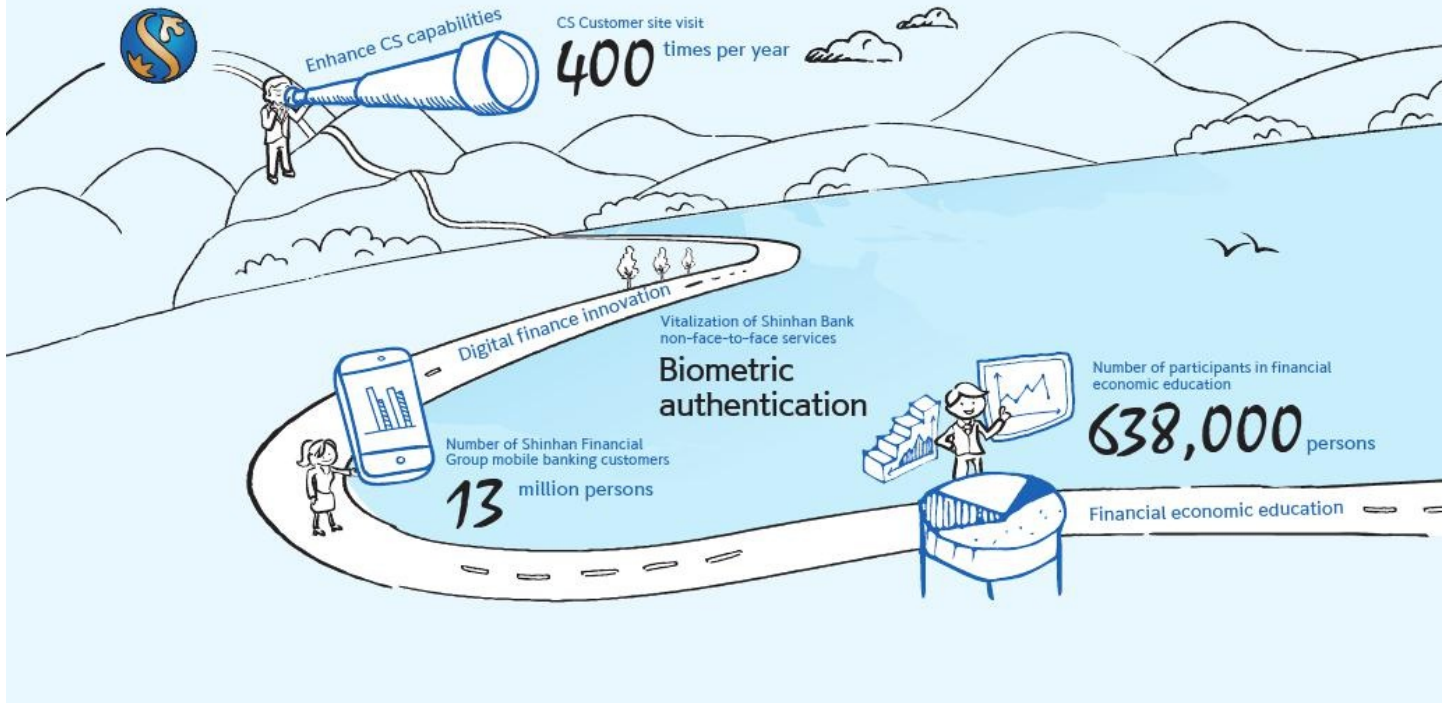


Provide Solutions to Improve Customer Value

Shinhan Financial Group strives to improve service capabilities to deliver the best customer satisfaction and provide new customer value through digital transformation and financial economic education.



Compassionate Finance Experienced by Customers

Shinhan Financial Group is committed to being the most reliable financial partner for customers based on its 'Compassionate Finance, Your Companion for the Future' mission. We do the utmost to improve our products and services from the customers' perspective so that they can experience 'compassionate finance' and create a virtuous cycle of shared prosperity for both customers and the company.

Digital-based Innovation of the Customer Experience

Rapid changes based on digital technologies are taking place from the aspects of customer experience along with the emergence of new digital technologies such as mobile, AI, and blockchain. Fintech, a compound of "finance" and "technology", is frequently used these days and Fintech companies are promptly engaging in the financial industry with innovative products and services that are unprecedented. Shinhan Financial Group is also exploring new and innovative opportunities utilizing digital technologies.

