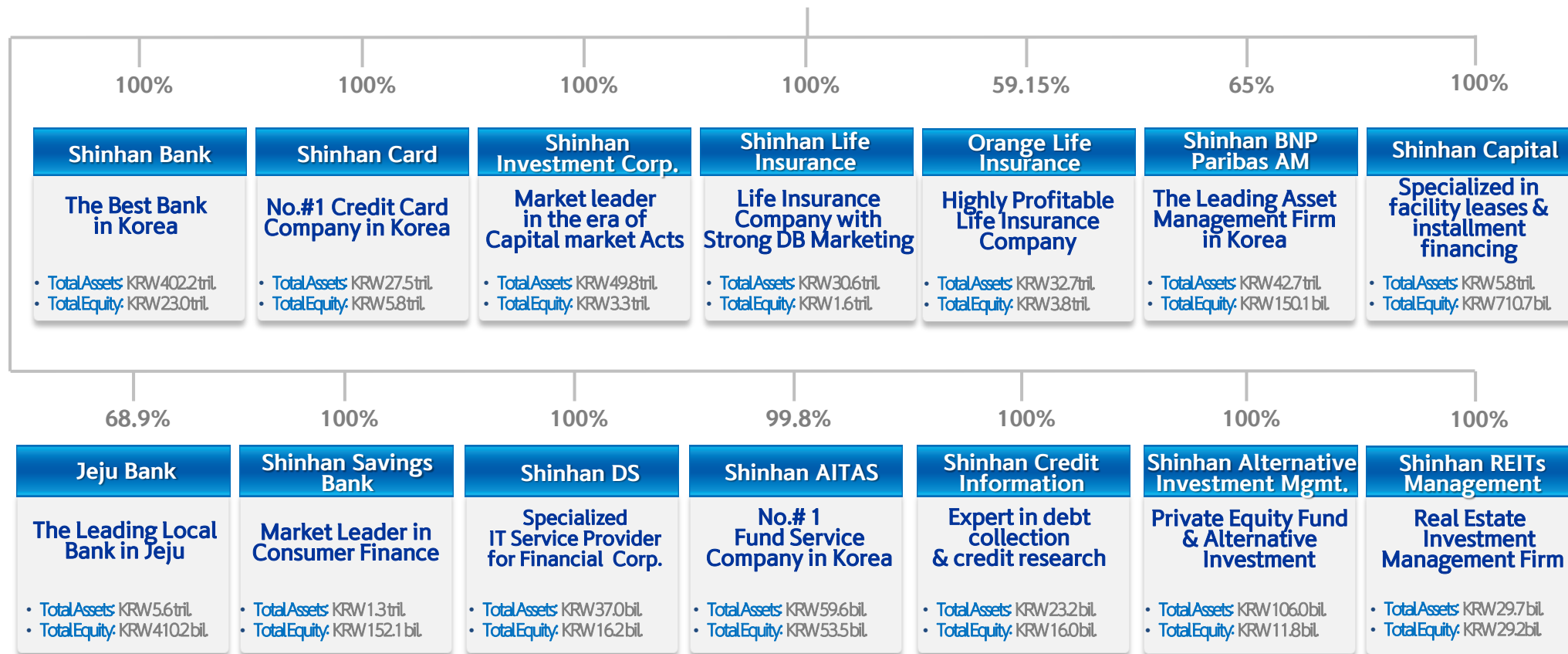


Shinhan Financial Group Overview / Continuous Growth Through Business Diversification

○ SFG Net Income (KRW bil.)
 ■ SFG Total Assets (KRW tril.)



Leading Financial Group in Korea



(As of FY2018)

Note 1) Based on Consolidated Financial Statements, Trust A/C and AUM are included in Total Assets.
Note 2) Orange Life Insurance joined SFG on Feb. 1. 2019



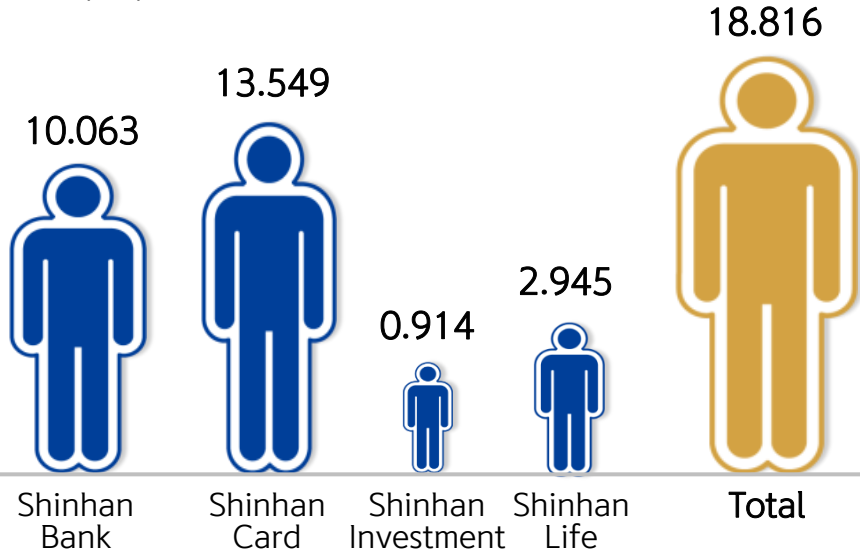
Customers



SFG Serves 18.8* million Active Customers

* Excluding overlapping customers
 (As of Dec. 31, 2018)

(million people)



Branch Networks

● Domestic

Company	# of Branches
Shinhan Bank	876
Shinhan Life Insurance	161
Shinhan Investment Corp.	118
Shinhan Card	24
Jeju Bank / Others	87
Total	1,266










● Hybrid Branch

Company	# of Branches
PWM Center	27
PWM Lounge	26
Creative Finance Plaza	14
Total	67

* As of Dec. 31, 2018

Shinhan Financial Group Overview / CSR-related Recognitions

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.

