



---

# Contents

## How to Use This Report

This is an interactive PDF.

Navigation tools at the top right of each page and within the report are indicated as follows.

 Previous page

 Cover

 Contents

 Undo

 Next page

 More information

 Useful links

 Related table or graphic

# 2018 Highlights

## Reading Guide for This Section

This section highlights our accomplishments in 2018 in a highly-compressed manner. Please read the next few pages to see what our mid-term strategic initiative is, how we have put it into action, and what our accomplishments in 2018 were under it.

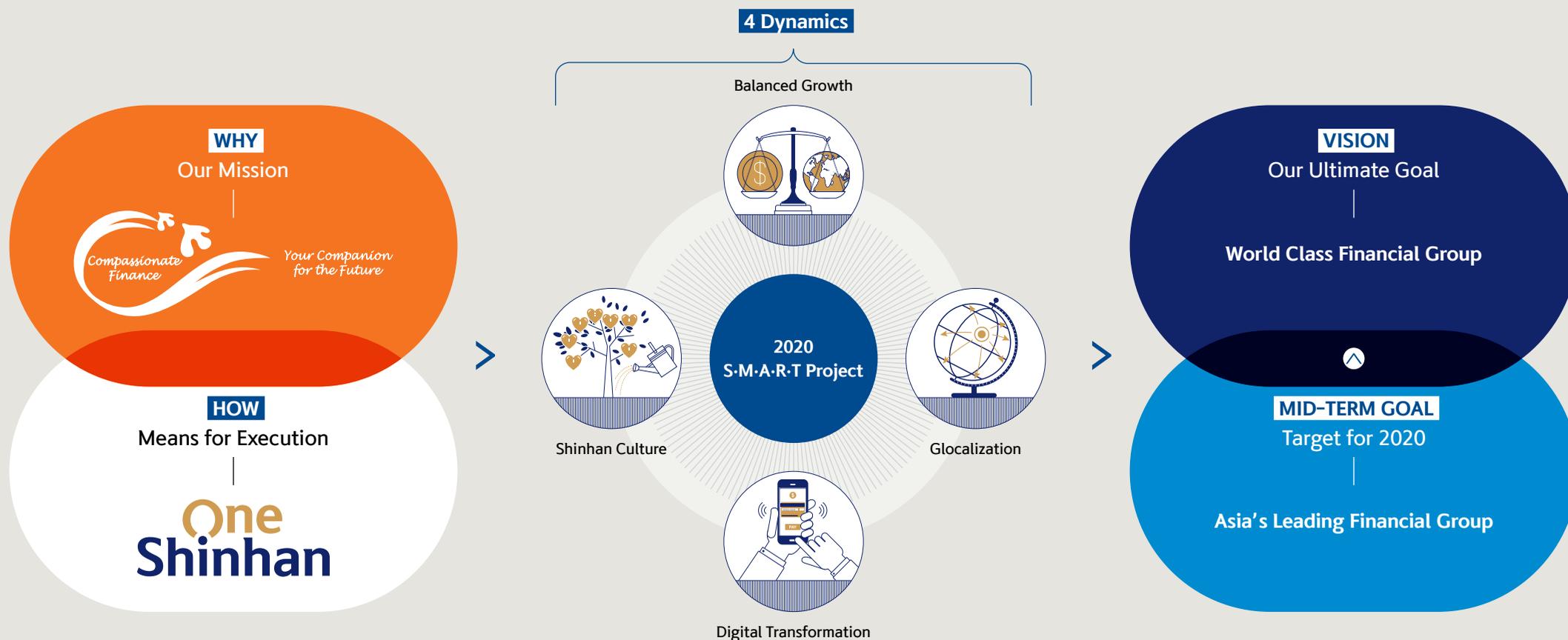
The content in this section allow readers to easily understand our achievements in 2018 by referring to diagrams and pictograms. More graphics and diagrams will appear if the mouse pointer is rolled over the  signs, so please feel free to explore. If you want to see the full report or more detailed content, please click on the “More information” icon () , which will take you directly to the page(s) containing the content you are looking for.

# 2020 S·M·A·R·T Project

## Strategy for 2020

The Group's 2020 S·M·A·R·T Project encapsulates its strategies for achieving its corporate vision. It provides a roadmap consisting of four directions for achieving healthy and balanced growth across all the Group's business lines, laying the foundations for new growth in the global and digital areas, while also upholding the Shinhan culture.

We are creating visible outcomes through the Project, based on our mission of "Building a better world through finance" and our "One Shinhan" strategy of sharing all the Group's resources among our companies.

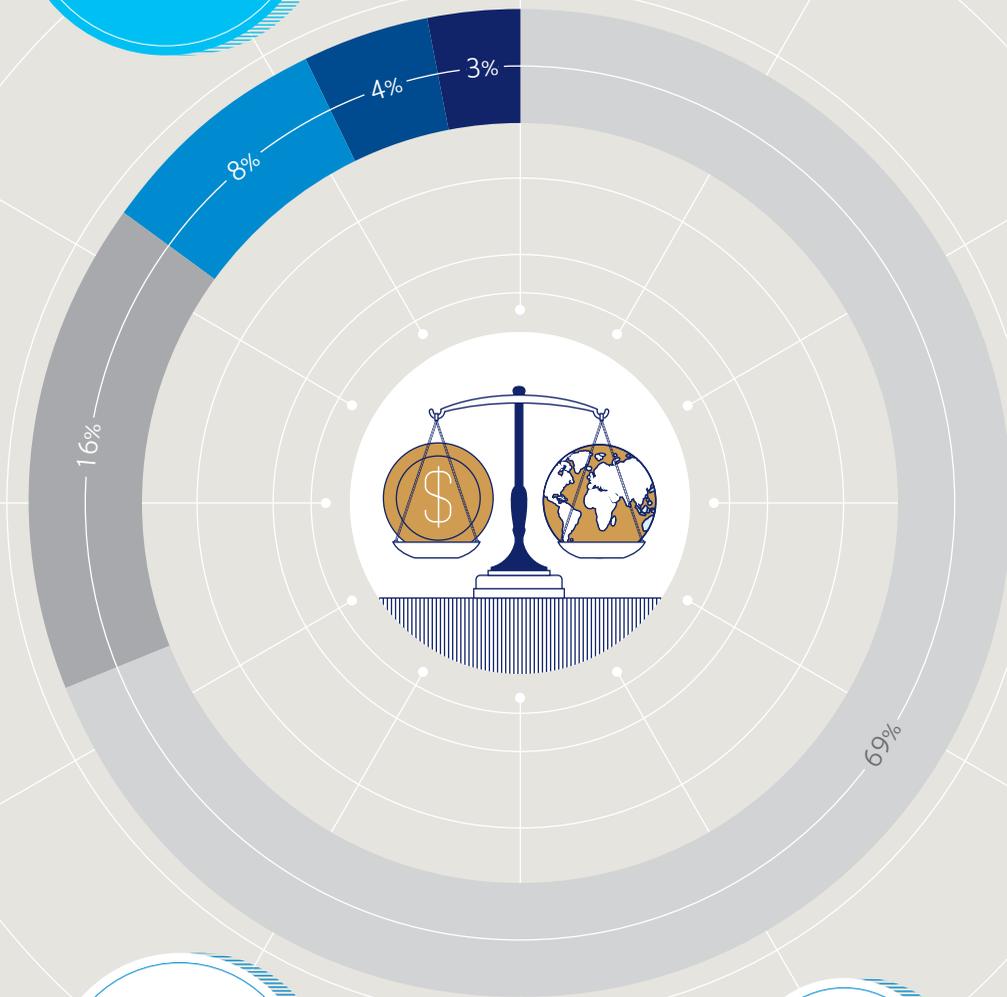
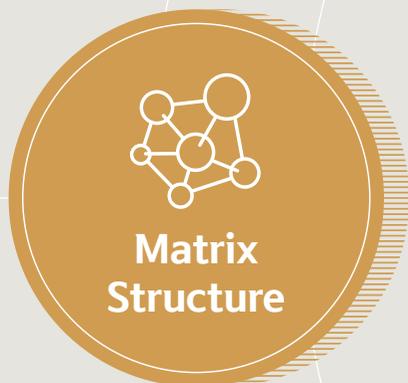


The Group has melded the capabilities of all its subsidiaries together in a bid to enhance the competitiveness of its non-banking sector and continue the industry-leading competitiveness of its banking division. In 2018, we witnessed tangible results in our efforts toward sustained and balanced growth. For example, the proportion of the revenue that it derived from its non-banking sector grew to 31% of its total, while both the organic and inorganic sectors were able to create Group-level synergy effects.

# Balanced Growth

## Group Subsidiary Income

- Bank
- Card
- Investment
- Life Insurance
- Capital etc.



Balanced Growth

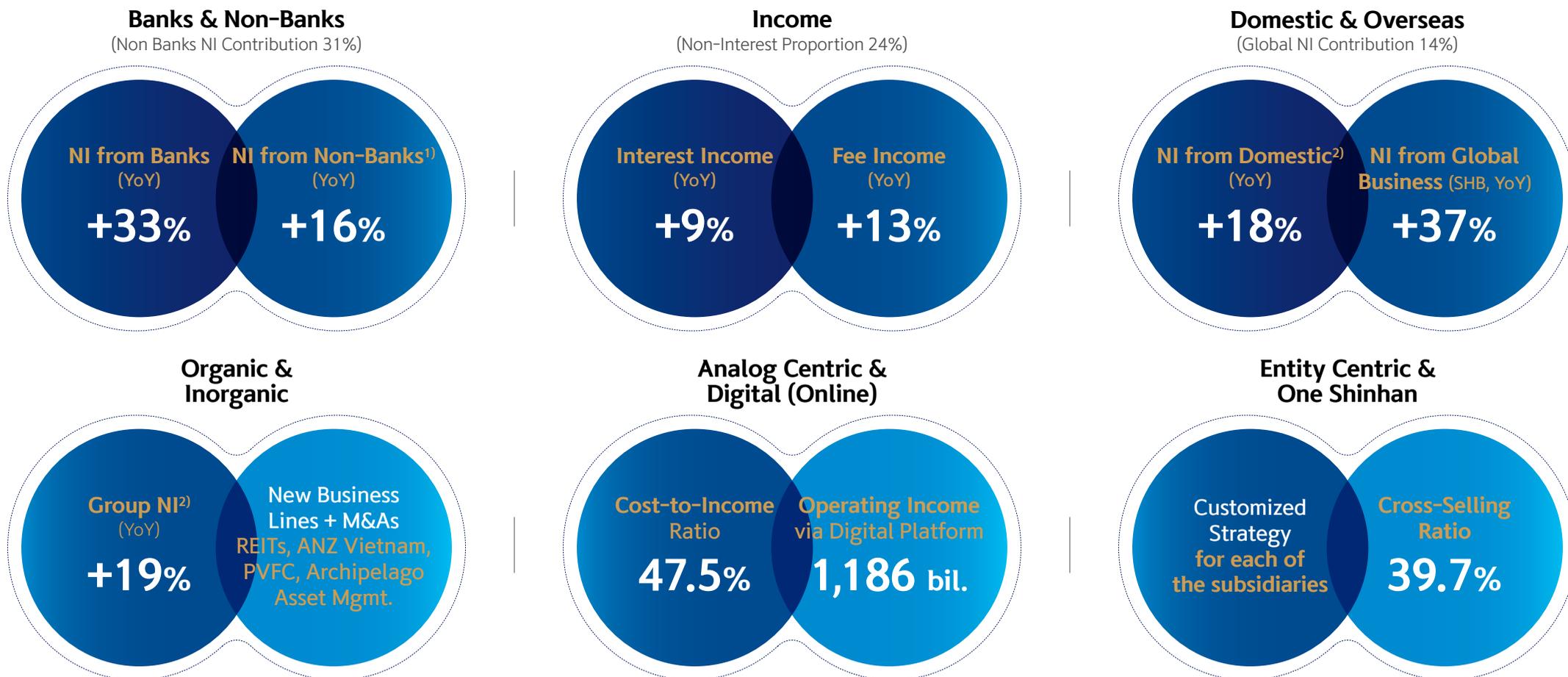
# Overview

## : Solid Growth throughout

The banking sector's net income rose by 33% from the previous year, while that of the non-banking division was up by 16%, reflecting healthy and solid growth in both areas. As the Group also carried out a number of M&As, adding new growth engines to its portfolio, the non-banking division is expected to expand its revenue base even further going forward.

1) Excluding non-recurring write-backs and securities disposal gain from Shinhan Card

2) Excluding non-recurring write-backs from Shinhan Card

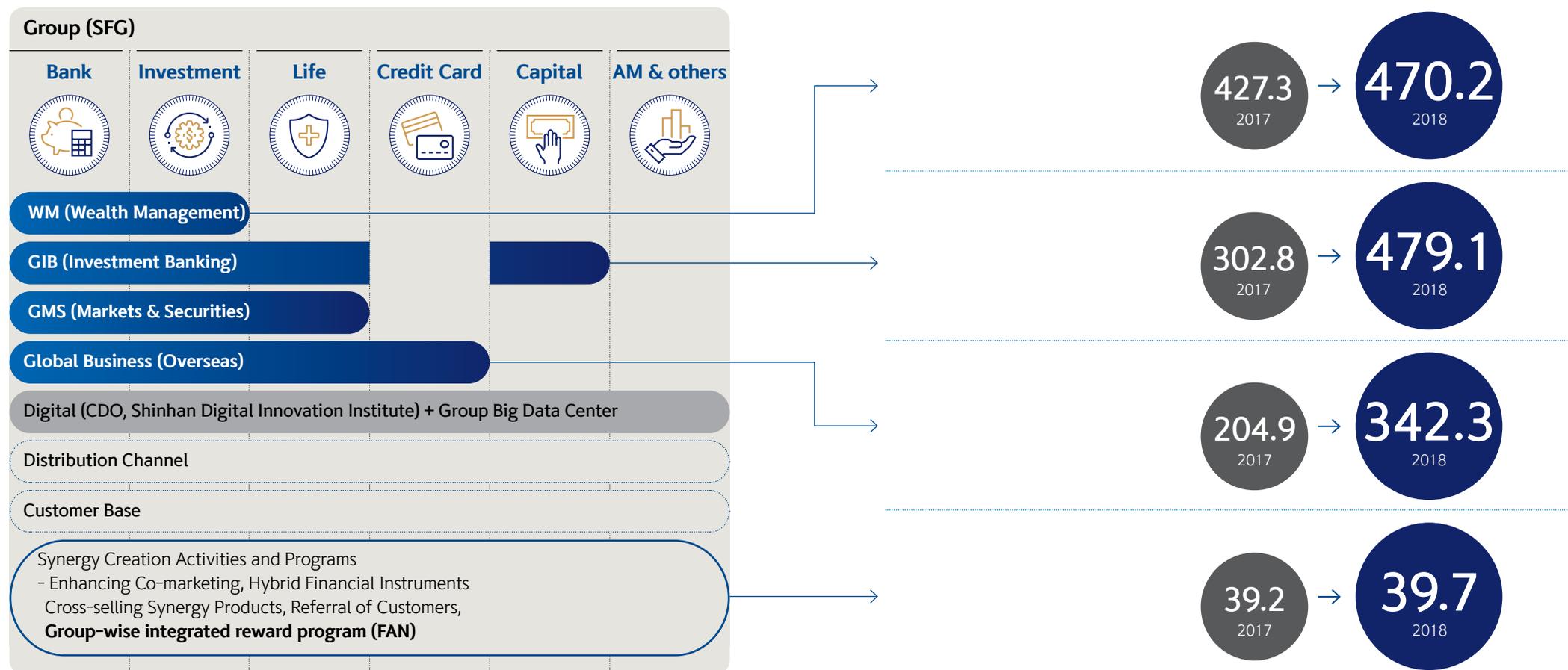


## Balanced Growth

# Matrix Structure

### : Intermingling Capabilities

The Group has established a matrix operating system that will provide its customers with best-in-class financial services by bringing together its resources and capabilities. This led to noteworthy results in all its business divisions, including Global Business and GIB Business' earnings ballooning by 57% and 58%, respectively, over the year.



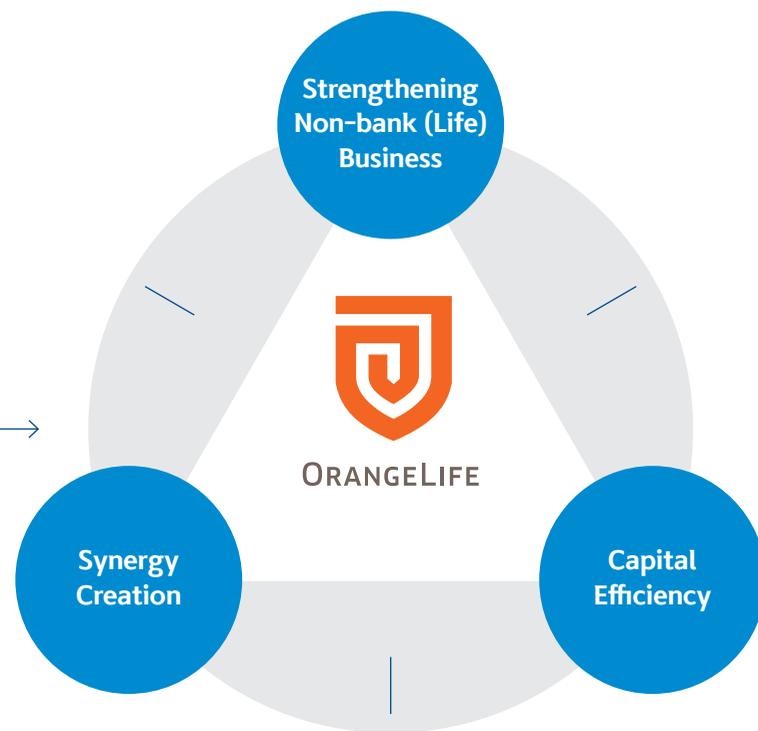
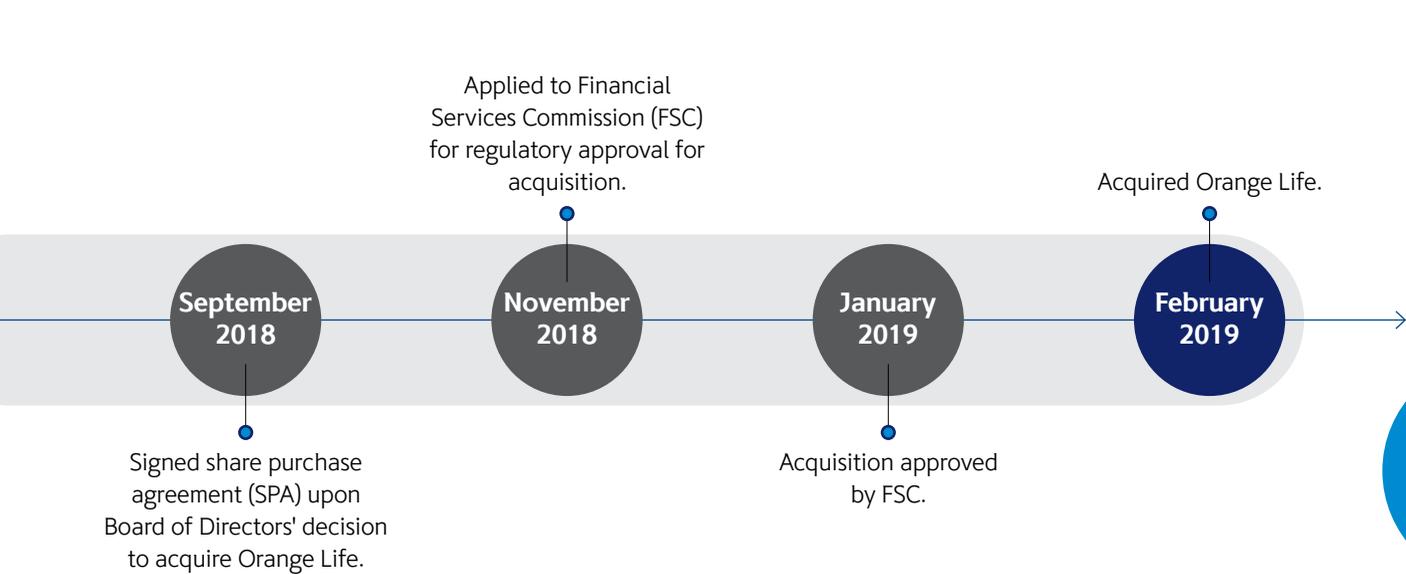
**Balanced Growth**

# Orange Life Acquisition

**: More Trust for Growth**

Shinhan Financial Group acquired Orange Life (formerly ING Life Insurance) in February 2019, helping the Group to add to its inorganic growth momentum. Orange Life boasts a specialized Financial Consultant (FC)-based sales organization, the industry's highest risk-based capital (RBC) ratio, and optimized risk management capabilities for dealing with constantly-changing governmental regulations. Shinhan Life Insurance and Orange Life will provide differentiated customer values while generating synergies beyond the expansion of their asset volumes.

**Timeline of Acquisition of Orange Life**



Balanced Growth

# Asia Trust Acquisition

: Expanding Business Horizons

Asia Trust is the industry leader in the real estate agency service trust sector in South Korea. The Group's decision to acquire it was to strengthen the real estate segment of its non-banking business portfolio, allowing it to offer customers a full range of real estate services through both internal and external collaborations.



**Real Estate: Total Solutions Provider**

The Group operates 189 networks in twenty countries around the world. In order to achieve its medium-term target of occupying the industry's leading position in Asia, it is concentrating its glocalization advances on emerging markets in the region, while also strengthening its performance in markets where it already operates. The ratio of the global division's earnings to those of the entire Group was 10.3% at the end of 2018, a threefold increase compared to the end of 2011.

# Glocalization

## Net Income Contribution by Global Business (SHB)

- Shinhan Vietnam
- Overseas Branches
- SBJ
- Shinhan Bank China
- Others
- Shinhan Asia



**Asia Hub**  
Launch of  
Hong Kong GIB



**189**  
Networks

**20**  
Countries

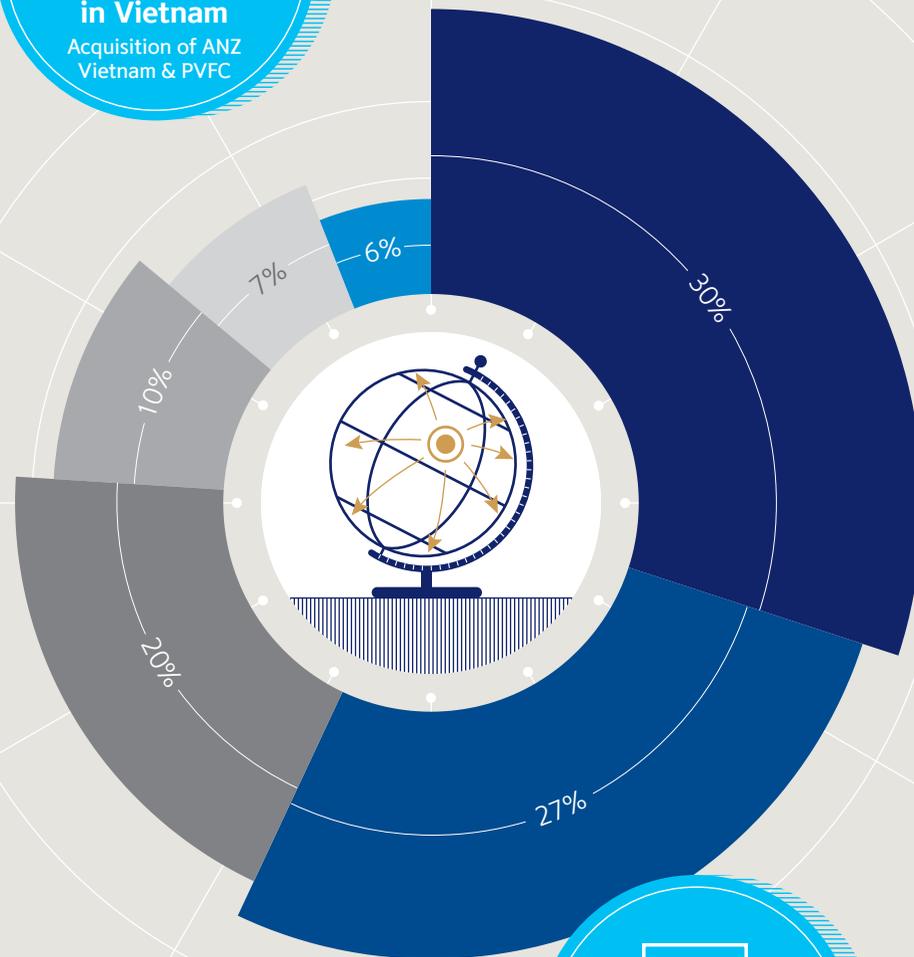


**No.1**  
in Vietnam  
Acquisition of ANZ  
Vietnam & PVFC

Increase in  
Bank Global Profit  
**+37%**



**Indonesia**  
Acquisition of  
PT Archipelago Asset  
Management



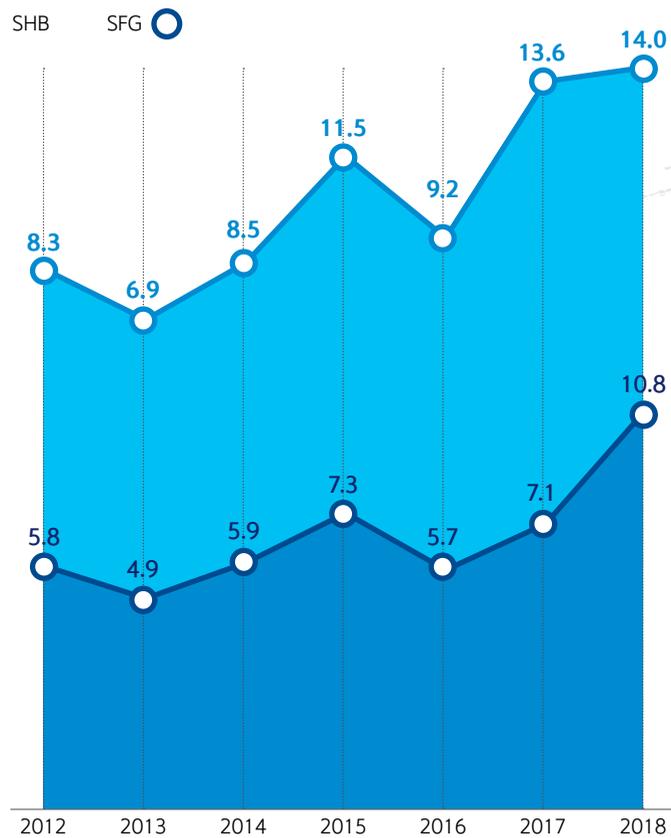
Glocalization

# Overview

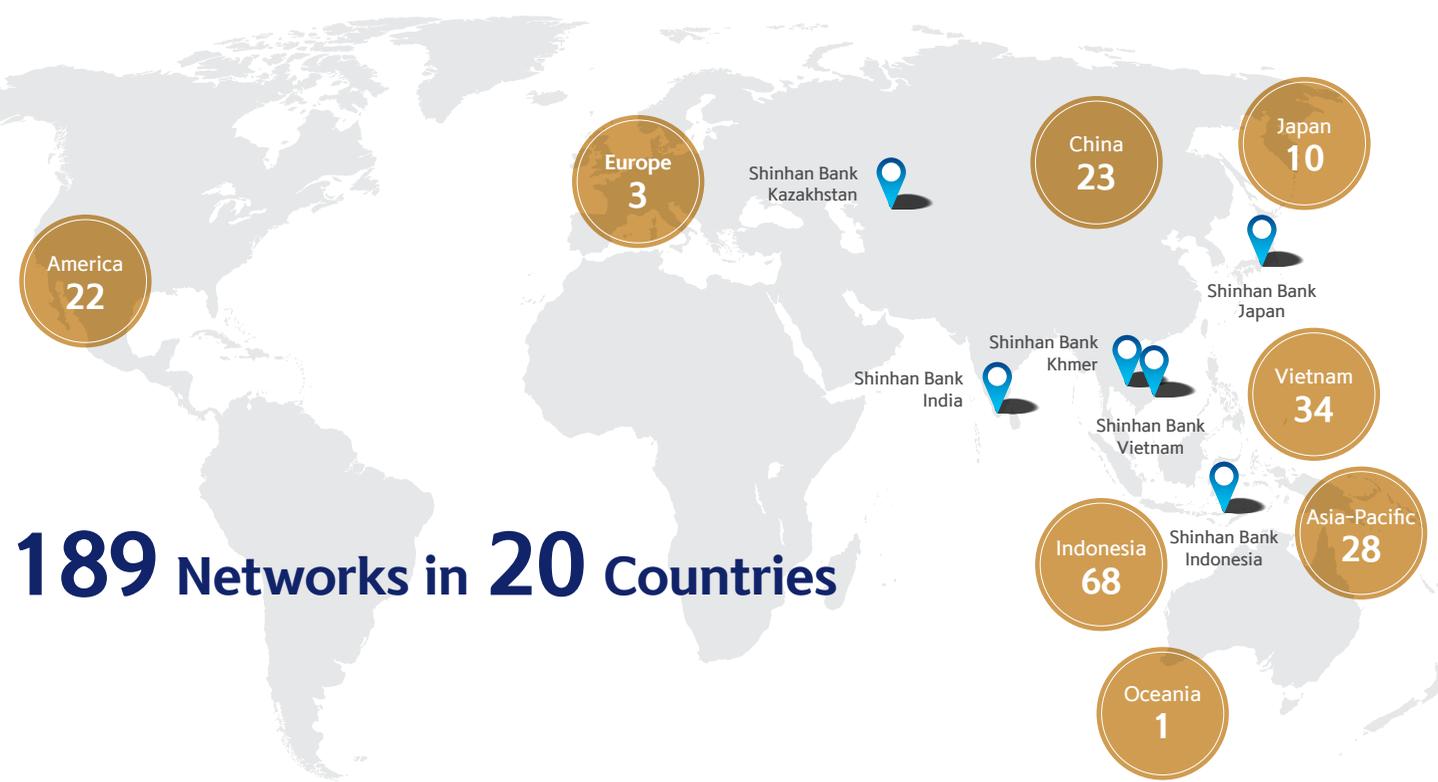
## : Diversifying Earnings Base

A major part of the Group's glocalization strategy involves diversifying its earnings sources. As proof of its success, net income from Shinhan Bank's global operations ballooned by 37.1% YoY to KRW 319.5 billion, accounting for 14% of the Bank's total income. The Group's glocalization strategy for 2019 will be to continue increasing and diversifying its revenue base so that its non-banking sector can enjoy a similar rate of success. The acquisition of Prudential Vietnam Finance Company will help its non-banking sector generate new sources of revenue in its core markets.

Contribution to SHB & SFG NI (%)



Global Networks



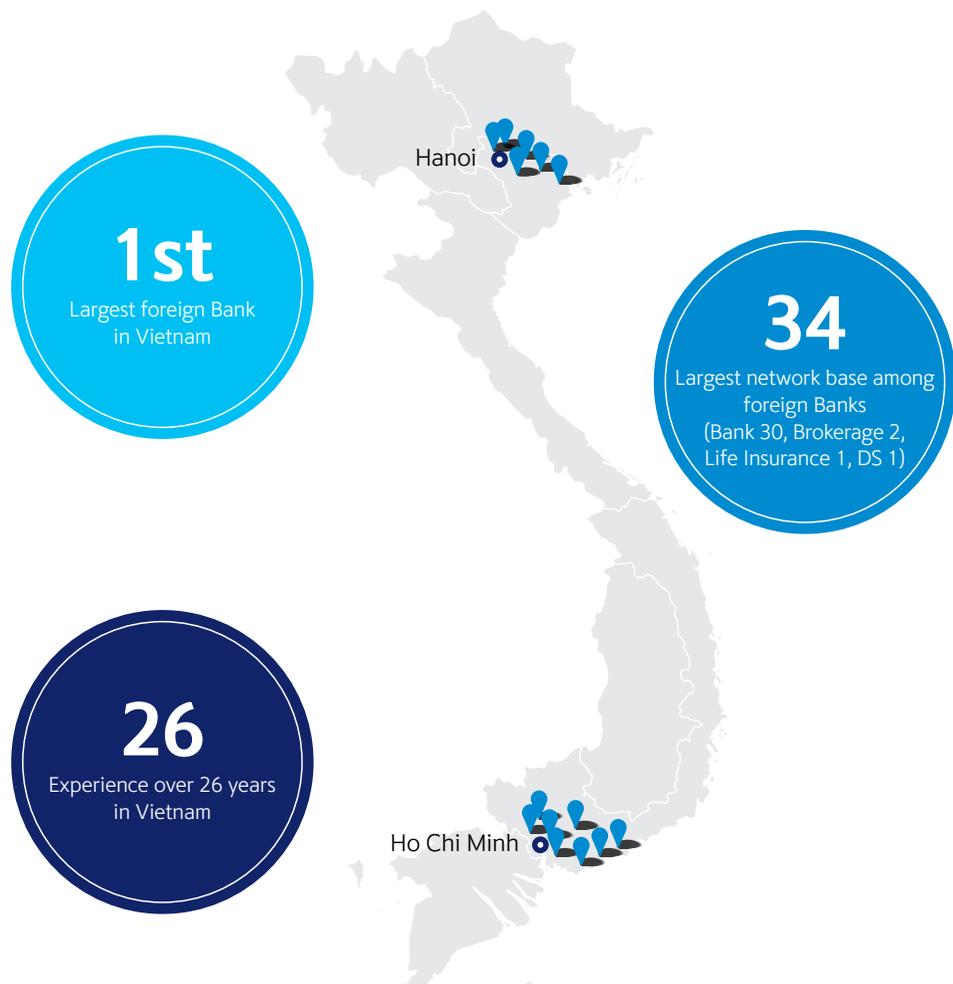
**189 Networks in 20 Countries**

**Glocalization**

# Vietnam

## : Dynamic Growth

Shinhan Bank Vietnam ranks first in terms of assets among all the country's foreign-based banks. The Group's successful development of its localization strategies is setting a prime example to many. Shinhan Bank Vietnam was the first South Korean-based financial institution to obtain a Vietnamese custodial services license (2017) and it built on this success by aggressively pursuing an entry into the country's global custody business. It also diversified its portfolio to maximize its profit. As a result, Shinhan Bank Vietnam's contribution to Shinhan Bank's global business in 2018 stood at 29.7%. With the decision to acquire Prudential Vietnam Finance Company (PVFC), it laid the groundwork for further synergy creations across the entire spectrum of its subsidiaries.



### Joint Expansion with Group Subsidiaries

- 
**Bank**

Shinhan Bank Vietnam (ROA 2.09%, NIM 4.32%, Asset 3,662 mil., NI 72.5 mil. (FY2018))
- 
**Credit Card**

7th Largest Credit Card Company in Vietnam (After acquisition of ANZ)
- 
**Brokerage**

Acquired Local Brokerage Company (2015)
- 
**Life Insurance**

Established Rep. Office (2015)
- 
**Consumer Finance**

Acquired of PVFC (2019)  
(4th Largest with a M/S of 8% / ROE 19.4%, ROA 4.0% (FY2017))

Glocalization

# Japan

## : Sustainable Growth

Shinhan Bank Japan has played a formative role in the Group's globalization activities, enjoying continuous growth since it became the first overseas subsidiary of Shinhan Bank. It acquired an A2 rating from Moody's and an A rating from the Japan Credit Rating Agency, the country's largest credit rating agency, in 2018, and is currently involved in a number of digital initiatives. This includes becoming the first bank in the country to launch consumer loans that can be accessed on mobile devices, and offering car loans using the latest technology such as GPS and IoT.

### Milestones in Japan

**1986**

Started operation with three overseas branches in Shinhan Bank

- Tokyo, Osaka and Fukuoka region

**2009**

Re-Launched Under the name Shinhan Bank Japan

- Obtained formal license from Japan's FSA becoming Asia's first, after Citibank

**2015**

Accelerating Localization

- Consistent asset growth through niche market strategy

**30**

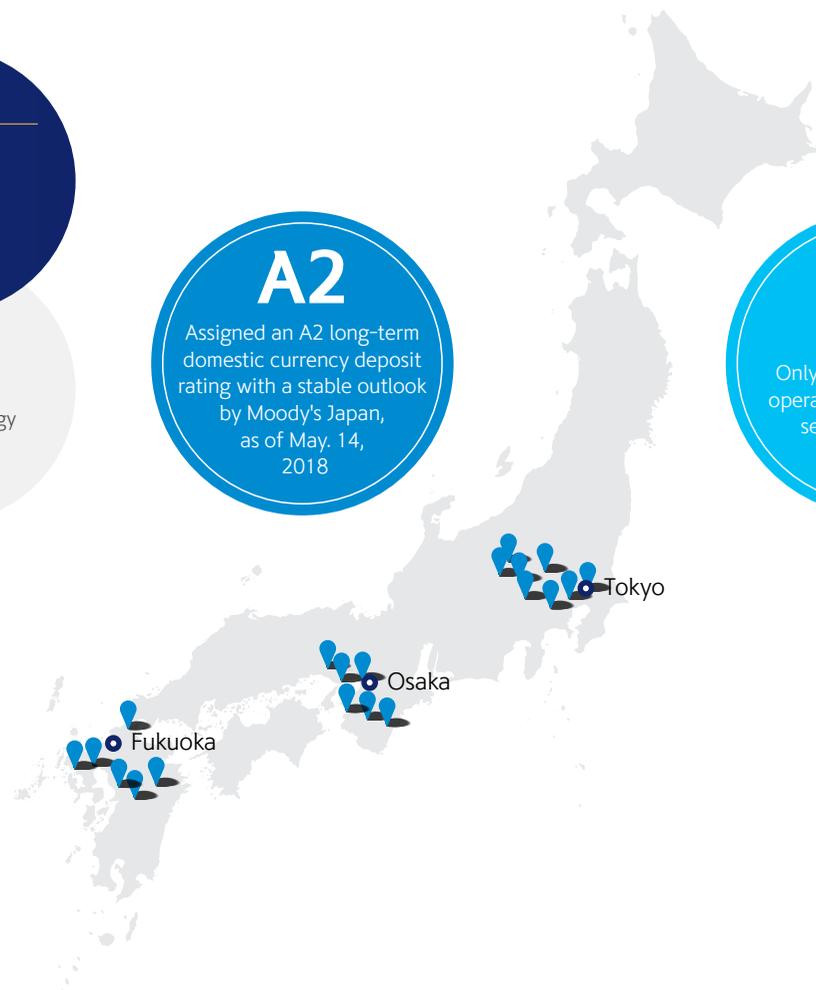
Experiences over 30 years in Japan

**A2**

Assigned an A2 long-term domestic currency deposit rating with a stable outlook by Moody's Japan, as of May. 14, 2018

**1**

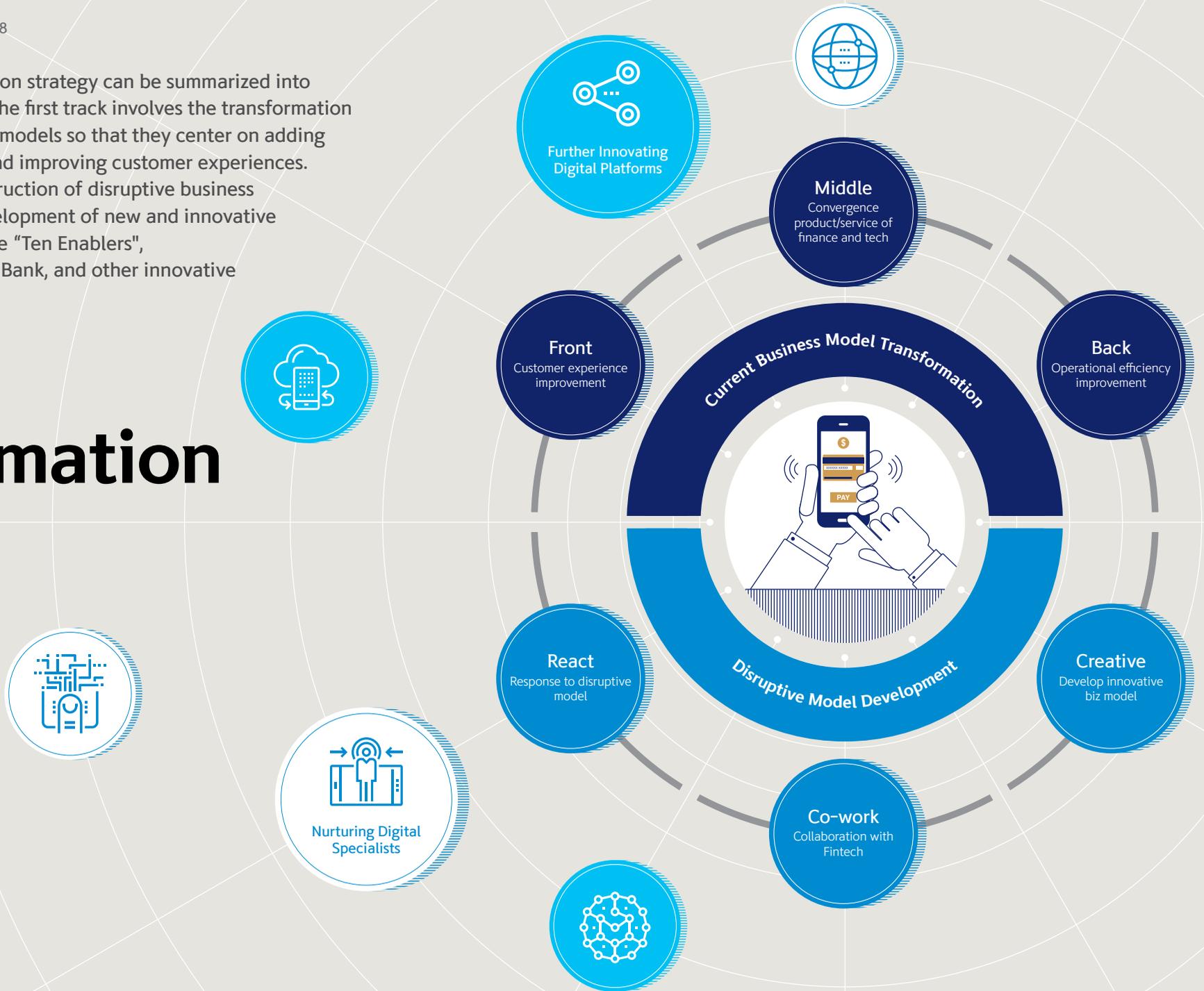
Only one foreign bank operating retail banking services in Japan



The Group's Digital Transformation strategy can be summarized into "Two Tracks and Ten Enablers". The first track involves the transformation of the Group's existing business models so that they center on adding to their operational efficiency and improving customer experiences. The second deals with the construction of disruptive business models that can lead to the development of new and innovative growth engines by embracing the "Ten Enablers", including FinTech, Internet Only Bank, and other innovative business models.