Shinhan Financial Group's digital transformation aims to rapidly provide financial customers with more convenient and useful services. We are focusing on identifying the inconveniences and complaints of existing financial services with the power of data and resolving issues through automation and process improvement. We will promote financial services that provide a new level of customer satisfaction by transforming customer experiences through such efforts.

Financial Economic Education for Customers

We provide our customers with financial economic education to help them become acquainted with finance and live a better life through financial services. In particular, we provide customized education tailored to participant groups including as children, youth, and seniors to enhance their understanding of finance.

CASE STUDY

Building a Digital Ecosystem, Future's Lab

Shinhan Financial Group operates 'Shinhan Future's Lab' to support startups and create a digital ecosystem. Shinhan Future's Lab aims to establish a win-win business relationship in which startups and financial companies cooperate and grow together. It also provides startups with the support they need in their early stages including investment, ICT infrastructure, financial know-how, and beyond. In return, they create new values through digital services that customers need and share with Shinhan while focusing on developing innovative technologies and ideas. Launched in 2015, the Future's Lab has co-operated with a total of 61 companies to date and developed joint business models in 21 areas.

Shinhan Financial Group has invested KRW 6.3 billion directly to provide practical support to startups. Recently, we have been expanding our cooperative network with fostering institutions in various industrial fields to provide startup companies with non-financial aid as well.

We launched 'Shinhan Future's Lab Vietnam' in 2016, the first Fintech startup fostering program operating overseas among

Korean companies. Shinhan Future's Lab Vietnam provides mentoring programs offered by both Fintech specialists in Vietnam and global mentoring groups in Korea to support Vietnamese Fintech companies and assist domestic companies' entry into the Vietnamese market.

The Shinhan Data System focuses on the commercialization of specified services and technologies in cooperation with Fintech venture companies from the Future's Lab. Currently, blockchain platforms for enterprise customers, a machine learning based server, infrastructure failure predictions, automatic operation services have been developed and Shinhan Bank servers and service of infrastructure failure predictions are being tested.

Shinhan supports startup companies from the Future's Lab and is making efforts to improve its technological competitiveness through developments in FinTech based on partnerships and substantial collaboration.



Future's Lab Vietnam

Compassionate Finance Experienced by Customers**Provide customer-oriented products and services**

Shinhan Financial Group improves customer satisfaction and enhances customer value by providing products with high investment yield rates.

'Shinhan BNPP Euro Covered Call' funds were receiving favorable reviews and recorded a balance of KRW 100 billion within 3 months of launch. Furthermore, and 'Shinhan BNPP Covered Call' funds released in 2016 were sold worth KRW 1.3 trillion in 2017 and demonstrated an outstanding performance.

Shinhan Bank operates a specialized fund consultation team for customers that utilizes non-face-to-face channels for the post management of customer assets.

Shinhan Investment Corp. operates the 'Customer Yield Rate Assessment System' which is the first of its kind in the industry and reflects the results to employee evaluation. Six years after its implementation, the 'Customer Yield Rate Assessment System' contributed to the constant increase of customer yield rates. The yearly yield rate for customers that received PB consultation for the last 3 years achieved an excellent performance recording 5.66% on average for 2015 and 5.76% and 10.22% for 2016 and 2017, respectively. The scope of assessment was expanded to include product sales department encompassing the entire process from product sales to customer management, contributing to the increase of the customer yield rate.

Customer-Centered Management through Diverse Communication Programs

Shinhan releases products and improves services based on customer opinions collected after communicating with them.

We have operated the 'Customer Panel System' since 2002 to improve our systems and businesses from the customer protection perspective. We are planning to carry out comprehensive improvement activities for customers in multiple areas including digital, new finance, and installment plans by forming 'Hyper Connect (HC) Customer Panels' of various age groups of individuals from their 20s to 50s based on our new strategic directions 'Hyper Connected Management' and 'Deep Change' that were adopted in 2018.

Moreover, we are making efforts to reflect customer opinions through various communication programs. For example, we offer rewards to customers who make outstanding suggestions on work improvement through the 'Yes-Reward' program, operate the 'Hidden Voice' program through which executives directly visit customers to receive their complaints, and conducts the 'Shinhan Poll' survey for online customers.