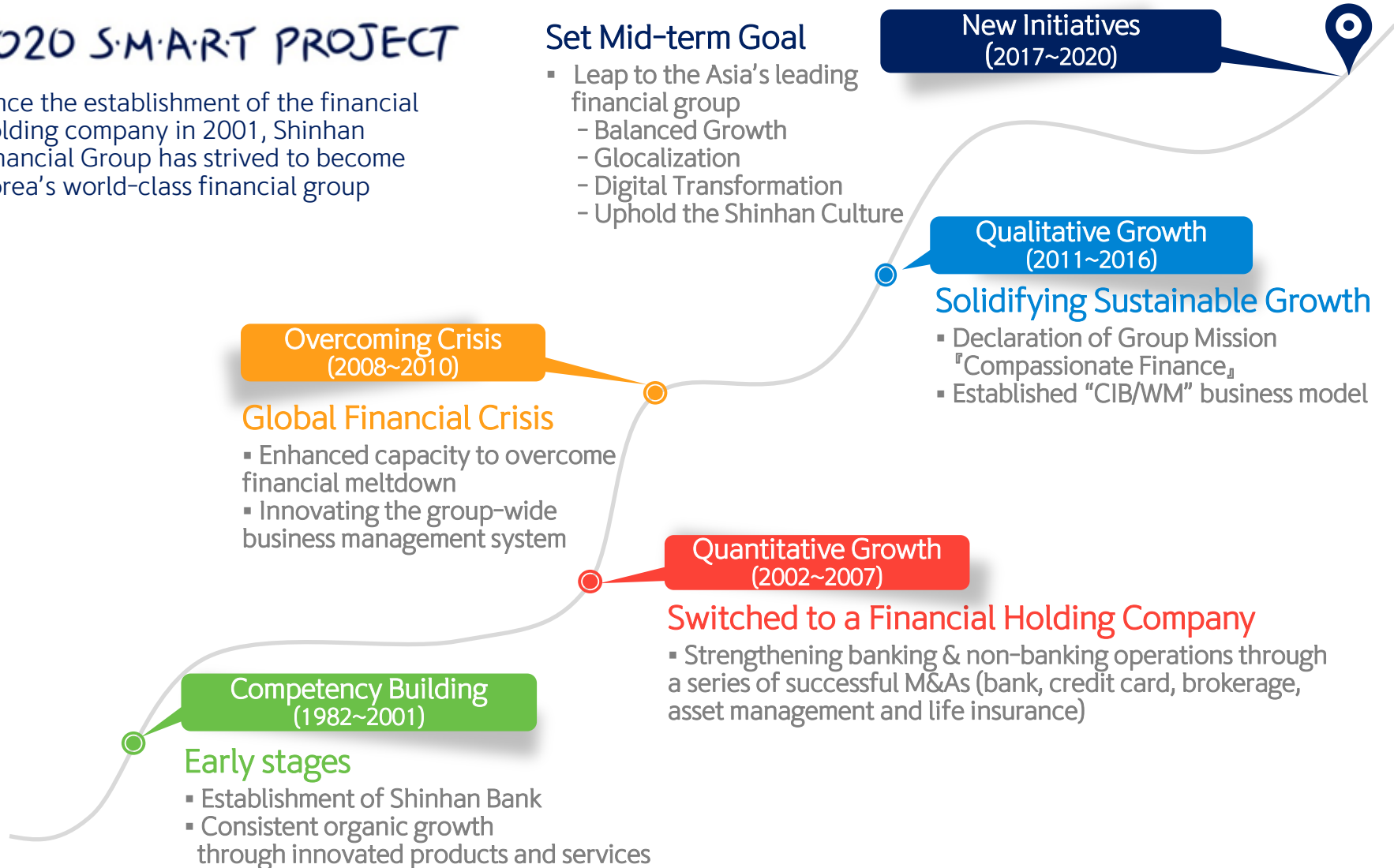
Institution	Index title	Grade / Score	Benchmark Index	Award / Certification
 한국기업지배구조원	Corporate Governance Grades	Grade: A+	-	Highest Grade among Korean Companies (affiliate of Korea Exchange)
 MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM	DJSI	Score: 81	DJSI World DJSI Asia-Pacific DJSI Korea	Included in DJSI World index for the first time among Korean financial groups for 6 consecutive years
	Global 100	Rank: 9 th Score: 78.15	Global 100	Selected Global 100 Most Sustainable Corporations by the Davos Forum for 7 consecutive years
 DRIVING SUSTAINABLE ECONOMIES	CDP	Leadership A	-	First financial group in Korea to be included in the Honors Club for 5 consecutive years
	MSCI ESG	Grade: AA	MSCI ACWI ESG MSCI EM ESG MSCI Korea ESG	Received AA Grade for 3 consecutive years
	FTSE4Good	Grade: 2.9	FTSE ACWI ESG FTSE Asia Pacific ESG FTSE Korea ESG	Included in FTSE4Good index for 8 consecutive years
	ISS Quality Score	Grade: 1	-	-
 대신지배구조연구소 Daeshin Corporate Governance Institute	Daeshin Corporate Governance Inst.	The Best Company among Korean financial groups	-	-
	Gender Equality Index	Score : 85.54	BEI	-



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





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 S·M·A·R·T Project | Strategic Direction

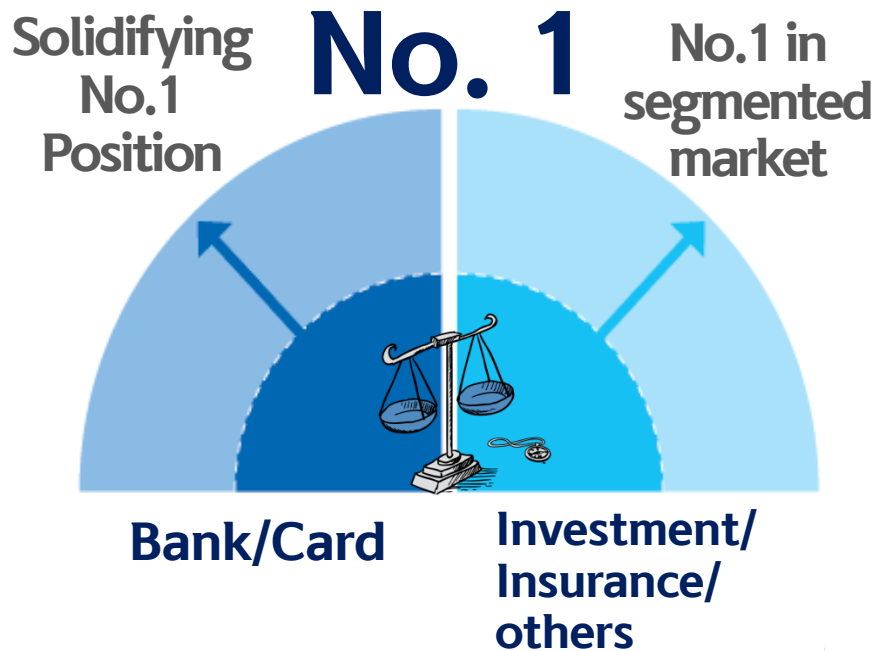




Based on the stable source of income, SFG implements balanced growth strategy for banks and non-bank subsidiaries by finding new growth drivers to maximize the value.