# Digital Transformation

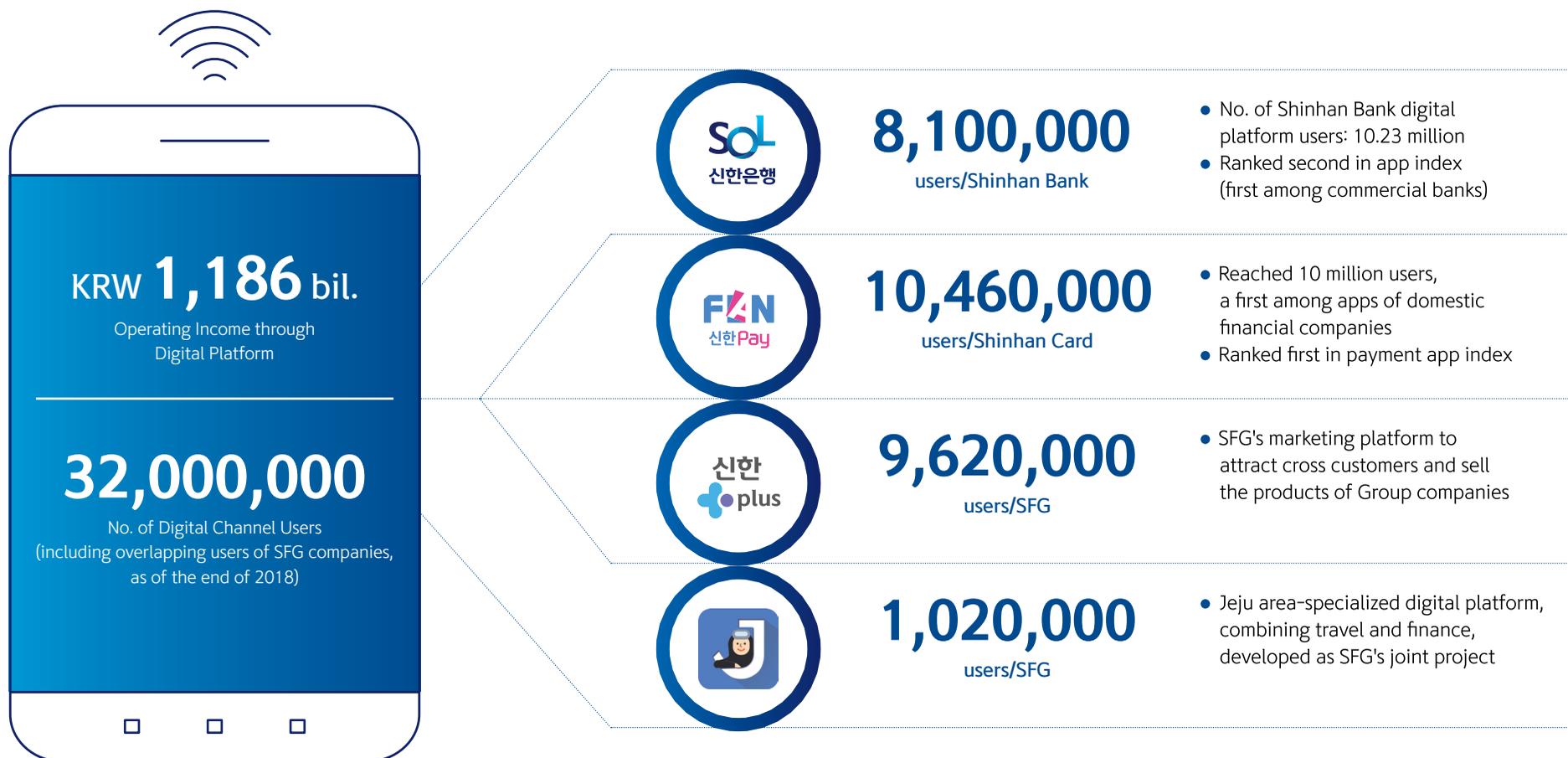
Shinhan Financial Group  
Digital Strategy



## Digital Transformation Overview

### : A New Game Plan

“Shinhan” will soon be known as “Digital Shinhan”. The Group is busily developing an organizational structure that has the ability to swiftly respond to changes in its operating environment caused by the digital revolution. This includes revamping the flagship platforms of all its subsidiaries in order to provide a fuller and more diversified customer experience. These moves, which resulted in the Group attracting an extra thirty-two million customers to the wide range of products and services offered by its digital channels last year, brought its 2018 income to KRW 1,185.9 billion, up KRW 247.1 billion from the previous year.

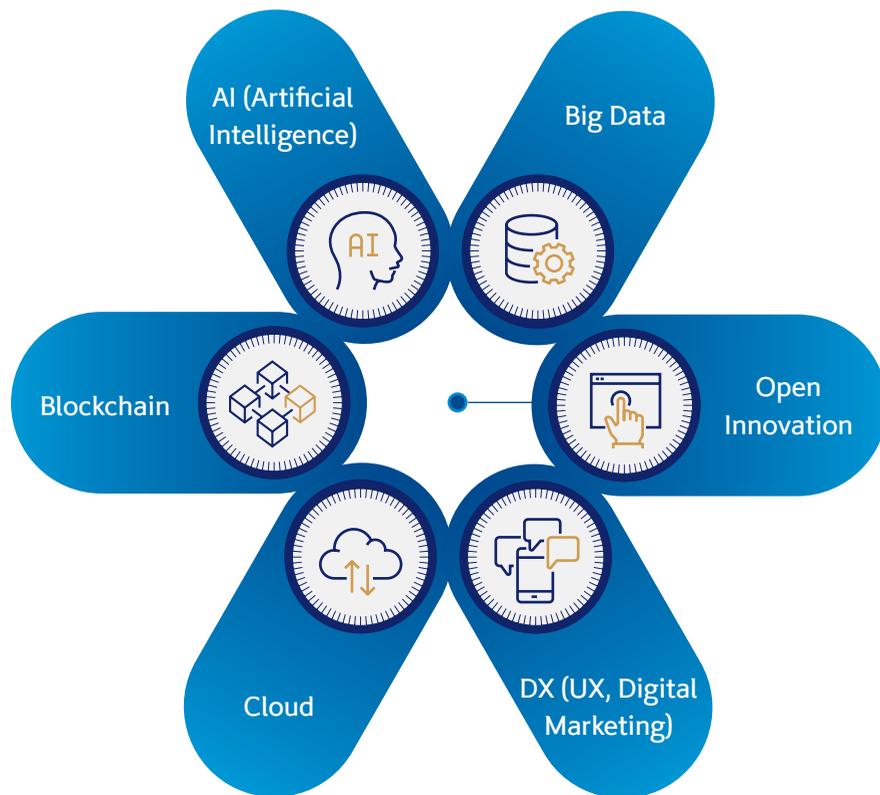


## Digital Transformation

# SDII

## : Shinhan Digital Innovative Institute

The Group's Shinhan Digital Innovation Institute, or SDII, is known as one of the leading digital technology research facilities in all of South Korea. Operating in laboratories that conduct state-of-the-art R&D activities in six major technology areas, it houses highly-qualified experts from every Group subsidiary. The members of the SDII can freely develop their ideas in Shinhan Digital Campus located in Seoul.

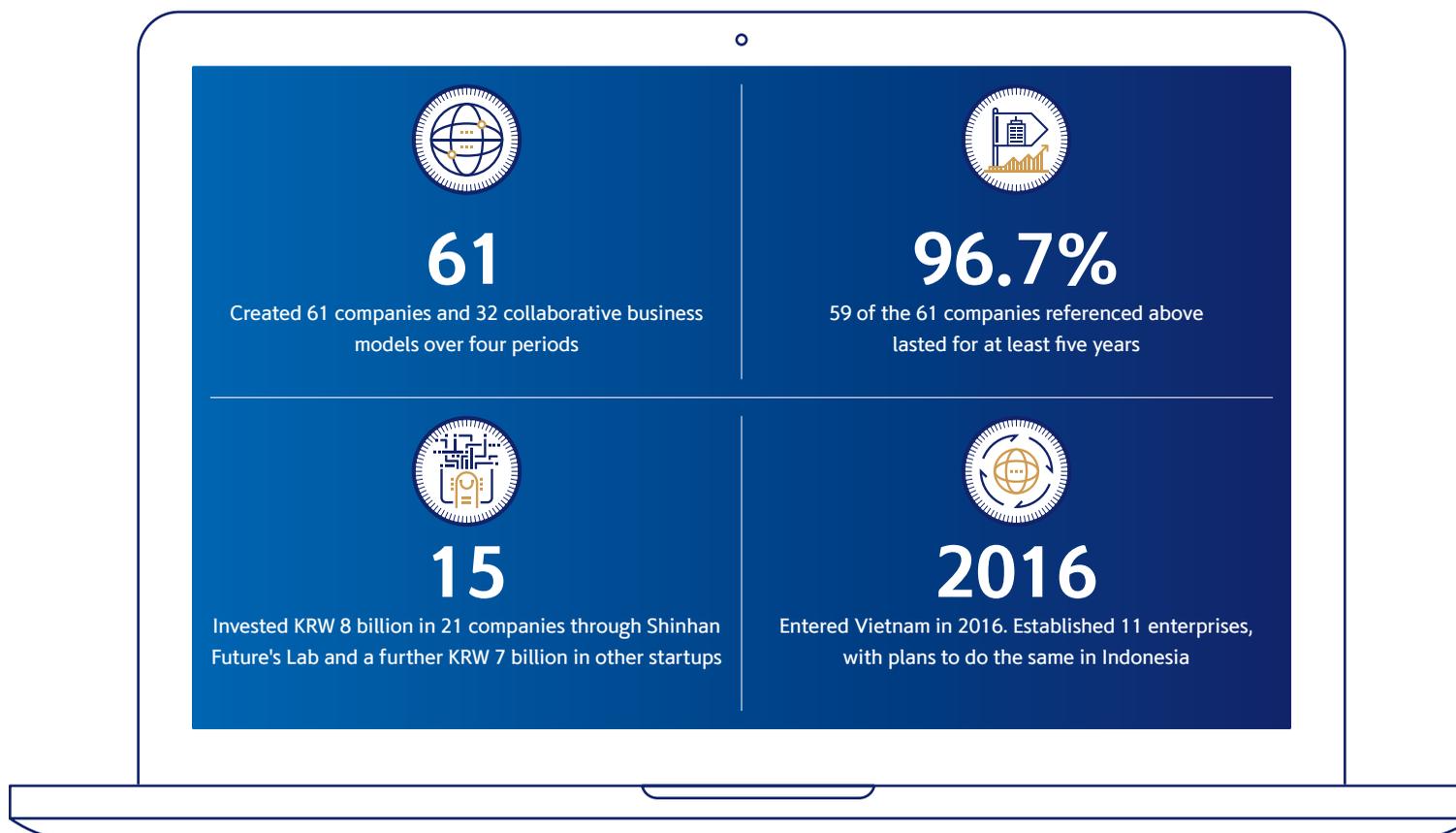


Digital Transformation

# Future's Lab

## : Growing with Digital Startups

The Shinhan Future's Lab has two main goals: to support the development of promising startup companies, and to build a complete and entire digital ecosystem. This includes providing startups with initial investment funding, access to ICT infrastructures, and the full range of the Group's financial acumen. In return, the startup enterprises focus on developing innovative ideas and technologies, while creating new values and sharing them with the Group, completing their half of a mutually beneficial, win-win relationship.



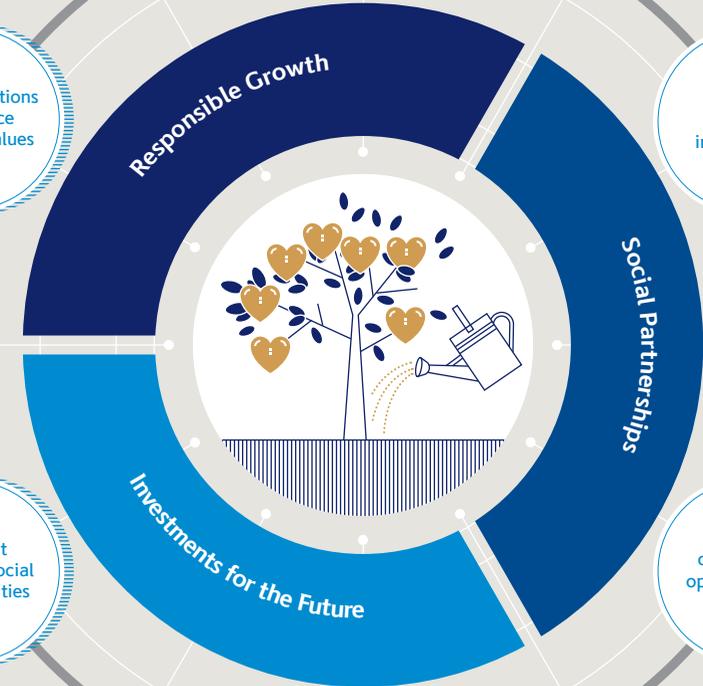
All of the Group's members share a unified value and a single, overriding mission: "Compassionate Finance, Your Companion for the Future".

All of their 2020 CSR strategies are tasked with operating from this basis, and all of them are aimed at making the world a healthier and happier place. The strategies operate under the aegis of three organizational directions: "Responsible Growth", "Social Partnerships" and "Investments for the Future".

The three directions, in turn, consist of six core strategies.

# Shinhan Culture

Shinhan Financial Group  
CSR Strategies

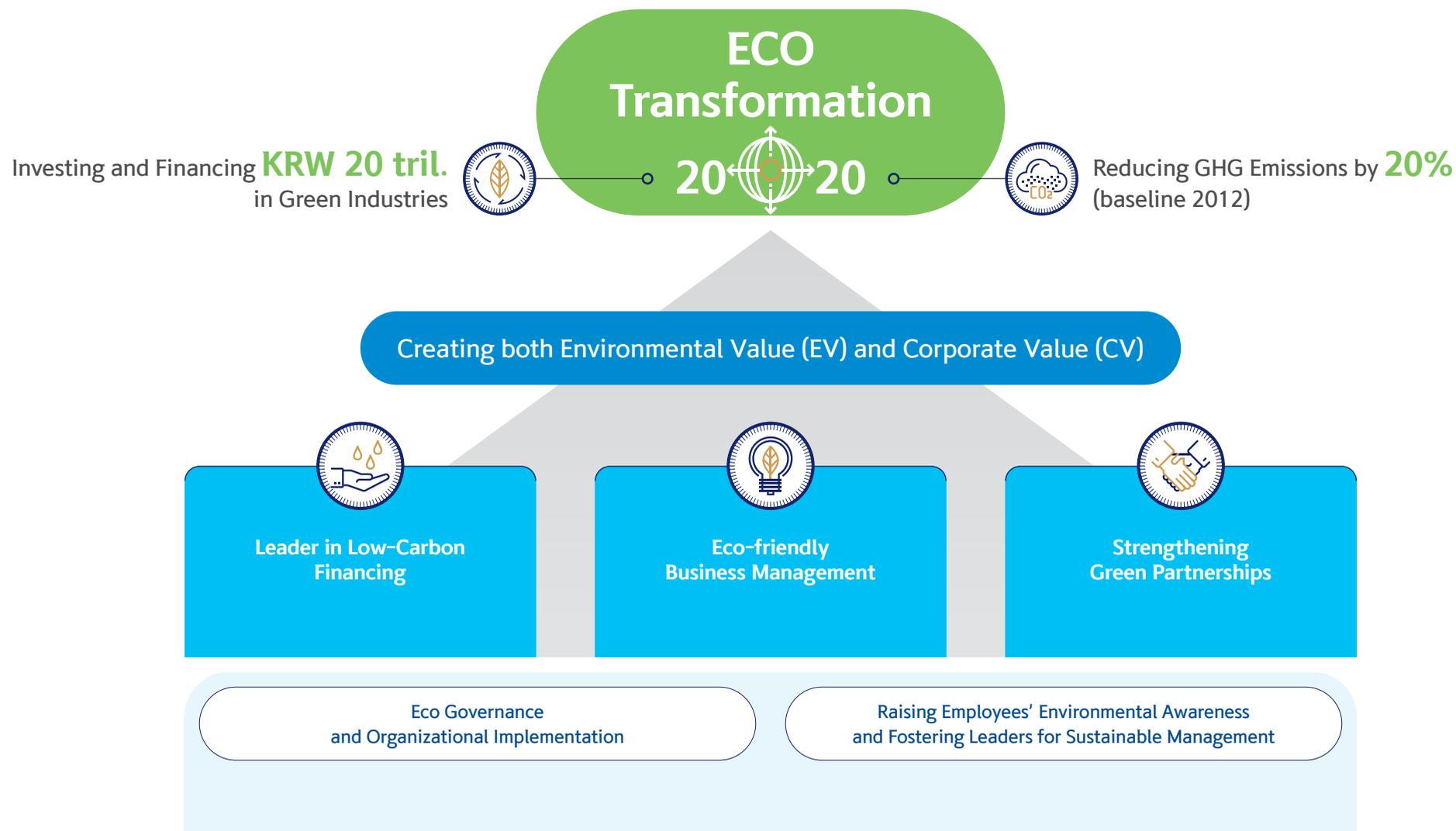


Shinhan Culture

# ECO Transformation

## : Financing for a Greener Future

The Group announced "ECO Transformation 20·20" as its environmental vision for 2030. The move was made to ensure its competitiveness in an era of dramatic organizational paradigm shifts, and to guarantee that its management operations will always be future-oriented and environmentally friendly. As part of this vision, the Group is planning to invest KRW 20 trillion in green industries by the year 2030 and to reduce its GHG emissions by 20%.

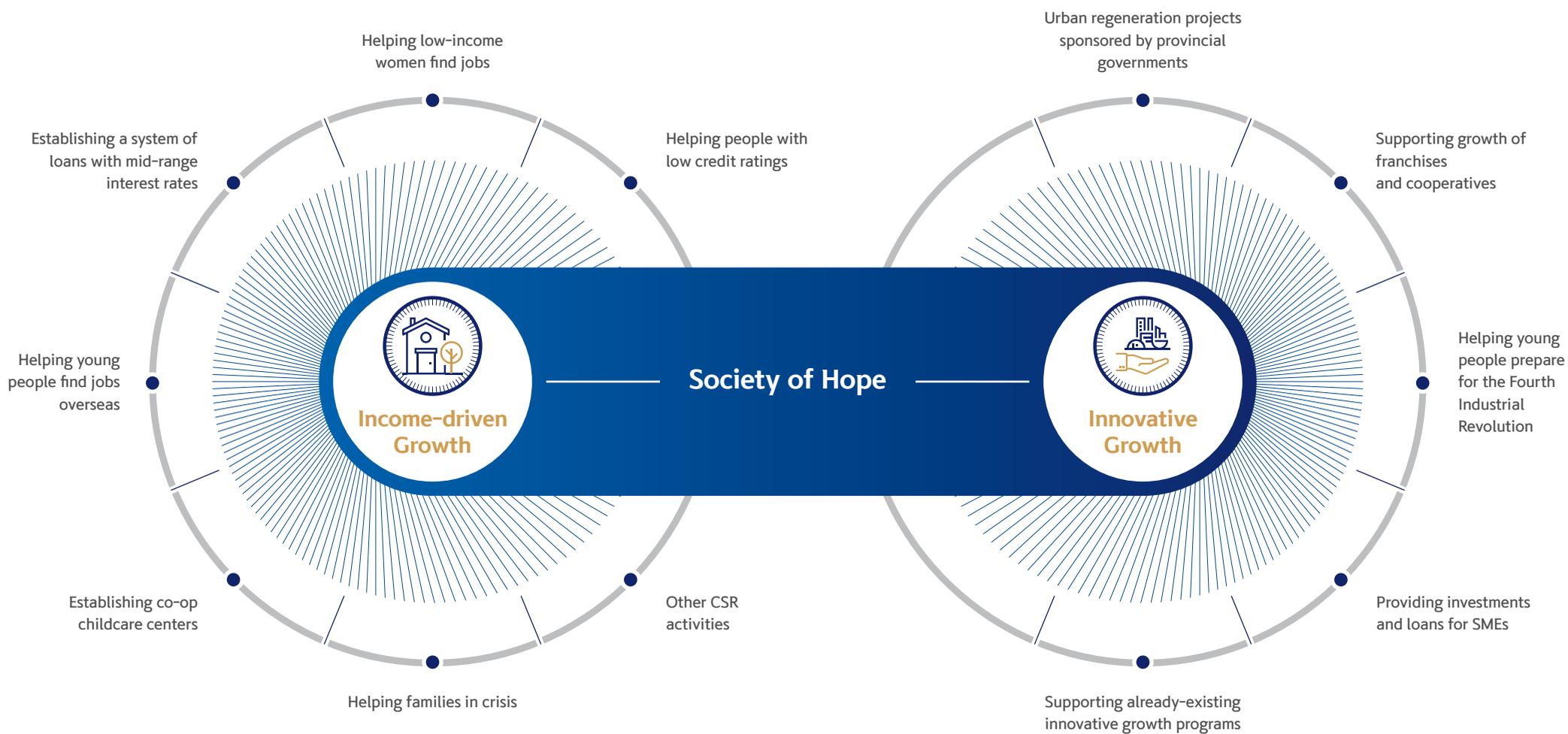


**Shinhan Culture**

# Society of Hope

## : Financing for Hope

The Group launched its "Society of Hope Project" in 2017. Its goal was to put the theories underlying its mission of "Compassionate Finance" into practice by "making the world better through finance". The Project will involve making KRW 270 billion worth of investments by 2020 in income-generating programs for the underprivileged and supporting the mutually beneficial growth of SMEs.



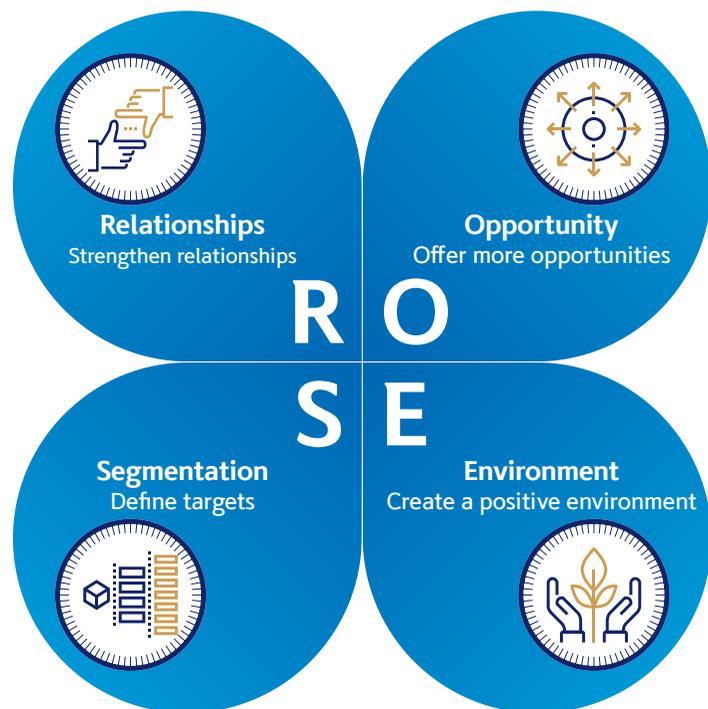
## Shinhan Culture

# SHeroes

## : Cultivating Female Leaders

The Group is committed to increasing its number of female managers and other leaders exponentially, allowing it to add to the diversity and the flexibility of the organization as a means of ensuring its continuing healthy and sustainable growth. This included putting a plan in place in 2018 that would encourage the long-term development of promising women with a proven and significant potential for evolving into leaders at every level of its operations. Part of the plan has since evolved into a program called “Shinhan SHeroes”.

### Guide to Cultivating Female Leaders within the Group



**Shinhan Culture**

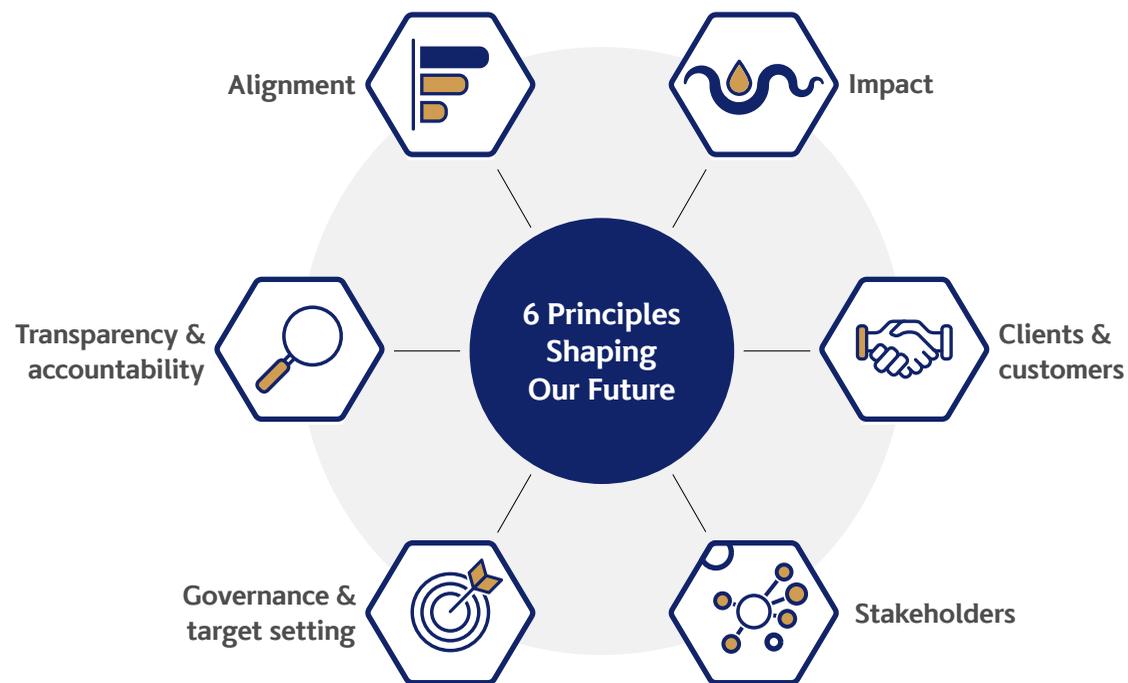
# Principles for Responsible Banking

: Reshaping the Future of Banking

The Principles for Responsible Banking for the world’s financial industry were announced in Paris in November 2018. They define the roles and responsibilities of their signatories for the implementation of the Paris Climate Agreement and the United Nations Sustainable Development Goals for the global financial industry. Shinhan Financial Group has been working with the UN Environment Programme Finance Initiative (UNEP FI) and its twenty-seven sister financial institutions to draft these principles since March 2018. It is committed to assisting in the implementation of these principles for the benefit of society and the environment.



UNEP FI Global Roundtable, where the Principles for Responsible Banking were announced



# SFG Overview

# Message from the Chairman



## 2018 Performance

### Dear valued shareholders:

Shinhan Financial Group has been implementing its “2020 S·M·A·R·T Project” strategic initiative since 2017. The goal of this exercise is to evolve into Asia’s leading financial group. We made significant progress in doing so in 2018 in all four of its strategic directions: Balanced Growth, Glocalization, Digitalization, and Upholding The Shinhan Culture.

We maximized our corporate value by achieving balanced growth in all the Group’s business lines, including our banking and non-banking subsidiaries. This included both interest and non-interest income, as well as our online and offline platforms. At the same time, we strengthened our operations both at home and internationally through inorganic growth, including the acquisitions of Orange Life and Asia Trust here in South Korea and ANZ and Prudential Vietnam Finance Company in Vietnam.

We also widened the reach of the Group’s overseas operations. In addition to establishing Shinhan DS (Digital Solution) Vietnam and Hong Kong GIB (Group & Global Investment Banking), we expanded our network in Vietnam, Cambodia and Myanmar, with the result that the number of our global networks now stands at 189 in twenty countries. This allowed us to accumulate the highest net profits from overseas operations of any financial institution in South Korea, presenting exciting new possibilities for the country’s financial industry as a whole.

We also upgraded our digital capabilities. This included establishing the Shinhan Digital Campus, strengthening the operations of the Shinhan Digital Innovation Institute, and either building or upgrading our mobile platforms such as “SOL”, “ShinhanPayFAN”, “Shinhan Plus” and the “Smart Loans Center”.



In terms of upholding our Shinhan Culture, we redefined what it means to become a leader here, and introduced “SHeroes”, a women’s leadership training program that is the first of its kind in South Korea’s financial sector. We also named “ECO Transformation 20-20” as our signature environmental initiative, taking the lead in the industry’s efforts to fight climate change and speed the transition to a low-carbon economy. In addition, we became part of the UNEP FI’s Global Roundtable, declaring our support for the “Principles of Responsible Banking” for the sustainable management of financial institutions around the world.

### 2019 Business Plans

2019 will be a pivotal year for the successful realization of the Group’s 2020 S·M·A·R·T Project. By uniting all the Group’s capabilities under the blanket of “One Shinhan”, we will grow even closer to becoming Asia’s leading financial group. To accomplish this result, we will continue to strengthen our foundations for future growth all the more. This will include bringing the Group’s capabilities together

under the “One Shinhan” strategy, as well as creating maximum value through the development of flexible collaborations between our subsidiaries under the aegis of our customer/functional-oriented matrix organization. We will also continue to balance our business portfolio by optimizing our post-acquisition integration process after Orange Life and Asia Trust attain full membership in the Group.

In terms of our international operations, we will seek solid and sustainable growth through the further diversification of our global investments and the systematic upgrading of the credit assessment and risk management processes of our overseas networks. We will also concentrate on a Group-wide digital transformation in response to the introduction of Internet-only banks.

In order to fully implement our mission of “Compassionate Finance, Your Companion for the Future”, we will continue with our efforts to establish a balanced and sustainable management platform based on Environmental, Social and Governance (ESG) principles. Our efforts to raise customer

---

2019 will be a pivotal year for the successful realization of the Group’s 2020 S·M·A·R·T Project. By uniting all the Group’s capabilities under the blanket of “One Shinhan”, we will grow even closer to becoming Asia’s leading financial group.

value along with that of our society and the communities in which we operate will continue, with our “Society of Hope Project” and “Innovative Growth” serving as our two major initiatives.

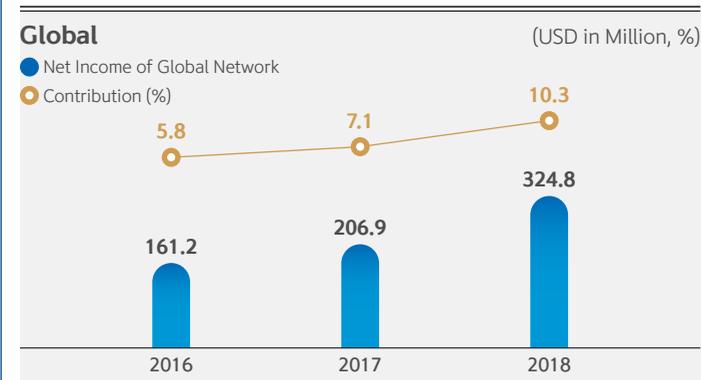
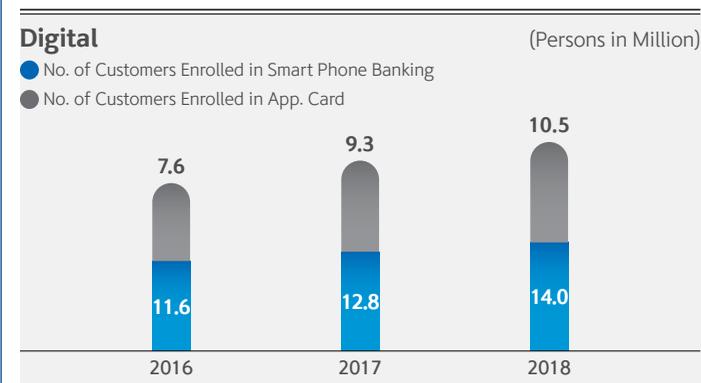
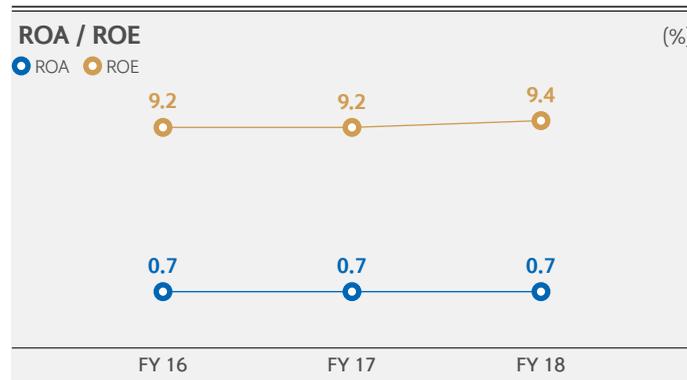
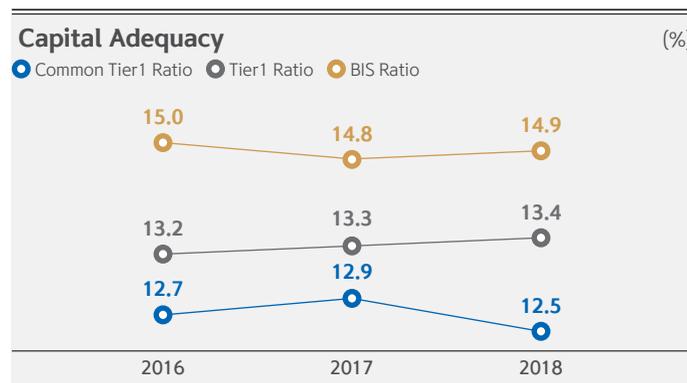
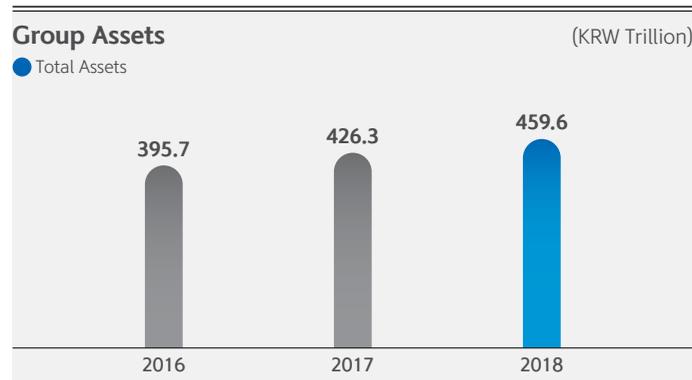
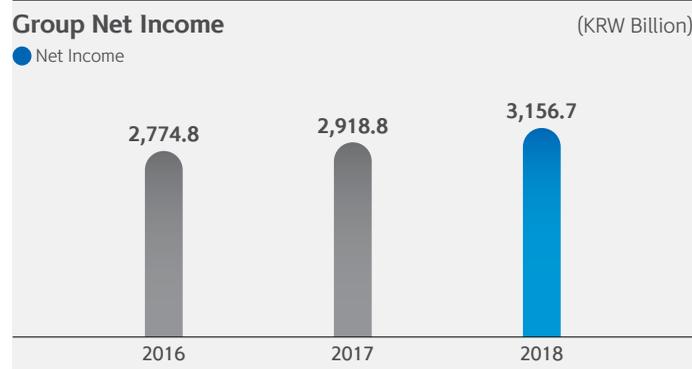
Finally, I want to tell you that we were only able to solidify our position as the leading financial group in South Korea and continue making strides towards becoming Asia’s leading financial institution because of your unwavering faith and support. All of us here at the Group will continue to do our utmost to meet your expectations.

Thank you.

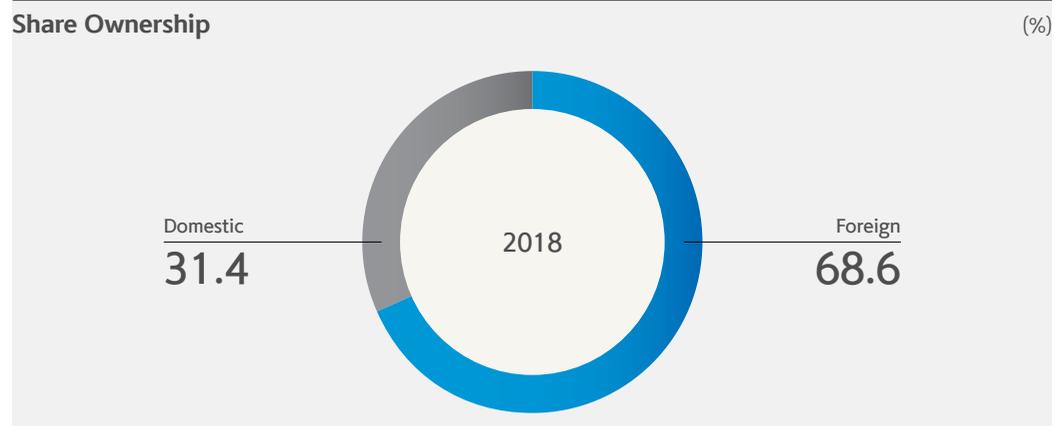
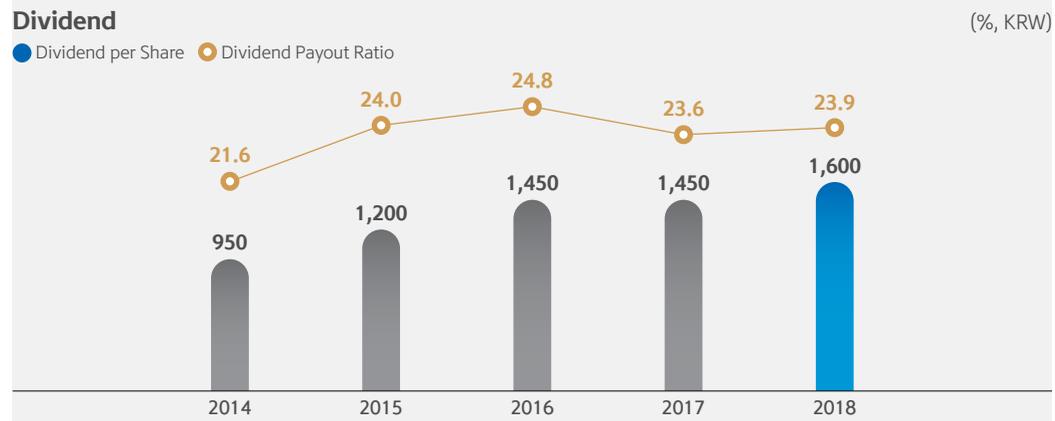
March 27, 2019

**Cho Yong-byung**  
CEO, Shinhan Financial Group

# Key Performance Indicators



# Stock Information



**Number of Shares Issued**

Type of Stock	No. of Shares
Common Stock	474,199,587

**Shareholders Holding Ownership of More than 1%**

Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	44,497,838	9.38%
BlackRock Fund Advisors**	29,063,012	6.13%
SFG Employee Stock Ownership Association	22,179,229	4.68%
BNP Paribas SA	16,826,276	3.55%
Citibank, N.A. (ADR Dept.)	14,223,838	3.00%
The Government of Singapore	11,972,346	2.52%
Norges Bank	8,062,776	1.70%
Samsung Asset Management	7,034,053	1.48%
Vanguard Total Internatioal Stock Index	6,237,149	1.32%
Peoples Bank of China	5,095,455	1.07%
Lazard Funds Inc.	5,006,452	1.06%
Others	304,001,163	64.11%
<b>Total</b>	<b>474,199,587</b>	<b>100.00%</b>

\* Based on the results of shareholder registry closing as of December 31, 2018

\*\* Based on the large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisory Service on September 27, 2018

**Stock Performance** (KRW)

	2017	2018
Market Capitalization (Year End)	23.4 trillion	18.8 trillion
Share Price	-	-
Year End	49,400	39,600
High	55,400	53,400
Low	44,800	39,050
Weighting in the KOSPI (Year End)	1.2%	1.2%
Average Daily Trading Volume	1.0 million shares	1.0 million shares
Dividend Per Share	1,450	1,600
Total Dividend Paid	688 billion	753 billion
Foreign Share Ownership	69.4%	68.6%

# Group Vision and Strategy

## Group Vision

Since the launch of its holding company in 2001, Shinhan Financial Group has led South Korea's financial industry through successful mergers and acquisitions, preemptive risk management, client focused business models, and more. It has also grown into a truly sustainable company that seeks to create a virtuous cycle of shared prosperity by embracing "Compassionate Finance, Your Companion for the Future" as the Group's driving mission.

