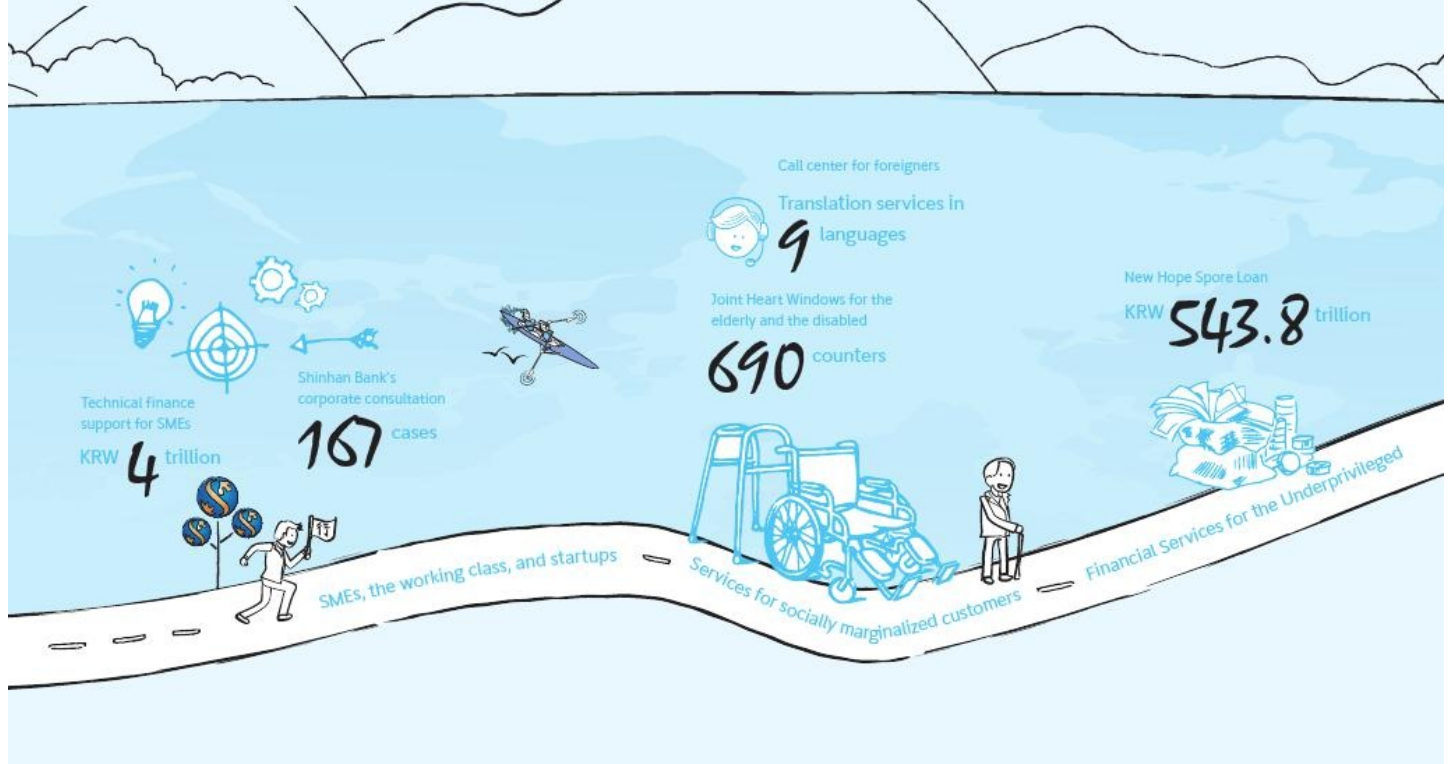


Improvement of Financial Inclusion

Shinhan Financial Group provides various products and services embracing SMEs, the working class, the underprivileged, and socially marginalized groups to create a virtuous circle of enhancing values of Shinhan and the society.



Improving Social Value of the Financial Services Industry

There is a growing demand for social responsibility of the financial services industry with regard to redistribution of wealth as polarization has emerged as a global issue. Based on this background, providing products and services for financially disadvantaged groups who have difficulties in accessing financial services has become an opportunity for financial institutions to improve their brand values and secure potential customers.

Shinhan Financial Group is fulfilling the social responsibility of a financial company through services embracing all members of the society.

Shinhan Financial Group provides corporate financing to SMEs and startups with an opportunity for growth and creates an ecosystem of mutual prosperity. We are also dealing with the financial hardships of the working class through products and services tailored to their demands.