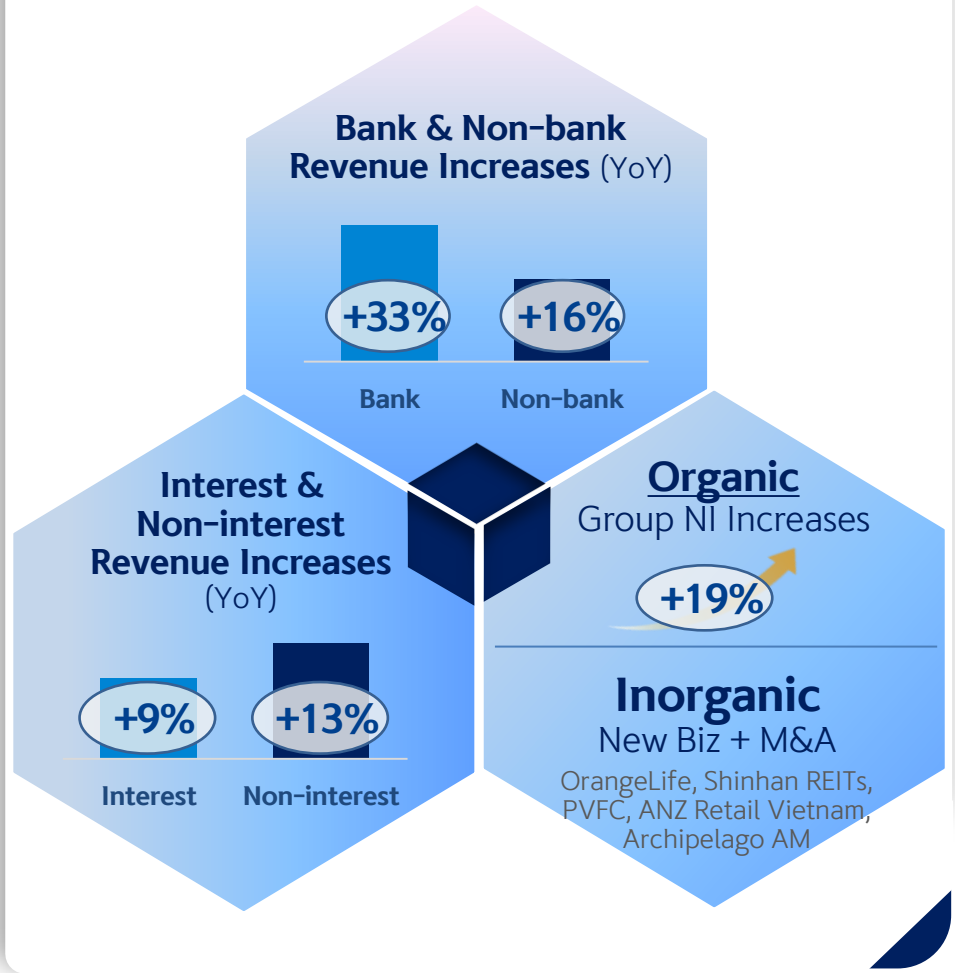
Balanced Growth Strategy

Organic + Inorganic Growth to Maximize the Group's Value



Major Achievements

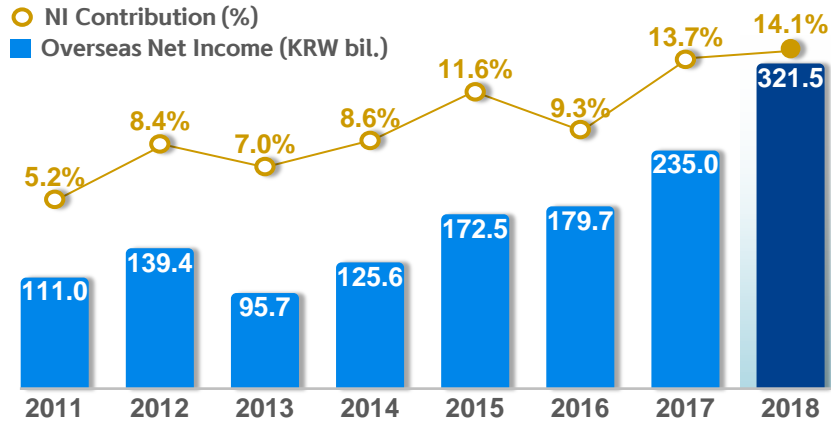
(As of FY2018)



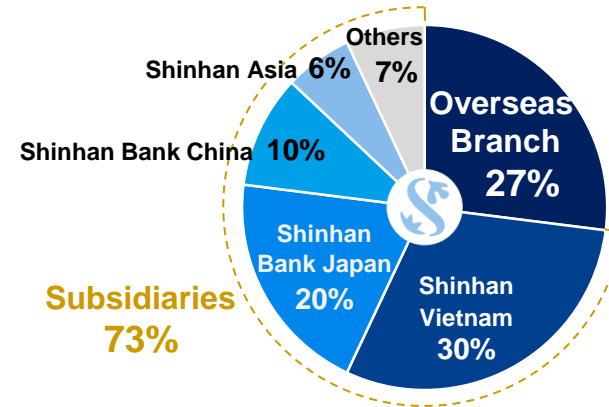


SFG has been consistently putting a lot of effort into the global business operations not only to secure the long-term future growth driver but to diversify the profit base as well.

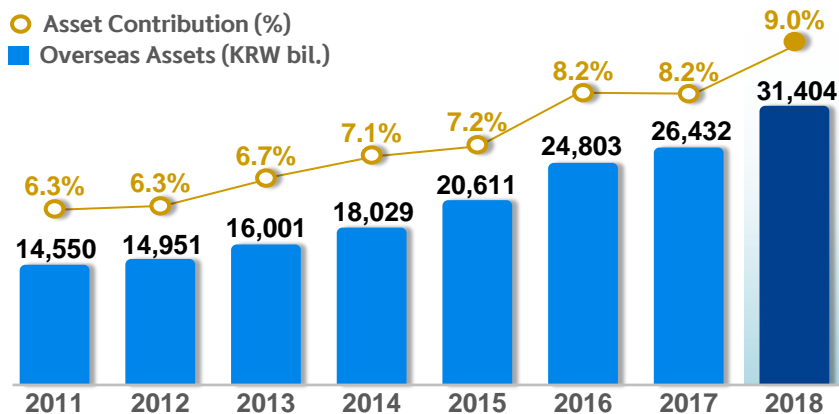
SHB NI Contribution by Overseas Operation