With "Compassionate Finance" as the underlying foundation, the Group will bring together the capabilities of its diversified business lines through its "One Shinhan" platform to further raise client satisfaction and corporate value. The Group will also implement a consistent and cohesive business strategy based on "2020 S-M-A-R-T Project" to realize its vision of becoming a "World-Class Financial Group",

## Group Strategy: 2020 S-M-A-R-T Project

The Group established a framework for growth in 2017 by creating annual strategic directions that would ensure it would become Asia's leading financial group by the year 2020, and eventually evolve into a world-class financial player. A year later, it accelerated its plans for a differentiated growth and, is now working to achieve its vision by leading financial innovation. Under the "2020 S-M-A-R-T Project", which consists of four strategic pillars: ① Balanced Growth, ② Glocalization, ③ Digital Transformation, and ④ Upholding the Shinhan Culture, Shinhan Financial Group seeks to bring the Group's mid-term target of becoming Asia's leading financial group to fruition

in order to pursue its ultimate aim of being a truly world-class financial institution.

The Group will also reinforce the three core capabilities needed to carry out the Project successfully: ① HR Capabilities (Leaders and Employees), ② Organizational Capabilities ("One Shinhan") and ③ Risk Management Capabilities. The term "S-M-A-R-T" stands for Specific/Segmented, Measurable, Action-oriented, Realistic stretch, Time-based. Not only does it act as a primer for how Shinhan's employees should conduct themselves at their jobs, but it also provides a working image of the Group's organizational culture.



### Yearly Progress and Directions for 2019

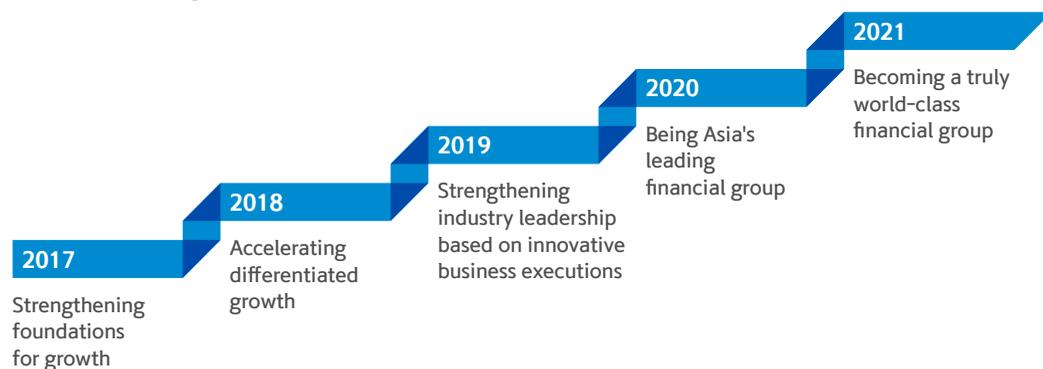
The Group's "2020 S·M·A·R·T Project" has been in place since 2017. Its purpose is three-fold: to ensure a high level of consistency in the strategic directions the Group announces every year; to continuously upgrade the strategic tasks that accompany these directions; and to speed up the progress of the overall undertaking as much as possible.

In 2018, for example, the Group emphasized the importance of "Speed, Agility, and Quickness (SAQ)", following it up with a management slogan called "Shinhan, Aiming Higher and Creatively Pioneering Ahead". The purpose of this was to assist the Group in accomplishing its mid-term goal of becoming Asia's leading financial group by 2020. There was a special emphasis placed on "Aiming Higher" in 2018, while "Creatively Pioneering Ahead" was given precedence in 2019.

### "One Shinhan" Strategy

2017 was the first year in which the Shinhan Financial Group promoted the 2020 S·M·A·R·T Project. The "One Shinhan" Strategy was included in it to demonstrate that the entire range of the Group's resources was part of a single and united corporate entity. The strategy involved laying new foundations for growth in the Group's capital, global, and digital service sectors (including IB, Global, GMS and WM), establishing a new subsidiary (Shinhan REITs Management), and establishing a Chief Digital Officer's Council.

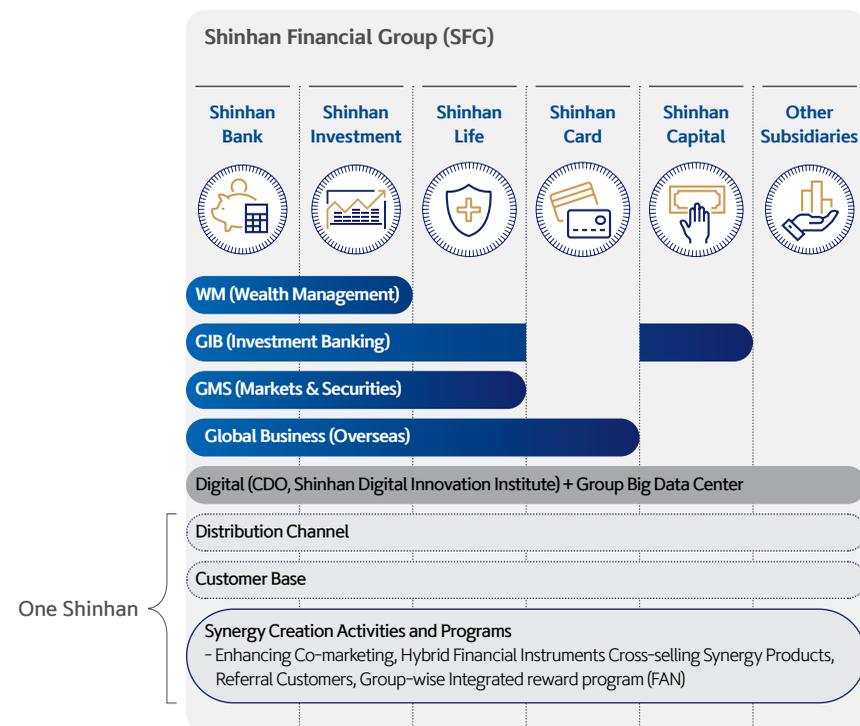
### Business Strategy Directions by Year



### Management Slogans



### Shinhan Financial Group's Matrix Structure



These steps resulted in healthy and balanced growth across all the Group's business lines, with especially outstanding performances occurring in the capital markets, non-interest income, and global and digital areas.

### 2019 Group Management Strategy

With its "One Shinhan" platform maximizing the Group's competitiveness and capabilities, Shinhan Financial Group will continue its path of strengthening its leadership in the area of financial innovation under its "2020 S-M-A-R-T Project". Although its strategy remains unchanged from last year, the Group has reevaluated pending challenges, and has identified the following seven strategic tasks for the year 2019.

### Strategic Task 1.

#### Enlarge "One Shinhan" Value Creation

The Group will magnify the value created through its "One Shinhan" platform by upgrading its matrix system into a more sophisticated operating system. Moreover, the Group seeks to maximize the combined performance among the Group's subsidiaries, including, in particular, the newly established business divisions.

### Strategic Task 2.

#### Strengthen Areas of Future Growth

The Group's various business models will be realigned to enhance their growth, their performance, and their efficiency, resulting in optimized results from its various new and strategic business lines. A related aspect of this strategy is a plan to re-examine the entire process of identifying optimal asset management models starting from a baseline of zero. A third method of optimizing the Group's operational efficiencies and performances will be to optimize how its resources, including capital, manpower, and operating costs, are assessed and allocated.

### Strategic Task 3.

#### Ensure High-quality Growth in Overseas Business Operations

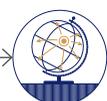
The Group will pursue solid, high-quality growth in its global businesses in terms of both profitability and risk, while also enhancing its potential for sustainable growth by upgrading its key capabilities at the local level. In addition, it will increase the level of collaboration between its subsidiaries and its global networks.

### 2020 S-M-A-R-T Project



### Balanced Growth

Bank	Interest Income	Domestic	Organic	Analog Centric	Entity Centric	Business Strategy	Corporate-oriented
NI from Banks (YoY)	Interest Income (YoY)	NI from Domestic (YoY)	Group NI (YoY)	Cost-to-Income Ratio	Customized Strategy for each of the subsidiaries	Mid-term Business Strategy 2020 S-M-A-R-T Project	Creative Culture, "The Shinhan Leader"
<b>+33%</b>	<b>+9%</b>	<b>+18%</b>	<b>+19%</b>	<b>+47.5%</b>			
Non-Banks	Non-Interest Income	Overseas	Inorganic	Digital (Online)	One Shinhan	Corporate Culture	Community-oriented
NI from Non-Banks (YoY)	Fee Income (YoY)	NI from Global Business (SHB, YoY)	New Business Lines + M&As REITs, ANZ Vietnam, PVFC, Archipelago Asset Mgmt.	Operating Income through Digital Platform	Matrix Business Lines, Cross-Selling Ratio	ESG Recognition	Compassionate Finance "Society of Hope" Project
<b>+16%</b>	<b>+13%</b>	<b>+37%</b>		<b>1,186 bil.</b>	<b>39.7%</b>	<b>A+</b> Grade form CGS	
Non Banks NI Contribution	Non-Interest Proportion	Global NI Contribution					
<b>31%</b>	<b>24%</b>	<b>14%</b>					



### Global Expansion



### Digital Transformation



### Upholding Corp. Culture

**Strategic Task 4.**

**Increase Level and Speed of Digital Transformation**

The Group is committed to elevating and accelerating the level and speed of its digital transformation. In addition to strengthening the competitiveness and efficiency of its existing business models, it will increase its involvement in such innovative business models as an "Internet Only Bank", the "Zero Pay" cash discount system, and Big Data/Cloud. Other steps to be considered include transferring more of the Group's domestic success models to its international operations and entering into new associations with highly-regarded, globally-based digital players.

**Strategic Task 5.**

**Establish ESG system**

A fifth aspect of the Group's management strategy will be to establish an Environmental, Social and Governance (ESG) system as a means of increasing its future growth potential. Such transition to a more sustainable growth model will be based on the Group's primary business of inclusive and productive finance. As a responsible and concerned corporate citizen, the Group will construct an eco-friendly management system based on its "ECO Transformation 20·20" roadmap, as well as continue with its "Hope Society Project" and "Social Enterprise Ecosystem Development" programs in efforts to provide inclusive financings to those in need.

**Strategic Task 6.**

**Increase Risk Management Capabilities**

The Group will strengthen its risk management capabilities to prepare for any and all changes in its operating and regulatory environment, including new governmental policies and regulations and evolving societal demands. These alterations will especially apply to its business expansion endeavors and overseas business operations. It will also add to its capabilities in such non-financial areas as compliance and environmental and social risks. Moreover, the Group will also seek to enhance the stability of its ICT infrastructure and strengthen its information protection processes to better deal with constant and accelerating change in its digital environment.

**Strategic Task 7.**

**Expand the Range of "Shinhan Culture"**

The Group will extend the reach of its mission of "Compassionate Finance, Your Companion for the Future" by systemically fostering its employees to become the future leaders of the Group. It will seek to fully support the Group Management Leadership and Women's Leadership Development Systems. This is particularly important in the context of fostering the development of the finest possible human resources to lead the Group's core businesses into the future.

**Shinhan Financial Group's 2019 Business Plan**

**Management Slogan**

**Shinhan, Aiming Higher and Creatively Pioneering Ahead**

**Implementation Characteristics**

**One Shinhan**

**Speed, Agility, Quickness**

**Strategic Tasks**

- 1 **Enlarge** "One Shinhan" value creation
- 2 **Strengthen** future growth portfolio
- 3 **Ensure** high-quality growth in overseas business operations
- 4 **Speed up** rate of digital transformation
- 5 **Establish** ESG system
- 6 **Increase** strengths in area of risk management
- 7 **Increase** range of "Shinhan Culture"

# Risk Management

Shinhan Financial Group has developed a set of basic principles underlining its risk management policies and processes. These principles act as the bases for the behavior of all the Group's employees, as well as the principles by which its business units deal with the various risks they face. The Group has also established a Group-level risk management system. It is based on a semi-matrix organizational model operating between the holding company and its subsidiaries.

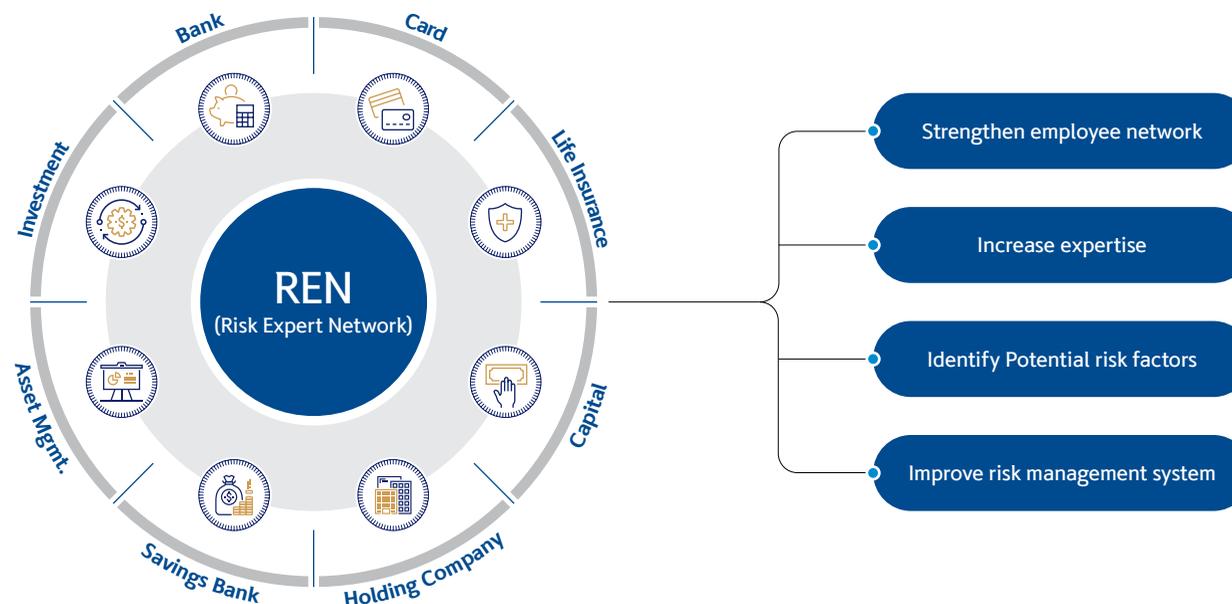
## Shinhan Financial Group Risk Management Tools

### Risk Management Philosophy

Shinhan Financial Group has established a set of Group-wide risk management guidelines. They apply to all the risk-related actions and decisions undertaken at all its front offices, ensuring that the fullest possible range of risks is taken into consideration in their business dealings.



## REN-Risk Expert Network



### Risk Monitoring System

Potential risks facing the Group are dealt with through a comprehensive monitoring system. It measures a wide range of outside economic indicators, the Group's own risk indicators, and the current status of the Group's risk management processes and policies. The Group is also tasked with developing a variety of preemptive countermeasures to any and all potential risks that have been identified and assessed in relation to their potential impact on the Group's core issues. This process, which particularly applies to the detection and control of unexpected shifts within these indicators, involves the operation of a "risk dashboard" that monitors the amount of assets, risks, and related external issues contained in the portfolios being managed by each subsidiary.

### Risk Experts Network (REN)

The Group has established a Group-wide network of experts in the areas of risk and risk management. Tasked with promoting a corporate culture that encourages deploying all facets of risk management, they develop the talents of risk officers through a series of Group-wide courses and workshops.

### Group-wide Corporate Credit Assessment System

All of the Group's subsidiaries are obliged to apply an identical, Group-wide credit checking system to funding requests made by potential borrowers. The system was approved by the Korea Financial Supervisory Service at the end of 2016.

### Group-wide Liquidity Risk Management System

The Group operates a Group-level liquidity risk management system. Its preemptive and efficient managerial decision-making and lightning-quick emergency responses to external impacts enable it to monitor a subsidiary's level of liquidity risk in real time.

### Risk Management Organization

The Group's risk management organization consists of a Group Risk Management Committee, a Group Risk Management Council, a Group Chief Risk Officer, a Holding Company Risk Management Team, other committees involved in risk management, and specially-dedicated organizations within individual subsidiaries.

### Group Risk Management Committee

The Group Risk Management Committee is the Group's highest decision-making body. Composed of the outside directors of the holding company's Board of Directors, it is tasked with developing policies and strategies concerning the Group's risk management activities. It makes decisions regarding the following matters.

1. The development of risk management policies that are consistent with the Group's overall management strategies;
2. The determination of risk limits for the Group and its subsidiaries;
3. The approval of appropriate investment limits and losses;
4. The enactment and amendment of the Group's risk management regulations;
5. The organizational structure of the Group's risk management entities and the determination of their various duties;
6. Matters relating to the operation of the Group's risk management system;
7. Matters relating to the establishment of various kinds of limits, and the issuance of approvals when such limits have been exceeded;

8. Making decisions concerning FSS approvals, based on internal ratings approaches to the Group's credit evaluation system;
9. Matters relating to the Group's policies regarding the disclosure of risk;
10. The results of risk situation analyses, and relevant capital management and financing plans;
11. Dealing with all other matters deemed necessary and appropriate by the BOD.

### Group Risk Management Council

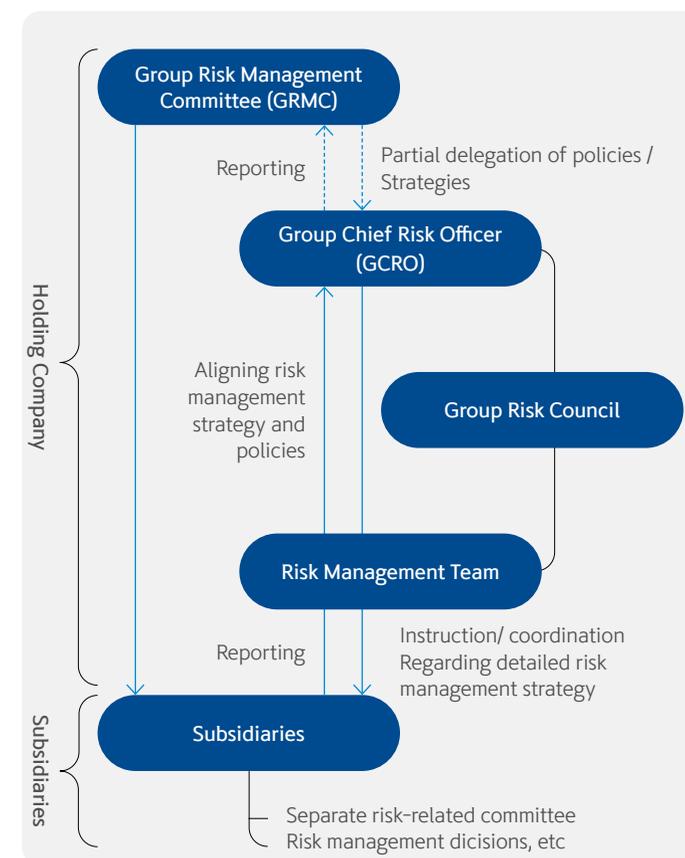
The Group Risk Management Council undertakes and reviews the risk-related policies and strategies of the Group and its subsidiaries. It also makes decisions regarding the implementation of policies determined by the Group Risk Management Committee. Composed of the Group Chief Risk Officer and the CROs of the Group's major subsidiaries, it reviews decisions made in relation to the Group's non-retail credit rating system and issues under the aegis of the Group Risk Management Committee. Its main responsibilities are as follows:

1. Setting the risk appetite for the Group and its subsidiaries;
2. Evaluating the risk measurement systems used by the Group and its subsidiaries;
3. Evaluating the operations of the risk measurement systems used by the Group and its subsidiaries;
4. Dealing with matters requiring joint consultation on risk management at the Group level;
5. Managing the amount of risk posed by assisting Group subsidiaries financially.

### Group Chief Risk Officer

The Group Chief Risk Officer assists the Group Risk Management Committee in implementing risk-related policies and strategies decided on by the Committee, as well as ensuring that they are implemented consistently by all the Group's subsidiaries. The CROs of each of the Group's subsidiaries conduct performance measurements and assess the risk management practices of individual subsidiaries.

### SFG Risk Management Structure



### 2018 Key Performances

In 2018, the Group crafted a set of responses on such topics as the US-China trade dispute, possible interest rate hikes, constantly-tightening governmental regulations, and continuing digitalization within the financial industry. It also established an "Advanced and Extended Risk Management" strategy in line with its 2020 S·M·A·R·T Project. It also upgraded its risk and portfolio management processes. This involved instituting countermeasures following an analysis of five major, Group-wide potential risks and assessing the influence of the governmental regulatory environment and the Group's Integrated Individual Credit Assessment System. In addition, the Group established a GIB monitoring system; added to its level of industrial information-sharing; became South Korea's first financial group to set up an environmental and social risk management system; made improvements to the liquidity risk management levels of its overseas subsidiaries; and shared its risk management knowledge and abilities with other financial groups both at home and abroad.

### 2019 Business Plans

The Group has named "Advanced and Extended Risk Management Capabilities" as constituting its strategic direction, as 2019 will be another year of Volatility, Uncertainty, Complexity, and Ambiguity (VUCA). These conditions will make it exceedingly difficult to predict the future accurately, due to concerns over interest rate hikes, economic downturns, constantly tightening governmental regulations, changes in industrial trends and demographic structures, and intensifying competition even beyond the boundaries of the financial services industry.

In addition, the Group will enhance its ability to respond to external changes and strengthen its risk management capabilities by increasing its use of big data and digital information from internal and external sources. It will also focus on extending its GIB, GMS, global, and other future growth areas, and speed up the implementation of its environmental and social risk management system. It will also fully activate its non-financial risk management system, and optimize the Group's risk management infrastructure fit for the synergy-creating "One Shinhan" structure.

## Shinhan Financial Group's Risk Management Plan for 2019

Mission

To support sustainable and balanced growth by the Group by gaining a thorough understanding of the nature of change

2019 Strategy

Advanced and Extended Risk Management Capabilities

Core Tasks



Increase ability to respond to external change

Institute preemptive countermeasures against uncertainties in the financial environment both at home and abroad, as well as changes in industrial and demographic structures and regulations;



Improve internal risk management structure

Enhance capital efficient risk management, improve asset management, and increase use of digital risk management tools;



Strengthen risk management capabilities in areas of future growth

Extend risk management strengths to areas of new growth and global operations;



Put non-financial risk management systems in place

Establish environmental risk and operating risk management systems.

### **Emerging Risk**

Shinhan Financial Group considers "climate change" and "changes in demographic structure" as factors that are likely to affect the Group's business over the long term.

#### **Emerging Risk: Climate Change**

The Earth's temperature has risen by about 1 degree Celsius since the industrialization. Climate change, as such, can also affect the stability of financial institutions through both physical risk and transition risk.

Physical risk refers to a secondary financial risk coming from the physical damage caused directly or indirectly by climate change in the real sector spreading to the financial sector through various transactions such as insurance contracts, loans and investments. Transition risk can be seen as a financial risk that could arise from the government's transition to a low-carbon economy in response to climate change, or from a sudden change in market participants' perceptions of the cost of carbon emissions. Physical risk and transition risk may lead to a decline in mortgage value, a deterioration of the borrower's financial soundness, and an increase in insurance loss ratio, which may consequently, lead to an increased credit risk of financial institutions.

According to World Wide Fund for Nature (2018), as a result of carbon emissions reduction efforts, the operating profit margin of various industries in South Korea, including energy, transportation, raw materials, construction, agriculture, forestry products, and food industry, is expected to be reduced by 2.7% to 35.3%. As for Shinhan, the Bank's exposure to the carbon emissions sector stands at 4.7 trillion won as of the end of 2018.

In response to these risks, Shinhan Financial Group has established a "Group Environmental and Social Risk Management System" in order to designate areas of interest to be put under monitoring. For sectors that have been identified as "high risk" will be subject to conditional financial support. Moreover, in case of large-scale PFs, the Group evaluates the level of environmental and social risk related to the project and manages it by reflecting risk mitigation measure in the financial contract. The Group is also participating in the TCFD support group, in line with global responses to climate change. By taking part in the Phase 2 of its Pilot program, the Group is discussing and reviewing the introduction of TCFD.

#### **Emerging Risk: Changes in the Demographic Structure**

A significant change throughout all aspects of the South Korean economy is expected as a result of a rapid aging of the population. If the proportion of the working-age population declines by 0.1% point, investment and GDP will decline by 0.96% and 0.3%, respectively (KIET, Korea Institute for Industrial Economics and Trade). Furthermore, according to Bank of Korea, the aging population has led to an increase in the proportion of insurance and pensions in household assets, which has risen from 25.0% in 2008 to 31.5% in 2014. An aging society with declining working-age population leads to increased social expenditure and decreased productivity, which, in turn, depresses borrowers' debt repayment ability. It is also likely that it will lead to a shift in investment appetite from stocks to bonds.

All these factors are expected to contribute to a deterioration of profitability, asset quality and capital adequacy of financial institutions, ultimately leading to an increased systemic risk. According to Bank of Korea, the non-performing loans ratio will be increased by 5.8% points and the capital ratio will fall 2.2% points if the proportion of the working-age population falls by 1% point.

The Group is analyzing the macroeconomic changes that results from changes in the demographic structure of the South Korean economy, as well as identifying the associated opportunities and the risks to examine its impacts and devise countermeasures at the Group level. This includes strengthening credit review process for the elderly with low repayment ability, establishing medium- to long-term retail loan strategies in response to demographic changes, such as regional population changes and the changes in the proportion of older population, and upgrading products to reflect the changes in risk appetite throughout customers' life cycle.

# ESG Management



"Compassionate Finance" takes Shinhan Bank's original motto, "Be original, productive, and Compassionate", to an even higher level. In addition to being the basis of "Shinhan Culture", it underlies the Shinhan Financial Group's Environmental, Social, and Governance (ESG) strategy, as well as its mission of benefiting the world through its involvement in the finance business. It also demonstrates, in very concrete terms, how the Shinhan Financial Group intends to put its motto of "Compassionate Finance, Your Companion for the Future" into practice through its commitment to inclusiveness and social value.



**2008**  
 • Joined UN Global Compact and UNEP-FI

# The Foundation of Shinhan's ESG Strategy: Compassionate Finance



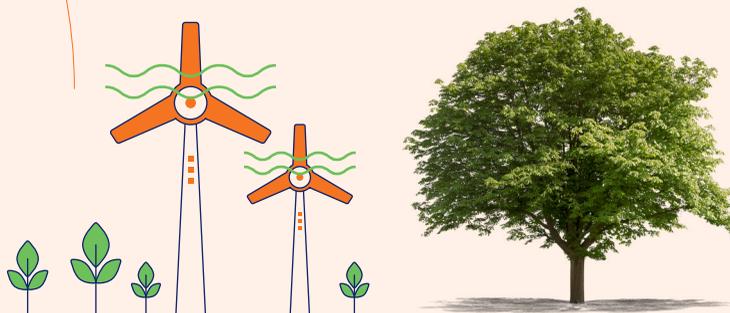
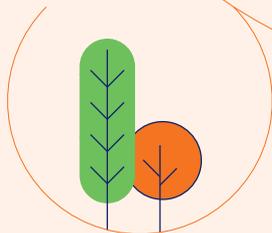
**2014**  
 • Established 9 CSR Strategies  
 • Enunciated "Compassionate Finance, Your Companion for the Future" mission statement



**2010**  
 • Established green management system



**2011**  
 • Enunciated "Compassionate Finance" mission statement



**Overview: The History of Shinhan Financial Group's ESG**

Helping the society in which it operates to become stronger, healthier, and more sustainable is an important role for a responsible corporate citizen. Shinhan Financial Group has been committed to fulfilling its corporate social responsibilities ever since its establishment. In 2005, Shinhan Bank became the first player in South Korea's financial industry to publish a Corporate Social Responsibility (CSR) Report, outlining its determination to take the industry lead in CSR management. In 2009, the Group became the first member in the industry to publish an organization-wide CSR report, strengthening its commitment to CSR management even more.

The Group has also participated in global initiatives for sustainable development. For example, both Shinhan Bank and Shinhan BNP Paribas Asset Management were signatories to the Carbon Disclosure Project (CDP) in 2007 and 2008, with the Group adding its own imprimatur in 2009. Their responsibilities include reporting on their short- and long-term management strategies regarding greenhouse gas emissions. In 2019, the Group was included in the Carbon Management Honors Club for the fifth consecutive year, winning a "Leadership A" rating as a result of its CDP evaluation. Membership in this group is reserved for the top five privately-invested enterprises in the entire country.

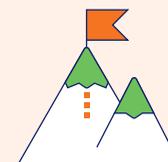
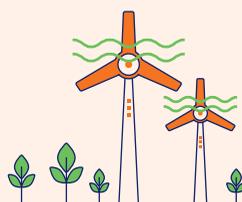
The Group also joined the United Nations Environment Programme Finance Initiative (UNEP FI) in January 2008, reflecting its commitment to sustainable development even more. In May of the same year, it joined the UN Global Compact, with its ongoing commitment to human rights, labor empowerment, the environment, and efforts to prevent financial malfeasance and corruption.

We were included in the Dow Jones Sustainability Index (DJSI) starting in 2009. Last year, we ranked first in the South Korean banking industry and were also included in the Asia Pacific index. We were included in the DJSI World Index (the first among South Korean financial groups) in 2013, and have been part of it ever since.

The Group created "9 CSR Strategies" in 2014 to carry out its sustainability management programs more efficiently and outline its CSR goals and directions more clearly. It established a CSR Committee under the aegis of its Board of Directors a year later. It consists of five directors, including the Chairman and CEO, and is responsible for making all decisions relating to the Group's CSR goals, directions, rules, and policies. Shinhan BNP Paribas Asset Management established a Stewardship Code in 2017 to strengthen its institutional investors' voting rights, while the Group became the first-ever South Korean enterprise to offer its support for the Task Force on Climate-Related Financial Disclosures Recommendations that suggest guidelines for financial disclosures related to climate change in September 2018.



**2015**  
 • Established CSR Committee under BOD



**2017**  
 • Outlined 2020 CSR Strategies  
 • Introduced Stewardship Code for Enhanced Asset Management



**2018**  
 • Outlined plans for "ECO Transformation 20-20"



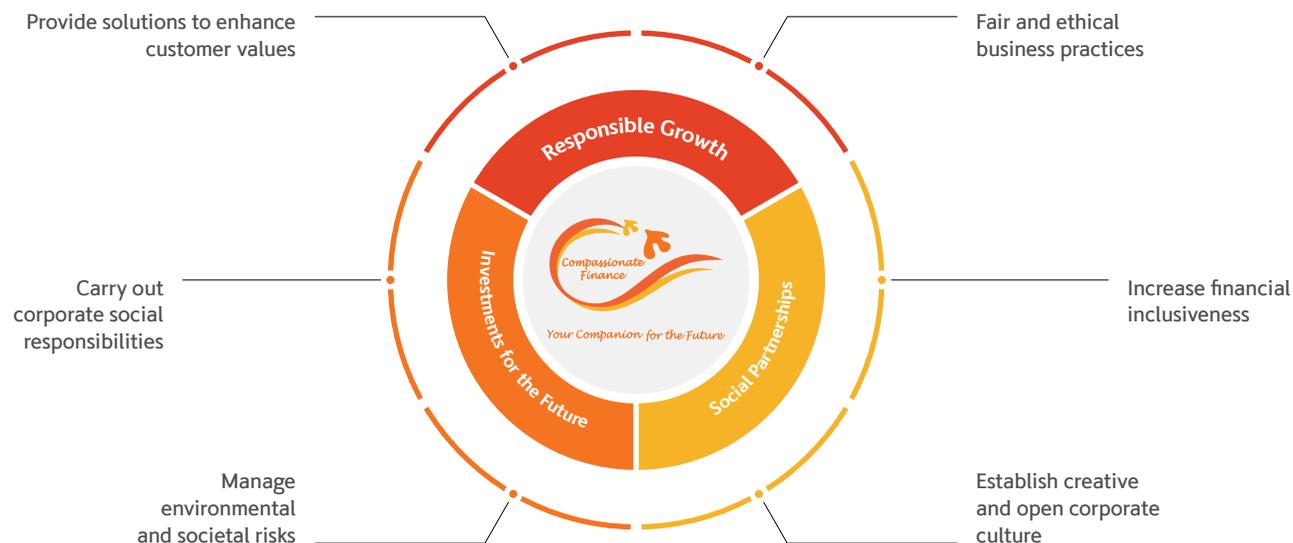
# The Group's ESG Strategy

## 2020 CSR Strategy

The Group's 2020 CSR Strategies enhance the values of its customers, shareholders, and the larger society by increasing its ability to respond proactively to changes in its operating environment. They contain three management directions -- "Responsible Growth", "Social Partnerships", and "Investments for the Future" -- as well as six core strategies.

The core strategies will be realized by meeting annual goals for a set of ten indicators. The degree of success made in achieving them is reflected in ongoing evaluations of all the Group's subsidiaries.

## SFG 2020 CSR Strategy



## Strategic Indicators and Plans

Six Strategic Directions	Ten Strategic Indicators	Four-Year Plan	2018 Goals	2018 Results	Whether Achieved or Not
Provide solutions to enhance customer values	Customer satisfaction index	0.2 points increase per year	93.8 points	94.2 points	○
	Popularity of digital financing services	Increase to 72.2%	68.2%	70.1%	○
	Number of participants in financial literacy courses	One million participants (acc. from 2012)	59,990	93,145	○
Fair and ethical business practices	Number of employees taking ethical behavior training and signing pledge of ethical behavior	98% of employees	98%	99%	○
Increase financial inclusiveness	Financial support for working group	KRW 6.3 trillion	KRW 1.5 trillion	KRW 2.2 trillion	○
	Support for creation of startup ecosystem	KRW 6.6 trillion increase	KRW 1.6 trillion	KRW 4.1 trillion	○
Establish creative and open corporate culture	Participation rate in smart work system	More than 65%	55%	64%	○
Carry out corporate social responsibilities	Value of investments/loans in eco-friendly industries	KRW 20 trillion increase from 2017 to 2030	KRW 259 billion	KRW 1,007.2 billion	○
Manage environmental and societal risks	Volume of GHG emissions	Reduce by 20% from 2012 to 2030	96,422 tCO <sub>2</sub> eq	91,540 tCO <sub>2</sub> eq	○

## 2018 Performance

In November of 2018, the United Nations Environment Programme Finance Initiative (UNEP FI) released a document entitled “Principles for Responsible Banking” for public consultation at its Global Roundtable in Paris. The Principles outline the banking industry’s roles and responsibilities in aligning its business operations with the objectives of the UN’s Sustainable Development Goals and the Paris Climate Agreement. Developed by twenty-eight Core Group Members, including Shinhan Financial Group, Industrial and Commercial Bank of China, BNP Paribas, and ING Group, they provide a set of benchmarks for the financial sector in terms of its commitment to having a positive impact on society and the environment, as well as mitigating any negative factors resulting from its business strategies, products, and services. They also stress the very positive role that the industry can play in ensuring a healthy and sustainable future for people around the world. The six Principles are as follows:

(1) We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we have the most significant impact. (Alignment).

(2) We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. (Impact).

(3) We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations. (Clients and Customers).

(4) We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals. (Stakeholders).

(5) We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts. (Governance and Target Setting).

(6) We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals. (Transparency and Accountability).

The Group strengthened its capabilities for managing potential risks in the first half of 2018 by establishing an environmental and social risk management system. In addition to enacting best practices that define the purposes, principles, primary operations, and other factors affecting environmental and social risk management, it selected twelve environmental and social risk areas for in-depth monitoring and management. It also established optional financial standards to deal with illegal activities and the construction of coal-fired power plants.

The risk areas consist of twelve industries. They include forestry, mining, driftnet fishing, agriculture, tobacco, coal processing, oil refining, power generation, infrastructure, weapons systems and logistics, chemicals, and waste-water and solid waste. The Group regularly monitors each industry for its level of exposure to major risks. In response to the increasingly important issue of climate change, it made a standardized procedure to only review optional financial support only when available technologies are either super-critical or higher, or when CO2 emissions are below 800g/kWh in the case of new coal-fired power plant construction projects.

## Outside Recognition

### Rating Agency

Robeco SAM

Global 100

CDP

Korea Corporate Governance Service

MSCI ESG

### 2018 Performance

Included in DJSI World and DJSI Asia Pacific-Korea for sixth and tenth consecutive years respectively

Included in Global 100 for seven consecutive years. Ranking 9th in the world and 1st in Asia (among all companies), and ranking 2nd in the world (among financial institutions)

Selected for Carbon Disclosure Management Honors Club for fifth consecutive year (Leadership A)

A+ rating in ESG Assessment for fourth consecutive year

AA rating for third consecutive year

# SFG ESG Strategy: E (Environment)

## ECO Transformation 20-20

The Group introduced "ECO Transformation 20-20" as its vision for an environmentally friendly management model to deal with climate change and the need to change to a low carbon economy. In addition to investing KRW20 trillion in green industries, it will reduce its level of greenhouse gas emissions by 20%.

## Three Major Directions

The Group's "ECO Transformation 20-20" corporate vision has three main components: leading the world's low-carbon financial market, increasing awareness of the need for environmentally friendly management, and strengthening environmental leadership and partnerships.

In order to achieve the first goal, the Group will add to its investments in the new and renewable energy industry and encourage growth in such areas as ESG funds, green building projects, and green bonds.

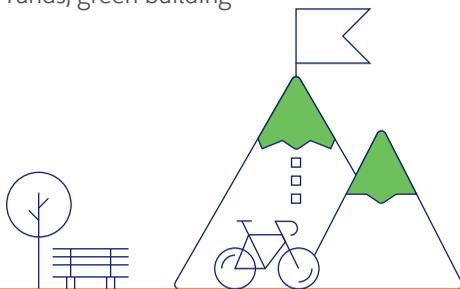
The term "green bonds" refers to financial instruments that are issued to raise funds for environmentally friendly projects and/or infrastructure ventures to mitigate the effects of climate change or contribute to the building of more energy-saving programs or facilities. Shinhan Bank issued KRW 200 billion in green bonds on August 30, making it the first issuer of green bonds among South Korea's commercial banks.

The second objective will be achieved by Shinhan Bank, Shinhan Card, and other Group subsidiaries developing a wide range of green financial products, including deposit and installment savings accounts, credit cards, insurance, and mutual funds. Other steps that the Group will take include accelerating its transformation to paperless and digital operations and strengthening its system for managing environmental and social risks.

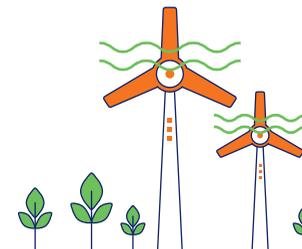
The second target will be also met in a number of ways, including using more electric vehicles for business purposes, building more facilities for charging them, making energy efficient improvements to Group facilities, and promoting the 3R's: reduce, recycle, and re-use.

The Group is also involved in a new and renewable energy initiative being proposed by the National Assembly's Renewable Energy Forum and six NGOs to help mitigate the effects of climate change and reduce the incidence of fine dust in the world's atmosphere. It involves advocating for legislation that would establish a new and renewable energy power procurement system that separates solar power, wind power, and other sources of renewable energy from other forms of power generation.

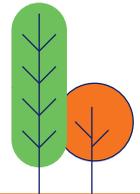
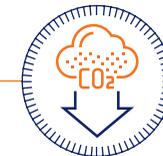
The Group is also committed to playing a leading role if and when similar environmentally friendly and energy saving initiatives are brought to its attention.



**20**  
Investing KRW 20 trillion  
in green industries by 2030



**20**  
Reducing 2012 GHG emissions  
by 20% by 2030



# SFG ESG Strategy: S (Society)

## Nurturing Female Leaders and Building a Happier and Healthier Society

The Group's commitment to helping to resolve social issues and creating a fairer and more just world for everyone is reflected in its motto of "Compassionate Finance, Your Companion for the Future".

In 2018, this included establishing a roadmap for nurturing the development of high-performing female leaders. This process, which includes a Group-level program called "Shinhan SHeroes", was a first for the South Korean financial industry. Its progress will be accelerated even more in 2019.

