



## Creating Customer Value through Customer-oriented Management and Information Protection

The paradigm of finance is shifting towards enhancing the protection of financial consumers in order to develop sustainable financial industry globally. Social demand for reinforcing the rights of financial consumers is also on the rise. Such a paradigm shift in finance calls for the need to strengthen preventive processes rather than subsequent measures for customer complaints. With the goal of practicing its customer-centered core values, Shinhan Financial Group operates an organization for protecting financial consumers by placing customers as a priority, and is planning and executing regulations for protecting financial consumers, complaint-processing procedures, and product development processes, etc.

In addition, along with the rapid development of ICT and the increasing importance of the protection of personal information, security accidents have recently occurred in various forms such as traditional hacking attacks through external networks and internal leakage by employees of consigned businesses. Although no incidence of personal information leakage has occurred in Shinhan Financial Group for the past three years, attempts on leakage of customers' information for companies in the financial sector, including our company, seem likely to continue in the future. If any accidents arise in the future, the reputation of the company may become tainted. Consequent effects may ensue, such as expenses for subsequent measures due to leakage of customers' information like costs for card reissuance, compensating customers for loss, fines imposed by regulators, and facing penalties such as imposition of surcharge and suspension of business by the financial supervisory authority. Accordingly, Shinhan Financial Group is striving to protect customer information and promote stringent security management by improving the level of security based on a secure system for privacy protection.

### Self FDS(Fraud Detection System) to ensure safe usage of card



Received Champion Award in VISA Security Summit

Due to the increasing usage of foreign cards, leakage of personal information frequently occurs via POS terminals or internet websites. At the same time, cases of illegal transactions in foreign countries, such as card forging and identity theft, are gradually increasing. In order to provide safe card service to its customers, Shinhan Card is providing customized Self FDS service for the first time in the industry. Using this service, cardholders can preset the conditions of their credit card usage such as countries, stay durations, transaction forms, and amounts, so that they can use their credit card with enhanced convenience and security.

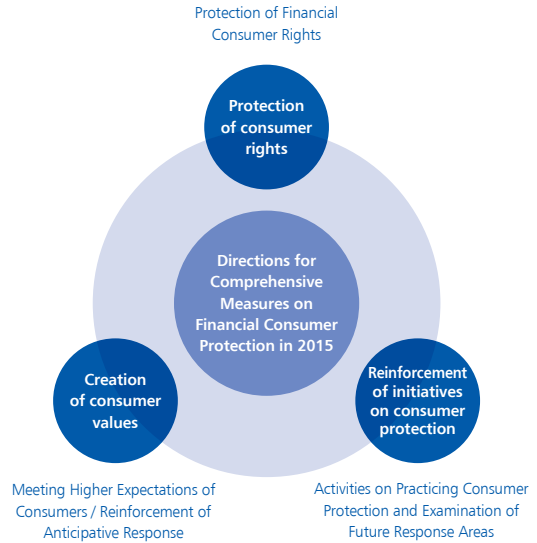
In 2015, Shinhan received the Champion Award at the 11th VISA Security Summit in acknowledgement of the excellence and innovativeness of the Self FDS service. Shinhan Card will make consistent upgrades on FDS in order to protect the assets of its customers and merchants.

## Financial Consumer Protection

Shinhan Bank operates its consumer protection center in order to promote consumer rights and value creation for customers, using it as a 'control tower' for consumer protection. From the stage of planning policies, regulations, and product development related to consumer protection, to the stage of conducting follow-up measures, Shinhan Bank monitors and receives feedback from all stages and strives to improve any irrational policies and customs in an effort to protect financial consumers. The company also plays a leading role in protecting assets of customers by monitoring transactions that appear to be suspicious of electronic financial fraud such as voice phishing.

Moreover, Shinhan Bank selects and undertakes company-wide endeavors for protecting consumers, such as responding to strengthened policies on consumer protection by the government and improving policies and customs for protecting consumer rights. In an effort to carry out comprehensive measures for financial consumers, Shinhan Bank selected 187 projects in 3 core areas, conducted quarterly feedback in 2015, and completed implementation of all the projects by the end of 2015. Apart from such efforts, Shinhan Bank conducted a 'suggestion event of the consumer, by the consumer, for the consumer' and received opinions from consumers through the website, leading to enhancement of consumer rights by identifying tasks for improvement from the consumers' perspective.