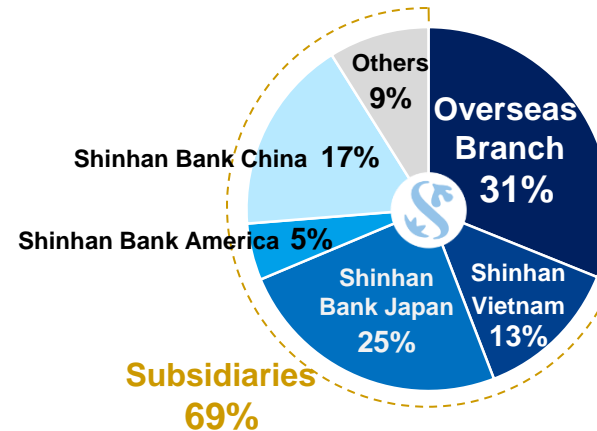
SHB NI Composition



SHB Asset Contribution by Overseas Operation



SHB Asset Composition

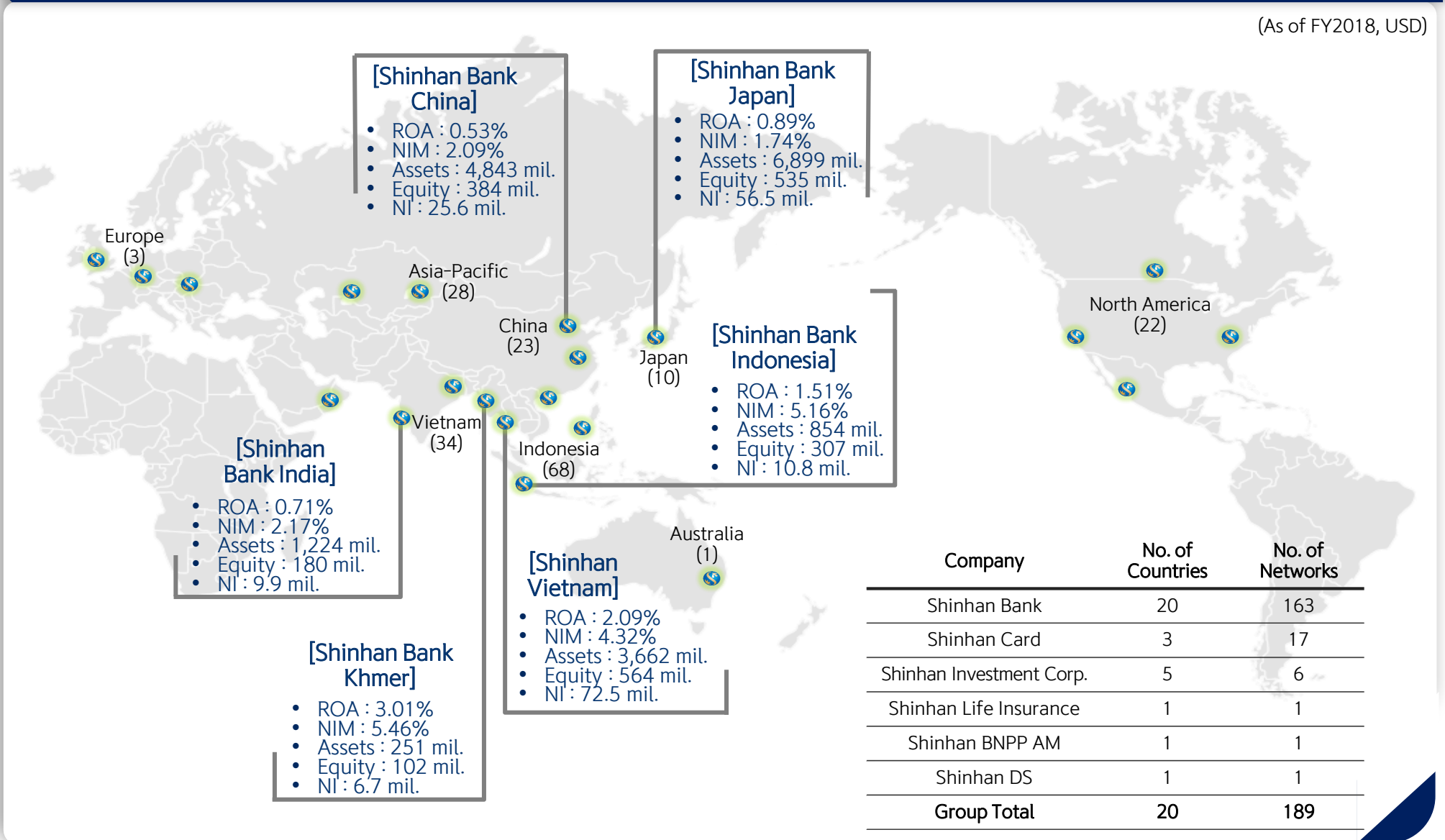


Note) KRW amounts of the net income are converted based on the average FX rates of the fiscal years, and the assets are converted based on the FX rates at the end of the fiscal years



SFG Global Networks : 20 Countries, 189 Networks

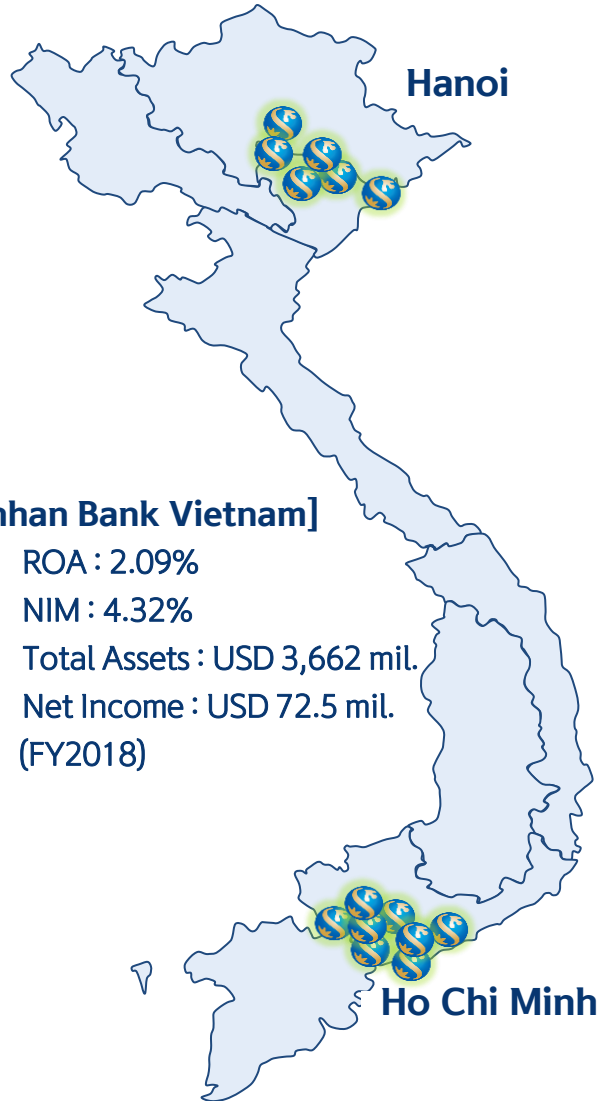
(As of FY2018, USD)