The Group also used 2018 to launch its Society of Hope Project, a Group-level CSR platform backed with funding worth KRW 270 billion that lasts until 2020. It focuses on assisting underprivileged and low-income people and supporting the growth of small- and medium-sized venture and/or social enterprises.

## Increasing Female Leadership 2018 Performance

The Group's programs for nurturing the development of high-performing female employees began with a medium-term roadmap called "TFT to nurture the development of talented women employees" in the second half of 2017. This was followed by a similar program called "Shinhan SHeroes" the next year.

It also established a set of principles for carrying out this process. It is called "R.O.S.E." with R standing for "Relationships", O standing for "Opportunity", S standing for "Segmentation" and E standing for "Environment".

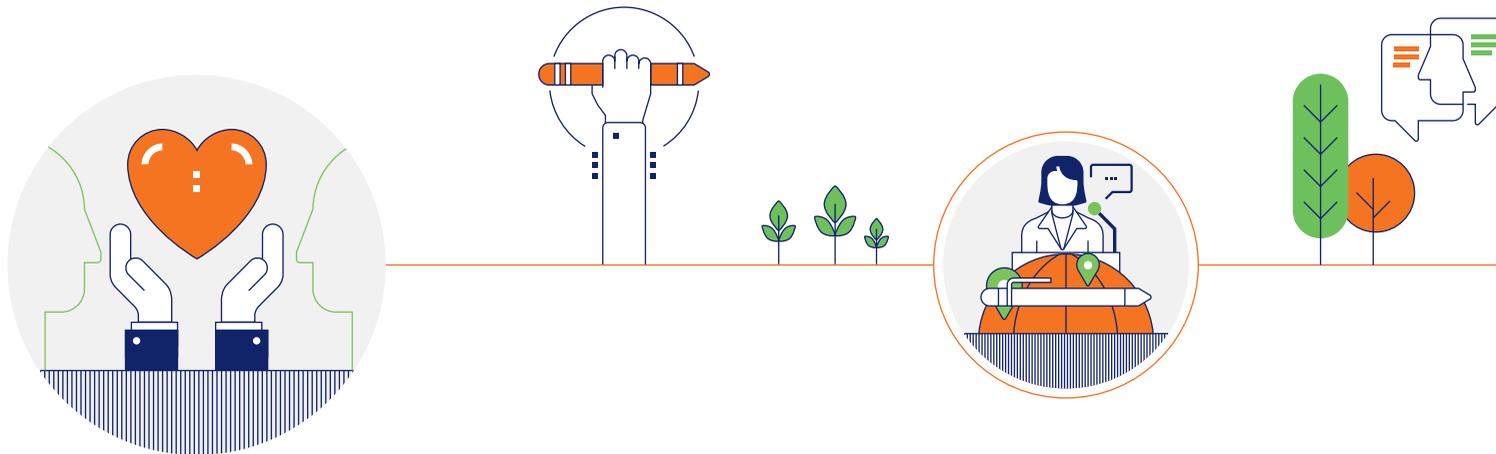
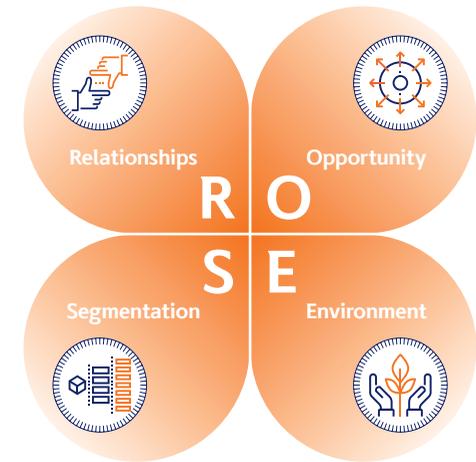
"Relationships" involves strengthening processes, such as mentoring programs to enhance the networking abilities of talented women and setting up conferences where they can exercise these talents even more.

"Opportunity" means offering women a wide range of job experiences through increased employment opportunities and career development programs. It also involves promoting job exchanges among Group subsidiaries and increasing the number of transfers to departments at the Group's headquarters.

"Segmentation" refers to building a nurturing system based on a woman's job description and responsibilities as she progresses through her working life. It includes specialized training courses for women only, supporting their development while they are taking leaves, and assisting them while they are caring for newborn children.

Last, but not least, "Environment" means creating policies that will ensure that highly-qualified women have constant access to a supportive and nurturing environment from the perspective of gender equality.

## R.O.S.E. Nurturing Principles



In practical terms, this means upgrading the Group's smart work systems to include flex-time work, alternative work schedules, and telework, as well as making improvements to the Group's leave and vacation programs and creating a working environment that enables continuous communications at both the internal and external levels.

The Group and its subsidiaries carried out a number of nurturing activities for promising female employees based on these R.O.S.E. principles in 2018. For example, Shinhan Bank enhanced its human resources standards to help it create a larger pool of highly-qualified female leaders. Shinhan Card established a process for accomplishing the same result, while also operating female leadership training programs. Shinhan Investment added to its range of programs for strengthening female leadership within its facilities, and also made a series of improvements to its childcare leave programs. Last, but not least, Shinhan Life Insurance began offering an "S-Wing" female leadership program, as well as revamping its system for achieving a healthier work-life balance for all its employees.



Finally, the Group and its subsidiaries made improvements to their systems from the perspective of gender equality to help all their employees enjoy a healthier work-life balance. This included establishing the Group's joint childcare center and arranging for more flexible work schedules.

The Group also promoted three female employees to executive managerial positions within the organization including two new executive vice-presidents at Shinhan Bank and a division head at Shinhan Card. In addition, its percentage of female managers (based on its total number of deputy managers and higher) increased by 19% from the previous year.

#### **2019 Plans**

The Group will add to its number of high-performing female employees by continuing to operate specialized mentoring programs and by providing female leadership training programs. All of these programs will be monitored on the basis of interviews with acknowledged management leaders. It will also add to its stock of highly-trained in-house mentors, continue expanding the SHeroes Mentoring Program, and hold a "Shinhan SHeroes Conference" in the second half of the year. The purpose of this conference will be to strengthen communications sufficiently to form a consensus regarding the true meaning of "gender diversity" within the Group. It will also stress the continuing importance of nurturing the development of highly-promising female employees, and attempt to increase the participation rate of male employees in all its programs dealing with issues of gender and diversity. In addition, the Group will make adjustments to its nurturing program to better reflect the needs of each of its subsidiaries.

#### **Society of Hope Project**

##### **Accomplishments in 2018**

The Group's Society of Hope Project signed a number of MOUs with government ministries and other public and non-profit organizations in 2018. One of them was the KRW 30 billion Financial Recovery Program for People with Low Credit Ratings, sponsored by the Ministry of Employment and Labor. Scheduled to be in operation for three years, it assists low-income earners by providing a maximum of KRW 1.8 million to each person who participates in a vocational training program. Another program that the Group entered into assisted about five thousand women experiencing disruptions in their careers by providing them with similar training allowances. It was sponsored by the Ministry of Gender Equality and Family.

The Group opened forty-two Shinhan Childcare Centers across the country, helping to provide after-school childcare activities to dual-income families while also contributing to a healthier work-life balance.

The first Shinhan Childcare Center facility was also recognized for being an excellent low-fertility support facility. In addition, the Group worked with the Community Chest of Korea and Good Neighbors to assist families in crisis, and supported a program that rewarded Good Samaritans who had gone out of their way to help people in danger.

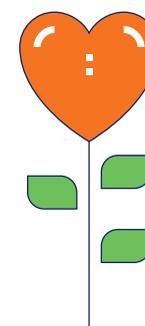


The assistance provided through these last two programs took a number of forms, including help with living expenses, educational and child-rearing costs, medical expenses, and disaster relief costs. The Group also signed an MOU with Hankuk University of Foreign Studies and the Korea Trade-Investment Promotion Agency to support a program to help up to one hundred young people hoping to work overseas. It is designed to strengthen their global competencies through training and educational opportunities both at home and abroad. After that, it helps them to find jobs overseas by accessing the overseas networks of participating organizations. Finally, the Group offered software coding, color therapy, financial literacy, and other programs to students with developmental disabilities, as well as creating a fund in tandem with SK to support the growth of social enterprises and contribute to the growth of the social finance movement.

**2019 Plans**

As part of its plans for 2019, the Group will create enhanced social values to enhance the well-being of people everywhere -- especially young people and the economically disadvantaged. This will include identifying and sharing the best practices of its Society of Hope Project. In addition, it will create enhanced economic values through establishing new businesses that will energize disadvantaged communities.

It will also build long-lasting foundations for its social contribution activities, particularly by strengthening their connectivity with its primary business. The Group will take decisive steps to help young people reduce their debt levels in such areas as school loans, including the signing of an MOU for a "Youth Debt Total Care Project". In addition, it will play a formative role in the development of new social contribution models that will better reflect the needs and practices of the Fourth Industrial Revolution, including adding to its supports for "best practice" social enterprises that have a demonstrated affinity with the finance business.



## SFG ESG Strategy: G (Governance)

### Principles of Governance Structure

In order to advance the interests of its shareholders, financial service consumers, and other stakeholders and promote its long-term development, Shinhan Financial Group has established a corporate governance structure that reflects both its growth history and its organizational culture while also ensuring its transparency, soundness, and stability. As a result, we were awarded our fourth straight "A+" rating in the Environmental, Social and Governance assessment conducted by the Korea Corporate Governance Service. We are especially proud that we were the very first company to obtain an "S" rating in the "Governance" category. This happened in 2017, and was followed by being awarded the Service's highest-possible "A+" rating in the more demanding assessment of financial institutions that began in 2018.



### SFG's Corporate Governance Grades by the Korea Corporate Governance Service (KCGS)



### Transparent Governance Structure

Shinhan Financial Group actively discloses its business and service performance standards and procedures and results related to its corporate governance as part of its efforts to maintain transparent corporate governance. We disclose to all our stakeholders any information related to our corporate governance by publishing an annual report on corporate governance on our website and the website of the Korea Federation of Banks twenty days prior to our annual general shareholders meeting. In addition, we help our stakeholders understand the operational practices related to our corporate governance by disclosing all of the internal policies related to our corporate governance in annual corporate governance reports, including articles of incorporation, the regulations of the sub-committees of Board of Directors, and the full text of the internal policies and regulations related to our corporate governance. In particular, we have made concerted efforts to enhance shareholder value by allowing a cumulative voting scheme designed to protect our minority shareholders along with a system that allows shareholders to exercise their voting rights in writing at general shareholders meetings.

### Sound Governance Structure

Shinhan Financial Group has organized and maintains a Board of Directors equipped with the independence and expertise necessary to maintain sound corporate governance. We have faithfully followed statutes including the Commercial Act and the Act on Corporate Governance of Financial Companies as well as our own internal rules and regulations, including our articles of incorporation (by-laws) and internal code of corporate governance, and the regulations of the Board of Directors. In addition, we have faithfully followed the recommendations concerning the Board of Directors under the Act on Corporate Governance of Financial Companies and the KCGS (Korea Corporate Governance Service) Corporate Governance Code by reflecting them in our internal regulations.

### Stable Governance Structure

To maintain a stable corporate governance based on the principle of checks and balances among constituents, Shinhan Financial Group has delegated the authority for making and executing decisions to the Board of Directors and the management separately, while requiring the management to report on decision implementation status to the Board of Directors. In addition, we have actively supported board operations by ensuring that the majority of the sub-committees of the Board of Directors are composed of independent directors. To help the Board of Directors effectively keep tabs on management, the Board is vested with the right to appoint or dismiss the Chairman & CEO, executive directors of the board, and any members of management who are not directors, whereas the independent directors are vested with the right to request information and third-party advisory services. On the other hand, the company and its management are required to provide information to the independent directors. In particular, the term of service for the latter is guaranteed within the extent that the statutes and internal policies are followed in consideration of the stability and continuity of the Group's corporate governance when they demonstrate outstanding contributions.

To prevent the independent directors from becoming clubby boards, the Independent Director Recommendation Committee, which is in charge of operating the Board of Directors and evaluating Independent Directors, includes one executive director. As a rule, no independent directors are appointed as members of the Committee if they belong to SFG of candidates to be reappointed. Furthermore, we have introduced a virtuous cyclic structure for the succession of management members by restricting the age of the Chairman & CEO to seventy years or less.

### **Diversity and Expertise of the Board of Directors**

Shinhan Financial Group strives to ensure that its corporate governance maintains diversity and expertise by specifying in its internal regulations on corporate governance the principle of diversity in the composition of the Board of Directors, in order to make sure that the board members do not share a certain common background or unfairly represent certain interests. Our Board of Directors is composed of members with diverse expertise to ensure the Board members do not share a certain common background or unfairly represent certain occupational or professional groups.

We also fill our Board of Directors with members who evenly represent the six sectors of finance, business administration, economics, legal affairs, accounting, and information technology which the Act on Corporate Governance of Financial Companies presents as general expertise requirements.

We manage our pool of independent director candidates by receiving recommendations through diverse bodies, including our shareholders, the Independent Director Recommendation Committee, and outside advisory agencies. The current board includes independent directors from four countries (South Korea, Japan, the US, and France). In addition, we have also steadily increased the number of female candidates for independent directors appointments. We have faithfully abided by the principle of diversity in the composition of our board by including members of diverse career backgrounds, experiences, and age groups.

### **Governance Structure That Reflects the Group's Growth Paths**

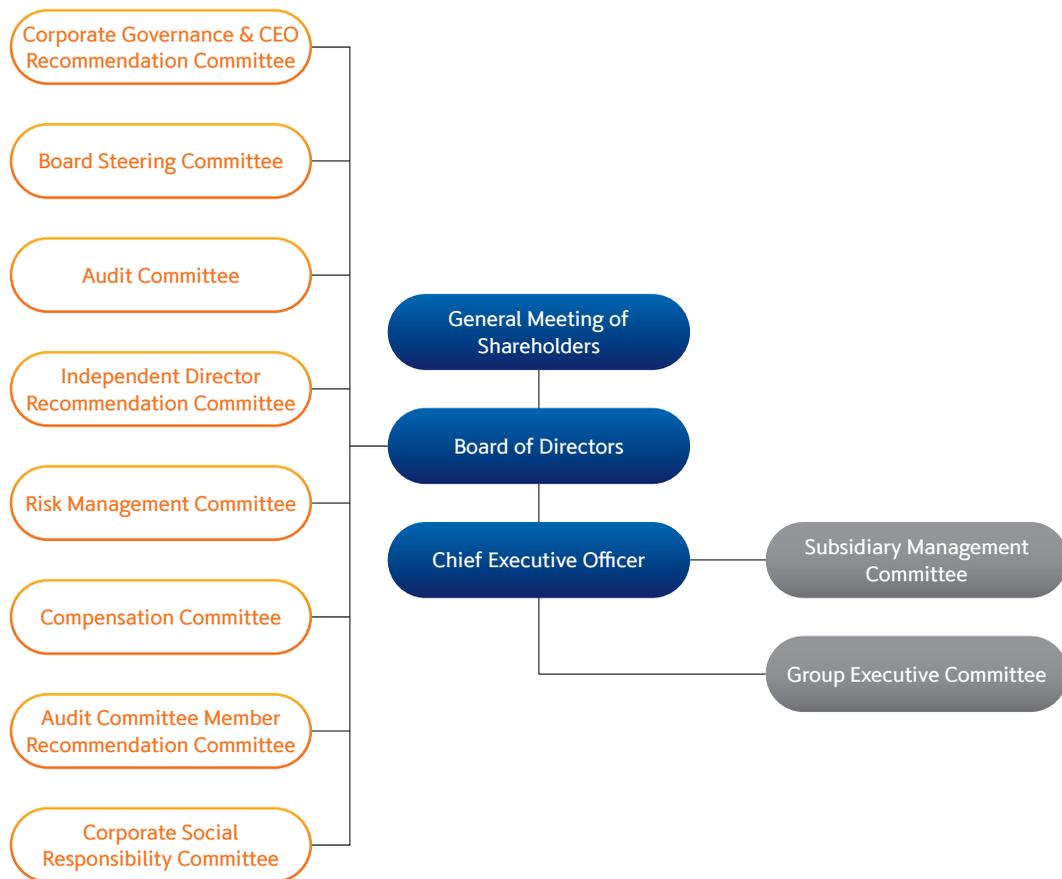
Shinhan Financial Group originates from Shinhan Bank, which was incorporated as South Korea's first commercial bank in July 1982 with only 341 minority private investors, all of whom were South Korean-Japanese shareholders (100% equity investment, paid-in capital of KRW 25.9 billion). Those initial shareholders have continued to offer their wholehearted support to Shinhan Financial Group to the present day. In particular, they have contributed to the group's growth by providing a diverse range of support, including participation in the 'Campaign for Holding Shinhan Shares' staged when the share price declined sharply during the Asian financial crisis. SFG has pursued and maintained stable development through management by financial service experts armed with an in-depth understanding of Shinhan's corporate culture from its inception to the present, based on the deep trust of its initial shareholders, the South Korean-Japanese. In addition, Shinhan Financial Group, inaugurated as South Korea's first private-sector financial holding company in 2001, has secured the foundation for a new leap forward by forging a strategic alliance with BNP Paribas Group. To reflect such growth paths and corporate culture in its corporate governance, the Group's Board of Directors is partially composed of independent directors who are professional business managers, the South Korean-Japanese who represent the founding spirit of the initial shareholders, and financial service experts recommended by BNP Paribas.

### **Governance Structure Features**

Shinhan Financial Group's Board of Directors is vested with the authority to appoint or dismiss its chief executive officer. Composed of thirteen members, the Board's operations are centered around its eleven independent directors, one of whom also presides over the board meetings in accordance with a provision enacted in March 2010.

The Board manages eight sub-committees, including the Independent Director Recommendation Committee, Corporate Governance & CEO Recommendation Committee, Audit Committee, Remuneration Committee, Risk Management Committee, Audit Committee Member Recommendation Committee, Board Steering Committee, and CSR Committee, the first six of which are mandatory organs as provided for under the Act on Corporate Governance of Financial Companies and other statutes, whereas the Board Steering Committee and CSR Committee are voluntarily organized by the Board in order to enhance its expertise, independence, and efficiency. To recommend candidates for executive positions, SFG operates the Independent Director Recommendation Committee, Corporate Governance & CEO Recommendation Committee, Audit Committee Member Recommendation Committee, Board Steering Committee, and Subsidiary Management Committee. The Act on Corporate Governance of Financial Companies requires the mandatory formation of the Officer Recommendation Committee, which recommends candidates for executive positions. To improve efficiency, the authority to recommend executives was divided among the various sub-committees of the Board of Directors even before the Act was forced.

### SFG's Governance Structure

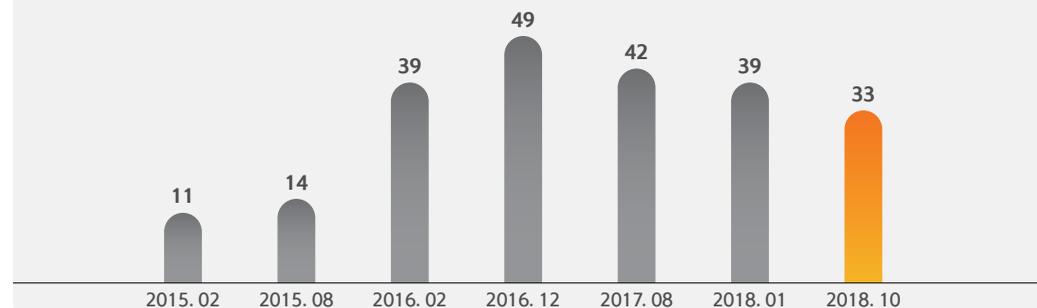


### Sub-committees of the Board of Directors

	Sep. 2001	May 2004	Feb. 2008	Aug. 2011	Mar. 2015
1	Audit Committee	Audit Committee	Audit Committee	Audit Committee	Audit Committee
2	Risk Management Committee	Risk Management Committee	Risk Management Committee	Risk Management Committee	Risk Management Committee
3	Board Steering Committee	Board Steering Committee	Board Steering Committee	Board Steering Committee	Board Steering Committee
4		Independent Director Recommendation Committee	Independent Director Recommendation Committee	Independent Director Recommendation Committee	Independent Director Recommendation Committee
5		Remuneration Committee	Remuneration Committee	Remuneration Committee	Remuneration Committee
6			Audit Committee Member Recommendation Committee	Audit Committee Member Recommendation Committee	Audit Committee Member Recommendation Committee
7				Corporate Governance & CEO Recommendation Committee	Corporate Governance & CEO Recommendation Committee
8					CSR Committee

### Number of Female Candidates for Independent Director Positions

(No. of persons)



## Shinhan Financial Group Directors' Skills and Qualifications

 Major expertise,  Expertise

Name	Finance	Economy	Business Administration	Accounting	Legal Affairs	Consumer Protection	Information Technology	Global Business	Risk Management
Cho Yong-byoung									
Jin Ok-dong									
Park Cheul									
Lee Manwoo									
Yuki Hirakawa									
Philippe Avril									
Park Ansoon									
Kim Hwa-nam									
Choi Kyong-rok									
Lee Yoon-jae*									
Byeon Yang-ho*									
Huh Yong-hak*									
Sung Jaeho*									

\* Newly appointed

## Members of the Board of Directors after the 18th AGM

Name	Director Classification	Date of Birth	Nationality	Professional	End of Tenure
Cho Yong-byoung	Executive Director	Jun. 30, 1957	Korea	Finance	FY2019 AGM
Jin Ok-dong	Non-Executive Director	Feb. 21, 1961	Korea	Finance	FY2020 AGM
Park Cheul	Independent Director	Apr. 27, 1946	Korea	Economics	FY2019 AGM
Lee Manwoo	Independent Director	Nov. 22, 1954	Korea	Accounting	FY2019 AGM
Yuki Hirakawa	Independent Director	Oct. 21, 1960	Japan	Business Administration	FY2019 AGM
Philippe Avril	Independent Director	Apr. 27, 1960	France	Finance	FY2019 AGM
Park Ansoon	Independent Director	Jan. 24, 1945	Korea	Business Administration	FY2019 AGM
Kim Hwa-nam	Independent Director	Dec. 07, 1945	Korea	Business Administration	FY2019 AGM
Choi Kyong-rok	Independent Director	May 25, 1966	Korea	Information Technology	FY2019 AGM
Lee Yoon-jae*	Independent Director	Nov. 3, 1950	Korea	Finance	FY2020 AGM
Byeon Yang-ho*	Independent Director	Jul. 30, 1954	Korea	Finance	FY2020 AGM
Huh Yong-hak*	Independent Director	Sep. 10, 1958	Korea	Finance	FY2020 AGM
Sung Jaeho*	Independent Director	Mar. 18, 1960	Korea	Legal Affairs	FY2020 AGM

\* Newly appointed

# Ethical Management

The Shinhan Financial Group is a global financial group that is highly trusted by both the general public and its stakeholders. It encourages an even greater level of customer trust by promoting the use of transparent and ethical management operations at all its business levels. To accomplish this goal, the Group has been steadily upgrading its ethical management practices by constantly monitoring its programs, demanding compliance by all its human resources in the areas of operational behavior and regulatory statutes, and ensuring that everyone in the Group participate in ethical management training and educational opportunities.

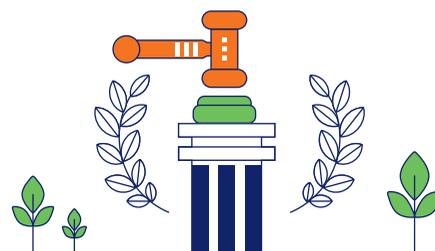
## Ethical Standards and Principles

The Group created a “Shinhan Financial Group Code of Ethics” and an “Employee Code of Conduct” to ensure ethical behavior on the part of all its executives and employees and make ethical business actions part of its overall corporate culture. This included developing Group-wide, online training programs in the areas of ethics and compliance, as well as offering internal training programs tailored to each employee’s job level. Shinhan Bank has reserved the second week of each month for anti-bribery and corruption training. During that time, the Compliance Representatives in each of its departments will provide all its employees with education and training in the areas of financial regulations and rules and the prevention of money laundering and other acts of corruption. This high degree of education and training is also required at all the Shinhan Bank’s overseas units now that the Group’s companies have advanced so far into the global marketplace. Shinhan Card has implemented its own ethical management guidelines. They include the mandatory signing by all executives and employees of a sworn statement outlining the need for ethical behavior and their compliance with all relevant rules and regulations; internal inspections carried out by all departments; and a web magazine dealing with internal controls.

The company also conducts ethical compliance training for all its executives and employees on a continuing basis. This includes upgrading the skills of its compliance officers, offering courses on compliance, and training in misselling and money laundering. Shinhan Investment has also enhanced the level of ethical behavior among its executives and employees. This includes offering training and education regarding changes to statutes relating to financial services institutions, monitoring levels of employee compliance, and taking measures to prevent fraud. Shinhan Life Insurance posts a monthly “law letter” on ethical management issues on its internal portal, and also offers division-wide training and educational opportunities and self-assessment services to all its employees. Finally, Shinhan BNP Paribas Asset Management has strengthened its regulations regarding its employees’ sales activities by adding to the level of detail involved in the trading of its financial products. It has also increased its vigilance concerning improper transactions and the taking of illicit financial benefits by its executives and employees.

## Internal Controls

Each subsidiary member of the Shinhan Financial Group is required to appoint Compliance Officers who are tasked with carrying out a prescribed list of internal control activities. They are supervised by the Group’s own Compliance Officer, who performs the same functions at the Group level. The Group-level Compliance Officer also receives reports outlining the compliance monitoring and internal trading activities of the Group’s subsidiaries, and carries out inspections of their various internal control processes and activities.



In addition, in accordance with the central government's *Act on Corporate Governance of Financial Companies*, the Group's subsidiaries that are financial entities now reflect the key requirements of the Act concerning their internal controls. This includes information about their whistleblower and ordered leave systems, provisions for the separation of duties for high-risk clerical employees, processes for developing and selling new products, and policies regarding internal inspections. Each of the Group's financial subsidiaries has also established an Internal Control Committee headed by its CEO. Each committee is required to conduct an annual inspection of its company's internal control system and how it was implemented during the preceding year. Their reports are then sent to their respective Boards of Directors.

### Whistleblower System

The Group's whistleblower system acts to increase the efficiency of its transparency and compliance monitoring systems. It includes a wide variety of reporting tools, such as both online and mobile websites. It can be accessed by all the employees and executives of all the Group's subsidiaries. Shinhan Bank has established its own whistleblower system, called the "Shinhan Guardian". It can be accessed by its own executives and employees, as well as by workers at all its partner companies and even its customers. It includes a wide range of reporting channels, such as email, fax, regular postal mail, and a website. The website clearly indicates in its "Guidelines for Shinhan Guardian" that the company will ensure the confidentiality of the identities of the whistleblowers.

Shinhan Card also operates its own whistleblower system, targeting its executives, employees, and business partners. They can access it through a wide range of channels, including a website, the Intranet, email, fax, regular postal mail, and personal interviews. Any and all information regarding a whistleblower's identity or job position is kept strictly secret. Shinhan Investment's whistleblower system is open to use by all its executives and employees. They can access it through the company's Intranet, at offline meetings, or by phone or email. All of its executives and employees are reminded of its existence on a quarterly basis, as well as through intuitive intranet banners. Shinhan Life Insurance has an online bulletin board on its website called "Sinmungo". Information regarding it is made available to all the company's employees when they undergo training in its internal control processes and policies.

### Preventing Market Abuses

In efforts to prevent market abuses, the Group provides education and training programs and monitors its subsidiaries to ensure they do not violate any regulations within the Financial Investment Services and Capital Markets Act. The Group carries out a wide-ranging, on-the-job trainings and educational programs regarding market abuses for all executives and employees of its subsidiary companies.

Shinhan Bank uses the FSS's "Declaration of Financial Investment Accounts and Declaration of Trading Particulars" to limit any unauthorized use of confidential information and unfair trading practices.

It also provides additional training for the employees of departments most likely to be in possession of confidential information. Shinhan Card issues reports on sales of financial investment products to prevent unfair trade practices, such as those outlined in the FSS's "Prohibition on the Use of Non-Public Material Information". It carried out searches for other types of unfair transactions through periodic monitoring activities, and offers a wide variety of training and educational opportunities to its executives and employees. Shinhan Investment attempts to prevent market abuse by providing training and educational programs in the "Regulations Concerning Market Abuse" that it enacted. It also conducts in-depth monitoring exercises aimed at preventing such market manipulative transactions as false and wash sales. Shinhan Life Insurance carries out periodic examinations of all its financial investment product account openings. It also examines the reports on all dealings by employees involved in asset management activities, along with details of their meetings, communications, and information exchanges amongst its operational departments. Its ultimate goal is to prevent conflicts from arising between its special accounts department, which is responsible for managing its customers' assets, and other departments that manage the company's own assets.



# Review of Operations

# One Shinhan

The Group is committed to providing a wide range of differentiated customer experiences through its upgraded "One Shinhan" platform, which brings together the products and services of its subsidiaries to fully accommodate customers' needs with optimized financial solutions.

## Synergy Strategies

The primary goal of the Group's synergy strategies is to provide customers with a wide variety of differentiated experiences by creatively converging the capabilities of its subsidiary companies. A second, closely-related goal is to remove as many barriers between its business lines as possible.

To realize these ends, the Group has created an efficient and balanced business portfolio covering its credit card, securities, insurance, and asset management lines, with its banking services remaining firmly at the center of its operations.

This has allowed the Group to out-compete its rivals by developing a large number of fully-integrated financial solutions that can satisfy the entire range of its customers' needs. These synergy strategies can be divided into a quantitative growth phase, a qualitative growth phase, and an advanced collaboration system phase. The quantitative growth phase, which took place until 2012, focused on the development of hybrid products through cross-division sales and the joint Group marketing of funds, bancassurance, and payment accounts.

## SFG's "One Shinhan" Strategy



Synergies

"One Shinhan"



The qualitative growth phase occurred from 2012 to 2015. It focused on finding synergies in a wider range of service areas by reforming the Group's WM and CIB matrix organizations. The advanced collaboration system phase has been ongoing since 2016. It includes the promotion of the Shinhan FAN Club and other joint group platforms, as well as the upgrading of collaboration systems among the Group's subsidiaries.

### Goal of the "One Shinhan" Strategy

The goal of the Group's "One Shinhan" strategy is to create a rapid and effective implementation structure at the Group level while also pursuing differentiated growth through collaborations among its subsidiaries.

It is designed to provide customers with an optimized menu of products and services that is available at the Group level, rather than from a single line of business.

Products and services are provided by all of the Group's subsidiaries through their respective channels, but by sharing the entire Group's resources. The end result is that the customer comes to see the Group as constituting a single, unified entity.

### 2018 Key Performances

The Group focused its efforts in 2018 on launching and advancing the performance of its major integrated, app-based platforms, such as "Shinhan Plus" and the "Smart Loan Center", while also developing new collaborative businesses and strengthening communications within the Group and the One Shinhan Council. It also promoted sales of its products, including the Shinhan Alpha REIT, under the Group's ONE brand.

### Group-level Platforms and Channels

The Group merged the "Shinhan FAN Club", its integrated rewards platform, with "Shin-Na-Neun Han FAN" (which translates into "One Exciting Platform"), a group-integrated mobile platform, to form "Shinhan Plus". It also launched Jeju Jini, a non-financial platform with specialized content related to Jeju-do, one of South Korea's most preferred travel destinations. "Shinhan Plus" significantly expanded the size of the Group's customer base through its online and mobile channels, attracting 9.5 million customers, while "Jeju Jini" attracted 100 million downloads within only five months of its launch. The successful development of this non-financial platform has been recognized and awarded a grand prize in the Travel and Tourism category at the 2018 App Awards.

The Group also developed a Smart Loan Center, the first-ever Group-level credit loan platform app in South Korea. It provides packages of loan products that have been individualized for each customer by combining the credit loan products of the Group's companies, based on the Group's integrated credit rating model. This allows the Group to offer lower-interest-rate loan opportunities to customers through the combined power of Group-wide credit loan portfolios. The Center has proven to be a winning player in South Korea's mid-interest-rate loan market, attracting more than twenty thousand new loans worth KRW 10 billion only three months after its launch.

### Strengthened Operating Systems

The One Shinhan Committee was established as a means of maximizing collaboration at the Group level in response to rapidly changing market conditions and the needs of its subsidiaries. In addition to providing an overall support at the Group level, it combines and coordinates the opinions of the Group's subsidiaries and melds them into mutually-beneficial agreements. This has helped to strengthen market responsiveness at the Group level in such areas as cards, payment accounts, and the Group's Seoul Municipal Depository operations.

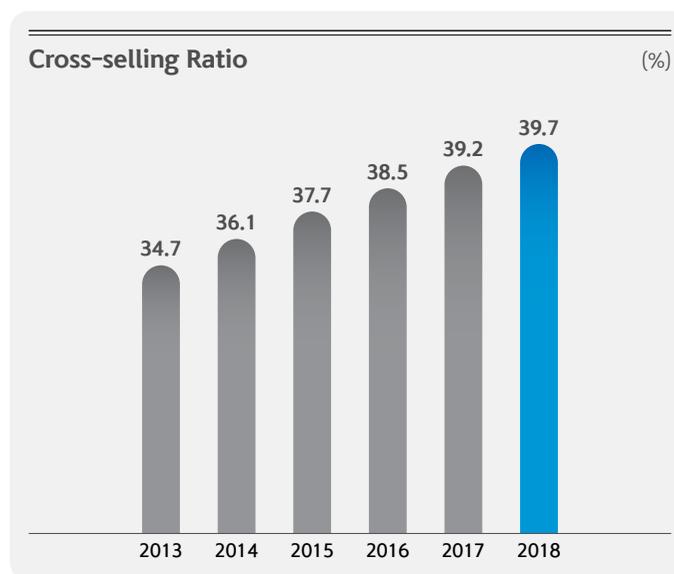
The Group adopted a number of other measures to encourage growth within its burgeoning number of new businesses. For example, it assisted with the creation of joint operating profit indices that allow them to be evaluated both properly and fairly. In addition, the activities of the One Shinhan panel became more diversified by including sales field employees as panels to represent Group subsidiaries. This helped the Group promote communications and exchanges among all the employees of its subsidiaries.

**Enhanced Competitiveness of “ONE” brand Products and Services**

The Group used the collaborative power of One Shinhan to boost sales of Shinhan Alpha REIT, an IPO REITs product, by the Group’s new subsidiary called Shinhan REITs Management. Shinhan Alpha REIT, the first product to be introduced to the market by Shinhan REITs Management, posted record-high subscription deposits worth KRW 492.8 billion and a very healthy subscription rate of 4.32 to 1 in the country’s REIT IPO market. These achievements have played a major role in changing consumer awareness about listed REITs, and Shinhan REITs Management now has the potential to be a major industry player. Other steps taken by the Group to enhance the competitiveness of its products and services included introducing a card payment process for Shinhan MYCAR loan products and upgrading its bancassurance products to cover dental injuries and other threats to their health and well-being.

**39.7%**

2018 Cross-Selling Ratio (Meaning the ratio of customers using products and services from two or more of the Group’s major subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance.)



**2019 Business Plans**

In 2019, the Group will expand its matrix business organization to create a more powerful One Shinhan platform. It will also continue exploring a number of Group-led business possibilities, including new business lines, the launch of more market-leading One Shinhan branded products, and strengthening the “One Shinhan” operating system.

**Strengthening the “One Shinhan” Operating System**

The range of the Group’s joint projects will be expanded, in tandem with the degree of collaboration among its subsidiaries and business units. Improvements will also be made to its product supply system and the way its assets are managed. This will be done by implementing the Next WM program and strengthening collaboration within the Creative Finance Plaza. The overall goal of these moves will be to maintain the Group’s leadership in the asset management market, providing better and more competitive products faster and more efficiently than its competitors can.

The Group’s market position will also be enhanced through healthy growth within its integrated mobile platforms. This will include transforming “Shinhan Plus” into the Group’s fully-integrated marketing platform, upgrading its menu of products and services, and bringing the number of its customers up to the ten million mark.

The Group will add to its strengths in the medium-interest-rate loan sector by making improvements to the Smart Loan Center and adding to its number of customers. Shinhan’s leadership in the South Korean pension market will be maintained, primarily by building a Group-integrated pension platform to provide customers with the nation’s very first Group-wide retirement pension products and services. The customer service experience will also be enhanced.

**Increasing Degree of Collaboration from the “One Shinhan” Perspective**

The “One Shinhan” collaboration system will be strengthened greatly when Orange Life, Asia Trust, and other new business lines are fully incorporated into the Group. This process will be accomplished as smoothly as possible, to ensure that each Group subsidiary and business unit is able to exploit synergy to the fullest extent.

The Group is also poised to launch a number of “One Shinhan” branded products that have the potential to be market leaders, with a special focus on competitive, preemptive retirement pension products that meet the needs of both customers and the market. This strategy of selling products from a single platform-based, customer-oriented perspective will ensure that the Group will continue to lead the market for productive and inclusive finance by allowing more customers to enjoy ever-more-convenient financial services.

### Upgrading the “One Shinhan” Operating System

The Group will focus on core projects that are already in place by strengthening its system for evaluating new joint undertakings. This will include the establishment of a collaboration process to support the Group-wide municipal depository business, increasing the proportion of joint business-related evaluation indices within One Shinhan KPI, and simplifying its core businesses indicators. Improvements will also be made to the “One Shinhan” awards and prizes program.

In addition, the “One Shinhan” panel system will be upgraded to increase employee participation and encourage the development of a “One Shinhan” culture within the Group.



#### Orange Life

Shinhan Financial Group’s acquisition of Orange Life added value to its “One Shinhan” brand. Orange Life boasts a sales organization based on highly qualified financial consultants; ALM-centered asset management principles; and the highest RBC ratio in the industry. In addition, its optimized risk management capabilities and capacity for dealing with regulatory change will provide solid value to its customers and the Group. The company is also expected to create a high level of synergies with Shinhan Life Insurance, leading to increased customer value by complementing each other’s strengths and capabilities.

#### Creating Synergies

The Group will maximize the performance of its “One Shinhan” brand in 2019 through its acquisition of Orange Life. It will lead to the strengthening of the collaboration system that is already in place within the Group’s existing life insurance businesses, dramatically enhancing its competitiveness within the industry. The Group will retain its commitment to identifying new business opportunities in its life insurance line by taking advantage of the close collaboration between it and its insurance industry subsidiaries. It will also establish a financial consumer protection policy framework with an environmental, social, and governance evaluation perspective.

#### » Maintaining Competitiveness in the Insurance Business

The Group will continue leading the nation’s insurance industry by merging the wide range of sales channels employed by Shinhan Life Insurance and Orange Life. In addition, it will increase the level of coverage if offers customers through the mutual sharing of the two companies’ branch (customer center) networks, allowing it to provide an optimized portfolio of products specifically tailored to each customer’s life cycle.

#### » Creating New Synergies

The Group will increase its customer base and the value of the products and services they purchase by continuing with the “Shinhan Plus” Group-wide joint marketing platform and the “Tops Club” customer appreciation program. It will also add to the utilization and competitiveness of a variety of new sales channels, including online and mobile, by capitalizing on its highly-regarded digital transformation capabilities. New business and joint collaboration opportunities will also be explored, primarily through its market-leading Global Markets and Securities (GMS)/Group & Global Investment Banking (GIB) matrix organizations.

#### » Building a Consumer Protection System

The Group is committed to strengthening its customer-centered consumer protection plan. This will be done by combining its commitment to consumer protection with Shinhan Bank’s high-quality programs. Based on the twin values of “consumer-centered responses” and “consumer protection from an environmental, social, and governance evaluation (ESG) perspective”, the Group will take the lead in the establishment of industry-wide standards for the protection of financial consumers throughout South Korea.

※ALM: Asset and Liability Management. Orange Life has established a set of asset management strategies with a specific focus on long-term bonds.