Shinhan Card Customer Panel launch event



CCM Certificate of Shinhan Card Shinhan Investment Corp Shinhan Life Insurance

Customer-Centered Management Certification

In recognition of various customer-centered management activities, Shinhan Card obtained the Customer Centered Management (CCM) Certificate issued by Korea Fair Trade Commission (KFTC) for the second time since 2015. Shinhan Card earned the distinction of being the only company to receive this certificate among card issuers. Furthermore, the company earned the first place in the 'Korean Standard Service Quality Index (KS-SQI)' and 'Korean Service Quality Index (KSQI)' for the excellent quality of its face-to-face customer service.

We were ranked at No. 1 in the 'National Customer Satisfaction Index (NCSI)', 'Korean Customer Satisfaction Index (KCSI)', and 'Global Customer Satisfaction Competency Index (GCSI)', which measure customer satisfaction in products and services, and continued our status as the company most beloved by customers.

Launch of Products that Embrace Diversified Customer Demands

Shinhan Bank develops products and services reflecting diversified customer demands.

Shinhan Bank has opened a loan window dedicated for freelancers who are suffering from unfavorable loan requirements due to job insecurity and provided them with loans at better interest rates than the ones offered by non-monetary institutions. Shinhan Bank signed an MoU with 'eLancer', an online platform for freelancers, and supported them to ensure a stable financial base. Shinhan Bank also launched the 'Shinhan Double DREAM installment plan' that provides double interest rates for single-person households, 'With Pet installment plan' for customers with companion animals, and others to meet customers' varying needs.

Korean Standard Service Quality Index (KS-SQI)

Korean Standard Service Quality Index (KS-SQI)
Awarded No. 1 by the Korean Standards Association (4 consecutive years)

National Customer Satisfaction Index (NCSI)
Awarded No. 1 by the Korea Productivity Center

Korean Service Quality Index (KSQI)
Awarded No. 1 by the Korea Management Association Consulting (7 consecutive years)

Global Customer Satisfaction Competency Index (GCSI)
Awarded No. 1 by the Global Management Association (13 consecutive years)

Korean Customer Satisfaction Index (KCSI)
Awarded No. 1 by the Korea Management Association Consulting (4 consecutive years)

Differentiated Customer Satisfaction through Synergy among the Group's Subsidiaries

Provide New Solutions through Collaboration among Group Companies

Shinhan is cooperating with group subsidiaries in order to provide customers with the best products and services. We are developing joint products by identifying and removing duplicate ones and making efforts to operate a unified base system including credit assessments performed at the group level.

In 2018, we will launch the group-wide mid-range interest rate loans for our customers. To this end, Shinhan Bank, Shinhan Card, Shinhan Life Insurance, and Shinhan Savings Bank have established an integrated group-wide platform for mid-range interest rate loans.

Each subsidiary will recommend optimal loan products for customers to provide products of the best combination of loan requirements through the platform. Customers are allowed to receive loans allocated to subsidiaries at the best interest rate within their credit limit of Shinhan Financial Group. By doing so, customers can obtain reasonable mid-range interest rate loans.

Each subsidiary will recommend optimal loan products for customers to provide products of best combination of loan require-

ments through the platform. Customers are allowed to receive loans allocated to subsidiaries at the best interest rate within their credit limit of Shinhan Financial Group. By doing so, customers can get reasonable mid-range interest rate loans.

Shinhan is the first financial company attempting to establish an integrated sales channel of combining loan requirements of subsidiaries. Customers can find a comprehensive plan of loan products offered by the subsidiaries of Shinhan Financial Group through non-face-to-face channels or site visits.

Shinhan Financial Group is developing a group-wide credit assessment system with enhanced accuracy by compiling subsidiaries' card and insurance data. Shinhan Financial Group plans to expand joint sales with subsidiaries and develop related products based on the 'group-wide' credit assessment system.

Shinhan Private Wealth Management (PWM) develops and provides customized investment products tailored to customer demands. We are creating various investment products with different structure from the ones for the same investment target by launching public and private investment funds with minimum risks in cooperation with subsidiaries such as Shinhan Investment Corp. and Shinhan-BNPP Asset Management.

IPS Department to Provide Comprehensive Asset Management Solutions

Fund Teams from the Investment Product Department of Shinhan Bank and Shinhan Investment Corp. jointly provide differentiated financial solutions to promote customer satisfaction.

With the aim to provide comprehensive and customer-centered financial services and increase cooperation among subsidiaries of the group, Shinhan Financial Group created the Investment Product & Service (IPS) Department, a group providing comprehensive asset management solutions, in 2012 for the first time among financial companies and offers various financial investment products of Shinhan to customers when they cannot find the financial products that satisfy their needs.