Company	No. of Countries	No. of Networks
Shinhan Bank	20	163
Shinhan Card	3	17
Shinhan Investment Corp.	5	6
Shinhan Life Insurance	1	1
Shinhan BNPP AM	1	1
Shinhan DS	1	1
Group Total	20	189



Shinhan's Presence in Vietnam



[Shinhan Bank Vietnam]

- ROA : 2.09%
- NIM : 4.32%
- Total Assets : USD 3,662 mil.
- Net Income : USD 72.5 mil. (FY2018)

- **Largest foreign Bank in Vietnam** (in terms of network base and loans)

- **Largest network base among foreign banks**

(33 Networks : Bank 30, Investment 2, Life Insurance 1)

- **Experiences over 20 years in Vietnam**

1993

2011

2015

Established Presence (Multi-block Strategy)

Achieved economy of scale

Localization & Synergy Creation

- JV with Local Bank (Vietcom Bank, 50:50)
- Rep. office → Branch → Subsidiary

- Acquired 50% stake of JV & merged with Subsidiary

- Joint expansion with Group subsidiaries
- Acquisition of ANZ Vietnam Retail Division (2017)
- Acquisition of Prudential Vietnam Financial Company (2018)

- **Joint expansion with group subsidiaries**

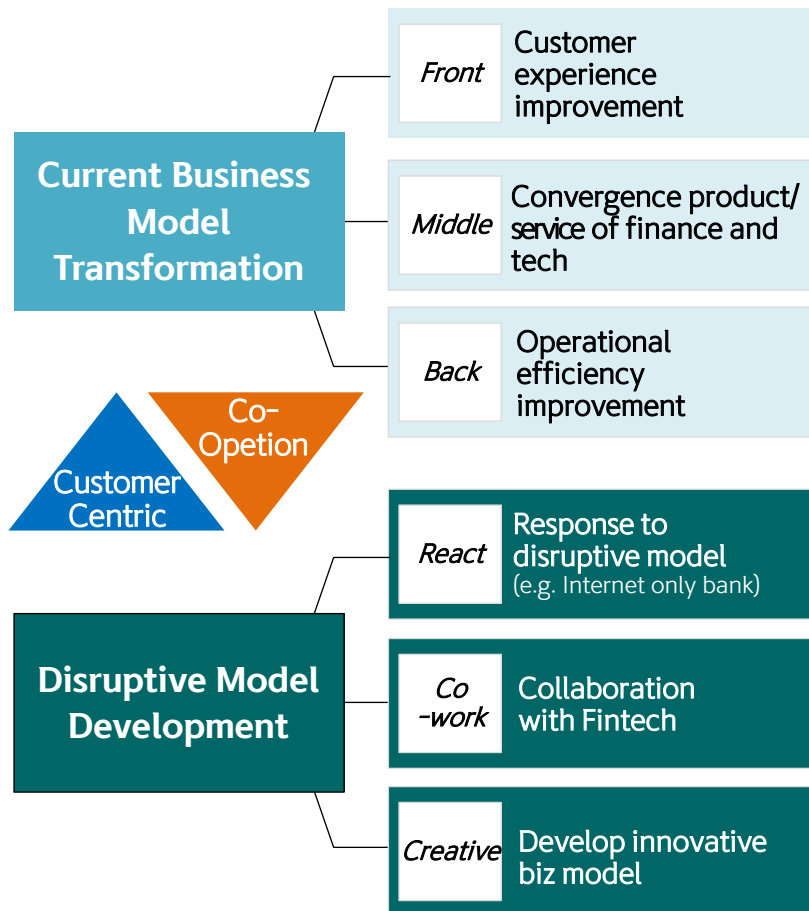
- 1) Credit Card : 7th out of 32 credit card companies (in terms of transaction amount of retail customers)
- 2) Brokerage : Acquired local Brokerage company, Launched Shinhan Securities Vietnam (2016)
- 3) Life Insurance : Established Representative office (2015)
- 4) Consumer Finance : Acquired ANZ Retail Division (2017), PVFC (2018)



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 + 5Cs.”

Shinhan Financial Group Digital Strategy

2 Tracks for Business Innovation



5 Cs for the Group's Readiness

Core Tech	① Digital Technology	AI/IoT, Blockchain, Open Innovation, Cloud, DX(Digital Experience)
Capability	② Human Resources Development	Digital specialists training program, Education
	③ Recruiting, Industry-academy coop.	Securing professionals, Industry and academy cooperation
Culture	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
Collaboration	⑥ Enhance & Connect Platform	Renewal financial platform, Connect non-financial platform
	⑦ Partnership, Joint Venture	Partnership with ICT / retail leaders, Construct Digital ecosystem
Change	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

Front

Improve Customer Experience

- Providing excellent customer experience through a single view, seamless omni channel.

SOL Bank - Shinhan Bank
FAN Pay - Shinhan Card



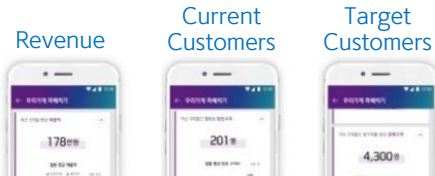
Middle

Develop New Digitally Innovative Products and Services

- Digitally specialized, mobile, convergence products and services



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

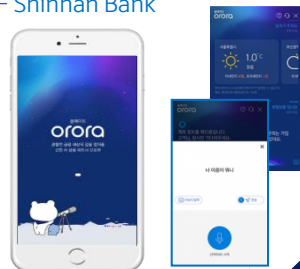


Back

Improve Operational Efficiency

- Optimization of channel, risk management, FDS1), RPA1), chatbot

SOLmate ORORA (Chatbot) - Shinhan Bank



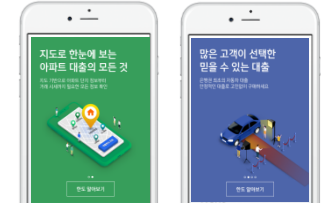
Disruptive Model Development

Respond

Respond to Online Banks

- Enhancing product/service/platform competitiveness

Launching preemptive services/ Maximize convenience of existing services



-Mortgage - Auto loan

Collaborate

Fostering fintech start-ups and exploring collaborative models (in and out of Korea) - Shinhan Future's Lab