### Directions for Comprehensive Measures on Financial Consumer Protection in 2015



3 Major Directions for Consumer Protection	10 Major Points of Improvement	Detailed Tasks
<b>Protection of consumer rights</b> (Protect consumer rights / Prevent losses)(60)	1 Incomplete sales(13)	Eliminate incomplete sales on loans · deposits and investments and strengthen monitoring
	2 Real-name financial system / Binding regulations(3)	Strengthen identification process, strengthen education, comply with binding regulations
	3 Protection of customer information(19)	Examine management status on customer information, eliminate arbitrary access without consent
	4 Prevention of electronic financial fraud(25)	Prepare policies for preventing voice phishing, strengthen information security on non-face-to-face channels
<b>Creation of consumer values</b> (Maximize consumer values)(93)	5 Improving consumer policies and systems(33)	Improve policy concerning multiple complaints and unreasonable practices
	6 Reinforcement of education/HR services(35)	Strengthen support on consumer protection and increase all awareness of all employees regarding consumer protection
	7 Reinforcement of financial consumers' right to know(25)	Strengthen disclosure system(website disclosure management system, preliminary examination of advertisements), conduct financial education
<b>Reinforcement of initiatives on consumer protection</b> (Examine execution and future areas)(34)	8 Reduction of complaints regarding consumer protection(16)	Reduce complaints, create a complaint-handling system from the perspective of consumer protection
	9 Assessments on consumer protection status(10)	Examine assessment on consumer protection status (Consistently identify policy directions and related works)
	10 Assessment on fulfillment of comprehensive measures regarding policies for financial consumers	Examine fulfillment of comprehensive measures on policies for financial consumers(Consistently identify policy directions and related works)

In order to promote more systematic activities for protecting financial consumers, Shinhan Card established a consumer protection process characterized by preliminary assessment, VOC(Voice of Customers) collection, prevention activities, work improvements, follow-up measures, and feedback. Through this process, Shinhan Card actively reflects the demands of financial consumers in management activities, preventing consumer complaints and providing prompt follow-up aid. Shinhan Card also strives to improve company-wide awareness and capabilities for protecting financial consumers by operating consumer protection meetings, educating employees on consumer protection, etc.

Shinhan Investment Corp. is performing stringent monitoring on financial fraud through education of employees and system construction. Also, it is carrying out role-playing activities by branch with the goals of understanding product sales based on Standard Guidelines for Investment Recommendations and preventing complaints. In 2015, it conducted 35,486 Happy Calls by expanding products subject to examination on completed sales.

In 2015, Shinhan Life Insurance launched its 'Consumer Protection System(CPS)' in order to upgrade its processes on consumer protection and to improve user convenience. The company enacted 'Consumer Protection Day,' strengthening employees' awareness on consumer protection through on-site educational broadcasts, consumer protection reports, etc. Additionally, it is operating a Quality Index and giving awards to outstanding branches in an effort to promote flawless sales through complete sales activity.

**System for Predicting Retention Rate of New Contracts**

For the first time in the insurance industry, Shinhan Life Insurance developed a system for predicting retention of new contracts by analyzing characteristics of insurers. This system analyzes the characteristics of insurers, such as job, age, breakaway from previous contracts and time of signing insurance contracts, in order to analyze changes in retention rate, and utilizes systems like underwriting and Happy Call to carry out sales customized to each customer. This system is expected to have huge effects in eliminating inflow of unsound insurance contracts, improving retention rate, which is a major indicator for insurance companies, while reducing customer complaints.



**Customer value** • The company analyzes and examines contract suitability factors, such as overlapping guarantee and payment capacity, providing products fit for customers

**Shinhan value** • The company ensures objective assessment on the qualitative level of contracts and attaining prior understanding of matters that deserve special attention, ensuring quality contracts, improving profitability, and promoting corporate values

**Social value** • The company contributes to the healthy development of the insurance industry by promoting a sales culture characterized by quality contracts

**Improvement of Customer Satisfaction**

In an effort to expand an admirable CS culture in 2015, Shinhan Bank conducted its internal campaign during the year by selecting and carrying out quarterly thematic activities, strengthening the power of execution for on-site CS. Shinhan Bank is also utilizing the results from regular customer satisfaction surveys as the indicators for evaluating the management board and branches, and is carrying out concentrated improvement activities on weak factors. In addition, the company is operating on-site support CS RM, which administers practical CS-strengthening activities, such as education on CS at regional HQ and visits to branches with weak CS, contributing to the overall improvement of service quality in branches. Also, in 2015, Shinhan Bank developed its 'Comprehensive SCALE System,' an upgrade from the existing CS system, in order to promote systematic CS management in branches. This drastically improved the convenience of branch employees in using the system, increased the amount of data provided by results of CS evaluation, and strengthened statistical analysis capabilities, ultimately upgrading the capacity for improving service quality.