In 2017, the two companies successfully launched joint real estate funds. The IPS Department plans to solidify a cooperative system and expand the scope of cooperation while compensating for weaknesses. It is expected that the conversion of retail branches into hybrid service stores will be intensified as they will serve as the hubs of the future capital market. Considering this, we will further enhance our competitiveness in terms of product supply and continue to satisfy customers by launching products tailored to customer needs according to volatile market conditions.



IPS Department providing comprehensive asset management solutions

Innovate Customer Experience Based on Digital Technologies

10 Enablers: Organizational Preparedness



Shinhan Strategic Framework for Digital Transformation – 2 Tracks & 10 Enablers Strategy

Shinhan strengthened the company's strategic directions and detailed approaches in consideration of rapidly changing digital technologies, regulations, and competition trends. The strategic directions are composed of 2 tracks. The first track is to improve the customer experience and operational efficiency and the second track consists of accommodating Fintech and establishing innovative business models. The 10 Enablers present organizational preparedness including required technologies, capabilities, and governance structure.

2 Tracks: Business Model Innovation



Digital Channel and Service Innovation

Shinhan Financial Group continues to improve digital channels so that customers may promptly use its services.

As of 2017, the number of customers who use Shinhan Financial Group's mobile banking services is approximately 13 million, while Shinhan FAN Pay, an application card service of Shinhan Card, has attracted about 9.43 million customers, the largest figure among domestic card companies, leading the mobile easy payment service market. Shinhan Financial Group operates an integrated group-wide platform where customers can enjoy services offered by subsidiaries such as bank, card, financial investment, and life insurance. Meanwhile, the cumulative number of loyalty platform Shinhan FAN Club members exceed 7.81 million and Shinhan Financial Group's integrated mobile platform 'Exciting Bout' has 2.2 million customers.

Furthermore, Shinhan Financial Group has created new customer value by installing digital counters at all of its branches. With the adoption of digital counters, the processing time of banking business was reduced from 15 minutes to 7 minutes, contributing to the improvement of customer satisfaction.

We successfully shortened the time required to prepare documents with simplified formats, gather write and auto-type functions and provided options to magnify the display on PC screen for seniors, which received favorable reviews.

Shinhan Bank started 'Big Data-based advisory services' through digital counters for the first time in the Korean banking industry. These are new kinds of consulting services through tablet PCs based on customer data analysis and customers are provided with data related to financial services according to the analysis of information they entered such as gender, age group, and residence. They can use highly reliable consulting services based on the data they have entered and check financial products subscribed by others with similar backgrounds. We plan to support our customers to establish detailed financial plans according to their life cycle such as marriage, educational expenses, purchase of real estate, and later life preparation. As a part of such efforts, we publish the 'report on financial lives of ordinary people' each year to provide various information on the financial lives of ordinary people.

In order to improve the convenience of non-face-to-face services, we are operating smart branches, integrated platforms combining windows and digital channels (smart lounge), leading digital finance by creating an environment in which customers can access banking services after business hours such as weekends and holidays.

Shinhan Financial Group is promoting digital transformation so that customers can experience changes. We are launching products and services incorporating AI, algorithms, and other new digital technologies and expanding cooperation with new markets and companies with new technologies in order to provide customers innovative financial services such as Fintech, and the fourth industrial revolution. Furthermore, we are expanding investment in the development of new digital technologies and new approaches related to cloud computing, blockchain, Open API, and big data.

Shinhan Card has garnered highly favorable responses by providing discount coupons based on customer location through the adoption of Geofencing technology. Additionally, Shinhan Bank has joined hands with LG U+ and GS Caltex to establish an online mobile payment platform using automobiles. Meanwhile, Shinhan Life has launched Internet-based health insurance products for customers with diabetes in collaboration with providers of blood glucose management services.

In 2017, Shinhan Financial Group has been increasing business partnerships with global ICT companies to expand the digital ecosystem led by the company. We are having discussions with Amazon, PayPal, and other global ICT leaders regarding new methods of finance and developing processes so that customers more conveniently use Shinhan financial services on their channels.



Shinhan executives paid a visit to Amazon in the US

Shinhan Financial Group is developing AI-based asset management service to recommend promising global financial products to customers. We plan to improve the asset management quality by predicting the progress of global financial markets and growth potential of various products based on Watson, IBM's AI platform for business.