Collaboration with Fintech

- Developing collaborative models by creating fintech ecosystem in Shinhan



Create

Develop Innovative Biz Models

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

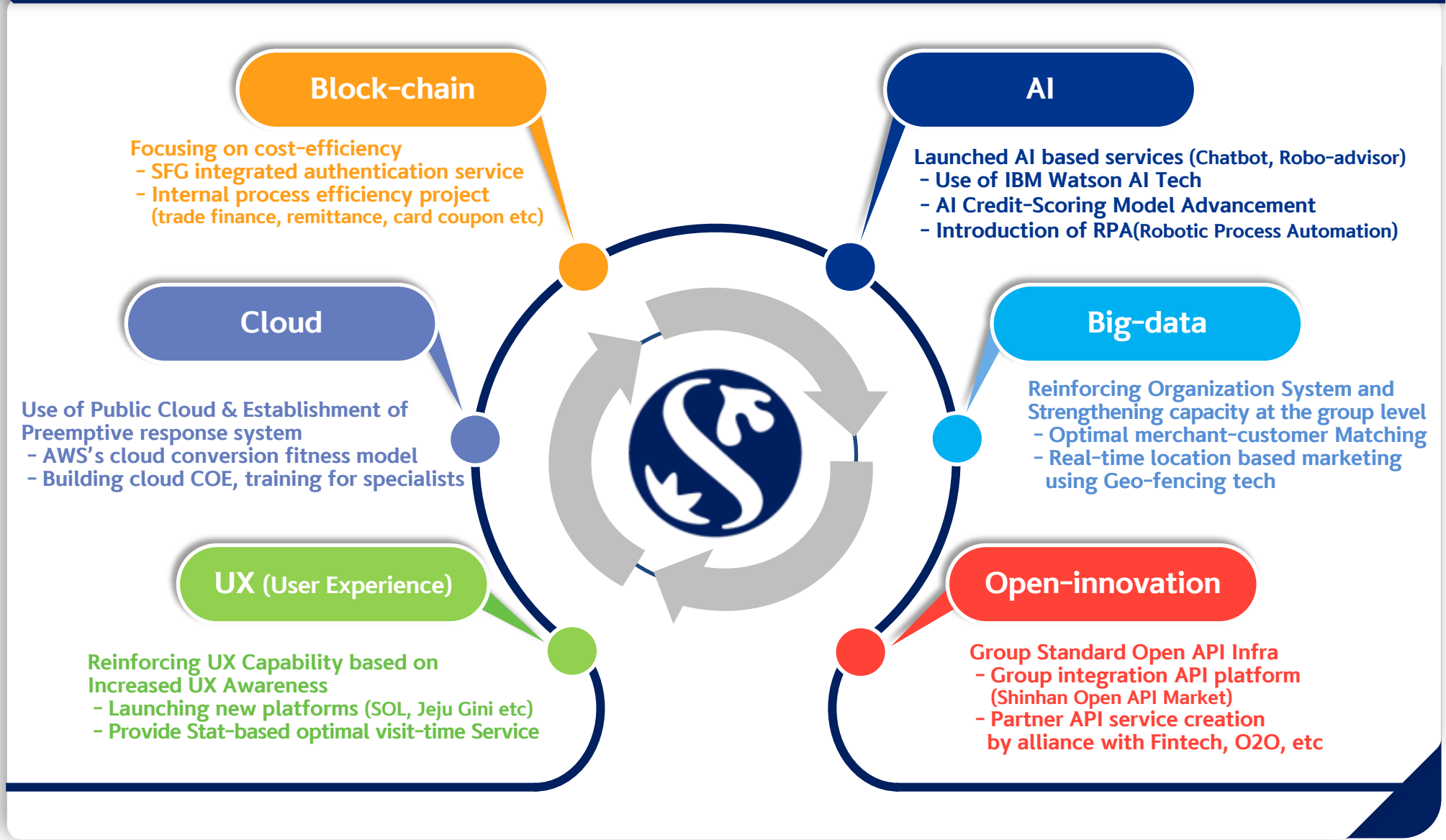


Non-financial platform - New biz service in Travel (Jeju-jini)



Internalization of Digital Technologies

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	 	Elec-tronics	 
Telecom	 	Commerce	   
Portal		Game	
Messenger	 	Shared Platform	   

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	1 (2015)	7	P2P, Block Chain etc	8
	2 (2016)	16	AI, Robo-Advisor etc	11
	3 (2017)	17	Platform Contents etc	11
	4 (2018)	21	VR/AR, Insurance Tech etc	13
	5 (2019)	40	Bigdata, FDS, Security etc	In Process
Vietnam	1 (2017)	5	Payment, e-Wallet etc	In Process
	2 (2018)	6	P2P, etc	In Process

● Shinhan Future's Lab Development

- **Investment of USD 8.1 M in 24 Future's Lab companies**
 - Current Market Valuation : USD 270 M
 - Current Investment Value : USD 19 M
- **Investment of USD 51 M in promising start-ups**
 - Direct investment USD 14 M, indirect Investment USD 37M
- **Case : Balance Hero (Financial Service APP in India)**
 - USD 3.8 M Investment in global Fintech Co.
 - 40 million current customers in India



Digital Transformation : Cost Saving

SFG promotes efficiency of ICT infrastructure through various projects using new digital technologies. In 2018, SFG saved approx. KRW 96.4 bil., and our target for 2020 is to save KRW 100 bil.

Cost-saving through Digital Transformation (from 2017 to 2018)