**Asia Trust**

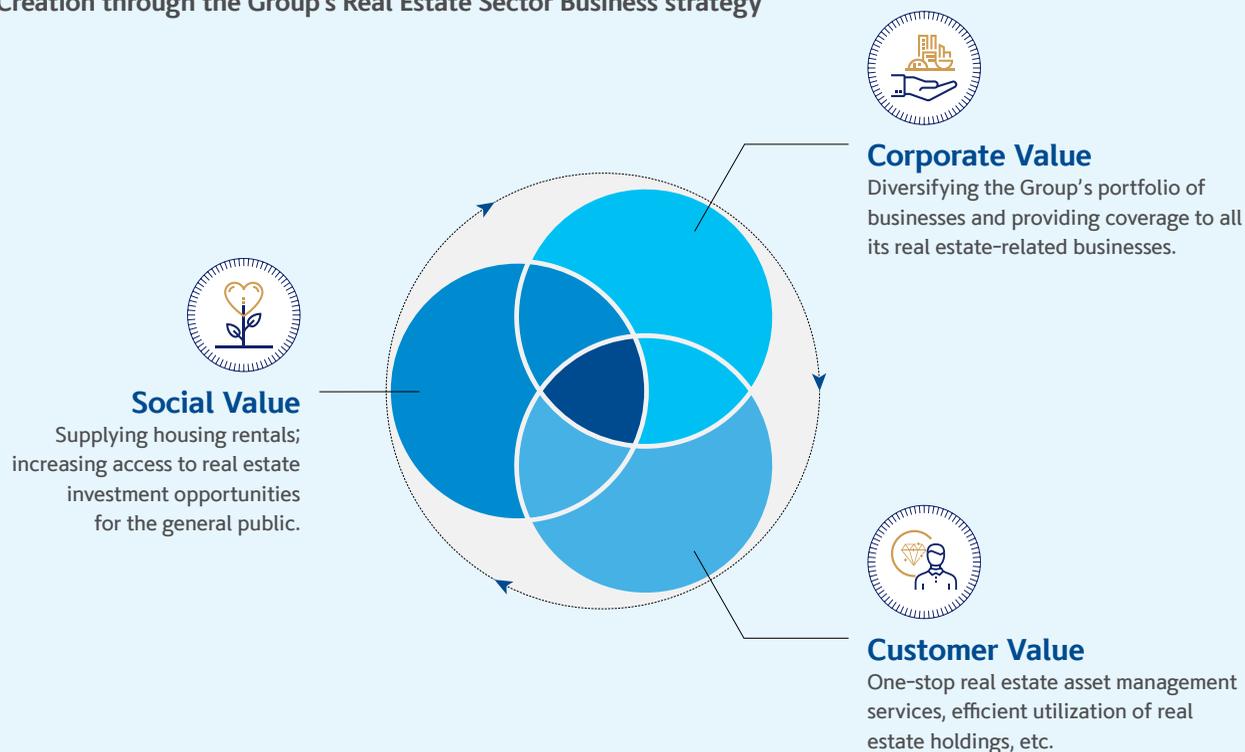
Shinhan Financial Group has made a number of moves to strengthen its non-bank business portfolio and add to its non-interest income, while also exploring a number of inorganic growth opportunities. This will maximize its value under the balanced growth strategy that has been identified as its mid-to long-term strategic direction. Part of this strategy includes the need to reinforce the Group's real estate business line. Asia Trust is expected to play a seminal role in this. Asia Trust enjoys a relatively lower-risk asset portfolio compared to its competitors, including the development of a corporate culture that focuses on intensive, risk-adjusted sales.

It concentrates its efforts on its industry-leading project management service trusts, management-type land trusts and collateral trusts, making it one of the Group's most attractive candidates in terms of its adaptability to the Group's "Real Estate sector business strategy". Based on this high degree of adaptability, the Group is planning to create new value for the society, customers, and the Group by combining its financial expertise, asset management capabilities, and healthy customer base with the high potential for synergies available through its subsidiaries.

**Creating Synergies**

Both the Group's value and that of its customers will be enhanced by taking the greatest possible advantage of the experience and abilities of Asia Trust's human resources and the networks they have created, as well as by undertaking a strategy of close collaboration between it and all the Group's companies and units. As part of such collaborative efforts, the Group will be able to place some of its collateralized assets under collateral trusts, which is more cost-effective than taking out mortgages. The reduced costs will result in an increased customer value. The Group will be dedicated to increasing its customer base. This will be done by connecting collective loans for profitable businesses among trust service providers with Shinhan Bank, while also attracting their business accounts. It will also increase financial accessibility by offering customers real estate asset investment opportunities, especially in collaboration with Shinhan RIETs Management. Last, but not least, the Group will explore further business opportunities by adding to its referral activities in collaboration with its GIB unit. It will also provide a wide range of real estate solutions for customers in collaboration with its WM unit, including advice on investing in real estate developments. In addition, it will utilize Asia Trust's management expertise to help it administer its own real estate assets, which are currently being managed by each of its many subsidiaries in collaboration with its GMS unit.

**Value Creation through the Group's Real Estate Sector Business strategy**



# Digital Banking

Shinhan Financial Group's transformation into a digital banking powerhouse will be carried out through its "Two Tracks and Ten Enablers" strategy.

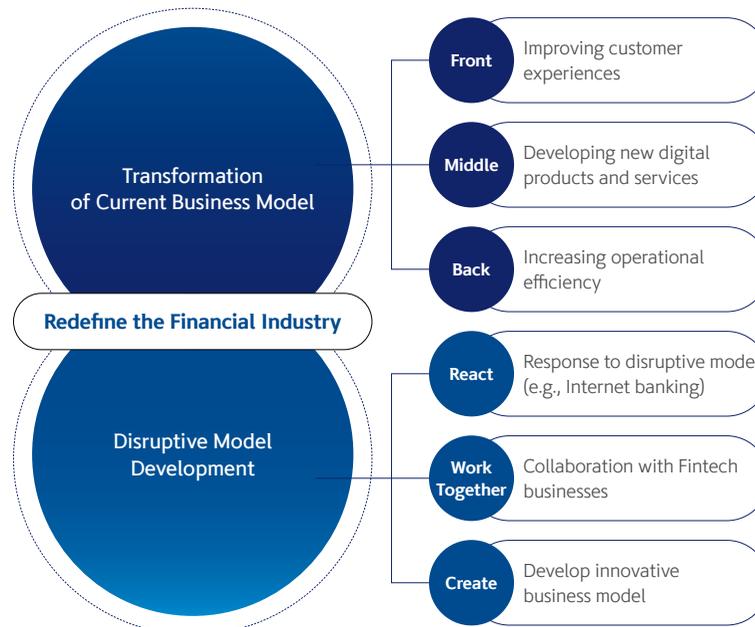
## Digital Transformation Strategy

Shinhan Financial Group accelerated its transformation into a digital banking powerhouse in 2018 after spending the previous year building the infrastructure needed for the process to actually take place.

The ultimate goal behind the transformation is the Group's vision of becoming Asia's leading financial industry player. Shinhan's strategic framework for Digital Transformation is contained within its "Two Tracks and Ten Enablers" strategy. The first track is to digitalize and transform the company's business model for a differentiated level of customer experience and increased operational efficiency.

The second track involves adopting new business models, such as Internet banking, while also promoting collaborations with innovative and newly-emerging FinTech businesses. The Ten Enablers include the required technologies, the governance, and operational, cultural, and organizational capabilities needed to carry the transformation out.

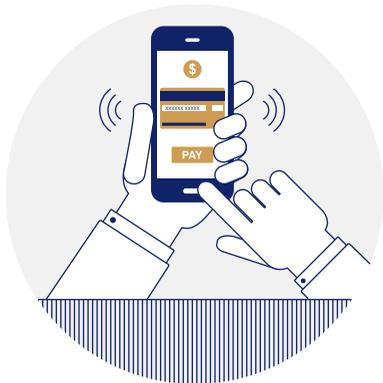
### Two Tracks: Business Innovations



※ DX (Digital Experience): Including digital marketing, UX/UI, designs, VR/AR

### Ten Enablers: Organizational Preparations

Digital Technologies	AI, Blockchains, Open Innovation, Cloud, Digital Experience (DX)
Human Resources	Establish training programs for digital specialists
Recruitment and Industry-academy cooperation	Industry-academy cooperation, Recruiting professionals with digital expertise
Employment culture	Agility, Testing and Learning, Openness to successes and failures
Organization and Governance	Chief Digital Officer (CDO), Matrix system, Shinhan Digital Campus
Platforms	Building financial platforms, Connecting with outside digital platforms
Partnerships and Joint Ventures	Partner with ICT and retail leaders, Build digital ecosystem
Intellectual Property Rights	"Digital Shinhan" IP rights
Strategic Roadmap, Change Management	Clarifying the Group's digital strategy and goals, Prioritizing plans, Changing communication methods
Regulatory Reforms	Improve company regulations, Lobby financial authorities



## 2018 Key Performances

### Made improvements to CDO and CoE systems

Shinhan Financial Group named a Chief Digital Officer (CDO) in 2017. The position came with a mandate to oversee the Group's subsidiaries to accelerate the speed of their decision-making and enhance its digital capabilities.

In addition, the Group significantly boosted its digital technology capabilities at its Center of Excellence (CoE) by increasing the number of experts employed there to about 150. The Center is composed of experts in technologies from Group subsidiaries that are considered to be integral to the development of its future digital financial services.

They include AI, Blockchain, Open Innovation, Cloud, and Digital Experience (DX) Labs. It develops Group-level digital business models while sharing its technological expertise with the Group's subsidiaries. It also conducts industry-academy research projects and promotes exchanges with experts in related fields.

### Shinhan Future's Lab

Launched in 2015, the Shinhan Future's Lab has achieved remarkable success in the financial services industry through its work with FinTech startups. There are a total of sixty-one businesses, including twenty-one brought on in January 2018, that are now working with it. Their efforts with FinTech companies have led to the development of forty-three collaborative business models.

The Group has invested approximately KRW 8.3 billion to support the growth of Fintech businesses. In order to accommodate startups with a full range of support, the Group has expanded its partnership base to a larger number of institutions and incubator agencies and programs.

This assistance was recently expanded to include online to offline (O2O) and other life platforms, in addition to FinTech companies.

The Group has also helped South Korean startups seeking to enter the Vietnamese market, and worked with eleven Vietnamese startups to open the Shinhan Futures Lab Vietnam in Ho Chi Min City. This year, it plans to assist a number of domestic startups in their entry into Indonesia, Japan, and other Asian markets.

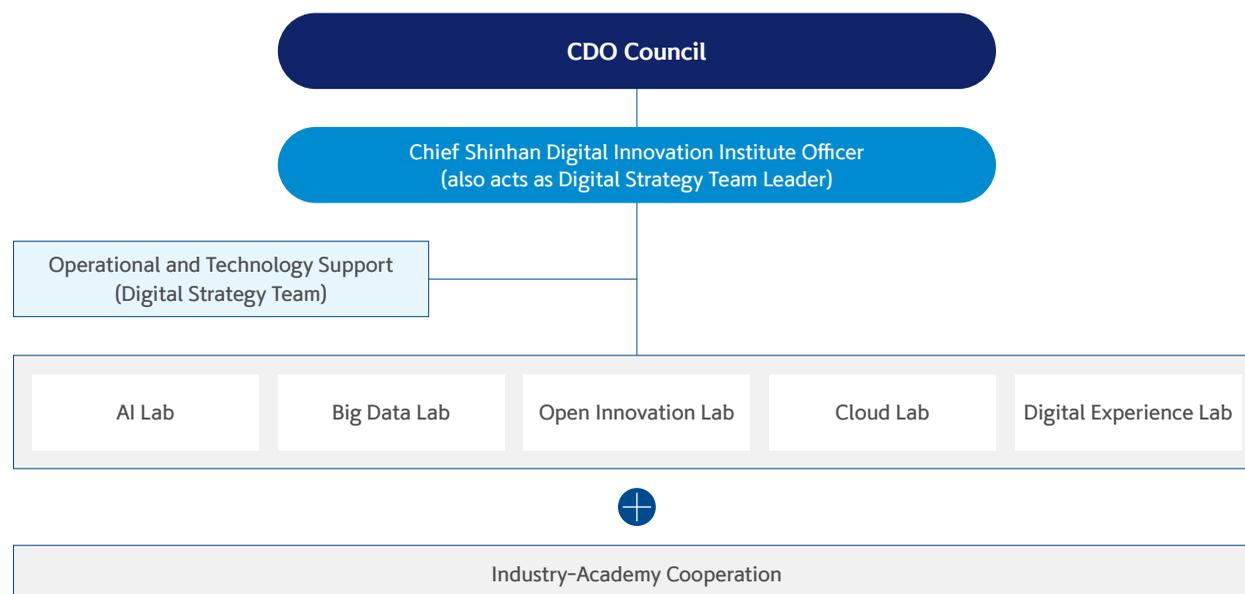
### Formed Alliances

One of the Group's most important tasks in 2018 was to increase its focus on global digital partnerships and entering new markets. For example, it became the first industry player in South Korea to build an exclusive Amazon portal for customers, after establishing an alliance with Amazon Web Services the previous year. It also increased its advances into the digital global market through collaborations with ICT companies outside of South Korea. This included a digital banking service in Vietnam in partnership with Samsung Pay, MoMo, Zalo and other companies there.

It is also exploring new collaborative models with "Balance Hero", a FinTech company of India.

Here at home, the Group is exploring new business possibilities by pioneering IoT-based payment channels in collaboration with Samsung Electronics and LG Electronics.

It is also strengthening its relationship with Japan's Mizuho Financial Group in terms of exploring joint investments and developing new business models.



### Created Innovative Digital Platforms

The Group offered customers a number of innovative services and products in 2018. The number of users of its digital service platforms is now approximately 3.2 million, while ShinhanPayFAN, a mobile payment service operated by Shinhan Card, has about 10.5 million. This is the largest number of customers among all of South Korea's credit card companies, making it the leader in the country's mobile payments market. It also added to its customers' convenience by installing paperless digital counters at all its branches, both at home and abroad, and is working to enhance its online UX/UI to provide users with superior experiences to its offline services.

### Developed New Digital Products and Services

Shinhan Financial Group increases customer value by developing products and services incorporating new digital technologies. For example, Shinhan Bank recently promoted an AI project at the Group level, while also developing an algorithm that measures the power of global markets and their products and allocates assets based on the results. It is planning to go beyond even this to create an AI investment consulting company in 2019. In addition, it upgraded its suite of retirement pension products by introducing a robo advisor service called M-Folio. It then integrated the robo advisory service into the newly launched Shinhan SOL Rich and upgraded the service even further.

### Won Large Number of Industry Awards

Shinhan Financial Group's efforts towards digital transformation won it a number of prestigious awards in recognition of the excellence of its products and services. They included ranking first at the 2018 Korea Innovation Awards and the National Customer Service Index survey, as well as winning the grand prize in the Smart Banking category at the National Consumer-Driven Brand Awards. In addition, Jeju Jini, a non-financial life platform developed by Jeju Bank, won the grand prize in the Travel category at the 2018 Smart App Award. The Group also ranked first in the Smart & Intelligent Finance category in the "Asia's Most Innovative Companies" contest organized by the Korea Trade-Investment Promotion Agency.

## Digital Platforms

<b>Shinhan Bank</b> <b>SOL</b>		<ul style="list-style-type: none"> <li>• A banking app that maximizes customer convenience by using new digital technologies. Launched in February 2018.</li> <li>• 8.1 million users. The bank's total number of digital platform users = 10.23 million.</li> <li>• Ranks second in competitiveness among South Korea's financial industry's apps, and first among commercial banks.</li> </ul>
<b>Shinhan Card</b> <b>ShinhanPay</b> <b>FAN</b>		<ul style="list-style-type: none"> <li>• Leads the country's mobile payments market, attracting many partner companies and offering users a wealth of services. Aims to become a finance-centered platform.</li> <li>• 10.46 million users. Was first domestic player app to reach ten million user mark.</li> <li>• Ranks first in competitiveness among all payment apps.</li> </ul>
<b>SFG</b> <b>Shinhan</b> <b>Plus</b>		<ul style="list-style-type: none"> <li>• Group marketing platform designed to attract customers from different subsidiaries and offer products from all Group companies.</li> <li>• 9.62 million users</li> </ul>
<b>SFG</b> <b>Jeju Jini</b>		<ul style="list-style-type: none"> <li>• A non-financial, life digital platform focusing on Jeju Island, a famous travel destination in South Korea, to offer travel and financial information.</li> <li>• 1.02 million users</li> </ul>

## 2019 Business Plans

### Speeding Up Digital Transformation

Shinhan Financial Group's plans for 2019 include carrying forward its Two Tracks and Ten Enablers strategies and producing fully successful outcomes through digital transformation. It will also enrich its customers' experiences from the omni-channel perspective, and strengthen its digital marketing capabilities. In addition to adapting such new digital technologies as AI and algorithms to more of its products and services, it will apply Robotics Process Automation (RPA) to all its subsidiaries. It will also either introduce chat bots to its subsidiaries or upgrade the ones they already have.

The Group will also devise appropriate responses to various regulatory innovations and disruptive digital innovation business models scheduled to appear in 2019, including Mydata and Cloud. In addition, it will continue with its development of convergence and integration services by forming alliances with both South Korean and internationally-based ICT companies. It will also increase its collaborations with FinTech companies and other markets and players with new and promising technologies.

In addition, the Group will enhance the competitiveness of its ICT infrastructures by increasing its use of digital technologies. This will include investing more than KRW 100.0 billion into the development of new digital technologies, as well as enhancing the efficiency and development speeds of ICT through public clouds. It will help accelerate digital transformation by establishing Group-level blockchain, Open Innovation, and big data platforms. It also plans to bring its compliance system to the global level. This will be done by strengthening its capacity to respond to new threats in collaboration with experts in the field of information security.

In terms of its global businesses, the Group will enhance the operations of its digitally-based retail financial services and carry on with the establishment of new business models based on digital alliances. It will also strengthen the digital capabilities of its international enterprises by making improvements to their ICT infrastructures and establishing overseas ICT centers.

### **New Digital Technology Businesses**

In 2018, Shinhan Financial Group carried out over 260 Proof of Concept (PoC) tests in connection with the development of digital technologies. It will conduct more tests in 2019 as part of its plan to commercialize a host of AI-based services. In the field of big data, it will establish a Group/company data-sharing system, and continue identifying promising new business undertakings by developing an in-house data platform. It will also increase its use of public clouds to enhance the operational efficiency of its ICT infrastructures and respond to the growing demands of a globalized marketplace.

Other strategic digital moves being contemplated by the Group include adding to its menu of technical alliances and upgrading its industry-leading Open Application Program Interface (API) Platform. Another of its goals is to assist in the development of innovative models that will utilize the financial services of outside businesses. It is also committed to strengthening the overall customer experience of its digital channels and enhancing its digital marketing capabilities to mirror its customer's exact needs by engaging in data-driven marketing.

### **Transforming All Employees into Digital Experts**

The Group carried out a wide range of training and educational courses aimed at enhancing the digital competencies of its employees in 2018. They included in-house training programs, a Master's-level program at the Korea University Graduate School of Computer and Information Technology, and courses aimed at training data scientists and digital technology professionals. In 2019, it is planning to offer more of these opportunities, along with new courses targeting various levels of competency at each of its subsidiaries. In order to turn all of the 26,000 employees of the Shinhan Financial Group into digital experts, it is also planning to introduce the "S-MOOC", an online, university-level program that can be accessed by employees 24/7.

### **The SDII and Digital Campus**

The Group is also planning to upgrade its Center of Excellence, which is composed of a faculty of high-level digital experts, to Shinhan Digital Innovation Institute, or SDII. The Institute will be staffed by more than two hundred teachers with expertise in a wide range of digital technologies.

To this end, the Group opened Shinhan Digital Campus, a place for members of the SDII to work in a more relaxed and open environment.

The campus offers researchers industry-leading facilities in which they can devote themselves to technology development and carry out major digital projects on behalf of the Group. New ways of work, including Agile & DevOps (Development + Operation), have been applied for this exciting new digital hub for innovation.

**Spreading the Shinhan Future’s Lab 2.0 Strategy Around the World**

The Shinhan Future’s Lab fosters the growth and development of Fintech companies. It is planning to broaden its scope to explore new markets and new technologies related to the Fourth Industrial Revolution. To reach that goal, it will strengthen cooperation with such potential global partners as startup support organizations, venture capital enterprises, and universities and government agencies. It will also increase its level of investment to support the growth of promising and innovative companies. In addition, the Group will expand its operations to include Japan, Indonesia, and Vietnam in order to grow its financial ecosystem around the world.

**Increasing Successful Outcomes from Alliances**

In order to ensure the success of its digital transformation program, the Group has entered into a number of partnerships with such industry-leading enterprises as Amazon Web Services, collaborating with them to develop working-level business models.

In 2019, the Group will increase its efforts to achieve meaningful results from these relationships, in addition to commercializing the business models they have developed. It is also planning to attract more partners in a number of countries in which it operates, such as China, India, Vietnam, and Japan.

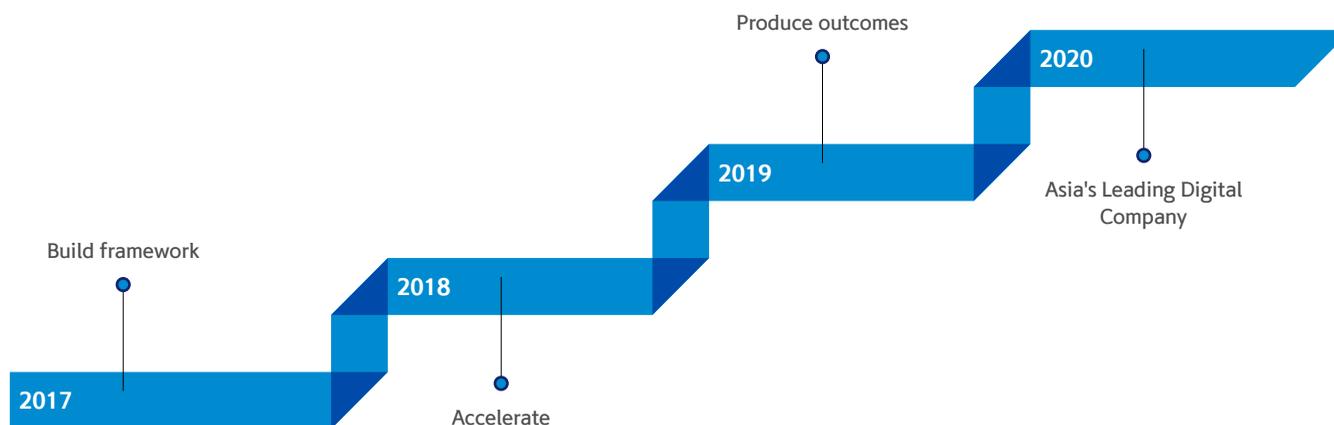
**Putting Innovative Ideas into Practice**

The Group has always sponsored a wide range of idea contests and Shinhan Venture Programs at its subsidiaries. In 2018, the Group encouraged them to participate in a program of digital innovation called the “Digital Shinhan Idea Challenge”, and the winning ideas are currently being commercialized by digital and technological experts at the winning companies. This year, the Group is extending the concept by hosting an open, API-based hackathon that will allow people who aren’t employed at any of its subsidiaries to participate in it.

**Transforming the Way of Work**

The Shinhan Financial Group is committed to finding and applying new digital ways of work that transcend conventional ones. Following the application of Agile methodology to a series of pilot projects in 2017, the Group has increased its level of training at many of its subsidiaries, teaching employees how to apply Agile & DevOps, Lean Startup, and Design Thinking methodologies to their jobs. Shinhan Bank, Shinhan Card, and some other Group companies have already introduced digital ways of work at their organizations.

**Shinhan Digital Transformation, Journey to 2020**



# Global Business

Shinhan Financial Group expanded its territories overseas with a special emphasis on Asia to diversify its earning base and to secure a new growth engine for the future.

As of the end of 2018, the number of the Group's global network stood at 189 networks in twenty countries. This growth was a result of a successful implementation of the following three strategies: localization, selection and concentration, and establishing footholds. Over the years, the number of countries the Group has entered and the scale of its endeavors have both increased significantly. For example, the total assets of its global network by the end of 2018 were up by 224.5% since 2011, while its contribution to the Group's revenues had risen from 3.5% in 2011 to 10.3%.

## 2018 Key Performances

The Group's Global Business Division plays a key role in its 2020 S·M·A·R·T Project. The organization's matrix system was applied to its operations in 2017 to backstop its strategy of securing promising growth engines by establishing strong foundations in the Asian market. This included taking steps for the optimal allocation of the Group's resources, as well as enhancing its sales capabilities under a consistent, Group-wide global business strategy. The Division developed the four following tasks to see that these measures were brought to fruition.

## Organic Growth

The Group added to its financial soundness by enhancing its global risk management policies and procedures. It also entered key regions like Japan, China, Vietnam, the US, India, and Indonesia by launching financial products that matched the business conditions in each locale.

For example, in 2017, Shinhan Bank Vietnam became the first South Korean-based financial institution to be awarded a Custodial Service License. This enabled it to launch a range of new products, including a Global Custody Service. It also diversified its business portfolio by adding to the range of operations at its Global Trading Center, establishing a Global IB support desk, and developing new products for its Global Transactions Banking operations.

## Inorganic Growth

The Group spent 2018 taking stock of the achievements reached by its already-existing inorganic growth strategies, while also exploring new growth opportunities through M&As. As a result of this organic and inorganic growth, its total global assets as of the end of 2018 increased to USD 30.3 billion, up 15.0% YoY, while its net income from global operations surged to USD 273 million, up 33.0%.

The Group laid the foundations for becoming a truly international financial player by diversifying its business portfolio in Vietnam. This included acquiring the retail division of a Vietnamese financial institution called ANZ Bank in 2017, while Shinhan Card took possession of Prudential Vietnam Finance Company (PVFC) in January 2018.

The Group expects to achieve additional growth by building synergies among its subsidiaries. It launched Shinhan Asset Management Indonesia in 2018 through the acquisition of PT Archipelago Asset Management, and acquired global growth engines in both its banking and non-banking lines through ongoing investments and new business undertakings centering on the Asian financial market.

## Entered Global Markets Using Digitalized Financing Services

The Group added to its range of overseas operations by entering into partnerships with digital platform providers in a number of countries. This included launching a variety of services such as consumer loans in alliance with Akulaku in Indonesia, as well as the JD Finance e-Commerce Platform, unsecured personal loans, and a financial information service through the Wechat Messenger Official Account (OA) in China. It also added new digital banking products and services in Vietnam, including electronic customs payments, S-Pay, and Global Sol.



### Created Global Business Models

The Group added to its non-banking business portfolio and strengthened its operational capabilities in the global markets it had already entered. It also enhanced efficiency in its funding and management operations by increasing the level of collaboration and optimizing resources among its overseas subsidiaries and networks. This included engaging in regionally-based shared marketing activities using the "One Shinhan" platform through the Country Head system and developing jointly-created financial products by merging Shinhan Bank's power to raise capital with Shinhan Card's expertise in sales.

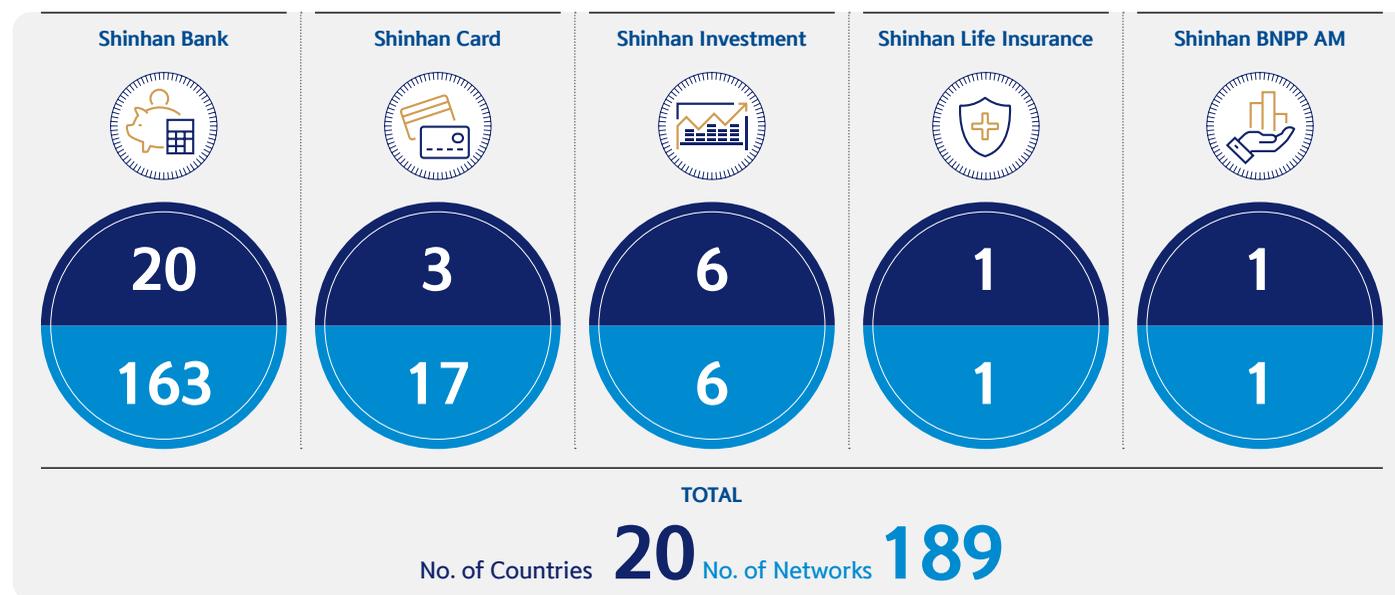
### Key Business Performances

(USD million)

	2013	2014	2015	2016	2017	2018
Global Assets	16,011	17,223	18,318	21,519	26,368	30,326
Global Income	102	123	141	158	206	273
Number of Networks	71	75	151	165	178	189
Number of Countries in which Shinhan Operates	15	16	19	20	20	20
Number of Employees from South Korea	188	184	212	226	238	253
Number of Locally-Hired Employees	1,617	1,799	2,963	3,551	4,029	4,942

### Global Business

● No. of Countries ● No. of Networks



### 2019 Business Plans

This year, the Group will carry out a program of smart asset growth utilizing its highly-regarded global risk management processes. It will also focus on consistency in its operations, and add to the tasks that had been carried out in the previous year. In addition, it will strengthen its foundations for stable and sustainable growth based on its matrix operating model and strategies that have been optimized for use in the global marketplace.

### Global Risk Management

The Group will achieve healthy growth in the value of its assets by applying a number of strategies that take both risk and profitability into account, including asset monitoring and in-depth management. It will also continue its exploration of new business models and strengthen its income bases under its 4G business models--Global IB, Global Transaction Banking, Global Trading Center, and Global Custody.

In addition, it will add to the efficiency of its management processes by reorganizing its business models to make more efficient use of its resources. Furthermore, it will also seek for possible M&As and equity investment opportunities, and will prudently consider each case under the principles of inorganic growth by taking into consideration factors such as ROI, economies of scale, comparative advantages, and synergy creation.

**Optimizing Operational Results**

The Group is committed to increasing the range of its products and services in the global marketplaces as part of its “One Shinhan” operating strategy. For example, its Shinhan Investment Asia (Hong Kong) subsidiary will add to its sales of investment and trust products in its role as the Shinhan Global Product Center responsible for supplying financial products for the entire Group. It will also maintain its focus on its IB operations.

The Group also anticipates heightened growth in Vietnam through increased sales of highly-profitable financial products such as revolving card loans following the acquisition of the ANZ retail division by Shinhan Bank and the Prudential Vietnam Finance Company by Shinhan Card.

Moreover, the Group will continue to support its many global businesses as part of its “One Shinhan” performance creation strategy, providing them with a wide range of products and services that meets the needs of their local customers.

**Digital transformation**

The Group will add to the digital capabilities of all its global subsidiaries. It will also apply custom-tailored digital solutions to their individual business models to better and more accurately reflect the economic development conditions of the countries in which they are operating.

In addition, the Corporate Banking Division will increase its customer base by developing a safe and secure payment system and providing a wide range of cash management services (CMS) to its clients such as firm banking and SWIFT SCORE services.

The Retail Banking Division will provide a variety of financial services in collaboration with various FinTech companies, including the LINE Pay Currency Exchange service in Japan, WeChat Pay in China, and MoMo in Vietnam. It will also add to the convenience and functionality of its Internet and mobile banking platforms and continue disseminating the Digital Transformation component of the Group’s 2020 S·M·A·R·T Project to all the processes of its global operations.

**Strategies for 2019**

Vision

**Asia's Leading Financial Group**

Strategic Goal

**Smart Asset Growth through Enhanced Risk Management**

Strategic Tasks

Produce Tangible “One Shinhan” Outcomes	Pursue Smart Growth	Encourage Risk-Based Growth	Increase Global Digital Capabilities
<ul style="list-style-type: none"> <li>• Expedite organic growth</li> <li>• Maximize synergy among its overseas operations</li> <li>• Establish an enhanced role of Country Heads</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage efficient growth of assets</li> <li>• Add to value of business models</li> <li>• Promote well-thought-out inorganic growth</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen global risk management processes and internal controls</li> <li>• Foster development of globally-oriented human resources</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue digital transformation</li> <li>• Develop new businesses based on mutually beneficial partnerships</li> <li>• Attract more corporate customers through more competitive CMS</li> </ul>

# Investment Banking

Shinhan Financial Group has transformed its Investment Banking division into Group and Global Investment Banking (GIB) division to bring together the capabilities of all its subsidiaries to provide integrated financial solutions to fully accommodate customers' needs.

## 2018 Key Performances

The GIB Division had an estimated pre-tax income of more than KRW 360.0 billion in 2018, approximately a 70% increase from the year before. This is mainly attributable to a rise in the value of non-interest income due to strengthened arrangement operations, increased equity investments, and a continuous income growth from overseas operations. As a result, the Division has laid the foundations for eventually earning an annual income of KRW 600.0 billion, a 2020 S·M·A·R·T Project target.

## Capital Market Leadership

### » Enhanced Syndicate Loans Market Position

The GIB Division strengthened its capital market leadership by employing sector-specific strategies. This included arranging a large number of "mega deals" (i.e., valued at over KRW 300.0 billion) under the One GIB system. We also arranged ADP CAPS acquisition financing and other deals by increasing the number of joint arrangements between Shinhan Bank and Shinhan Investment; entered the REIT IPO market (including the listing of Shinhan Alpha REIT); led the real estate redevelopment market; and broadened our real estate market business, mainly by means of structured finance.

## GIB Matrix Structure & Business Units



» **Increased Corporate Bond Underwriting Targeting Big Issuers**

The Division's underwriting ratio to the total value of underwritings by all the market's major corporate bond issuers in 2018 (including Hyundai Motor, Lotte, LG, SK, and power generation subsidiaries) rose by 11% points for Lotte Group (i.e., from 6.5% in 2017 to 17.4% in 2018) and by 6.4% points for LG Group (i.e., from 3.4% in 2017 to 9.8% in 2018). Our market influence also continued to grow, mainly due to an expanded POSCO project and an underwriting project for Korea Energy.

» **Strengthened IPO Market Position**

South Korea's IPO Market in 2018 recorded a net worth of KRW 2.8 trillion, a sharp decrease from KRW 7.9 trillion in 2017. This was primarily due to a lack of large-scale IPOs. Even in this weak market situation, the GIB Division still managed to arrange two IPOs out of six big deals worth over KRW 100.0 billion—KRW 124.8 billion for T'way Air, and KRW 114.0 billion for Shinhan Alpha REIT.

» **Improved ECM Market Position for SMEs and Mid-cap Companies**

The Division strengthened its IB operations targeting SMEs and mid-cap companies through its "Creative Finance Plaza", a joint sales organization composed of Shinhan Bank and Shinhan Investment, ranking first in terms of both revenue and ECM market share for SMEs and mid-cap companies. Much of this success was due to its introduction of mezzanine products, its investments in Redeemable Convertible Preference Shares (RCPS) through equity investments, and increasing its investments in the Technology Credit Bureau (TCB).

**Overseas Expansion**

» **Strengthened the Global Corporate Bond Business**

Shinhan Investment's Vietnamese subsidiary issued VND 400 billion (about KRW 19 billion) worth of corporate bonds (CBs) for GELEX, the country's largest maker of power supply equipment, with the GIB Division offering financing solutions. This was the first time that a South Korean business had entered this market, and it laid the groundwork for building a platform that could lead the development of private placement corporate bonds for large companies in Vietnam and similar countries. The GIB Division also continued with the expansion of Shinhan's global CB Business platform by issuing USD 40 million worth of CBs for an Indonesian media group in the Hong Kong market.

» **Increased Scale of Assistance Programs**

The Division has been operating a Global IB Desk support program sending employees overseas to take charge of its GIB operations. In 2018, it opened an office in Ho Chi Minh City, and moved the one in Shanghai to Tokyo. It also made improvements to its overseas assistance system, sending Global Pathfinders to London and Singapore. Global Pathfinders are GIB specialists who are sent overseas to source deals, build overseas networks, and support the Division's local IB operations. We also created a Global IB Support Desk to support all our global channels.

» **Launched Hong Kong GIB**

The Hong Kong GIB was launched in November 2018. This was done after we had finished moving the IB businesses of Shinhan Bank and Shinhan Investment to Hong Kong. In addition, we closed Shinhan Asia Limited, Shinhan Bank's Hong Kong subsidiary, transferring its operations to the IB Center of the Hong Kong branch and merging it with the IB division of Shinhan Investment's subsidiary. The Hong Kong GIB will now act as the Group's Asia IB hub, with a special focus on debt financing.

**Hong Kong GIB**



### Enhancing Market Presence using One GIB Solutions

#### » Listed Shinhan Alpha REIT

The GIB Division and Shinhan REITs Management were named joint preferred bidders for an IPO REITs project to purchase Building 6-4 of the Pangyo Alpha Dome City. Located in the core of Pangyo City, the development boasts a floor area of about 95,589㎡, with a total estimated value of about KRW 500 billion. The IPO for KRW 114 billion worth of common shares was held in July 2018, resulting in the first-ever 100% subscription in the history of IPO REITs in South Korea. The IPO was especially important in that it met all the requirements of the central government's and the Korea Land and Housing Corporation's policy directive of offering REITs IPOs and listings to ordinary people to increase their access to real estate investment opportunities.

## GTX-A

Shinhan Financial Group's GIB Division was selected as the preferred bidder for the privately-invested GTX Line A project.



#### » GTX Line A Project

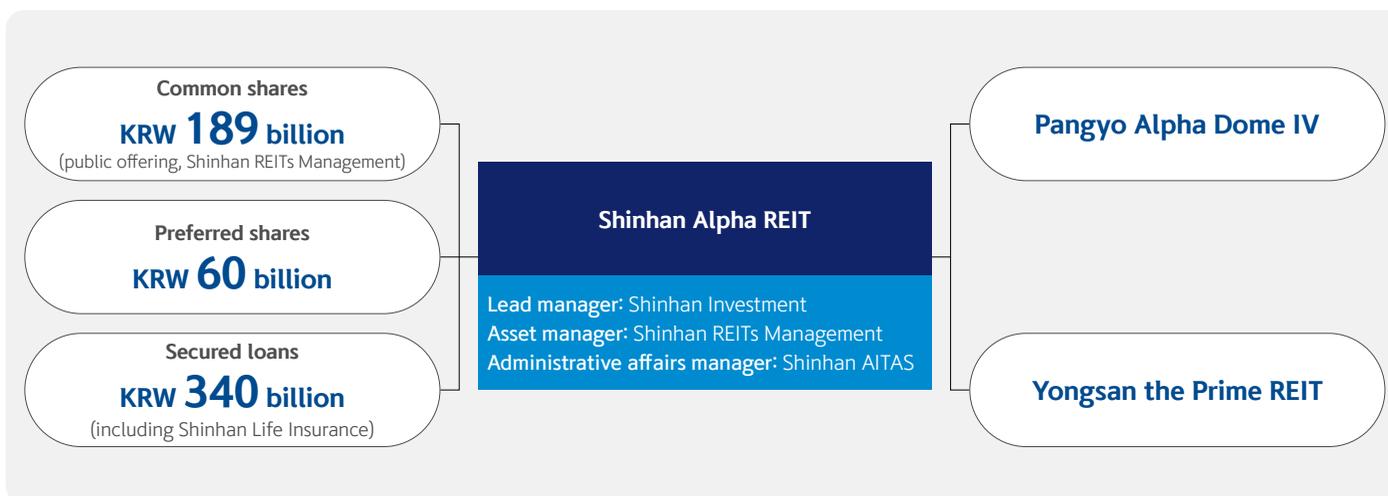
A GIB-led consortium was selected as the preferred bidder for the Great Train eXpress (GTX) Line A project in April 2018. This marked the first time that a financial institution became the central player in South Korea's infrastructure market, which had primarily been led by construction investors before that. This was largely attributed to the fact that financial structures can be more efficiently designed when a project is led by a financial institution, and, consequently, construction companies can access them to raise the funds needed to cover their costs.

### 2019 Business Plans

#### Improving Performance of "One Shinhan"

The GIB collaboration system will be expanded to add even more value to "One Shinhan", mainly by increasing the role it plays in the community. We will also upgrade our "One GIB" collaboration models to help drive the Group's growth. This will be done by identifying more areas of collaboration within the Group's capital market affiliates (i.e., asset management, REITs management, and alternative management). In addition, we will continue to make improvements to our product supply business platform to increase the ROIs our customers receive, especially by enhancing our menu of GIB products.

### Building 6-4, Pangyo Alpha Dome City IPO and Listing Project



### Overseas Expansion

The Division will continue making improvements to its global support and collaboration system. This will include taking more of its core businesses overseas as a means of diversifying our income from international operations. This is expected to lead to an increased level of participation in high-quality overseas development projects and real estate investments. We will also strengthen our new business platforms to broaden our global operations, mainly by utilizing our linkage with our Hong Kong network and enhancing our global corporate bond business. In addition, it will open a London GIB Desk and make sure that the Hong Kong GIB's new operating system is 100% functional.

### Leading Global Capital Market

The Division will enlarge its investment business coverage operations to boost its earnings in the future. This will mainly be done by increasing its involvement in "productive finance", such as promoting the ESG and developing new markets in a variety of investment areas. It will also strengthen its dominance in the capital market area, including brokerage and consulting. Last, but not least, it will continue to seek differentiated GIB solutions as a means of increasing its revenue. This will include offering total solutions for both overall deal life cycles and stages of corporate growth.