Improving the Convenience of Financial Transactions

Demands for the service improvement for more convenient financial transactions are increasing as the share of financially disadvantaged groups is growing along with prevalent trends of the aging population in the social structure.

Shinhan Financial Group is aligning its products and systems so that all customers including the elderly and the disabled as well as foreigners can use convenient and useful services.

CASE STUDY

Sharing New Hopes by Writing a Letter

It is true that accessing financial services has become easier. However, it is still difficult for people with low credit scores or low income to receive loans. Based on this background, the New Hope Spore Loan, a finance product for the working class is providing a small help but big hope to customers who are under difficult circumstances.

A customer handed over a small note to Lee Kwang-pyo, an employee of Shinhan Bank working at the Seongsu-dong branch. The customer was a hearing-impaired person and his message read as follows, "Please, write down what you say, I have a hearing loss."

His name was Choi Jun-suh and he needed emergency loans to live on but was rejected several times due to disadvantages of low income and hearing impairment.

He joined the company only 2 months ago and his bank account balance was not enough to meet the loan requirements. However, Shinhan Bank provided the New Hope Spore Loan to him in recognition of his diligent efforts demonstrated in previous workplaces, despite many unfavorable conditions.

Likewise, Shinhan Financial Group intends to deliver a voice of hope to more customers through New Hope Spore Loans. Shinhan will be your financial partner who truly supports your future in order to build a hopeful society where everyone lives a happy life.



Mutual Growth with SMEs and Startup Businesses

Support for the Growth of SMEs

Fostering SMEs as the backbone of national economy is one of key roles of financial companies contributing to a virtuous circle for the society through compassionate financial activities. Small and medium-sized companies are still facing unfavorable conditions in conducting their businesses, although the society's perspective on them is changing and there is a growing number of policies and instruments being implemented to support SMEs. Hence, the SME and Venture Financing Department of Shinhan provides financing support and consulting services to them according to the stages of corporate life cycles through business agreements with external agencies. In line with government policies, Shinhan Financial Group offers financing supports that are tailored to the purposes of job creation, companies engaging in new growth engine industries, ones with outstanding technologies, and the ones creating social and economic values in order to encourage their growth.

Shinhan Financial Group is also expanding partnership agreements with public institutions and other external agencies and developing low-interest loan products. Shinhan Bank has jointly developed and provided guarantee secured loan programs with Korea Credit Guarantee Fund (KODIT) and Korea Technology Finance Corporation (KOTEC) as well as funds at low interest rates along with the Ministry of Employment and Labor (MOEL) and Ministry of Trade, Industry and Energy (MOTIE) according to the government direction to support SMEs.

Providing Comprehensive and Customized Solutions

Shinhan Financial Group supports the long-term growth of SMEs through corporate solutions in consideration of their various business circumstances.

Shinhan 'Creative Finance Plaza' is a unique organization of Shinhan Financial Group specializing in the provision of comprehensive solutions based on distinctive features of subsidiaries including Shinhan Investment, Bank, Life Insurance and Capital and expertise of IB. Creative Finance Plaza recommends optimal financial solutions and specialized products and services to unlisted companies, small and medium-sized enterprises. Currently, 14 Creative Finance Plazas are installed to form a nationwide network and relationship managers (RMs) of Creative Finance Plazas and banks cooperate together to provide corporate financing services to small and medium-sized enterprises in need of capital based on their operating areas.

In 2017, Shinhan Bank conducted a total number of 167 corporate consulting cases to offer professional consultancy services in specific areas including finance, accounting, taxation, management, global operation, and management succession.

Expansion of Synergies with Startups and Venture Businesses

The ICT industry that is mainly led by startups not only poses new challenges but also creates opportunities to financial markets. Shinhan Financial Group utilizes its platform to create an ecosystem of coexistence with startups and venture businesses and discover new growth engines. We also expand our supports in the form of investment and loans and increase the possibility of successful businesses through financing solutions so that they can grow into solid medium-sized companies.

In December 2017, Shinhan Bank and Korea Venture Business Association concluded a 'strategic agreement to support the innovative growth of venture businesses' to create a cooperative network to discover and support venture businesses with outstanding technologies and provide prime rates to companies with superior performances. Shinhan Bank launched 'loans for leading companies of new growth industries' to support promising businesses equipped with technical prowess and growth potential sufficient to lead the fourth industrial revolution. It also has installed Do Dream Space and operated programs to foster startups with the goals of training 300 persons and supporting the launch of 20 startup businesses each year.