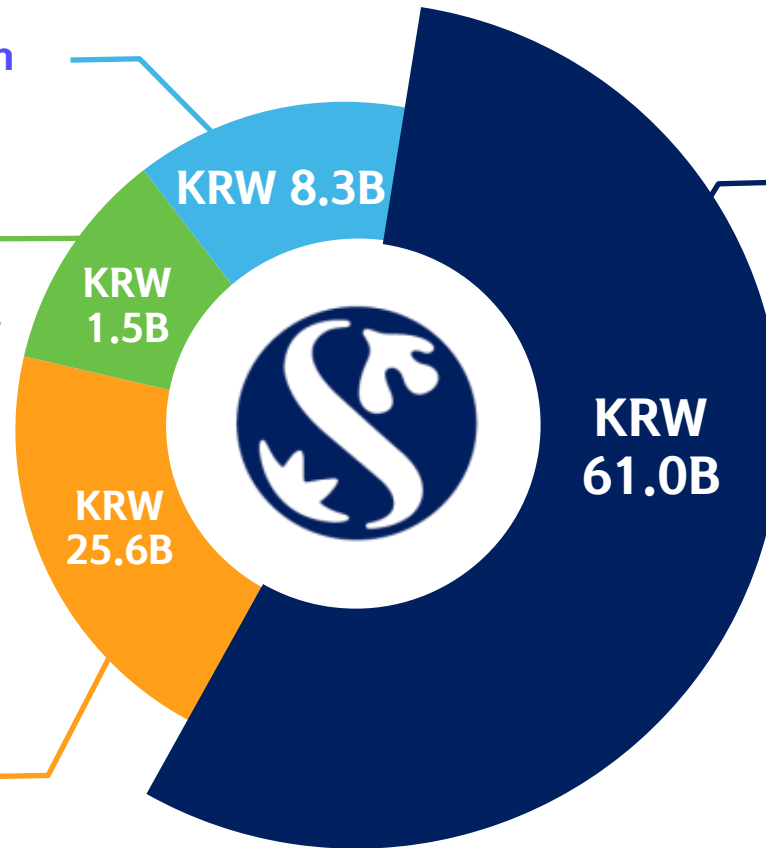
Digitalized Communication with Customer



Cloud Migration & Efficient use of ICT infrastructure



RPA & Digital Business Automation



Introduction of Paperless, Digital Branch, Online Account Opening





In order to carry out sustainable management under more systematic framework, SFG established a new direction for 'Responsible Growth' 'Social Partnerships' and 'Investments for the future' and suggested the 6 strategic directions (Commitments) spanning products, services, and management.

Shinhan Financial Group CSR Strategies



- 1 Responsible Growth**
 - I . Provide solution to improve customer value
 - II . Fair and ethical business
- 2 Social Partnership**
 - III . Improvement of financial inclusion
 - IV . Establishment of creative and open culture
- 3 Improvements for the Future**
 - V . Realization of positive social responsibility
 - VI . Risk management considering environment and society



SFG announced “ECO Transformation 20·20” as its environmental vision for 2030 in order to ensure that its management operations are sustainable, future-oriented and environmentally friendly. As part of this vision, SFG is planning to invest KRW 20 trillion in green industries and to reduce its GHG emissions by 20% by the year 2030.

ECO Transformation 20·20

ECO Transformation

2020

Investing and Financing **KRW 20 tril.** in Green Industries

Reducing GHG Emissions by **20%** (baseline 2012)

Creating both **Environmental Value(EV)** and **Corporate Value(CV)**

01

Leader in Low-Carbon Financing

- Active investment in green industrial sectors
- Customized financial products and services for each sector
- Environmental risk management system

Enabler ①

ECO Governance & Organizational Implementation

02

Eco-friendly Business Management

- Expanding investment in green infrastructure
- Creating a virtuous cycle of sustainable resources
- Establishing a Carbon management system

Enabler ②

Raising Employees' Environmental Awareness & Fostering Leaders for Sustainable Management

03

Strengthening Green Partnerships

- Building green networks and partnerships
- Eco-friendly brand communication
- Disclosing financial data of environment-related business

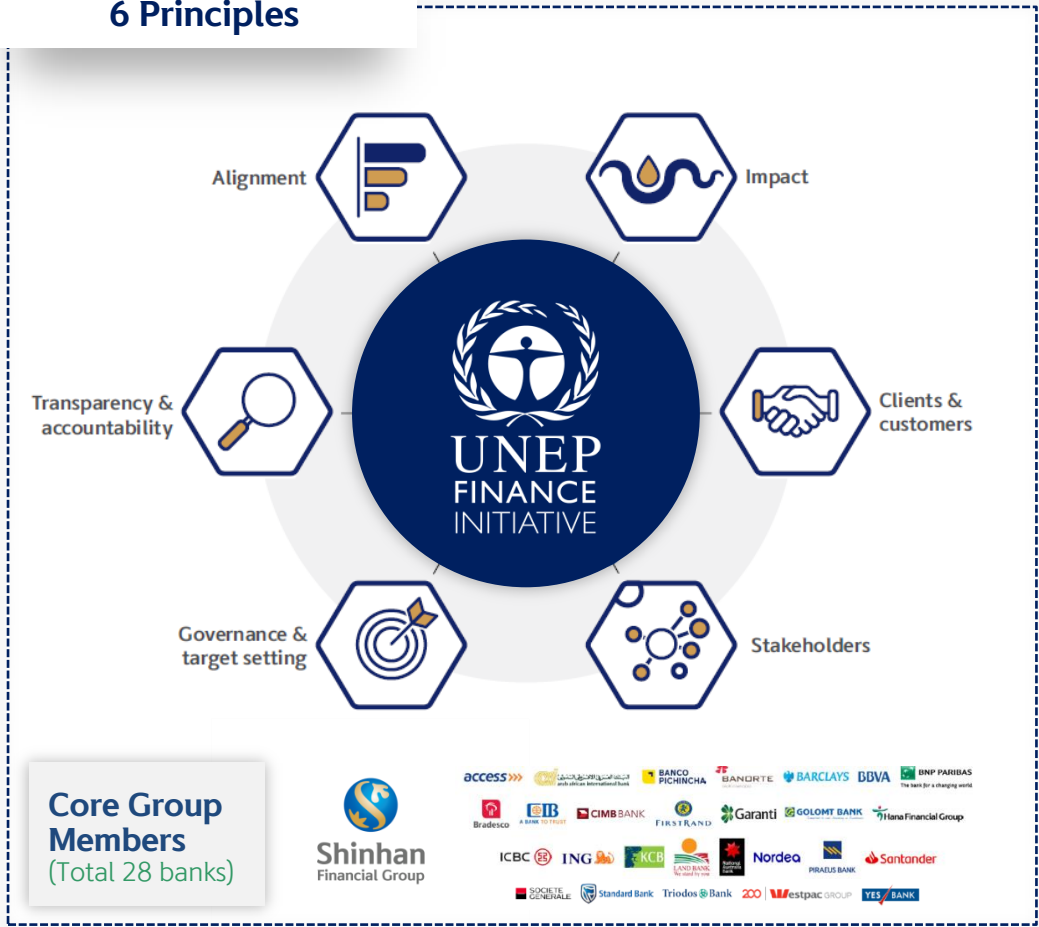


Principles for Responsible Banking

In November of 2018, the UN Environment Programme Finance Initiative (UNEP FI) announced the “Principles for Responsible Banking” developed by twenty-eight Core Group Members, including SFG and other global financial institutions.