### Constructing an Infrastructure for Sustainable Growth

The Division will enhance the efficiency of its operations to increase its sales. This will include the further segmentation of the organization, such as expanding each company's headquarters and number of departments. It will also foster the ongoing development of key GIB human resources into high-quality IB professionals. In addition, it will strengthen the Shinhan GIB organizational culture by identifying and disseminating a representative sampling of GIB collaboration "best practices".

## Strategies for 2019

Vision

**A leader of South Korea's capital market,  
working to become the leading financial group in Asia**

Strategic Goals

**Enhance "One GIB" leadership. Become leader of the global capital market.**

Strategic Directions



Improve  
"One Shinhan"  
performance



Expand  
global  
operations



Lead South Korea's  
capital  
markets



Build sustainable  
growth  
infrastructures

# Wealth Management

Shinhan Financial Group creates best values for its wealth management customers by offering them the industry's widest range of asset management models.

The Group operates a total of twenty-seven Private Wealth Management (PWM) Centers throughout South Korea. The number of these centers, which are in the form of hybrid branches offering products and services from both Shinhan Bank and Shinhan Investment has been growing steadily since the center's successful launch in 2012. The major focuses of its Wealth Management Unit have been to respond to changes in the market, ensuring its competitiveness in the area of asset management, and achieving leadership in South Korea's wealth management industry through customer-centered asset management. It developed the "PWM Lounge", a retail branch benchmarking PWM Centers as a means of responding to the central government's move to deregulate the operation of purely hybrid branches.

## 2018 Key Performances

The Groups' Wealth Management Division posted market-leading results despite a very difficult operating environment. It focused on customer value, exceeded a number of targeted performance indicators, and received positive assessments from evaluating entities both at home and abroad.

## Strengthened Operating System

The Division focused its efforts in 2017 on enhancing its customers' ROI. It spent 2018 building an operational framework that would enable it to expand its asset management operations from the individual level to that of corporate enterprises. This included incorporating a group of bankers with both expertise and experience in the field of corporate asset management into twenty-seven of its PWM Centers spread across the country. It also created a number of custom-tailored corporate wealth management services, and added to its portfolio of "One Shinhan"-based, non-Group financial products to improve the product supply competitiveness of its Investment Products & Services (IPS) Department. In addition, it launched a total of twenty-four independently-developed products boasting an enhanced ability to respond to market volatility, initiated an online auction consultation platform called "Shinhan Auction SA" in the first half of 2018, and opened an online asset management platform called "SOL Rich" in the second.

## Awards and Accolades in 2018

Organizer/Media	Award Name	Date of Receipt	Remarks
<i>The Asset</i>	Triple A Investment Awards - WM	September	Seven years in a row
	Triple A Investment Awards - PB	September	Four years in a row
<i>The Asian Banker</i>	The Korea Country Awards 2018 <ul style="list-style-type: none"> <li>• Best Wealth Management Bank in Korea</li> <li>• Investment Product of the Year</li> <li>• Best Wealth Management Service Quality</li> </ul>	December	Four times



The Group's Private Wealth Management Division held KRW 90.7 trillion worth of assets in trust in 2018, its largest amount since its establishment. Its gross operating income was KRW 470.2 billion. The Division has earned the confidence of a large number of high-net-worth individuals due to its outstanding performances since its launch in 2012. This includes maintaining the highest annual average growth rate in the entire industry.

**Awards and Accolades**

The Division's asset management services have been commented on favorably both at home and abroad. This includes being named Best WM by *The Asset* for seven straight years and Best PB for four. It was given accolades for Best Wealth Management Bank in Korea, Investment Product of the Year, and Best Wealth Management Service Quality by *The Asian Banker*.

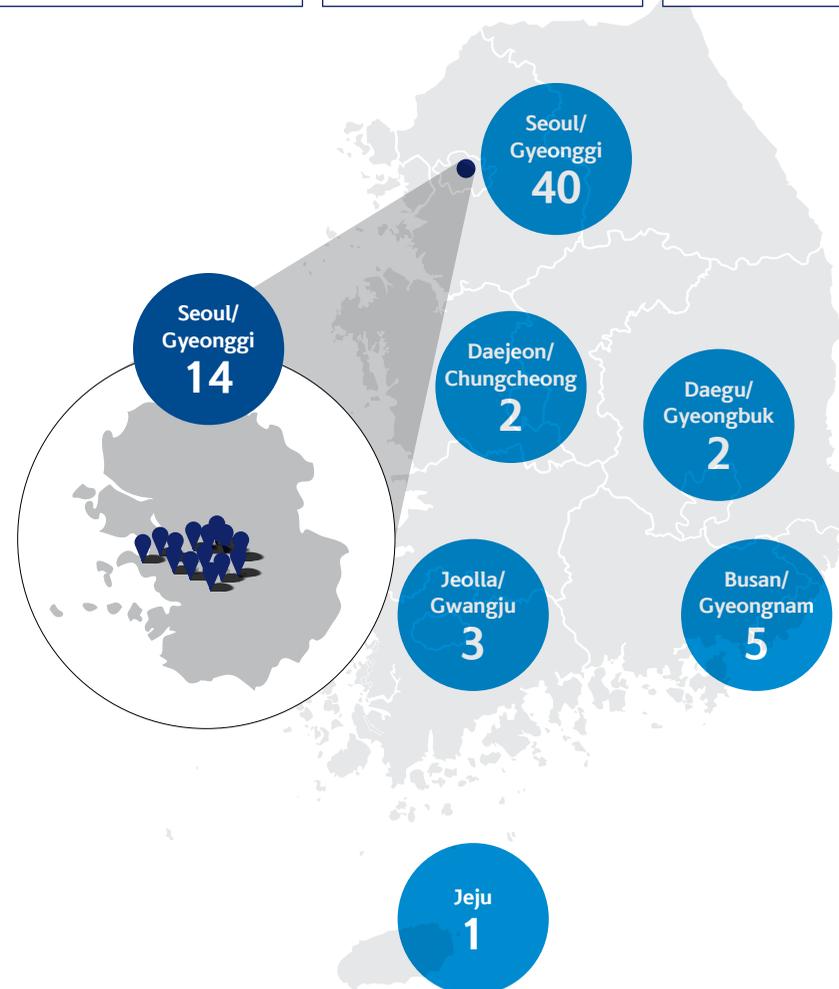
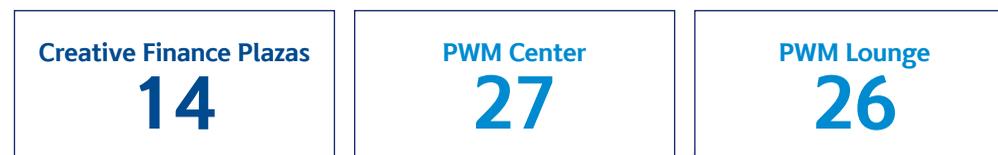
It has also ranked first for eleven straight years in the Korea Standard Premium Brand Index survey conducted by the Korean Standards Association and for nine in the Korea Brand Power Index survey conducted by Korea Management Association Consultants. It received a grand total of twelve awards in 2018.

**Hybrid Branches in Shinhan Financial Group**

	<b>PWM Centers (Launched in 2012)</b>	<b>PWM Lounges (Launched in 2015)</b>	<b>Creative Finance Plazas (Launched in 2015)</b>
<b>Target Demographics</b>	UHNW: Ultra-high-net-worth customers (i.e., worth over KRW 300 million)	Affluent customers (i.e., worth KRW 100 to 300 million)	SMEs and mid-cap companies
<b>No. of Branches</b>	Twenty-seven, including one insurance hybrid branch	Twenty-six, including two insurance hybrid branches	Fourteen
<b>Type</b>	Location shared by Shinhan Bank and Shinhan Investment PB branches	Shinhan Investment branches located within Shinhan Bank branches	Shinhan Investment branches located within Shinhan Bank branches

**Hybrid Branches of Shinhan Financial Group**

(Number of Hybrid Branches)



### 2019 Business Plans

The Group's Private Wealth Management Division will continue providing its many satisfied customers with a wealth of industry-leading products and services in 2019.

#### Enhancing Asset Management Skills and Competencies

The Division has been offering clients a full range of industry-leading asset management services since 2017. In 2018, it placed Corporate Private Bankers (CPBs) in twenty-seven of its Private Wealth Management offices throughout the country, while also adding to its menu of services and products. This year, it will increase the sales abilities of these CPBs and upgrade its corporate asset management services even more. This will involve establishing an Outbound Chief Investment Officer (OCIO) system, and partnering with outside companies specializing in the provision of corporate assistance and advice.

#### Strengthening Wealth Management Business Models

The Division will enhance its competitiveness in managing the wealth of ultra-high-net-worth customers. This will involve studying the pros and cons of a number of operating systems, and continuing to grow its wealth management abilities. Under the "One Shinhan" system, the resources of the Group's subsidiaries will be fully utilized to offer high-end products and services to meet every need of our customers.

#### Growing Digital Shinhan Wealth Management Activities

The Division will spend much of 2019 strengthening its already-leading position in the area of asset management digitization. This will involve using big data to segment its customer demographics even more and enhancing its custom-tailored client services. It will also continue incorporating the IPS's expertise into its "SOL Rich" mobile asset management platform to ensure that the general public will have easy access to all its asset management services.

"Shinhan Auction SA" is an online auction platform that the Division launched in 2018. This year, the Division will upgrade both its operating system and its content to provide users with a wider range of high-quality information. Doing this will help it to build longer-term and more satisfying relationships with its customers.

#### Reforming the Organization and Elevating Levels of Support

The Division has been busy making changes to how it is organized in a bid to strengthen its hands-on expertise and enhance its operational skills. One step involved the establishment of the Wealth Management Consulting Center. It has also integrated its formerly-decentralized specialist organizations, including those dealing with taxation and customer consultations. In addition, it added to its number of solutions partners specializing in offering clients advice about their asset portfolios. Another move that it made was to merge the supply functions of its investment products, which had formerly been operated in both PWM and retail departments.

This was done to allow the Division to develop products from an integrative perspective, and to provide highly-competitive PWM products all the way to the retail level.

#### Fostering the Development of Professionals

Another step that the Division will take in 2019 will be to add to its competitiveness in the area of asset management through a program called WM Transformation--PWM Expertise Internalization. This will include upgrading its wealth management employee training programs, and nurturing the development of highly-trained professionals at the Group level. It will also continue supporting the development of industry-leading experts who have both the training and the expertise needed to offer customers its full range of asset management services. In 2019, Shinhan will upgrade its WM model a step further, based on the differentiated competitive advantages it has accumulated over the years, and will eventually become a true asset manager recognized by its customers.

### Strategies for 2019

#### Strategic Goal



#### Strategic Directions



Develop super customer-centered services (Super Customization)



Increase competitiveness in terms of basic solutions (Solutions Competitiveness)



Build foundations for new and future growth (New Way of Next WM)

# Global Markets & Securities

The Group's Global Markets and Securities (GMS) Business Division was established in 2018. It comprises the asset management teams that formerly belonged to Shinhan Bank, Shinhan Investment, and Shinhan Life Insurance.

## 2018 Key Performances

Since its launch in 2018, the GMS Business Division has centered its operations on three key tasks: making immediate and appropriate responses to changes in the market, strengthening the Group's collaboration system and creating synergies, and adding to the Group's portfolio of subsidiaries to fulfill its vision of becoming "Asia's Leading Trading Group". The Division's GMS Asset Management Committee established a framework for its investment strategies in 2018. The goal of this exercise was to increase the earnings of its securities management department in response to the asset and liability management plans of the Group and its subsidiaries. It also strengthened its capabilities in the areas of communications and execution, including working with other members of the Group to create effective countermeasures for guarding against unexpected volatility in the marketplace. In addition, Shinhan Bank and Shinhan Life Insurance introduced their new performance-based compensation programs. They are based on the principle of providing a fair and reasonable level of compensation to employees who perform their asset management functions in an efficient and professional manner. Both companies expect that this very attractive compensation program will not only motivate the Division's current employees, but will also lead to the hiring of more highly-professional and very experienced human resources in the field of asset management.

## Corporate Integration and Synergy Creation

The asset management departments of each Group subsidiary met in August 2018 to celebrate their integration into the new GMS Division. Part of the new organization's mandate will be to carry out the strategy referred to above for increasing its volume of earnings regardless of market conditions. The strategy includes having all formerly separate organizations work together to the greatest degree possible to create synergies that will enhance the new Division's organizational and management capabilities.

## 2019 Business Plans

### Strengthening Organizational and Management Capabilities

All the members of the Division believe that increasing the Group's asset management capabilities will be more necessary in 2019 than ever before, given that uncertainties in the marketplace are expected to increase exponentially in the future. As a result, the Division intends to inaugurate a vigorous program of enhancing its organizational and management capabilities. This strategy will include adding to its menu of alternative investment instruments and targets, its fixed income investments in the trading account, and its earnings from its sales of foreign currency bonds.



### **Strengthening the Asset Management Committee**

2018 was a year in which the Division overhauled its organization and its systems in preparation for an unknown but very challenging future. In contrast, 2019 will be spent expanding its dominant position in the capital market. Operating under the banner of "One Shinhan", it will do everything in its power to assist the Group in achieving its 2020 Vision. This will include actively collaborating both with the Group's other matrix-type divisions, and with all the other members in the organization.

In order to carry out this plan, the Division will redefine the roles and functions of its Asset Management Committee. This will mainly be done by increasing its number of human resources job exchanges, establishing an enhanced risk management response process, strengthening its functions for monitoring the marketplace, and sharing its management strategies and directions with other members of the Group.

### **Enhancing Competitiveness of Products and Sales**

Achieving healthy and sustainable growth in an era of constantly-changing financial markets requires the opening of new markets and adding to the range and competitiveness of a company's products. This means that the Division will continue with its strategy of in-depth research and benchmarking to assist it in developing new products that will lead the market. Another of its goals will be to increase the profitability of its assets and diversify its risks. This will involve strengthening its menu of alternative investment products, enhancing the competitiveness of its retail bond products, and improving its equity-linked securities hedging infrastructure.

### **Upgrading Organizational and Internal Systems**

The Division will also upgrade its organizational and internal systems to create a sustainable earnings base. This will include studying the various compensation programs used by each Group subsidiary and then upgrading its support systems. It will also hire outside experts who can strengthen the capabilities of its securities management personnel, and encourage more human resources exchanges to facilitate the creation of synergies among all the Group's members.

## **Strategies for 2019**

Strategic Goal

**Increase revenue through better risk management and diversifying investments**

Strategic Directions

**Increasing and diversifying type of investment vehicles**

- Increase ROI of stock portfolio
- Increase range of alternative investments and add more investment targets
- Increase volume of and revenues from fixed income investments in the trading account
- Increase volume of and revenues from foreign currency bond management activities

**Redefining roles and functions of Asset Management Committee**

- Enhance risk response processes
- Cope with risks by better monitoring of markets
- Share management strategies and directions with other Group members

**Making Shinhan Investment products and sales more competitive**

- Develop new products with potential to lead the market
- Enhance competitiveness of retail bonds
- Make additional improvements to ELS hedging infrastructure

**Upgrading organizational and internal systems**

- Introduce performance-based compensation programs at Shinhan Bank and Shinhan Life Insurance
- Strengthen capabilities of securities management personnel by hiring outside experts
- Increase number of human resources exchanges to create additional synergies
- Enhance overseas management support system

Core Tasks

# Retail Banking

The Group's Retail Banking Division consists of a central headquarters and eleven departments comprising two groups: the Retail Banking Group, which manages accounts belonging to individual customers, business owners, and institutional customers, and the Wealth Management Group, which targets high-net-worth clients. It also operates twenty-two regional headquarters that are tasked with supporting the work of its branches. It closed or consolidated the operations of seven branches and three branch offices in 2018, and carried out business at 517 retail outlets.



## **2018 Key Performances**

The Division enjoyed remarkable results in 2018. They included carrying out a strategy of catering to the nation's young people to expand its customer base, conducting marketing activities targeting people who work for affiliates of the country's conglomerates, and promoting products like its Early Asset Growth, Home Leasing, and MY CAR loans. Its number of active customers grew by 270,000 to reach 10,030,000.

## **Focusing on High-Quality Asset Growth**

The Division contributed to the Group's asset growth in 2018 by increasing its volume of floating core deposits, retail loans, and SME loans. The value of its floating core deposits increased by KRW 1.3 trillion from the previous year, led by increases in the number of active customers, credit card and merchant payments, and deposits by public institutions. It placed 45,602 online and 49,583 offline loans, up 47.9% and 52.1% respectively YoY. The value of its MY CAR loans totaled KRW 2.1 trillion, highest among the country's financial institutions. It added to the quality of its retail loans portfolio by focusing on the granting of floating-rate, interest-only payment loans.

## **Diversifying Revenue by Increasing the Value of Non-Interest Income**

The Division took a number of steps to diversify its revenue structure. They included increasing its sales of installment savings-type funds, credit card accounts, bancassurance, and other non-interest, income-related products. Its number of new credit card accounts reached 365,000, the largest increase since the launch of the fully-integrated Shinhan Card in 2007.

## **Financing for the Underprivileged**

The Group has made a concerted effort to add to the value of its customers' assets and enhance its social value under its mission of "building a better world through finance". As a result, it was named the "Best Provider of Financial Services for the Underprivileged" by the Financial Supervisory Service for the sixth consecutive year in 2018. This assistance included offering such specialized financial products as its New Hope Spore Loans, targeting needy and underprivileged people.

## **2019 Business Plans**

The Division will continue with its efforts to become a leading retail bank by overcoming a host of difficult domestic and global operating conditions in 2019. To achieve that goal, it has adopted three strategic directions: increasing its volume of smart assets, expanding its customer base, and focusing on collaborative and cooperative marketing campaigns.

## **Growing Revenue Stream**

One of the ways by which the Division will grow its revenue stream in 2019 is by focusing on its portfolio of consumer loans, including home leasing loans, high-quality unsecured loans, and MY CAR loans. It will also establish a direct marketing system targeting people who use mobile devices for all their everyday needs.

### Expanding Customer Base

The Division will take a number of steps to add to its three core customer bases. These include attracting more employee payroll accounts, and encouraging business owners to open more of their payment accounts at its branches. It will also continue with its strategy of catering to the youth demographic, with a special focus on high school students.

### Innovative Marketing

The Division entered into a collaborative marketing partnership with Samsung Electronics in 2018, by leveraging its Total Marketing Complex (TMC) platform. It also revamped its "Shinhan Plus" product scheme to make it more customer-oriented, and is hoping to expand it to the Group level. It also made improvements to its Korea Baseball Organization (KBO) platform, such as upgrading its marketing channels to facilitate approvals of MY CAR loans and the marketing of new products.

### Products and Services Targeting Seoul Civil Servants

As Shinhan Bank has been newly designated as the main depository bank for the Seoul municipal government, the Division is offering a broad range of financial services and products exclusively to the people who work for the city of Seoul. In efforts to further increase the Division's customer base, it is also planning to undertake a number of other marketing activities that will encourage these customers to make Shinhan their most preferred financial services provider.

## Strategies for 2019

Strategic Goal

**Beyond Retail, New Leap Forward**

Strategic Directions



Maximize customer value



Increase level of smart revenue



Focus on cooperative and collaborative marketing campaigns

Key Strategies

- Maximize customer value by life stage
- Achieve NEXT SOHO, BEST SOHO
- Upgrade CRM system

- Smart asset management
- Increase amount of floating core deposits
- Increase non-interest income

- Establish new partnerships
- Enhance TMC collaborations
- Continue putting "compassionate finance" into practice

Digital Sales System

Complete introduction of customer-centered digital sales system

Increase revenues and reduce costs through digitalization

Create more synergies through Shinhan Plus

# Corporate Banking

The Corporate Banking Division strives to lead the market through the solid growth of high-quality assets and the continuing development of a stable revenue structure.

## 2018 Key Performances

The Corporate Banking Division undertook three strategic directions to achieve its 2018 strategic goal of "Redefine Corporate Banking, Creative Territory Expansion." Its main aims were to secure differentiated growth by freeing itself from the constraints of competition, and to overcome stagnant sales in an era of constant low growth. As a result, it enjoyed extremely satisfactory results in all its areas of operation, including growth potential, profitability, and financial soundness.

### Increased Leadership in Core Markets

The Division worked hard to achieve balanced growth in its core markets of both audited and non-audited mid-cap, blue-chip corporations. It maintained a solid rate of growth in all its assets, with a particular focus on SMEs, especially the non-audited SMEs.

It also added to its customer base by increasing the menu of services it offers at each stage of corporate growth. As a result, its number of SME customers with more than KRW 100.0 million in loans rose by 3,968 over the year, ranking first among all of the country's commercial banks. It was also named the "Best Bank" in the SME Support Evaluation category by the Financial Supervisory Service.

### Continued Building Sustainable Revenue Structure

The Division continued building a stable revenue structure to ensure its sustainable growth throughout 2018. This included carrying out a wide range of marketing activities that would benefit both small and medium-sized enterprises and mid-cap companies, such as collaborations within communities, referral marketing among its business groups, and maximizing synergies between its affiliates.

A number of new business opportunities were realized by strengthening the Division's ties with outside organizations. For example, it offered subsidized loans to cultural content organizations in linkage with the Korea Culture and Content Agency, as well as R&D commercialization loans in new industry areas in collaboration with the Ministry of Trade, Industry and Economy and the Korea Technology Finance Corporation. The Division also enjoyed healthy growth in both its ROI and the value of its assets by diversifying its revenue structure. This included increasing the amounts of its floating core deposits and its non-interest income, such as foreign exchange, trusts and pensions, and derivatives.

### Maintained Leadership in Future Growth Market

The Division made unceasing efforts to maintain its leadership in areas of future growth. This included providing financial support to promising SMEs to promote technology financing, as well as working to build a "Shinhan Way" relationship with them by increasing its number of equity investments, non-financial services, and long-term loans.

It also continued to play a prominent role in the market for eco-friendly future energy sources, including solar energy and energy storage systems; identified and supported businesses involved in the Fourth Industrial Revolution; and increased its financial support for business startups with excellent promise in the area of technologies. In addition, it continued with its drive towards business reorganization and the enhancement of its competitiveness, by using an advisory platform for M&As and underwritings to assist SMEs and mid-cap businesses.

# 8.2%

YoY Growth in SME Loans by Shinhan Bank in 2018



### 2019 Business Plans

The Division has adopted three strategic directions as part of its 2019 strategic slogan of “Challenging for the T.O.P. — A Quantum Growth for an Unrivaled Corporate Banking Service Provider”. This step was taken in response to intensifying competition in South Korea’s banking industry, a high level of uncertainty in its operating environment, and as part of its continuing drive to maintain its industry leadership—particularly in terms of innovation.

#### Healthy Growth

The Division will increase the value of its high-quality assets by balancing risk and profitability in its loans to SMEs including mid-cap, blue-chip, audited, and non-audited corporations, which are its core targets. It will increase its customer base by engaging in the bond market more actively, offering more external policy-related funds, and deepening its relationships with its long-term customers. In addition, it will react to government policies through continuing its program of productive, all-embracing financial services, including relationship banking, technology finance, social finance, and asset-backed lending.

#### Profitable Growth

Smart and efficient asset management is one of the keys to balanced and sustainable growth. The Division will continue to lay the foundations for stable revenue gains by increasing its floating core deposits and strengthening its profitability-based loan support system. In addition, it will diversify its revenue structure by adding to its competencies in the IB market and the careful management of non-interest revenue items. Bank-wide revenue will be increased through an enhanced program of community collaboration and referral marketing. In line with its designation as a Seoul Municipal Depository bank, the Division will develop products and services that are relevant to these types of operations. This will include building collaborative social finance models with the city of Seoul, and launching financial supports for social housing and similar products.

#### Differentiated Growth

The Division will continue to diversity its competitive advantages within the financial industry in South Korea, both for today and for the future. This will include signing more cooperative and collaborative agreements with the Ministry of Trade, Industry and Energy, the Ministry of SMEs and Startups, and other policy sources, entering specialist markets through the development of innovative new products, and enhancing its support for organizations involved with cultural technologies, environmental technologies, bio technologies, and other areas of new growth.

Another step that the Division will take is to continue creating sustainable growth engines in the area of corporate banking. This will be done in large part by upgrading its Customer Relationship Management (CRM) system and increasing its digital channel services in the F/X sector, helping to accelerate the switch from corporate banking to digital services. It will also increase its number of high-quality, fully-capable, CB-trained employees who will be able to lead the markets of the future.

### Strategies for 2019

Strategic Goal

**Challenge for the T.O.P.**

**T**erritorial expansion  
(Growth Potential)

**O**utstanding levels of profitability  
(Profitability)

**P**roactive risk management  
(Soundness)

Strategic Directions

  
Core Market  
Customer Value Creation  
(Healthy Growth)

  
Profitability-  
Based Growth  
(Profitable Growth)

  
Differentiated  
Future Market Growth  
(Different Growth)

# Credit Card

**Shinhan Card will extend the limits of the credit card business by creating high values through the nurturing of healthy and caring relationships.**

South Korea's credit card industry faced many threats in 2018. The situation was primarily caused by a reduction in the fees paid for transactions by member merchants, increasing regulations governing interest rates and total financial assets, and advancements in FinTech-based payment services by non-financial companies.

Despite these difficult conditions, Shinhan Card was still able to maintain its industry-leading position as the result of a preemptive sales paradigm shift. This included reducing marketing efforts that only supported short-term performances, and providing its customers with a wider range of custom-tailored products and services optimized to meet their needs. These moves helped it to achieve the industry's highest level in terms of qualitative indicators.



## 2018 Key Performances

Shinhan Card continued with its efforts to overcome a very challenging operating environment in 2018. This included upgrading the company's contingency plan for both of its operational and financial managements, as well as changing its business model to reduce the level of reliance on merchant transaction fees as a source of revenue. The company also continued with the digital transformation, and achieved desired outcomes in terms of both customer experience and cost savings.

As a result of these measures, Shinhan Card managed to maintain its industry-leading position in terms of both quality and quantity. For example, its number of newly-launched "Deep Dream" cards quickly streaked past the three million mark, while ShinhanPayFAN became the nation's largest payment platform with ten million members.

The company also took steps to make up for a possible loss of income arising from its decision to lessen its reliance on merchant transaction fees as a source of revenue. For example, it improved its cost structure through automation and more efficient operating processes, and enhanced the efficiency of its marketing efforts in support of high-cost services. All of these measures were backstopped by its digital and big data capabilities.

The company also increased its involvement in areas of promising new growth, such as Installment and fee businesses. This was done both as a means of minimizing the impact upon it of temporary governmental regulations and other changes to its operating environment to advance its long-term goal of going beyond the credit card business and evolving into a multi-finance player.

It also entered into alliances with such renowned global players as Amazon, Uber, Airbnb, and Hotels.com. This included offering exclusive discount benefits to users of Amazon on Black Friday and during the Christmas holidays. It also entered the platform business (including ShinhanPayFAN, MySHOP, and MyAUTO), taking advantage of the industry's largest membership base. The company also pioneered new market possibilities by

becoming part of the UnionPay International card acceptance business. This especially involved the targeting of Chinese tourists, which had formerly been monopolized by one of its competitors. It also increased its level of collaboration with promising business startups such as Bank Salad.

On the international front, the company acquired the PVFC (Prudential Vietnam Finance) in January 2018, with the acquisition being approved by the State Bank of Vietnam a year later. It also strengthened its operations in Kazakhstan, Indonesia, and Myanmar.

At the domestic level, the company's "I'm Ventures" startup assistance program made arrangements for the early commercialization of three of its businesses that had been approved by the Ministry of SMEs and Startups in 2018.

# No. 1

Shinhan Card's Market Share in South Korea



## 2019 Business Plans

Shinhan Card adopted "Deep Focus" as its strategic direction for 2019 to help it deal with the threatening operating environment facing it. Its goal was to take its members beyond their card-only relationship with the company and extend it to include its financial, installment, platform, and global businesses. This will be done by adding to its menu of products and services and its number of affiliated and partner companies. It will also engage more heavily in hyper-personalization in order to deliver a more relevant information about its content, products, and services to each of its users. This will be done in accordance with the following five strategies.

**Leader in Payments**

The company will upgrade the profitability of its credit card operations, in large part by its involvement in the new payment service market. This will include the ShinhanPayFAN platform and other digital technologies, such as QR, NFC, and Bluetooth.

**Multi Finance**

The term “multi finance” refers to going beyond a reliance on credit card-based financial products to the opening of other channels, including apps, webs, and simple, digitally-based financial products. It also means the way that Shinhan Card is planning to diversify its customer base and business portfolio. The company will become a true “multi-finance” provider by diversifying its product lineup and upgrading the price and marketing competitiveness of its data-based financial products. It also intends to increase its market share in South Korea’s installment financing sector.

**Customer-Oriented Services**

The company will strengthen its commitment to customer-centered products and services by upgrading the various platforms that service them, including ShinhanPayFAN and MyShop, and increasing its big data analysis capabilities. It will also continue digitalizing its operating processes. This will allow it to offer customers optimized packages of services and products, such as custom-tailored discounts and store recommendations.

**New Business Models**

The company has already established a New Business Team, an E-Commerce Team, and a Rental Business Team in 2019, and will continue creating other new business models in the same vein. It will also strengthen its big data operations, including offering advice to merchants and corporations to turn it into a profit-making venture. Another step that it will take will be to foster the development of its global operations into full-fledged contributors to its business portfolio.

**Superb Enabler**

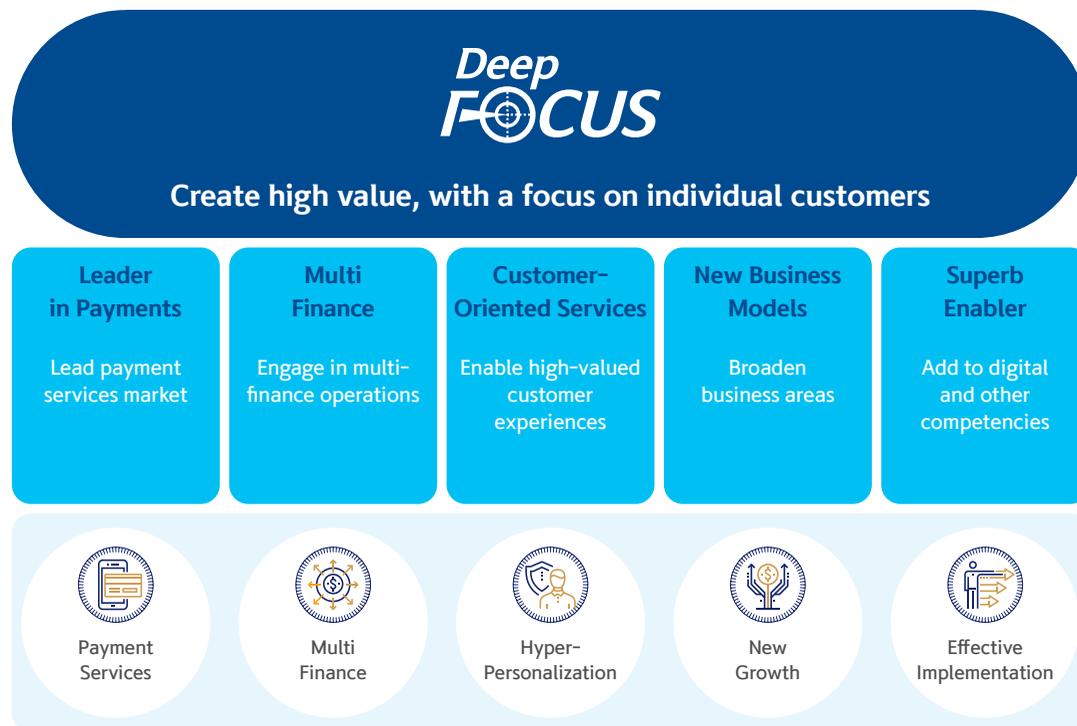
Competencies in the areas of digitalization, big data and ICT are no longer an option in today’s financial industry. Shinhan Card will continue to upgrade its digital and other abilities as a means of advancing its operational strategies and attracting new customers. To be based primarily on big data, it will be carried out by forming alliances with other industry players, allowing the company to maintain its high profile in South Korea’s card industry while also identifying and developing future growth engines.

**Strategies for 2019**

Strategic Direction

Strategies

Keywords



# Brokerage

Shinhan Investment acts as the hub of the Group's capital market-based activities with its industry-best research, superior product development and management capabilities, and customer-oriented management philosophy.

## 2018 Key Performances

Although Shinhan Investment faced difficulties from both home and abroad in 2018, it was still able to achieve outstanding results in all its operating areas. This included record-making performances, and the industry's highest-ever ROE. It also received high-level evaluations from a variety of outside rating agencies. This included obtaining the industry's highest global credit rating, winning a top-tier rating in the management evaluation conducted by the Financial Supervisory Service, and ranking first in the Korean Standard Service Quality Index (KS-SQI) survey by the Korean Standards Association.



## Human Resources

Shinhan Investment reopened the S-Hub after a series of renovations, allowing users renewed access to prime educational content 24/7, with more than 1,170 people enrolled in forty-eight CoPs learning clubs. The working environment for our employees was dramatically improved by switching to LED lighting in our headquarters. Recent renovations made to the Top Square, employer's lounge and the gym, and implementations of an automatic PC-off program also helped its employees achieve an ideal work-life balance.

## Product Competitiveness

Shinhan Investment has developed a number of innovative products through company-wide, matrix-based collaborations among its product sourcing, manufacturing, and sales divisions. They include short-term electronic bonds wrap accounts, global alternative investment products, private equity funds, and an industry-exclusive indexed ELS. It listed Shinhan Alpha REIT in July, receiving a highest-ever competition ratio of 4.3-1 in the nation's REITs market. Its trust balance passed the KRW 20.0 trillion mark in August--the second-highest level in the nation's securities industry.

# 2nd

Research Ranking by *Maeil Business Newspaper*



## New Business and Global Expansion

The value of the company's in-house hedge funds exceeded KRW 2.0 trillion in April, ranking second in the industry. In July, it became the first South Korean industry player to launch fractional share purchasing of US shares. In addition to becoming the first domestic industry player to enter the Indonesian asset management market, it was instrumental in creating a wide range of global bonds and other products in collaboration with its subsidiaries in Vietnam and Indonesia.

## Strategic Road Map



It also fostered the development of a number of internationally-based high-performing human resources, including fifty-one Global Pioneers.

**Work Innovations**

The company is intensely committed to building a highly-efficient working culture, by eliminating unnecessary operations and offering a Leader Innovation programs. It is also allocating its human resources more efficiently through the adoption of "Smart PB".

**2019 Business Plans**

The environment surrounding South Korea's and the world's financial investment industry is more difficult than ever. One result of this is that the global economy will experience different rates of economic growth in 2019, due to slowdowns in China, the Euro zone, Japan, and elsewhere. In addition, interest rates are expected to rise. The South Korean economy will also witness sluggish growth in light of declining exports and weakening domestic consumption, forcing the central government to intervene in such areas as property market stabilization and household lending, while also strengthening its regulations regarding financial soundness and the protection of consumers. Despite this, competition is expected to proceed apace, mainly due to the continuing entry of platform companies into the financial sector.

On the other hand, this uncertainty and volatility can provide huge opportunities for the capital market. As part of its commitment to assisting growth within the Group through constant change and innovation, the company has adopted "Creatively leading the Group's growth through differentiated strategies" as its strategic goal for 2019, with "Be Different! Be Excellent!" as its management slogan. In order to achieve these goals, we have established seven strategic directions for fiscal year 2019.

To begin, we will create greater value through differentiated growth, by expanding our IB business territories and by improving our management strategy as a means of enhancing

the Group's overall return on asset management. Moreover, we will seek stronger market leadership across all areas of asset management.

We will upgrade our operations through convergence and integration, including embracing new technologies that will overcome any and all limits to growth in our existing businesses.

We will enhance our brokerage business to attract more customers and improve our profitability, and strengthen our wholesale operations business by expanding its scope.

We will also enhance our operating efficiency.

This will include eliminating unnecessary and wasteful operations through innovation and restructuring activities that are already underway and making more efficient use of our corporate resources by introducing Smart PBs.

Last, but not least, we will strengthen our involvement in high-potential industries that will contribute to our earnings in the future. We will increase the profitability of our global business operations, and become agile and fast-paced in all aspects of our operations, including its digital operations. The "One Shinhan" collaboration system will also gain greater traction, as will our commitment to preemptive risk management and stronger internal controls. We will also continue to strengthen the development of our human resources and our organizational culture.

**Strategies for 2019**

Vision

**Asia's leading financial investment player**

Strategic Goal

**Play a seminal role in the Group's growth through strategic goals and differentiated strategies**

Management Slogan

**Be Different! Be Excellent!**

Strategic Directions

<b>Excellence</b> Maximize value creation through differentiated growth	<b>Clients</b> Upgrade customer services through convergence and integration, including digital and new technologies	<b>Mutual Respect</b> Improve business and operational efficiency through innovation and reform	<b>Change</b> Accelerate change for stronger future growth
Increase synergies through "One Shinhan" collaboration system	Make improvements to preemptive risk management and internal control systems	Strengthen development of human resources and ensure sustainability management	

# Insurance

**Shinhan Life Insurance is committed to growing in tandem with its customers, based on a belief in “compassionate insurance”, respecting the basics, and providing a wide range of high-quality products and advanced-level financial services.**

Shinhan Life Insurance believes in a sustained and balanced growth. It offers its customers a wide variety of insurance and pension products through a number of sales channels, including traditional financial consulting, customer-based marketing (telemarketing), general agency, bancassurance, and the Internet.

The company has gained a high degree of financial soundness through its ALM-based asset management operations. It enjoys an enviable level of returns on the management of its assets through policy loans, secured loans, unsecured loans, investments in equities, bonds, derivatives, and other financial instruments.

Recently, the company also witnessed a surge in investment opportunities derived from the Group’s matrix organizations such as the GIB and GMS divisions.

In 2018, the company’s share in the South Korean market grew from 18.7% the previous year to 29.4%. Much of this success was due to its strategy of continuously increasing its number of highly profitable protection-type insurance products that meet the long-term needs of customers especially well.

## 240.5

Risk-Based Capital (RBC) Ratio as of the end of 2018



### 2018 Key Performances

Shinhan Life Insurance has enunciated its corporate vision to be “the industry leader in maximizing the intrinsic value of insurance”. Its motto for achieving the core strategies of the Group’s 2020 S·M·A·R·T Project is “Innovation 2018: The Evolution of Value Management”.

2018 was a year in which the South Korean insurance industry faced increasing levels of volatility, uncertainty, complexity, and ambiguity. This situation made it exceedingly difficult to predict the future—especially prior to the introduction of such new systems as the IFRS 17 and the K-ICS, both of which will hopefully bring some much-needed stability to the industry. In order to survive, and even thrive, in this operating climate, Shinhan Life Insurance named “Innovation 2018 - Evolution of Value Management” as its strategy for pursuing the core goals of the 2020 S·M·A·R·T Project.” In order to achieve its vision of becoming the industry leader in maximizing the intrinsic value of insurance, the company pursued the three following tasks.

### Enhanced Product and Asset Management

The company boasts a 94% share of the South Korean market for highly-profitable protection-type insurance policies, thanks to a strategy of adding more medium- to low-priced products to its portfolio. It also established an Optimal Asset Allocation Committee to oversee its asset management strategies and systemize its decision-making, and did its best to maintain its profitability by increasing its level of non-interest income and its sales profits.

### Upgraded Operating Models

The company’s financial consultant channel strengthened its operations by becoming more efficient and hiring more salespeople, while its Customer Based Marketing (CBM) channel explored new business models with Shinhan DS to accommodate new regulations promulgated by the central government in 2019. It also made improvements to its operations to meet the demands of a rapidly changing market. Its General Agency (GA) channel promoted a strategy of expanding its full-selling operations, while its bancassurance channel concentrated on sales of protection-type policies. The company is also extending its range of digital services. This included a “subscription chatbot” that enables customers to apply for insurance coverage online, developing an infrastructure that changes people’s voices into text, and producing marketing videos featuring well-known celebrities and other influential people.



### Met IFRS 17 Requirements

The company is dealing with changes to the IFRS by constructing an IFRS 17 accounts settlement system. It is scheduled for completion in the first half of 2019. It carried out recapitalization activities in June and November of 2018 to increase its level of financial soundness. In addition, it continued with its efforts to improve working conditions by adding to its flexible work program, creating a Shinhan Childcare Center, and taking additional steps to foster the development of female management leaders and other key human resources.

### 2019 Business Plans

South Korea's insurance market is anticipating more uncertainty and competition in 2019, with its players concentrating on creating strategies to deal with the enforcement of the IFRS 17 and the K-ICS risk-based capital ratio system. Another threat to it is the growing presence of large general-service insurance agencies, and the movement of many very experienced and well-trained agents to their offices. Consequently, competition with these companies is expected to intensify.

The industry is also expecting to see more changes to the market itself. This will include the expansion of digital-based services, as well as encroachments on it by FinTech companies. Another problem will be the probable introduction of more consumer protection rules and regulations by the supervisory authorities.