Shinhan Bank's corporate consultation

167 cases

Technological Finance Support (Tech Credit Bureau Loan)

6,798 companies

KRW 4 trillion*

* Total 21,688 cases, KRW 12.3 trillion (as of the end of 2017)

Relationship-oriented Finance*

964 companies

KRW 480.40 billion

* Supply fund utilizing the information on technological capacity and business outlook.

Support for Small Entrepreneurs for Their Successful Business

Independent business owners and small entrepreneurs, who form the backbone of the Korean economy, are facing difficulties due to intensified market competition and long-term economic depression. Shinhan Financial Group is expanding its support for small entrepreneurs that is previously centered on loans in order to provide fundamental solutions and root for their success. We are also contributing to ensuring liquidity by providing financial support such as the Loan for Promotion Fund for Small Entrepreneur Market along with the Special Guarantee Loan for Company Restructuring and Job Support. Meanwhile, we provide non-financial services to reinforce the competitiveness through supporting startup lecture halls, and business district consultation utilizing Shinhan's business district system.

'Project S', which was designed to support small entrepreneurs for their successful business, provides three differentiated programs. To be specific, 'Shinhan SOHO Community' regularly updates sales tips and the latest market trends via online and 'Shinhan Secrets of Success Seminar for Independent Business Owners' and 'Shinhan SOHO Incubation Program' provide trainings for

practical business activities. 'Project S' is different from Shinhan's loan-based and one-dimensional support in the past and directly supports small-scale business owners to succeed and grow further in various fields by helping them to enhance their capabilities.



The 2nd Workshop on Shinhan SOHO Incubation Program

Supporting Partner of SMEs and Venture Businesses, the Shinhan Bank SME-Venture Business Dept.

Micro pore was established in 2000 with the goal of developing materials based on its porous ceramic foam patent. However, its business activities were limited to sample sales and unable to make profits due to the manual production process.

Owing to the boom of the display industry, the device industry was becoming more active as well and which served as an opportunity for the company. Our samples were considered as a potential replacement of insulation material for S Display's products. However, Micro pore, as a small-sized company, was in a very unfavorable condition at that time. We did not have proper equipment and facilities for mass production and were inexperienced to develop a business plan to attract investment. After much consideration, Park Jae-gu, the CEO of the company and professor, visited Shinhan Bank and finally discovered a breakthrough to attract investors.

The Corporate Consulting Team under the SME-Venture Business Department of Shinhan Bank designated consultants to conduct a precise analysis on our business potential. They helped us to develop a business plan from the investor perspective with our technological capacity and marketability during the analysis and continued to provide consulting services throughout the entire process of investment.

As a result, Micro pore successfully concluded MoUs for investments with venture capitals, attracting investment worth KRW 3 billion in total. We are currently in the stages of plant purchases and equipment ordering. It is very difficult for a university-based startup to attract investments as it takes a long time for research and development. However, Micro pore was able to secure a new opportunity for growth thanks to thorough analysis and consulting services of Shinhan.



Park Jae-gu, Micro pore CEO and Hanyang University Professor

Inclusive Finance for Financially Disadvantaged Groups

Microfinance Support

1,575 cases
KRW 17.82 billion*

* 10,558 cases and KRW 138.2 billion in total

Shinhan Microfinance Foundation for the Working Class

In October 2009, Shinhan Financial Group announced participation in the Microfinance Project for the first time among financial companies and launched the Shinhan Microfinance Foundation. The Shinhan Microfinance has been supplying small loans for opening businesses and operating funds without collateral or guarantees for the financially disadvantaged groups, who are unable to receive loans from major financial institutions due to low credit ratings and low income.

Developing Products to Support the Working Class

Protecting marginalized groups in financial blind spots and providing them with stable financial services are basic social responsibilities of financial companies. Shinhan Financial Group practices compassionate finance as a partner of customers who shares and grows together through products supporting the working class and improves the quality of their lives by providing multiple products. Shinhan Financial Group offers products, services, and solutions tailored to the needs of the working class and disadvantaged groups and promotes inclusive finance that contributes to removing financial blind spots.

Shinhan has arranged a business agreement with the Korea Inclusive Finance Agency in July 2017, and became the first financial group providing microfinance, public and private debt adjustments, and job support for the working class. Our efforts were recognized by the Financial Supervisory Service (FSS) as best practices in financial support for the working class.