Principles for Responsible Banking: Reshaping the Future of Banking

6 Principles

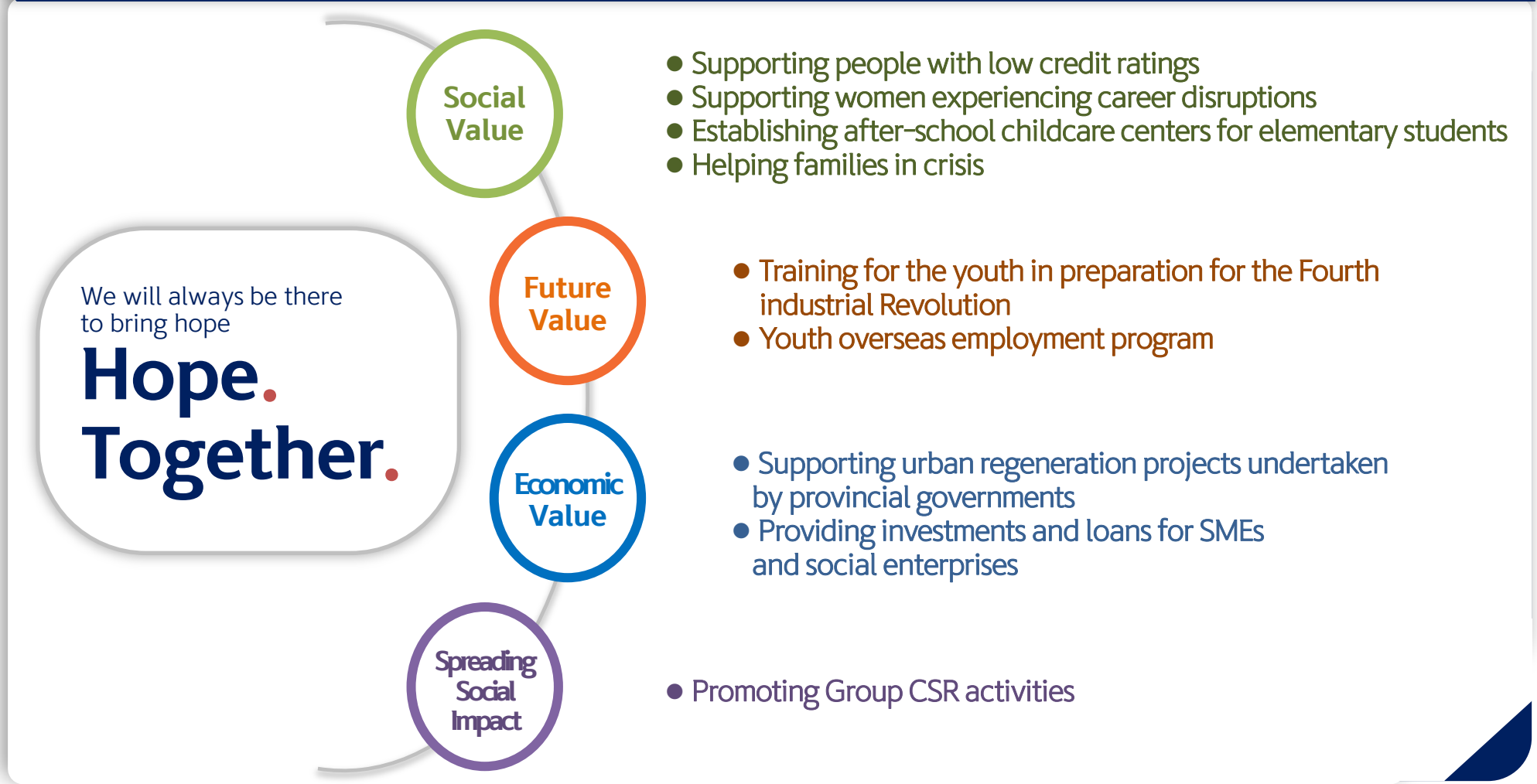


26 NOV, 2018 SFG's CEO Cho Yong-byoung speaks at the UNEP FI's Global Roundtable in Paris, France.

▪ **The Principles for Responsible Banking outline the banking industry's roles and responsibilities in aligning its business operations with the objective of the UN's Sustainable Development Goals and the Paris Climate Agreement.**

SFG launched the “Society of Hope” project, which is a Group-level CSR platform that focuses on assisting underprivileged and low-income people and supporting the growth of small- and medium-sized venture and/or social enterprises.

Areas Supported by “Society of Hope” Project





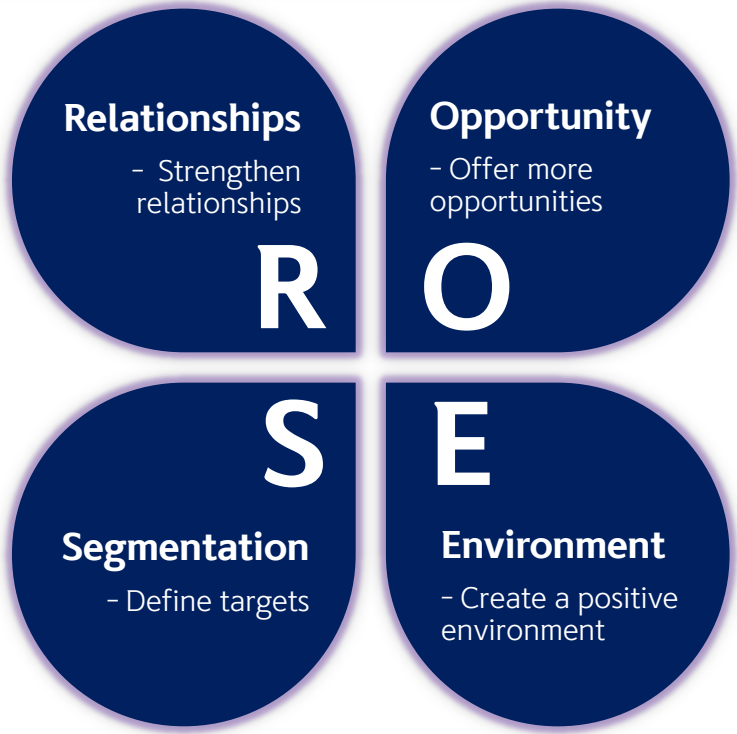
Cultivating Female Leaders

In efforts to encourage the long-term development of female talents and evolving them into leaders at every Level of the Group’s operations, SFG introduced a program called “Sheroes,” which offers a wide range of programs for its female employees such as training, mentoring, and networking.

SHeroes

‘SHeroes’ refers to Shinhan (SH)’s female (She) heroes (Heroes).

Guide to Fostering Female Leaders



Mid-term Goals sand Key Tasks





Forward-Looking Statements[★]

Shinhan Financial Group's FY2018 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