Furthermore, we are making efforts to provide 24/7/365 financial services through AI-based chatbot and Robotics Process Automation (RPA) and invest heavily to significantly reduce service processing time.

AI-based Service Expansion

Artificial Intelligence (AI) and Virtual Reality (VR) are applied to finance and our daily lives and Shinhan Financial Group responds to such trends preemptively and explores opportunities to innovate customer experience significantly. We continue our efforts to develop AI-based Robo-Advisors and improve the completion of existing services to become an IT-based financial company.

Shinhan Financial Group provides asset management services utilizing technologies to serve more customers. The asset management service was provided only to certain customers with large assets in the past. However, we are now able to deliver a quality service to general customers through algorithms and digital channels.

Shinhan Bank and Shinhan Investment Corp. launched an asset management service 'M-Folio' through Robo-Advisors in 2016 and have provided the service to 30,000 customers. The Robo-Advisors is a representative mutual growth model jointly developed by Fintech companies.

Banking Everywhere, VR Wealth Lounge

The VR technology will transform the domain of digital channel services. Shinhan Financial Group is preparing for next-generation branches that provide innovative level of conveniences for totally different customer experience through digital technologies such as Amazon Go.

Shinhan Bank unveiled 'VR Wealth Lounges', virtual branch offices using VR and augmented reality (AR) technologies for the first time among Korean financial companies. VR Wealth Lounge is a virtual bank branch office appeared on the mobile phone screen. Three large 3D screens and a virtual bank employee are displayed to provide visual data and audio guidance while using the service. VR Wealth Lounge is the starting point of future finance where customer can enjoy transactions and financial consulting services whenever and wherever they go as they visit a bank branch office. We plan to incorporate new technologies in the near future and provide differentiated customer experience in various areas including finance, culture, education, etc.



Financial Economic Education to Improve Financial Understanding

Provide Financial Economic Education for Future Generations

Shinhan Bank provides financial experiences to children through the Shinhan mobile platform SOL along with the rapidly changing financial environment. Shinhan Bank also adopted programs to allow children to directly implement services offered by the company such as 'Currency exchange for everyone' through tablet PCs to help them get acquainted with banking services.

The 'Shinhan Youth Financial Economic Education Center', Korea's first venue dedicated to financial education opened in 2013, provided about 35,000 students with customized financial experience training programs as of now.

In 2017, Shinhan became the sole provider of the 'remote video career mentoring' program through its digital platforms among financial institutions. To make this happen, the company signed on a business agreement with Korea Research Institute for Vocational Education and Training (KRIVET), established education systems at the Shinhan Youth Financial Economic Education Center, and provided free-semester programs for career development to 51 schools.

In 2017, Shinhan became the sole provider of the 'remote video career mentoring' program through its digital platforms among financial institutions. To make this happen, the company signed on a business agreement with Korea Research Institute for Vocational Education and Training (KRIVET), established education systems in Shinhan Youth Financial Economic Education Center, and provided free-semester programs for career development to 51 schools.

Shinhan-BNPP Asset Management provides financial education programs for the children of 'Shinhan BNPP Mother's Love Installment Investment Trust Fund No. 1' customers. Fund performance report



Shinhan Children's Financial Experience Class



Shinhan Savings Bank's Finance Classroom for Seniors

and educational materials tailored to children customers are released each month and an economic letter for economic education is sent each week, providing them with an opportunity to get acquainted with financial markets. Also, the company operates children's financial economic education programs and a finance camp in conjunction with professional childhood education institutions.

Expansion of Financial Economic Education for Seniors

Shinhan Life Insurance visits elderly care centers across the country to provide lectures and the topics are selected centering on items that seniors need to know for their later years such as the latest financial information, retirement planning, taxation, inheritance, and prevention of financial fraud to offer customized programs.

Shinhan Savings Bank also provides financial economic education to seniors of local communities to avoid voice phishing and fake deposit bank passbook. Shinhan Bank's Future Design Center offers programs related to retirement plan such as cash flow and asset management after retirement for customers in their 50s who are retirees or would-be retirees. Shinhan Bank operates the 'Couple Retirement Classroom' for general customers and 'Future Design Camp' for corporate clients and the bank's finance lecturers are equipped with sufficient financial theory and field experience.