In 2017, we surpassed our financing target of the 'New Hope Spore Loan', a product for the working class and customers with low credit ratings and low income, and were selected as the 'most outstanding institution with regard to activities for supporting the working class finance' for 5 consecutive years. The New Hope Spore Loan is a loan program available in all banks dedicated to the working class who have to rely on products with high interest rates provided by non-monetary institutions or lenders due to low credit ratings and low income. According to the FSS, the total amount of financing through the New Hope Spore Loan was KRW 3 trillion in 2017, a 32% increase compared to previous year. Among them, Shinhan Bank accounted for KRW 543.8 billion.

Shinhan Bank was the first Korean financial company which launched 'Sunny New Hope Spore Loan', a mobile-only product that does not require any paperwork or branch visits, setting an example for the industry. The bank also financed KRW 109.3 bil-

lion through 'the Mid-Interest Rate Loan for the Working Class', a representative mid-interest rate loan program, reaching the No. 1 spot in the banking industry.

Shinhan Card launched the 'Deep Dream' card, a card tailored to the lifestyle of the working class to mark the 10th anniversary of integration. Deep Dream card with benefits of saving money on living expenses to the highest level in the country was widely accepted by the working class and the number of card issued exceeded 500,000 as of December 2017. Shinhan Savings Bank is also doing its best to expand financing support for the working class based on synergies of Shinhan Financial Group. Shinhan Savings Bank operates Hug Loan Linked Services to provide loans to customers who were unable to receive the same service through Shinhan Bank.

Providing Services to Support the Working Class

Shinhan is not only continuing to provide financial supports to the working class but also promoting options to relieve financial difficulties of customers with poor credit management capabilities. We have reinforced our roles as a financial consultant to vitalize debt adjustments of customers to help their financial independence.

Shinhan Bank collectively wrote off all bad loans of the socially marginalized groups including the beneficiaries of national basic livelihood, disabled people and the elderly worth KRW 440 billion and provided debtors with a service to inquire about their debt status in order to help them recover their credit status.

Efforts to improve customers' financial knowledge are made as well to prevent the lack of credit management and the ensuing difficulties. Shinhan employees are trained to build counseling competencies to manage credit risks of customers and we are also promoting financing support for the working class through various channels.

We provided open banking services to visually impaired customers and adopted smart OTP for hearing impaired customers so that they can easily access to our online services by improving the use procedure.

For foreign customers, we operate a directory for the call center dedicated to foreign customers providing translation and consulting services in foreign languages. We have provided 6 foreign language services including English, Japanese, Chinese, Vietnamese, Mongolian, and Thai and three more languages (Russian, Cambodian, and Filipino) are added in May. Foreign customers can also enjoy foreign language services in our mobile platforms. In particular, 'Wongok Foreign Exchange' in Ansan city, Gyeonggi Province, has developed and provided financial services tailored to the needs of foreign customers.

A Society in Which Differences are Accepted

Shinhan Financial Group strives to introduce technologies and improves practices so that all customers can use convenient and safe services regardless of their age, disability, and nationality. We have established non-face-to-face channels tailored to the elderly, people with disabilities, and foreigners and created an environment where anyone can utilize financial services through a situational response service and directory and manuals for call center.

For the first time among Korean banks, Shinhan Bank released 'Future Design for You', a mobile app providing customers who are in the retirement age group with financial and non-financial information in January 2017. The app was designed to have larger font size and more easily accessible menus compared to the existing mobile banking applications to create a better experience for senior customers. Customers are also provided with detailed retirement consulting services through Korea's first one-stop retirement planning platform 'Future Design for You'.

Joint Heart Window for Seniors and People with Disabilities

Joint Heart Windows are installed in about 690 branches of retail and financial centers across the country and dedicated employees trained to protect senior customers who are vulnerable to financial transactions are stationed to explain prime rate programs and other products tailored to senior customers. Recently, Shinhan Bank has expanded and operated the counter to provide inclusive services to people with disabilities as well by changing its name to the Joint Heart Window for Seniors and People with Disabilities.

Shinhan Bank created 'Sign Language Consultation Services' and installed telephones dedicated to disabled customers in key branches to provide them with better services. For visually impaired customers, the bank has adopted the terms and conditions in braille and established a process to report complaints in braille by making the application of VOICE! (text to speech conversion code) to the terms and conditions and product manuals as mandatory.



Shinhan Bank practices inclusive finance