In response to this environment, Shinhan Life Insurance has named "Innovation that respects the basics" as its 2019 managerial slogan for achieving its vision of becoming "The industry leader in maximizing the intrinsic value of insurance". It has established three tasks to meet this challenge.

The first task is to boost the company's value and profitability by selling more high-quality, mid- to low-price protection-type insurance policies, such as health and term life insurance. The company will also raise its productivity by developing more efficient strategies for increasing sales by each of its channels.

The company will maintain its financial soundness by continuing with its ALM-centered optimal asset allocation processes. It will also increase its return on asset management, adding to its commission and other non-interest income and taking advantage of rising interest rates. In addition, it will respond to concerns over the financial soundness of the country's insurance industry after the introduction of the K-ICS by reducing the gap between its assets and its liabilities.

Finally, the company will reinforce its infrastructures to strengthen its foundations for future growth. For example, it will search out future growth engines and create a framework for balanced and sustainable growth in such areas as digital, human resources, and its organizational culture. It will also continue its commitment to its corporate social responsibilities by pursuing an enhanced-level Environmental, Social, and Governance (ESG) system in tandem with the Group. Last, but not least, it will follow the Group's directions on joint marketing as a means for achieving sustainable growth.

## Strategies for 2019

### Strategic Goal

### Innovations that respect the basics

### Detailed strategies



#### Products and Underwriting

Sell products with a high degree of profitability.  
Improve operational efficiencies.



#### Asset Management

Manage assets with a focus on ALM.  
Increase financial soundness.



#### Infrastructures

Reinforce infrastructures to strengthen foundations for future growth.

# Asset Management

**Shinhan BNP Paribas Asset Management offers customers a wide range of tailor-made investment solutions, increasing their returns in an era of uncertainty and volatility while also serving as the Group's investment solutions center.**

Shinhan BNP Paribas AM is the Group's center for asset management services. Its management philosophy is to become its customers' most trusted and longest-term investment solutions provider.

The company offers a wide range of investment solutions to both domestic and international clients. They include structured products, such as derivatives and ELFs, as well as alternative investment opportunities in such areas as real estate, mezzanines and infrastructures, and more traditional investments like equities and bonds. It manages KRW 51.1 trillion worth of assets, including wrap accounts, and was ranked fifth in terms of net assets out of more than 240 South Korean asset management firms as of the end of 2018.



## 2018 Key Performances

Shinhan BNP Paribas AM provided industry-leading investment solutions to its many loyal customers to assist them in dealing with the increasingly volatile conditions of the capital market in 2018. The company added to its number of domestic stock-type fund assets under management by promoting small- and medium-sized funds. It also maintained its leading position as a bond provider, offering a wide range of institutional funds based on its reputation for management excellence.

# 5th

Ranked fifth-largest among 240 asset management companies in South Korea



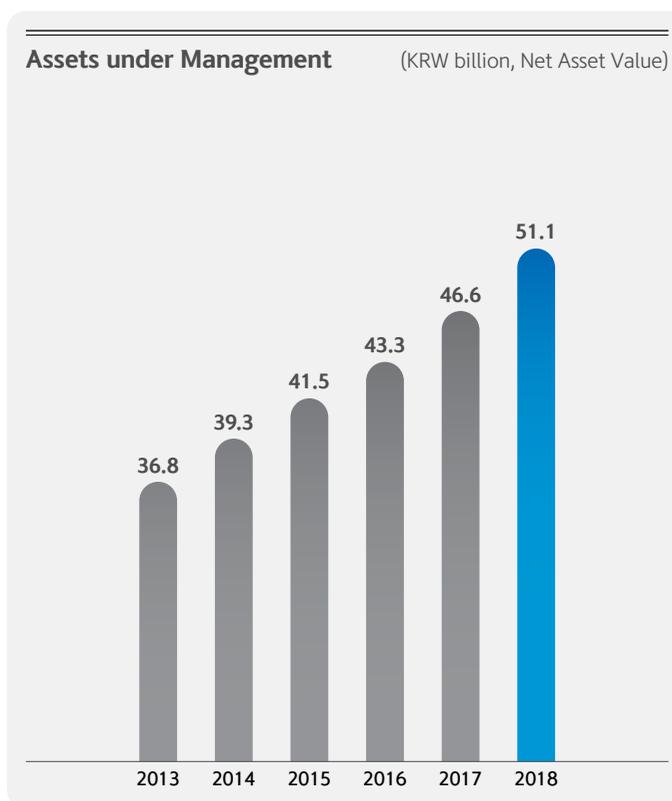
In the domestic market, the company continued to offer a wide range of custom-tailored solutions, establishing a large number of investment strategies to help meet its goal of diversifying its growth so as to gain an early edge in terms of future opportunities.

As a result, it attracted KRW 5.2 trillion worth of new funds from institutional investors. It also became the first player in the outsourced chief investment officer (OCIO) business to acquire an OCIO project, for the publicly-offered Radioactive Waste Management Fund. In addition, it was named the general advisory manager for POSTECH. It also attracted a number of institutional funds in the alternative investment sector by adding to its menu of products, including startup venture funds. It also responded to the needs of its retail customers, including hybrid products for clients seeking a medium level of risk and returns. In addition, it continued offering Global Bond Funds, Best Hedge Funds, and Snowball Funds, in addition to its flagship "Covered Call Security Feeder Investment Trust" product.

The company also strengthened its global asset allocation capabilities, in collaboration with BNP Paribas Multi-Asset, Quantitative, and Solutions, or MAQS. It supported the overseas investment activities of a number of institutional investors by launching a wide range of funds of funds in collaboration with Fund Quest. In addition, it continued to increase its volume of overseas investments by sourcing alternative assets. It also developed a number of environmentally friendly ESG and solar power plant infrastructure funds.

## Assets under Management

(KRW billion, Net Asset Value)



Another step that the company took was to introduce structured products as a means of enhancing its customers' returns. This was done by diversifying its underlying assets and management strategies. It also launched the Target Date Fund and other retirement pension funds, becoming one of the country's leading asset management companies in the process. As a result of these efforts, Shinhan BNP Paribas AM was recognized for having the "Best Equity Fund" at the 2018 Market Leader Awards by *E-Today* and the "Innovative Fund of the Year" (for its Shinhan BNPP Covered Call Security Feeder Investment Trust) at the 2018 Korea Funds Awards by *Moneytoday*.

The company also decided to assume the role of the asset management solutions center for the entire Shinhan Financial Group. This direction was taken both to assist in fulfilling the aims of the Group's "2020 S·M·A·R·T Project" to advance and secure its balanced and sustainable future growth, and to ensure the company's position as the leading comprehensive asset management player among all bank-affiliated companies in South Korea. In order to meet these goals, the company has established three core tasks as its mid- and long-term strategic plans. They include growth through the enhancement of its comprehensive asset management capabilities, differentiated growth through the development of its multiple asset solutions capabilities, and the fulfillment of its role as the Group's asset management solutions center. In addition, it will continue to realize its vision of becoming "THE Asset Management Company in South Korea," based on its deep and meaningful collaborations with all of the Group's affiliates as well as a global partnership with BNP Paribas AM Holdings.

### 2019 Business Plans

The company anticipates that uncertainties in the market will continue to grow in 2019. This will include interest rate hikes both at home and abroad, the continuation of the US-China trade war, and currency and financial difficulties in emerging markets. The equity market is expected to remain volatile, while interest rates will continue to be relatively low. It also believes that investors will begin to demand a wider range of investment solutions for their funds, including absolute return funds such as "deposits interest rate +  $\alpha$ " funds. This desire for safe yet profitable alternative forms of investment will be due in large part to the limited returns they are currently receiving from more traditional investments.

Shinhan BNP Paribas AM intends to maintain its leading position as a large-scale asset management industry player, while also enhancing its capabilities as the asset management solutions center for the Shinhan Financial Group. It will also continue to develop a wide and attractive range of investment products. Above all, it will seek diversified growth based on its industry-leading solutions capabilities. In order to achieve these ends, the company has developed the following eight strategic tasks.

### Strategies for 2019

#### Strategic Goal

### Diversified Growth Based on Solutions Capabilities

#### Strategic Tasks



Increase synergies by strengthening One Shinhan collaboration



Respond to market by building agile product development processes



Enhance competitiveness in managing alternative assets



Ensure competitiveness in OCIO sector



Increase global investment opportunities by improving solution capabilities



Add to sales capacity by utilizing digital platforms



Establish investment portfolio based on ESG framework



Build industry-leading human resources management system

# MD&A

# Management Discussion and Analysis

## 2018 IN REVIEW

### Group Overview

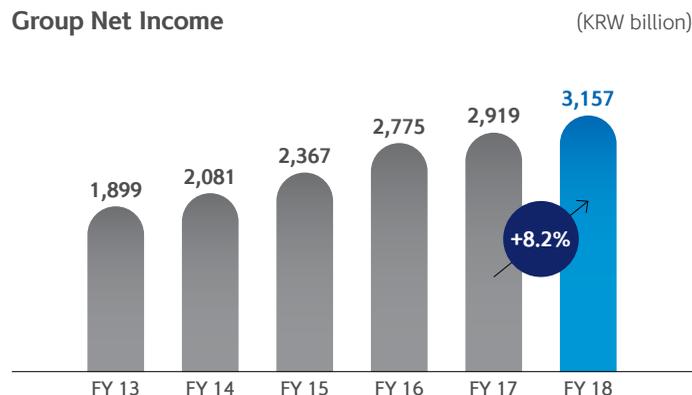
Shinhan Financial Group posted KRW 3,156.7 billion in consolidated net income attributable to equity shareholders in 2018, up 8.2% over the previous year and the largest total in its history. This income has been on an upward spiral for the past five years, led by the success of its 2020 S·M·A·R·T Project that it launched in 2017 and extremely healthy results from its non-banking sector as a result of the One Shinhan strategy. The Group's net interest margin also rose steadily, due to profitability-oriented asset growth and improvements in its funding portfolio. Non-interest income also contributed to continuing growth in the Group's operating income (meaning the total of its interest income plus its non-interest income), since its trust business also posted an increase in its fees and commissions income.

In terms of general and administrative expenses, the Group continued with its stable cost management strategy through its early retirement programs and other operational efficiencies. It was also able to adapt quickly to a constantly-changing market environment through the deployment of its Digital Transformation strategy. Its credit costs also remained at a stable level as a result of its systematic and proactive risk management practices, contributing significantly to growth in its net income.

Another way that the Group profited from the success of its 2020 S·M·A·R·T Project to strengthen its competitiveness in the global and capital market sectors can be seen in the increasing diversification of its income sources.

Shinhan Bank's global operations, for example, posted a net income of KRW 321.5 billion—about 14% of the bank's total income. With successful implementation of the matrix organizational structures, both GIB and WM sectors recorded YoY growth through Group-wide collaborative efforts.

### Group Net Income



## INCOME

### Group Income

The Group posted KRW 3,156.7 billion in consolidated net income attributable to equity shareholders in 2018, the largest total since its establishment. Interest income rose by 9.4% YoY to KRW 8,580.1 billion, with its net interest margin continuing to increase as a result of its emphasis on stable funding and profitability-oriented asset growth.

Total non-interest income rose by 4.3% to KRW 1,399.5 billion, led by a rise in brokerage commissions. Trust fee income also

showed an increase from the previous year, mainly because of a healthy uptick in the retirement pension market, and an increase in its amount of invested assets. Income from credit card fees remained steady, recording a YoY increase despite regulatory measures to reduce merchant fees for small- and medium-sized merchants since the second half of 2017.

### Group Income

(KRW billion)

	FY 17	FY 18	YoY%
Operating Income (a=b+c)	9,184.2	<b>9,979.6</b>	8.7
Interest Income (b)	7,843.0	<b>8,580.1</b>	9.4
Non-Interest Income (c)	1,341.3	<b>1,399.5</b>	4.3
G&A Expenses (d)	4,811.2	<b>4,741.6</b>	-1.4
Pre-Provision Operating Income (e=a-d)	4,373.0	<b>5,238.0</b>	19.8
Non-Operating Income (f)	-32.4	<b>-32.8</b>	n.a.
Pre-Provision Income (g=e+f)	4,340.6	<b>5,205.2</b>	19.9
Provision for Credit Losses (h)	543.0	<b>738.6</b>	36.0
Earnings before Income Tax (i=g-h)	3,797.6	<b>4,466.6</b>	17.6
Income Tax	848.4	<b>1,268.3</b>	49.5
Consolidated Net Income <sup>1)</sup>	2,918.8	<b>3,156.7</b>	8.2

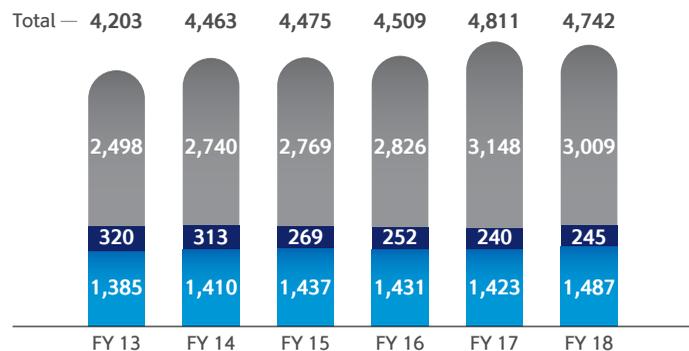
Note 1) Net Income in Controlling Interest

The Group has been making a number of efforts to reduce its costs since 2012. In 2018, its total general and administrative expenses fell by 1.4% from the previous year to KRW 4,741.6 billion. Its cost-to-income ratio also stood at a very satisfactory 47.5%.

### Group G&A Expenses

(KRW billion)

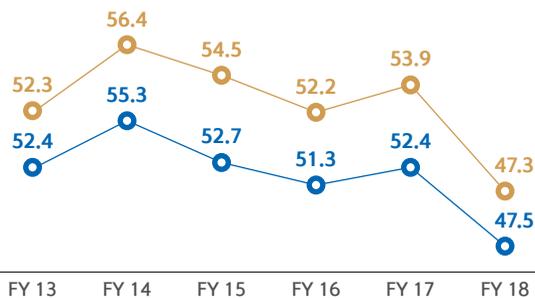
● Other Expenses ● D&A ● Salary & Employee Benefit



### Group and Shinhan Bank Cost-to-Income Ratio

(%)

● SFG ● SHB

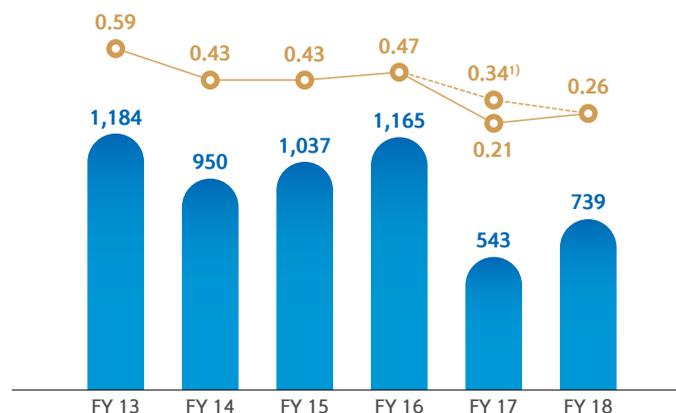


The Group's credit costs rose by 36.0% to KRW 738.6 billion. They would actually have fallen by 9.8% if Shinhan Card's KRW 275.8 billion reversal of its allowances was factored in. Credit costs for Shinhan Bank and Shinhan Card both exhibited a slight downward trend, while the Group's annual credit-to-cost ratio stayed at a stable 26bp.

### Group Credit Costs

(KRW billion, %)

● Provision for Credit Losses ● Credit Cost Ratio



Note 1) Excluding write-backs from Shinhan Card

The Group posted its best-ever results in 2018. One reason for this was a healthy increase in its interest income due to an uptick in its number of loans and a higher net interest margin. Another cause was its continuing efforts to cut costs on a long-term basis, while a third was its stable credit-to-cost ratio.

### Group Subsidiaries Income

The Group is pursuing balanced growth arising from its 2020 S·M·A·R·T Project and by increasing the earnings of its banking and non-banking subsidiaries through its One Shinhan strategy.

### Group Subsidiaries Income

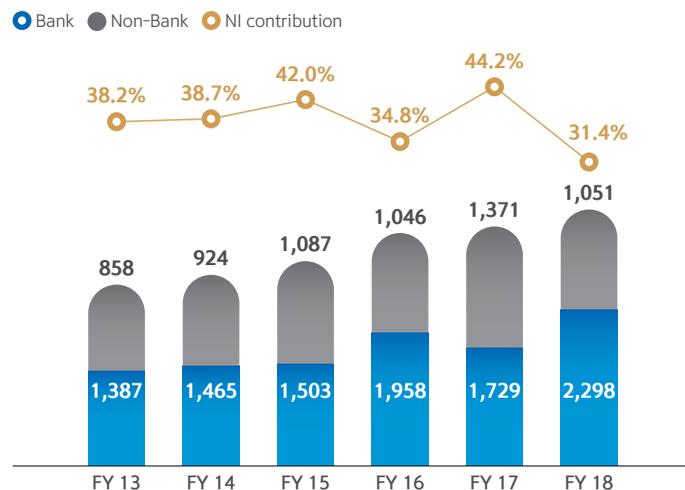
(KRW billion)

	FY 17	FY 18	YoY%
Bank (a)	1,729.4	2,297.9	32.9
Shinhan Bank	1,712.1	2,279.0	33.1
Jeju Bank	17.3	18.9	8.9
Non-Bank (b)	1,371.0	1,050.7	-23.4
Shinhan Card	913.8	519.4	-43.2
Shinhan Investment	211.9	251.3	18.6
Shinhan Life Insurance	120.6	131.0	8.6
Shinhan BNPP AM	12.8	12.3	-4.2
Shinhan Capital	87.6	103.4	18.0
Shinhan Savings Bank	16.8	19.4	15.4
Shinhan DS	1.4	1.3	-6.4
Shinhan AITAS	6.5	8.4	30.5
Shinhan Credit Information	0.3	1.4	309.7
Shinhan Alternative Investment	-0.8	-0.8	n.a.
Shinhan REITs Management	-	3.6	n.a.
Total (a+b)	3,100.4	3,348.6	8.0
Consolidate Net Income <sup>1)</sup>	2,918.8	3,156.7	8.2

Note 1) Net Income in Controlling Interest

### Net Income Contribution by Non-bank Subsidiaries

(KRW billion)



Note) After reflecting ownership by SFG

#### » Shinhan Bank

Shinhan Bank's net income for 2018 rose by 33.1% over the previous year to KRW 2,279.0 billion. This was attributed to an 11.9% increase in its interest income due to steady asset growth and stable NIM management. Other causes were stable G&A costs resulting from its cost reduction efforts and improvements to its credit cost management system and its upgraded risk management processes.

### Shinhan Bank Income

(KRW billion)

	FY 17	FY 18	YoY%
Operating Income (a=b+c)	5,782.8	6,468.6	11.9
Interest Income (b)	4,992.1	5,586.0	11.9
Non-Interest Income (c)	790.7	882.6	11.6
G&A Expenses (d)	3,118.1	3,061.8	-1.8
Pre-Provision Operating Income (e=a-d)	2,664.7	3,406.8	27.8
Non-Operating Income (f)	-46.6	-18.3	n.a.
Pre-Provision Income (g=e+f)	2,618.1	3,388.5	29.4
Provision for Credit Losses (h)	459.0	242.1	-47.2
Earnings before Income Tax (i=g-h)	2,159.1	3,146.4	45.7
Income Tax	446.8	867.0	94.1
Net Income <sup>1)</sup>	1,712.1	2,279.0	33.1

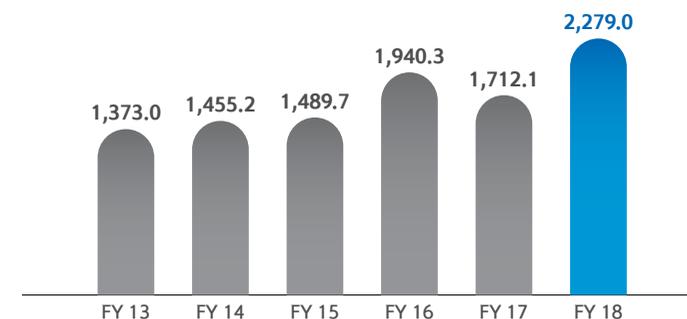
Note 1) Net Income in Controlling Interest

The bank's interest income increased by 11.9% to KRW 5,586.0 billion, while its non-interest income rose by 11.6% to KRW 882.6 billion backed by an increase in fees and commissions income.

The bank's G&A expenses fell by 1.8% from the previous year to KRW 3,061.8 billion, reflecting a temporary surge in early retirement costs in 2017, and its long-term cost management efforts. Credit costs dropped by 47.2% to KRW 242.1 billion, continuing a downward trend resulting from its risk management system.

### Shinhan Bank Net Income

(KRW billion)



#### » Shinhan Card

Shinhan Card posted a net income of KRW 519.4 billion in 2018, down 43.2% from the previous year. This was attributable to a reversal in its credit costs, gains on the trading of securities, and other one-time income during 2017. Recurring profits were steady once these one-time factors were excluded. Net income was also stable, thanks to a higher volume of transactions and careful cost management efforts, and despite lower merchant fees from the second half of 2017.

**Shinhan Card Income**

(KRW billion)

	FY 17	FY 18	YoY%
Operating Revenue (a)	3,855.0	<b>3,753.9</b>	-2.6
Card Business	2,853.4	<b>2,960.9</b>	3.8
Installment Finance	102.5	<b>110.0</b>	7.4
Lease	69.7	<b>126.5</b>	81.6
Others	829.4	<b>556.4</b>	-32.9
(Derivatives & FX)	299.6	<b>152.2</b>	-49.2
Interest Expense (b)	379.9	<b>430.7</b>	13.4
G&A Expenses (c)	791.1	<b>703.0</b>	-11.1
Commission & Other Expenses (d)	1,522.0	<b>1,452.4</b>	-4.6
(Derivatives & FX)	266.1	<b>116.3</b>	-56.3
Pre-Provision Income (e=a-b-c-d)	1,161.9	<b>1,167.7</b>	0.5
Provision for Credit Losses (f)	13.8	<b>466.4</b>	3,288.0
Earnings before Income Tax (g=e-f)	1,148.2	<b>701.3</b>	-38.9
Income Tax	249.4	<b>183.5</b>	-26.4
Net Income <sup>1)</sup>	913.8	<b>519.4</b>	-43.2

Note 1) Net Income in Controlling Interest

The company's card business posted the same level of revenue as it enjoyed the year before. This was due to a higher volume of transactions and increased sales of financial products and despite lower merchant fees from the second half of 2017. Its installment finance and leasing business increased its revenues, led by stronger long-term car rentals and the very healthy operations of a subsidiary in Indonesia. Other sources of revenue fell, mainly due to a drop in securities valuation losses following their disposal.

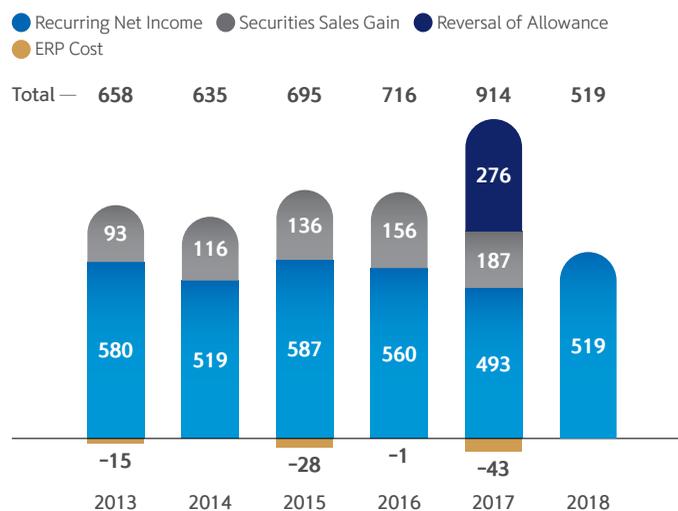
Interest costs rose by 13.4% YoY to KRW 430.7 billion. This happened because its volume of borrowings increased due to growth in its total transaction volume, and even though lending rates remained at same level as in 2017.

General and administrative expenses fell by 11.8% to KRW 703.0 billion, due to company-wide cost savings and a temporary increase in early retirement costs in 2017. Commission and other expenses rose following an increase in commission expenses caused by rises in credit purchases and installment financing.

Credit costs ballooned by 3,288.0% YoY to KRW 466.4 billion. However, if modifications to the loan loss allowance worth KRW 363.9 billion were excluded, these costs actually remained at a stable level.

**Shinhan Card Net Income**

(KRW billion)

**Shinhan Investment**

Shinhan Investment posted a net income of KRW 251.3 billion in 2018, up 18.57% YoY. Increased market volatility led to healthy rises in its brokerage fee income, sales of financial products, and proprietary trading.

**Shinhan Investment Income**

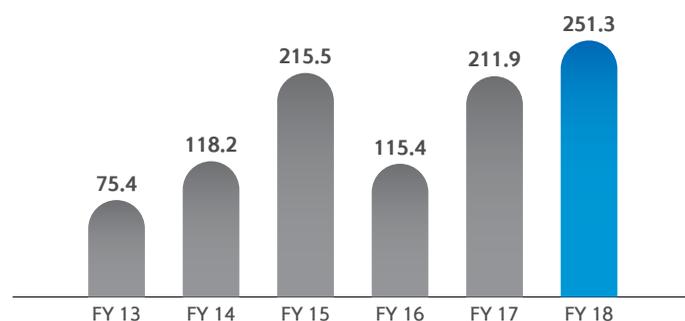
(KRW billion)

	FY 17	FY 18	YoY%
Operating Revenue	795.0	<b>959.1</b>	20.6
Fees & Commissions	429.5	<b>506.7</b>	18.0
Proprietary Trading	239.3	<b>321.4</b>	34.3
Others	126.3	<b>131.0</b>	3.7
Operating Expense	542.2	<b>624.3</b>	15.1
G&A Expenses	456.3	<b>500.3</b>	9.6
Commission Expenses	81.9	<b>113.5</b>	38.6
Provision for Credit Losses	4.1	<b>10.5</b>	158.5
Operating Income	252.8	<b>334.8</b>	32.5
Net Income	211.9	<b>251.3</b>	18.6
Net Capital Ratio	495%	<b>768%</b>	273%p
ROE	6.7%	<b>7.6%</b>	0.9%p
ROA	0.8%	<b>0.9%</b>	0.1%p

The company's fees and commissions income increased by 18.0% to KRW 506.7 billion. Its brokerage and IB fees rose following an increase in their value in the stock market trading value and the activation of its IB operations. Its gains from proprietary trading surged by 34.3%, thanks to healthy results from its investments in bonds and stocks. Its general and administrative expenses grew by 9.6% to KRW 500.3 billion, mainly due to rising payroll and incentive costs. On the plus side, operating income grew by 32.5% thanks to higher operating profits.

**Shinhan Investment Net Income**

(KRW billion)

**» Shinhan Life Insurance**

Shinhan Life Insurance's net income grew to KRW 131.0 billion in 2018, up 8.6% from the previous year. This growth was attributable to its strategy for lowering its costs and healthy sales of protection-type insurance policies, and came despite losses in its asset management business. The company's operating margin increased, led by a rise in its expenses margin. This happened despite a decrease in its mortality and morbidity margin due to growth in the popularity of protection-type insurance policies and a larger number of accident claims. The company will pursue added efficiencies in all its operations by achieving further synergies with Orange Life, which became part of Shinhan Financial Group in February 2019. This will include a strategy of cross-selling, as well as benchmarking the other company's best practices. These steps will raise the status of both Shinhan Life Insurance and Orange Life within the country's life insurance industry and strengthen their contributions to the Group's earnings.

**Shinhan Life Insurance Income**

(KRW billion)

	FY 17	FY 18	YoY%
Insurance Operating Margin	266.8	287.5	7.8
Expenses Margin	188.3	231.3	22.9
Mortality & Morbidity Margin	78.5	56.2	-28.4
Investment Margin	-90.2	-93.8	n.a.
Other Margin	-14.6	-12.3	n.a.
Earnings before Income Tax	162.1	181.5	11.9
Income Tax	41.4	50.4	21.7
Net Income	120.6	131.0	8.6

**ASSET GROWTH****Group Asset Growth**

The Group's total consolidated assets at the end of 2018 was KRW 459.6 trillion, up 7.8% over the previous year, while its total assets (including invested assets) rose by 12.6% to KRW 603.5 trillion. The Group achieved balanced growth between its banking and non-banking sectors as a result of its 2020 S·M·A·R·T Project initiative.

The value of the assets in its banking division grew as a result of increased won-currency loans to retail and corporate customers. The non-banking sector saw healthy increases in the amount of loans by Shinhan Card and higher growth in the trust assets of Shinhan Investment and the invested assets of Shinhan BNPP AM.

**Group Asset Growth**

(KRW billion)

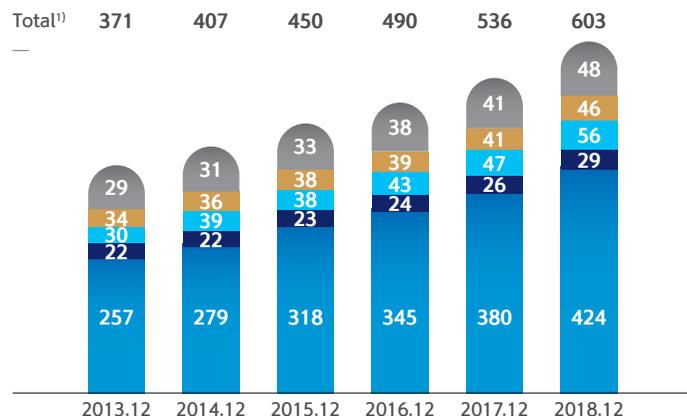
	2017.12	2018.12	YTD%
Bank (a)	380,209.9	423,928.2	11.5
Shinhan Bank	374,647.0	417,947.3	11.6
Jeju Bank	5,562.9	5,980.9	7.5
Non-Bank (b)	153,789.7	175,787.8	14.3
Shinhan Card	26,367.6	29,429.5	11.6
Shinhan Investment	46,721.0	55,703.6	19.2
Shinhan Life Insurance	29,719.4	31,823.6	7.1
Shinhan BNPP AM	41,134.5	46,165.7	12.2
Shinhan Capital	5,315.4	6,116.6	15.1
Shinhan Savings Bank	1,287.2	1,454.3	13.0
Shinhan DS	39.8	43.1	8.3
Shinhan AITAS	58.2	65.7	13.0
Shinhan Credit Information	22.7	24.4	7.3
Shinhan Alternative Investment	292.5	1,211.6	314.2
Shinhan REITs Management	29.3	801.3	2,632.9
Others	2,802.1	2,948.6	5.2
Total <sup>1)</sup>	535,915.9	603,453.5	12.6
Consolidate Total Assets	426,305.7	459,600.5	7.8

Note 1) Trust A/C of Shinhan Bank, Shinhan Investment/ and AUM (Including discretionary assets) of Shinhan BNPP AM, Shinhan REITs are included.

### Group Asset Growth

(KRW trillion)

Bank Shinhan Card Shinhan Investment  
Shinhan BNPP AM Others



Note: Including trust assets of Shinhan Investment and AUM of Shinhan BNPP AM

### Subsidiaries' Asset Growth

#### Shinhan Bank

#### Loans

The total value of Shinhan Bank's won-currency loans came to KRW 209.6 trillion at the end of 2018, up 7.2% over the year. It also continued adding to its volume of high-quality assets by achieving balanced growth between its retail and corporate banking sectors. This contributed significantly to healthy growth in interest income, both for the bank and the Group. The bank's won-currency retail loans rose by 7.5% to KRW 106.3 trillion. Its retail loans showed satisfactory growth, led by upturns in housing lease loans and high-quality but unsecured personal loans. The value of its mortgage loans grew by 2.1%, mostly because of a hike in the base rate by the Bank of Korea and tightened governmental regulations regarding the country's real estate industry.

The bank's won-currency corporate loans went up by 6.9% from the previous year to KRW 103.3 trillion. Its SME loans climbed by 8.2% as it pursued an asset growth strategy of focusing on loans to unaudited SMEs and SOHOs.

### Shinhan Bank Loans

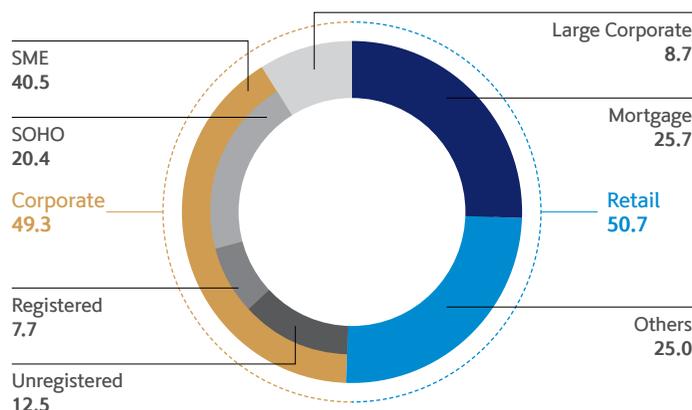
(KRW billion)

	2017.12	2018.12	YTD%
Loan in KRW	195,497	209,568	7.2
Retail	98,877	106,304	7.5
Mortgage	52,808	53,935	2.1
Others <sup>1)</sup>	46,069	52,369	13.7
Corporate	96,620	103,264	6.9
SME	78,556	84,974	8.2
SOHO	38,610	42,665	10.5
Large Corporate etc.	18,064	18,290	1.3
Loan in FX	7,658	7,807	1.9

Note 1) Including Unsecured Personal Loans, Secured Loans, Housing Lease Loans etc.

### Composition of Shinhan Bank Loans

(%)



### Deposits

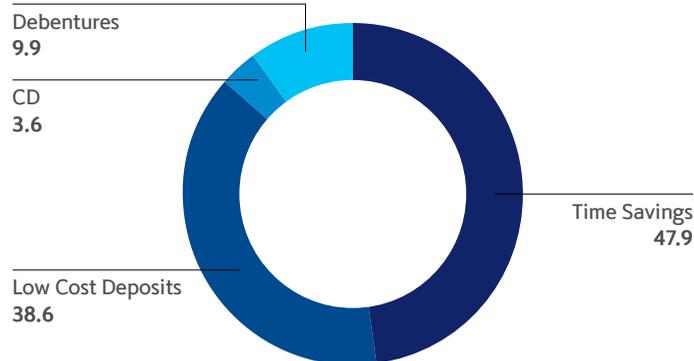
Shinhan Bank's year-end won-currency deposits were valued at KRW 208.3 trillion, up 5.6% YoY. Although the rate of increase for its low-cost deposits edged down slightly due to higher interest rates, market liquidity remained steady. The bank also continued with its efforts to attract high-quality customer deposits, including payroll accounts and credit card payment accounts.

### Shinhan Bank Deposits

(KRW billion)

	2017.12	2018.12	YTD%
Total Deposits in KRW	197,355	208,349	5.6
Low Cost Deposits	89,462	92,950	3.9
Demand	26,936	28,455	5.6
Savings	62,525	64,495	3.2
Time Savings	107,894	115,399	7.0
Time Deposits	99,491	106,684	7.2
Accumulative etc.	8,403	8,715	3.7
Certificate of Deposits	6,973	8,603	23.4
Debentures in KRW	20,057	23,814	18.7

### Composition of Shinhan Bank Funding (%)



#### » Shinhan Card Number of Members

The number of Shinhan Card's active cardholders reached 12.5 million at the end of 2018, up 1.6% from the previous year. The company is emphasizing qualitative rather than quantitative growth in order to retain its position as South Korea's leading credit card industry player. It is also taking steps to diversify its earnings base by increasing its number of digital-based, small- and medium-sized merchant store operations and seeking to build partnerships in other key markets.

#### Number of Active Card Customers and Merchants (thousand)

	2017	2018	YTD (%)
Active Cardholders	12,295	12,495	1.6
Merchants	2,724	2,810	3.1

#### Assets

The company's earning assets stood at KRW 27.3 trillion at the end of 2018, up 11.0% YoY. Credit purchases rose by 11.1% YoY, mainly due to strong growth in mobile and online payments, while card loans increased by 5.6%. Its lease assets climbed by 28.2%, reflecting growth in the long-term car rental business and a rising value in the lease assets at the company's Indonesian subsidiary.

#### Shinhan Card Earning Assets

(KRW billion)

	2017.12	2018.12	YTD (%)
Earning Assets	24,553	27,254	11.0
Credit Purchase	12,620	14,015	11.1
Cash Advances	1,921	1,986	3.4
Card Loan	5,944	6,276	5.6
(Re-aged Loan)	250	239	-4.3
Installment Finance	2,270	2,671	17.6
Lease etc.	1,798	2,306	28.2

#### Funding

Shinhan Card's total funding was valued at KRW 19.0 trillion at the end of 2018, up 20.2% from 2017. This included debentures, asset-backed securities, commercial paper, and other financial instruments, depending on market conditions. Its threat of liquidity risk is minimized through a strategy of diversifying their dates of maturity.

#### Shinhan Card Funding

(KRW billion)

	2017.12	2018.12	YTD (%)
Total Funding	15,840	19,033	20.2
Debentures	11,814	14,112	19.4
ABS	2,121	2,556	20.5
CP	1,130	1,665	47.3
Others	775	700	-9.7

#### » Shinhan Investment

The value of Shinhan Investment's total assets at the end of 2018 was KRW 29.1 trillion, up 1.7% from 2017. Loans surged by 26.1% due to more IB-related loans. The company's brokerage transaction volume increased by 51.4% to KRW 377 trillion, with a market total of KRW 6,392 trillion and a market share of 5.90%. Strong domestic and global markets led to a recovery in investor sentiment and resulted in stable growth for the company.

**Shinhan Investment Total Assets**

(KRW billion)

	2017.12	2018.12	YTD (%)
Total Assets	28,649	29,140	1.7
Cash and Deposit	3,306	3,631	9.8
Securities	18,511	18,322	-1.1
(Trading securities)	16,195	16,698	3.1
Derivatives	655	311	-52.5
Loans	3,702	4,670	26.1
(Broker's loans)	2,080	1,777	-14.6
Tangible fixed assets	122	123	0.1
Other assets	2,354	2,084	-11.5

**Shinhan Investment Trading Volume**

(KRW trillion)

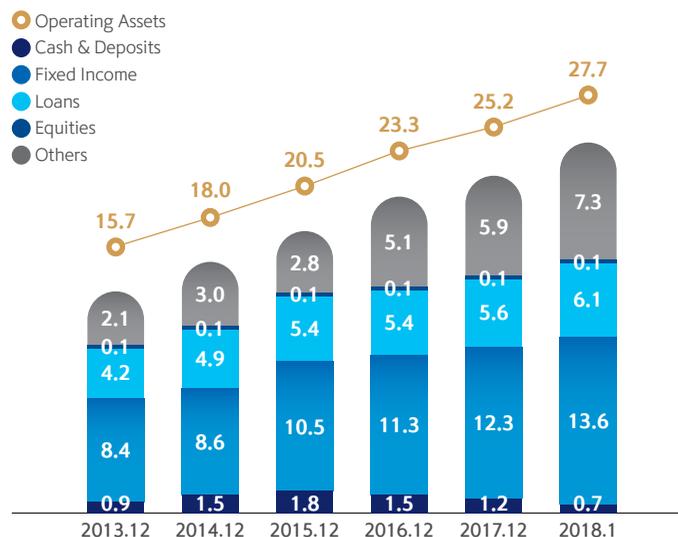
	2017.12	2018.12	YTD (%)
Stocks	377	249	51.4
Futures	820	508	61.4
Options	18	15	18.2

**Shinhan Life Insurance**

Shinhan Life Insurance had assets valued at KRW 27.7 trillion at the end of 2018, up 10.2% from 2017. Fixed income increased by 10.0% YoY as the company increased its range of investments to include held-to-maturity bonds. The value of its loans grew by 8.7%.

**Shinhan Life Insurance Operating Assets Growth**

(KRW trillion)


**ASSET QUALITY**
**Group Asset Quality**

The Group's ratio of non-performing loans fell by 0.09% points from the previous year to 0.53%, the lowest since its inception. This was achieved by the gradual elimination of riskier assets and a concomitant strategy of centering on the acquisition of safer ones.

The value of the Group's substandard and below loans was KRW 1.5 trillion at the end of 2018, down by 7.6% from the previous year. Its NPL coverage ratio reached 170% (excluding the reserve for credit losses), more than enough to cover any potential losses in the future.