Shinhan Bank, conducting CS campaign

Shinhan Card operates its 'Yes-Reward Policy on Excellent Suggestions from Customers', which selects and awards customers' suggestions that yield outstanding effects on work improvement and have high preventive effects on potential risks. A total of 8 suggestions have been selected and awarded in 2015. The company also strives to induce work improvement and improve the level of company-wide consumer protection activities through 'Daily VOC Report Feedback,' a program for delivering live feedback on major VOC to department heads every day. In acknowledgement of such activities in favor of customer satisfaction, Shinhan Card recently obtained certification on Consumer Centered Management(CCM), administered by the Fair Trade Commission, in 2015.



Shinhan Card, Proclamation Ceremony to Acquire CCM Certification

Shinhan Investment Corp. strives to improve customer satisfaction by providing various customer-oriented convenience services, such as privileged services for long-term group customers and Shinhan Tops Club service. Shinhan Investment Corp. also ensures constant response on customers' inquiries through VOC, and received and processed a total of 3,219 cases of VOC in 2015.

In an effort to express its willingness to compose and improve all management activities centering on customers in 2015, Shinhan Life Insurance hosted a Proclamation Ceremony on Customer Centered Management(CCM), enacted a charter on consumer protection, and recently obtained certification on Customer Centered Management(CCM). In addition, the company actively practices customer-centered management by promoting policy improvement using VOC, conducting customer satisfaction surveys, etc.

**Customer Satisfaction Survey Performance**

		2013	2013	2015	Ranking
<b>Shinhan Bank</b>	KS-SQI (Korea Standards Association)	73.4	72.7	<b>74.7</b>	1 <sup>st</sup>
	KCSI (Korea Management Association Consulting)	74.4	75.9	<b>76.9</b>	1 <sup>st</sup>
	KSQI (Korea Management Association Consulting)	92.0	94.0	<b>93.0</b>	1 <sup>st</sup>
	GCSI (JMAC)	71.9	72.8	<b>72.9</b>	1 <sup>st</sup>
	NCSI (Korea Productivity Center)	75.0	75.0	<b>76.0</b>	1 <sup>st</sup>
<b>Shinhan Card</b>	KCSI (Korea Management Association Consulting)	75.1	74.0	<b>74.5</b>	1 <sup>st</sup>
<b>Shinhan Life Insurance</b>	GCSI (JMAC)	-	-	<b>70.3</b>	1 <sup>st</sup>

Besides such efforts, Shinhan Financial Group operates various customer panel policies in its affiliates in order to practice compassionate finance by improving customer values.

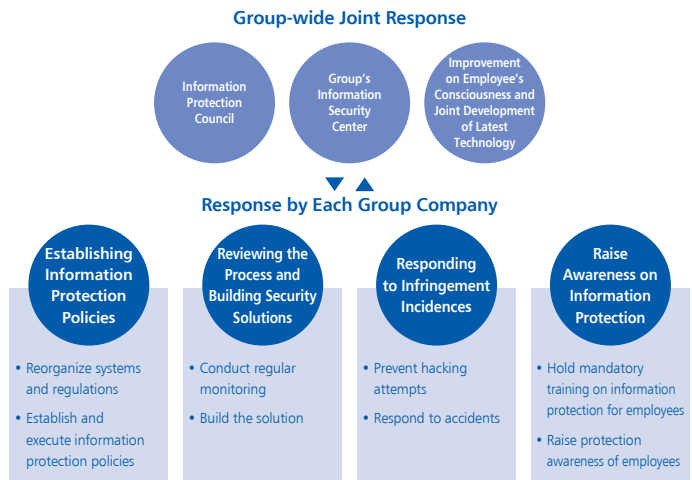
Shinhan Card has further divided panel groups according to characteristics of customers, such as a consumer protection advisory board, compassionate finance supporters panel, and compassionate finance online panel, and is operating customized channels accordingly, enabling a more strategic approach on understanding customer needs.

The customer panel group of Shinhan Life Insurance performs activities like mystery shopping, hands-on insurance service experience, new product monitoring, and also operates regular discussion meetings, through which it actively suggests areas of improvement for policies and services and contributes to the promotion of customer-centered work.

**Personal Information Protection**

In 2015, Shinhan Financial Group upgraded its compliance system on group information protection, and established a self-examination process for each affiliate. The company also improved its level of security by upgrading the group's security control function and integrated service on information protection, and established a system for detecting abnormalities in internal control, in order to prevent security accidents by internal employees.

**A system of Information Protection Activities for Financial Consumers**



Shinhan Bank is actively complying with legislation and policies on customer information protection by preparing a self-standard on compliance with information protection, and is improving the level of management of protecting customer information through preliminary training and the detection/control system. The company has also strengthened monitoring on external leakage of customer information by building a document export system, and is striving to improve general awareness on protecting customer information through customized education for all employees, on-site examination on branches and HQ departments, and reflection of assessment outcomes.