**Group Asset Quality**

(KRW billion)

	2017.12	2018.12	YTD (%)
Total Loans <sup>1)</sup>	263,976	287,918	9.1
Normal	259,957	284,180	9.3
Precautionary	2,384	2,227	-6.6
Substandard	551	479	-13.2
Doubtful	518	498	-3.7
Estimated Loss	567	535	-5.6
Substandard & Below	1,635	1,512	-7.6
NPL Ratio	0.62%	0.53%	-0.09%p
Loan Loss Allowance <sup>2)</sup>	4,246	4,562	7.4
Reserve for Credit Losses <sup>3)</sup>	2,059	1,987	-3.5
(New) NPL Coverage Ratio <sup>4)</sup>	134%	170%	37%p
(Old) NPL Coverage Ratio	260%	302%	42%p

Note 1) Sum of Shinhan Bank, Jeju Bank, Shinhan Card, Shinhan Investment, Shinhan Life Insurance, Shinhan Capital and Shinhan Savings Bank

2) Sum of IFRS standard LLA and reserves for credit losses

3) Excluding reserve for contingent acceptances & guarantees and unused credit lines

4) Excluding reserve for credit losses in accordance with the revision of relevant regulation (Dec. 2016)

### Group NPL Ratio

(%)

○ Precautionary & Below Ratio ● NPL Ratio



### Group NPL Coverage Ratio

(%)

○ (Old) NPL Coverage Ratio ● (New) NPL Coverage Ratio (excluding RCL)



### Subsidiaries' Asset Quality

#### » Shinhan Bank

Shinhan Bank's NPL ratio fell by 0.10% points to 0.45% from the previous year. It maintained its NPL ratio and other indicators of the quality of its assets at a highly stable level through a growth strategy that focused on the acquisition of safe and highly-profitable assets. Substandard and below loans amounted to KRW 1.1 trillion, down 11.2% from the previous year, while its delinquency ratio was just 0.25%.

#### Shinhan Bank NPL Coverage Ratio & NPL Ratio

(%)

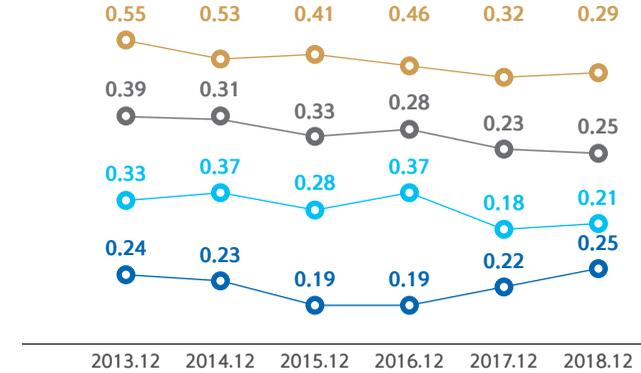
● NPL Ratio ● (New) NPL Coverage Ratio  
○ (Old) NPL Coverage Ratio (excluding RCL)



### Shinhan Bank Delinquency Ratio

(%)

● Retail ● SOHO ● Total Delinquency ● SME (+SOHO)



Note: 1 Month overdue

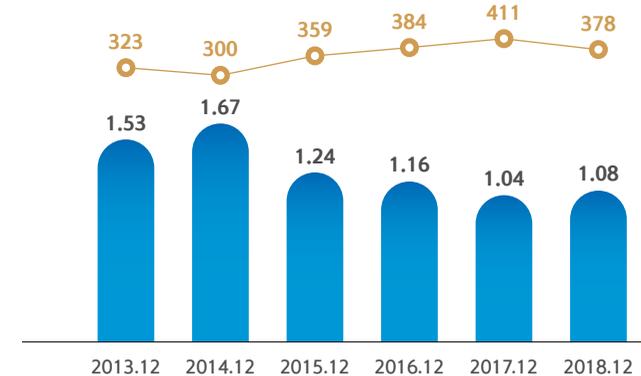
#### » Shinhan Card

Shinhan Card's NPL ratio fell by 0.04% points from the previous year to 1.08%. Substandard and below loans remained at acceptable levels despite a rise in credit card loans, while the delinquency ratio remained stable at 1.30% thanks to its preemptive risk management.

#### Shinhan Card NPL Coverage Ratio & NPL Ratio

(%)

● NPL Ratio ● NPL Coverage Ratio



## CAPITAL ADEQUACY

### Group Capital Adequacy

The Group's Common Equity Tier 1 (CET 1) Capital rose by 7.2% from the previous year due to an increase in net income and a stable generation of earnings. Risk-weighted assets grew by 10.1%, mainly due to increased sales by its global operations and a strategy of only investing in high-quality assets. Its CET 1 ratio declined slightly to 12.5% as a result.

The Basel 3 standard recommendation for a financial institution's CET 1 Ratio is 8%, while its upper limit is 10.5% if a 2.5% counter-cyclical buffering ratio is factored in. The Group's CET 1 Ratio was 12.5% at the end of 2018, leaving a buffer of about an extra 200bp over this upper limit.

The Group decided to pay a dividend of KRW 1,600 per share for the 2018 fiscal year, making its dividend payout ratio and dividend yield 23.9% and 3.9%, respectively. It has been gradually raising its dividend payout ratio ever since its establishment in an effort to improve shareholder value. It is also committed to flexible and proactive capital policies, including its decision to buy back KRW 200 billion worth of shares in September 2018.

### Group BIS Ratio

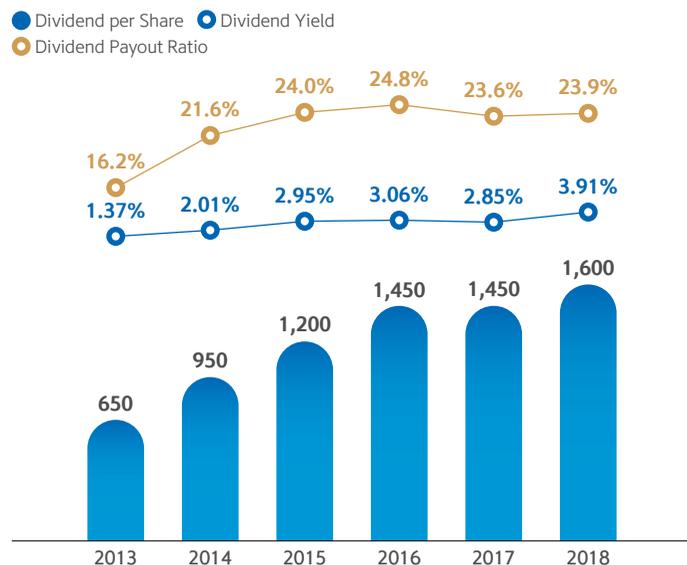
(KRW billion)

	2017.12	2018.12	YTD (%)
Risk-Weighted Assets	207,769	228,623	10.0
Capital	30,713	34,014	10.7
CET1	26,757	28,710	7.3
Tier1	27,673	30,693	10.9
BIS Ratio	14.8%	14.9%	0.1%p
CET1	12.9%	12.6%	-0.3%p
Tier1	13.3%	13.4%	0.1%p

Note: Based on Basel 3

### Group Dividend

(KRW)



### Subsidiaries' Capital Adequacy

#### » Shinhan Bank

Shinhan Bank maintained its CET 1 and Tier 1 ratios at a stable level of 12.9% and 13.3% at the end of 2018. It enjoyed a stable capital ratio thanks to its policy of focusing its growth on profitability-oriented loans and engaging in ongoing net income generation.

### Shinhan Bank BIS Ratio

(KRW billion)

	2017.12	2018.12	YTD (%)
Risk-Weighted Assets	162,875	171,593	5.4
Capital	25,391	27,499	8.3
CET1	20,891	22,118	5.8
Tier1	21,561	22,812	5.8
BIS Ratio	15.6%	16.0%	0.4%p
CET1	12.8%	12.9%	0.1%p
Tier1	13.2%	13.3%	0.1%p

Note: Based on Basel 3

#### » Shinhan Card

Shinhan Card boasted a capital adequacy ratio of 21.7% at the end of the year, a highly satisfactory level compared to the minimum regulatory ratio of 8%. It has maintained an adjusted capital ratio of 20% or better since 2007. This is mainly attributable to its ongoing efforts to reduce its credit costs through the exercise of preemptive risk management processes and maintain a stable net income.

### Shinhan Card Capital Adequacy Ratio

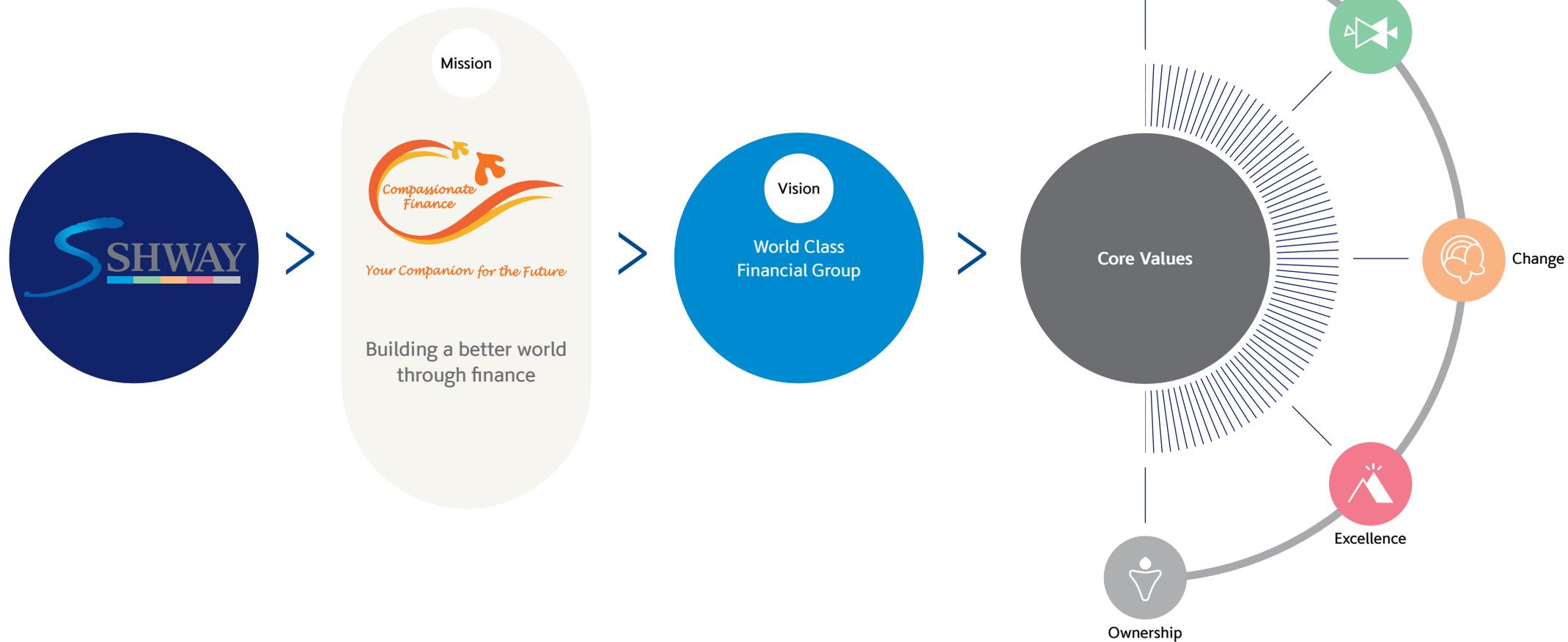
(%)



# Appendix

# Shinhan WAY

Shinhan WAY, comprised of the Group's mission, core values and vision, represents a value system by which all members of the Shinhan Financial Group measure their thoughts and actions.

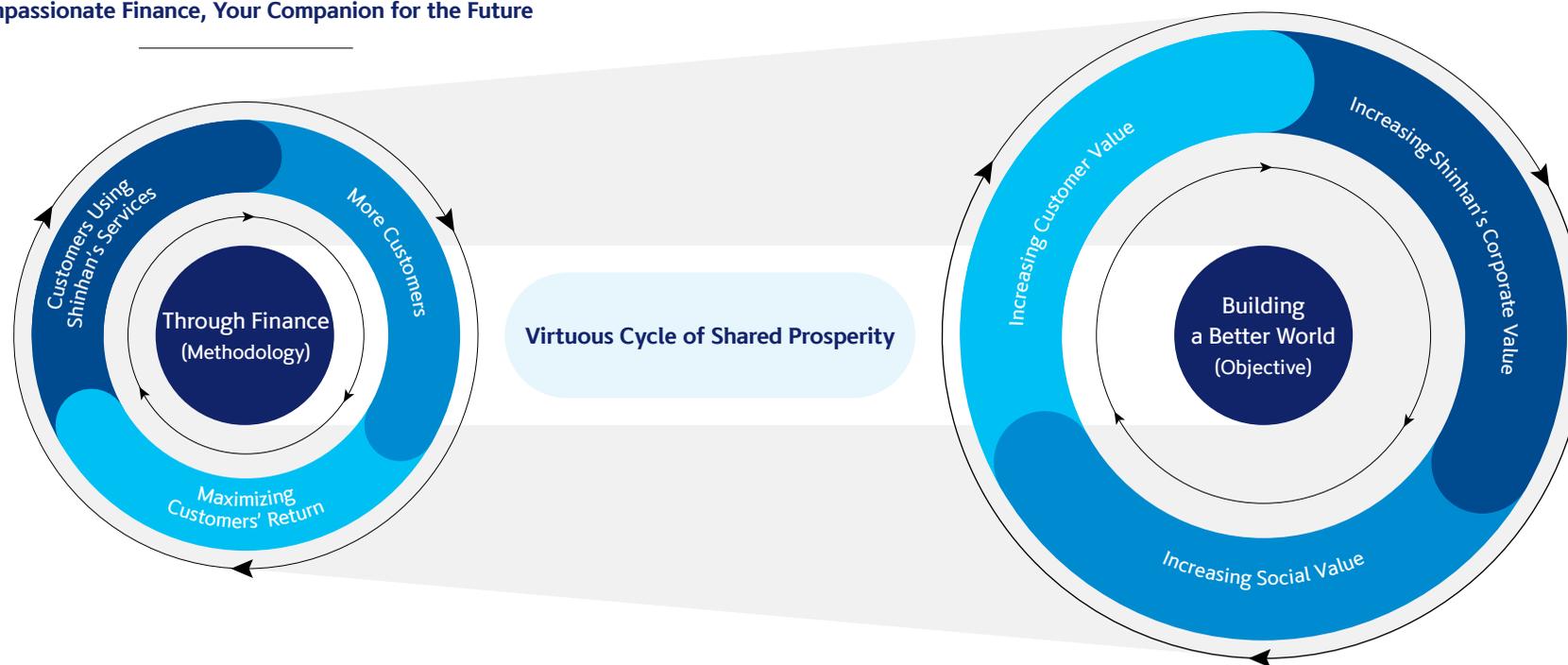


### Group Mission

Shinhan Financial Group has set "Compassionate Finance, Your Companion for the Future" as its mission. Under our mission, which is the fundamental reason and purpose of the Group, we strive to uphold a virtuous cycle of shared prosperity that will create greater value for our clients and society as a whole. To this end, we need to part with the past and practice "Creative Finance" with new methods befitting a new environment with regard to products, services, and money management, in order to make a better world through finance.

We help clients achieve their goals by providing financial products and services that meet the latest trends, and delivering high returns on the funds entrusted to us. Financial products, services and money management must evolve along with the changing times and business environment in order for our core business to succeed. Departing from past conventions, we seek innovative new solutions using a methodology we call creative finance. As Shinhan helps more clients succeed and fulfills the fundamental role of finance, that is, the efficient allocation of resources, value will increase for the whole of society. The interlinked values of Shinhan and society will grow together and lead to progress in a virtuous cycle of shared prosperity. 'Compassionate Finance, Your Companion for the Future' is significant in that it shows how corporate value and client(social) value can coexist instead of merely competing. In order to realize such coexistence, Shinhan Financial Group will work to ensure that all employees embody the spirit of compassionate finance when working and upgrade its policies and systems so that clients can benefit from differentiated services.

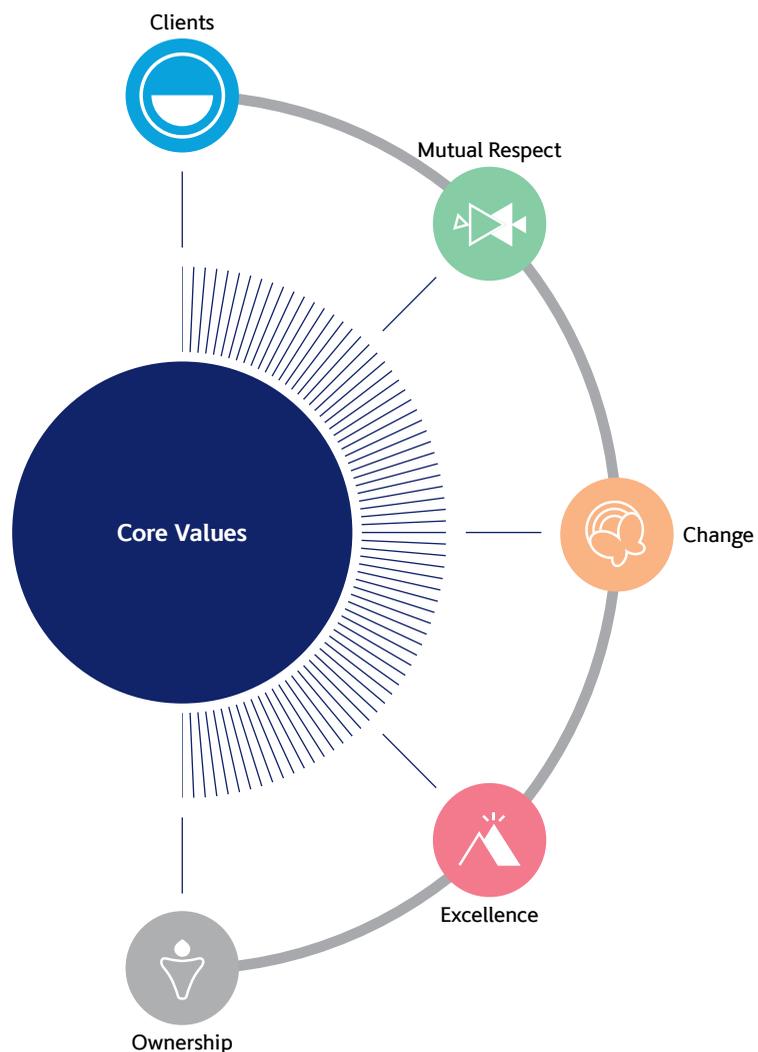
**A Better World Through Finance**  
**Compassionate Finance, Your Companion for the Future**



## Core Values

Core values guide the thoughts and actions of all Shinhan members united under the idea of One Shinhan.

### Core Values



### Meaning

#### Clients

We maintain high ethical standards to build trust with our clients, and see things from their perspective to provide products and services that raise clients' values.

#### Excellence

We continue to challenge and educate ourselves to become the leading experts in our fields so that we can produce sustainable results.

#### Mutual Respect

We seek cooperation and openness in pursuit of shared prosperity for the Group and all members of society.

#### Ownership

We practice the Shinhan WAY with pride, passion and sincerity as members of the Group and take the lead in fulfilling our responsibilities.

#### Change

We initiate meaningful changes based on our insight into shifting trends so that we can respond swiftly and boldly with creative solutions.

While the five core values remain constant, the code of conduct serves as a specific guideline to understanding and practicing these values. In January 2017, we issued a revised code of conduct that better reflects our mission statement and newly established standards for management as ascribed to the Shinhan Leader so that all members of Shinhan can continue practicing the core values in an evolving business environment.

### Code of Conduct

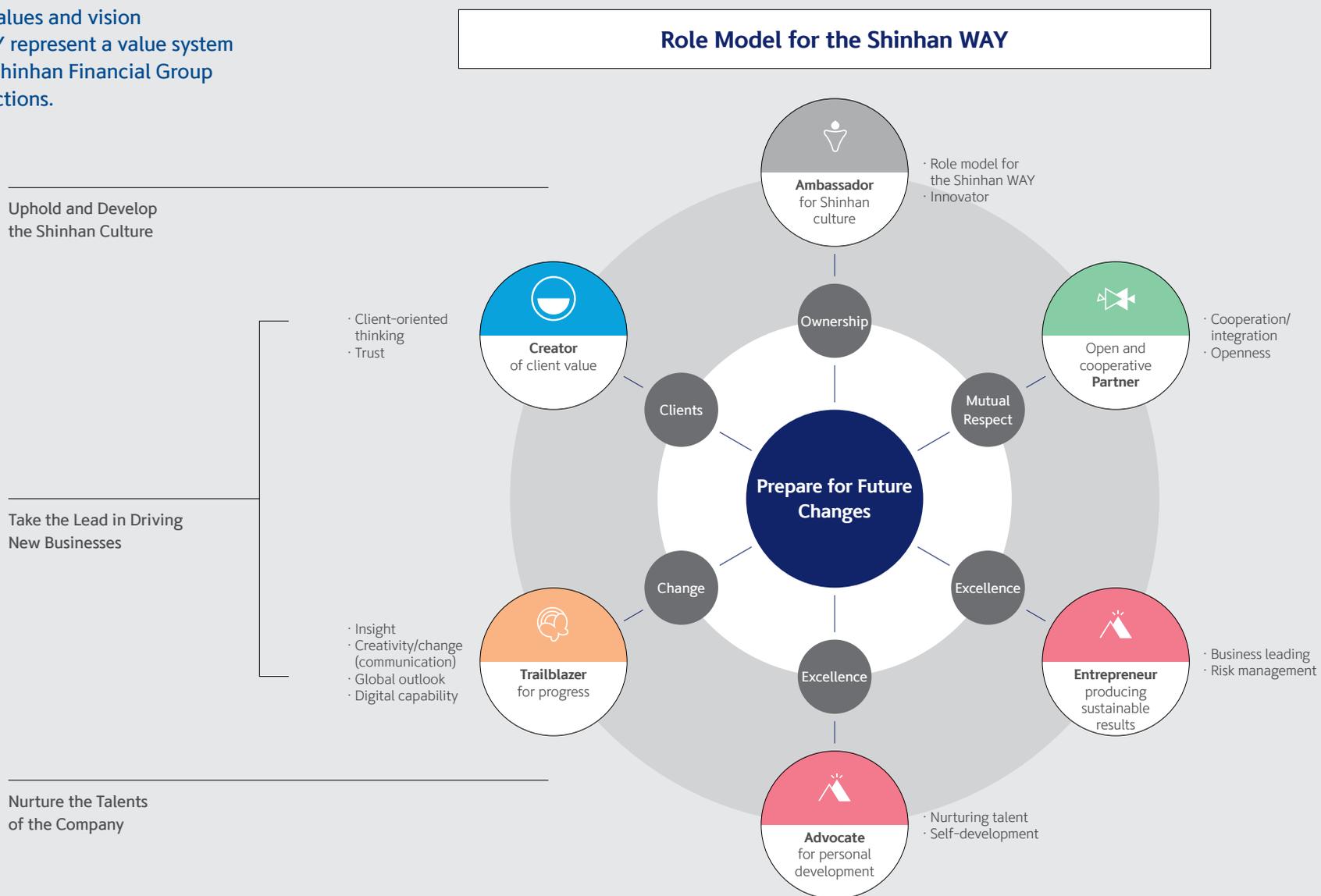
The code of conduct outlines the standards for employees' judgment and actions when applying the core values to their duties.

Core Values	Keyword	Code of Conduct
 Clients	<b>Client-oriented thinking</b>	Provide products and services based on in-depth understanding of clients' needs and their perspective.
	<b>Client value</b>	Make every effort to increase client value as the client's companion for the future.
	<b>Trust</b>	Build trust with clients by adhering to strict ethical standards and principles.
 Mutual Respect	<b>Coordination and integration</b>	Pursue cooperation as a member of One Shinhan but with respect and consideration for the other's perspective.
	<b>Openness</b>	Form a broad and diverse network of stakeholders beyond financial businesses with emphasis on open communication.
	<b>Shared prosperity</b>	Make judgments and take action to raise the value of Shinhan and society at large.
 Change	<b>Insight</b>	Predict the direction and implication of changes from a broad and comprehensive standpoint.
	<b>Creativity</b>	Think outside the box to discover new solutions and implement new approaches.
	<b>Innovation</b>	Take bold and swift action to introduce meaningful changes without being afraid of failure.

Core Values	Keyword	Code of Conduct
 Excellence	<b>Challenge and execution</b>	Set challenging goals and follow through with specific plans and perseverance.
	<b>Sustainable performance</b>	Strive to produce results that can be sustained over the long term.
	<b>Self-development</b>	Continue learning to gain the highest level of expertise and constantly explore new pursuits.
 Ownership	<b>Role model for the Shinhan WAY</b>	Set an example through actions based on a deep and sincere understanding of the Shinhan Way.
	<b>Pride</b>	Take pride and satisfaction in doing good work as a member of Shinhan.
	<b>Self-motivation</b>	Harness one's passion to inspire passion in others and take the initiative in fulfilling one's responsibilities.

# The Shinhan Leader

The mission statement, core values and vision that embody the Shinhan WAY represent a value system by which all members of the Shinhan Financial Group measure their thoughts and actions.



### Code of Conduct for the Shinhan Leader

The Shinhan Leader serves as the management's role model when implementing the Shinhan WAY and as the management's guide when preparing for the future in a changing environment. Leading the way toward achieving Shinhan's mission and vision, all members of management abide by the code of conduct when making decisions and carrying out their responsibilities.

 <p>Ambassador for Shinhan culture</p> <p><b>Ownership</b></p>	<p><b>Practice and promote the Shinhan WAY with conviction and sincerity, and uphold and develop the Group's culture in step with changes in the business environment.</b></p>	<ul style="list-style-type: none"> <li>· <b>Role model for the Shinhan WAY</b> Promote the Shinhan WAY and foster an organizational culture where employees are recognized for following its principles.</li> <li>· <b>Innovator</b> Find solutions by taking an interest in cultural issues and continue developing Shinhan's culture in step with changes in the business environment.</li> </ul>
 <p>Creator of client value</p> <p><b>Clients</b></p>	<p><b>Think from the client's perspective when making judgments and decisions, and build a relationship of trust by observing high ethical standards.</b></p>	<ul style="list-style-type: none"> <li>· <b>Client-oriented thinking</b> Gain a thorough understanding of the client's needs and ensure delivery of products and services from the client's perspective.</li> <li>· <b>Trust</b> Foster trust by following strict ethical guidelines and aspire to increasing value for the client, Shinhan and society.</li> </ul>
 <p>Open and cooperative partner</p> <p><b>Mutual Respect</b></p>	<p><b>Combine resources and capabilities for optimal group-wide performance and cultivate strategic partnerships through cooperation.</b></p>	<ul style="list-style-type: none"> <li>· <b>Cooperation/integration</b> Establish strategies from the perspective of One Shinhan, find common ground through communication and constructive feedback, and allocate resources to suit changes in the business environment.</li> <li>· <b>Openness</b> Develop a broad and diverse network of stakeholders beyond financial businesses, and enter into strategic partnerships to create new value.</li> </ul>

 <p>Entrepreneur producing sustainable results</p> <p><b>Excellence</b></p>	<p><b>Discover new business opportunities from a comprehensive standpoint, and deliver sustainable results through preemptive risk management.</b></p>	<ul style="list-style-type: none"> <li>· <b>Business leading</b> Embrace an integrated view to discover business opportunities, strive for sustainable performance, and take responsibility for the outcome.</li> <li>· <b>Risk management</b> Embrace an expansive view to identify risk factors in an evolving business environment and take preemptive action to manage the risks.</li> </ul>
 <p>Advocate for personal development</p> <p><b>Excellence</b></p>	<p><b>Make a long-term commitment to nurturing talented employees, create an open corporate culture, and continue to acquire new skills and knowledge.</b></p>	<ul style="list-style-type: none"> <li>· <b>Nurturing talent</b> Strengthen the Group by helping employees grow capabilities in preparation for the future and by creating an open culture receptive to talented outsiders.</li> <li>· <b>Self-development</b> Continue education to become the top expert in a specific field and keep exploring new areas of interest.</li> </ul>
 <p>Trailblazer for progress</p> <p><b>Change</b></p>	<p><b>Predict the future based on knowledge and insight, and make changes through honest communication and cooperation.</b></p>	<ul style="list-style-type: none"> <li>· <b>Insight</b> Anticipate changes based on in-depth expertise with a broad and comprehensive perspective.</li> <li>· <b>Creativity/change (communication)</b> Foster an atmosphere that encourages creative thinking, and reach consensus by sharing concrete visions about change.</li> <li>· <b>Global outlook</b> Evaluate and respond to the consequences of changes in the world, and satisfy global standards in communication and other aspects.</li> <li>· <b>Digital capability</b> Help employees adapt to changing times by presenting a vision for the digital future and reflect their input in setting the strategic direction.</li> </ul>

# BOD and Management

## Executive Director

### Cho Yong-byoung

**Date of Birth** June 30, 1957  
**Current Position** Chairman & CEO, Shinhan Financial Group  
**Education** B.A. in Law, Korea University

#### Main Work Experience

- 2017-Current Chairman & CEO, Shinhan Financial Group
- 2015-2017 President & CEO, Shinhan Bank
- 2013-2015 CEO, Shinhan BNP Paribas Asset Management
- 2011-2013 Deputy President, Shinhan Bank

## Non-Executive Director

### Jin Ok-dong

**Date of Birth** February 21, 1961  
**Current Position** President & CEO, Shinhan Bank  
**Education** MBA, Chung Ang University

#### Main Work Experience

- 2018-Current President & CEO, Shinhan Bank
- 2017-2018 Deputy President, Shinhan Financial Group
- 2017 Deputy President, Shinhan Bank
- 2015-2016 CEO, Shinhan Bank Japan

## Independent Directors

### Park Cheul

**Date of Birth** April 27, 1946  
**Current Position** Former) Chairman & CEO, Leading Investment & Securities Co., Ltd.  
**Education** M.A. in Economics, New York University

#### Main Work Experience

- 2006-2013 Chairman & CEO, Leading Investment & Securities Co., Ltd.
- 2004 Member of the Committee, National Economy Advisory Council
- 2003-2006 Independent Director, Korea Development Bank
- 2000-2003 Senior Deputy Governor, Bank of Korea

### Lee Manwoo

**Date of Birth** November 22, 1954  
**Current Position** Professor, Korea University Business School  
**Education** Ph.D. in Business Administration, University of Georgia

#### Main Work Experience

- 2007-2008 Chairman, Korean Accounting Association
- 2006-2007 Chairman, Korean Academic Society of Taxation
- 2001-2007 Committee Member of Securities Listing, Korea Exchange
- 1988-Current Professor, Korea University Business School

### Yuki Hirakawa

**Date of Birth** October 21, 1960  
**Current Position** CEO, Primer Korea LLC  
**Education** B.A. in Spanish, Osaka University

#### Main Work Experience

- 2013-Current CEO, Primer Korea LLC
- 1994-2012 CEO, Hirakawa Industry Development Co., Ltd.

### Philippe Avril

**Date of Birth** April 27, 1960  
**Current Position** Chairman & Representative Director, BNP Paribas Securities (Japan) Ltd.  
**Education** M.A. in Economics, Universite de Paris Dauphine

#### Main Work Experience

- 2017-Current Chairman & Representative Director, BNP Paribas Securities (Japan) Ltd.
- 2012-Current Chief Country Officer, Tokyo Branch of BNP Paribas
- 2011-2017 CEO & Representative Director, BNP Paribas Securities (Japan) Ltd.

### Park Ansoon

**Date of Birth** January 24, 1945  
**Current Position** Chairman, Taisei Group Co., Ltd.  
**Education** B.A. in Philosophy, Waseda University

#### Main Work Experience

- 2018-Current Chairman, the Korean Residents Union in Japan
- 2012-2018 Vice Chairman, the Korean Residents Union in Japan
- 2010-Current Chairman, Taisei Group Co., Ltd.

### Kim Hwa-nam

**Date of Birth** December 7, 1945  
**Current Position** CEO, Gimhae Corporation Co., Ltd.  
**Education** B.A. in Economics, Rikkyo University

#### Main Work Experience

- 2015-Current Chairman, Korea Investment Association of Korean Residents in Japan
- 2013-2016 Chairman, The World Federation of Korea Association of Commerce in Japan
- 1996-Current CEO, Gimhae Corporation Co., Ltd.
- 1995-Current Chairman of Board of Directors, Jeju Girl's School Foundation

### Choi Kyong-rok

**Date of Birth** May 25, 1966  
**Current Position** CEO, CYS Corporation  
**Education** M.S. in Computational Science, Keio University

#### Main Work Experience

- 2010-2015 Independent Director, Shinhan Life Insurance
- 2004-Current CEO, CYS Corporation
- 2001-2004 Deputy President, CYS Corporation
- 1997-2001 Research Associate, Information Technology Center at Keio University

### Lee Yoon-jae

**Date of Birth** November 3, 1950  
**Current Position** Former) CEO, KorEI  
**Education** MBA, Stanford Graduate School of Business

#### Main Work Experience

- 2009-2015 Independent Director, LG
- 2006-2012 Independent Director, KT&G
- 2006-2008 Independent Director, S-Oil
- 2001-2010 CEO, KorEI

### Byeon Yang-ho

**Date of Birth** July 30, 1954  
**Current Position** Company Advisor, VIG Partners  
**Education** Ph.D. in Economics, Northern Illinois University

#### Main Work Experience

- 2016-Current Company Advisor, VIG Partners
- 2011-2015 Non-Executive Director, TongYang Life Insurance
- 2005 Founder of Korean 1st Private Equity Fund, Vogo Fund
- 2004-2005 President, Korea Financial Intelligence Unit

### Huh Yong-hak

**Date of Birth** September 10, 1958  
**Current Position** CEO, First Bridge Strategy Ltd.  
**Education** M.S. in International Affairs, Columbia University

#### Main Work Experience

- 2015-Current CEO, First Bridge Strategy Ltd.
- 2008-2014 CIO of Alternative Investment, Hong Kong Monetary Authority
- 2004-2008 Executive Director of Asia Investment Banking Division, HSBC
- 2003-2004 Managing Director, Olympus Capital Investment

### Sung Jaeho

**Date of Birth** March 18, 1960  
**Current Position** Professor, Sung Kyun Kwan University School of Law  
**Education** Ph.D. in Law, Sung Kyun Kwan University

#### Main Work Experience

- 2018-2019 Independent Director, NICE Holdings
- 2015-2019 Independent Director, Shinhan Card
- 2015 Chairman, Korea council of International Law
- 1994-Current Professor, Sung Kyun Kwan University School of Law

## Deputy Presidents

### Park Woo-hyuk

**Date of Birth** June 3, 1963  
**Current Position** Deputy President (CSO), Shinhan Financial Group

#### Main Work Experience

- 2019-Current Deputy President, Shinhan Financial Group
- 2017-2018 Deputy President, Shinhan Bank

### Yu Sunghun

**Date of Birth** January 29, 1965  
**Current Position** Deputy President (CFO), Shinhan Financial Group

#### Main Work Experience

- 2019-Current Deputy President, Shinhan Financial Group
- 2016-2018 Managing Director, Shinhan Financial Group

### Lee Byeong-Cheol

**Date of Birth** January 22, 1963  
**Current Position** Deputy President (CPRO), Shinhan Financial Group

#### Main Work Experience

- 2019-Current Deputy President, Shinhan Financial Group
- 2017-2018 Managing Director, Shinhan Financial Group

### Jeong Woon-jin

**Date of Birth** April 20, 1964  
**Current Position** Deputy President (Head of GIB),  
 Shinhan Financial Group

#### Main Work Experience

- 2019–Current Deputy President, Shinhan Financial Group  
 Deputy President & Head of GIB, Shinhan Bank, Shinhan Investment, Shinhan Life, Shinhan Capital
- 2018 Deputy President, Shinhan Bank

### Jang Dong-ki

**Date of Birth** January 2, 1964  
**Current Position** Deputy President (Head of GMS),  
 Shinhan Financial Group

#### Main Work Experience

- 2019–Current Deputy President, Shinhan Financial Group  
 Deputy President & Head of GMS, Shinhan Bank,  
 Shinhan Investment, Shinhan Life
- 2018 Deputy President, Shinhan Financial Group

### Jeong Jiho

**Date of Birth** June 25, 1963  
**Current Position** Deputy President (Head of Global Business),  
 Shinhan Financial Group

#### Main Work Experience

- 2019–Current Deputy President, Shinhan Financial Group  
 Deputy President & Head of Global Business,  
 Shinhan Bank, Shinhan Card, Shinhan Investment,  
 Shinhan Life
- 2017–2018 Managing Director, International Trade Business Division

### Wang Mi-hwa

**Date of Birth** October 5, 1964  
**Current Position** Deputy President (Head of WM),  
 Shinhan Financial Group

#### Main Work Experience

- 2019–Current Deputy President, Shinhan Financial Group  
 Deputy President & Head of WM, Shinhan Bank,  
 Shinhan Investment
- 2018 Managing Director, Shinhan Bank

### Kim Im-geun

**Date of Birth** July 25, 1963  
**Current Position** Deputy President (CRO), Shinhan Financial Group

#### Main Work Experience

- 2019–Current Deputy President, Shinhan Financial Group
- 2015–2019 Executive Director, Shinhan Financial Group

### President of Future Strategy Research Institute

#### Sunny Yi

**Date of Birth** March 25, 1962  
**Current Position** President of Future Strategy Research Institute

#### Main Work Experience

- 2019–Current President of Future Strategy Research Institute
- 2000–2017 Global Director & Managing Partner (Korea),  
 Bain & Company
- 1991–2000 Managing Partner (Asia), AT Kearney

### Executive Directors

#### Wang Ho-min

**Date of Birth** March 4, 1964  
**Current Position** Executive Director (CCO), Shinhan Financial Group

#### Main Work Experience

- 2019–Current Executive Director, Shinhan Financial Group
- 2017–2018 General Manager of Jamsil-nam Branch, Shinhan Bank

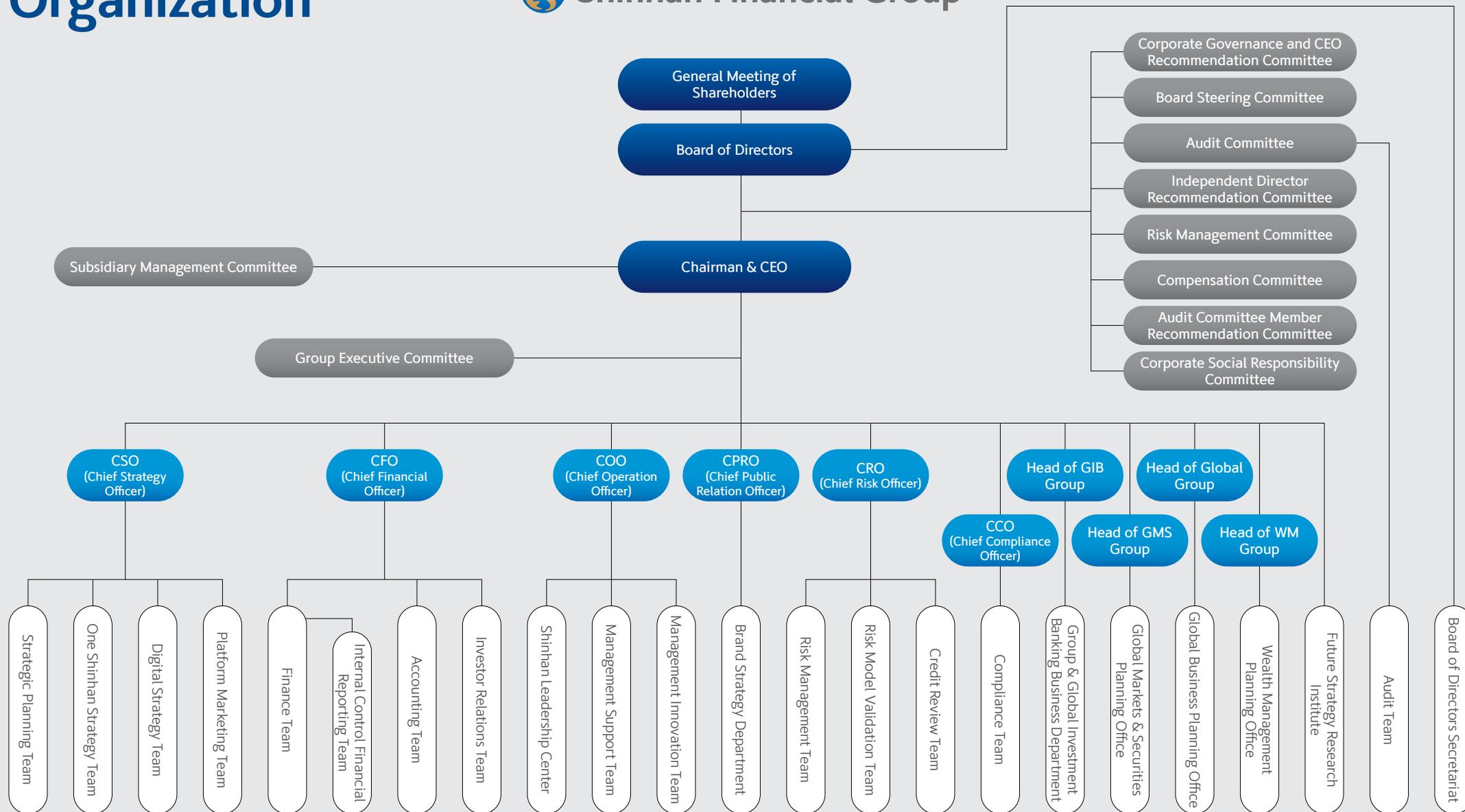
#### Lee Een-Kyoon

**Date of Birth** April 1, 1967  
**Current Position** Executive Director (COO), Shinhan Financial Group

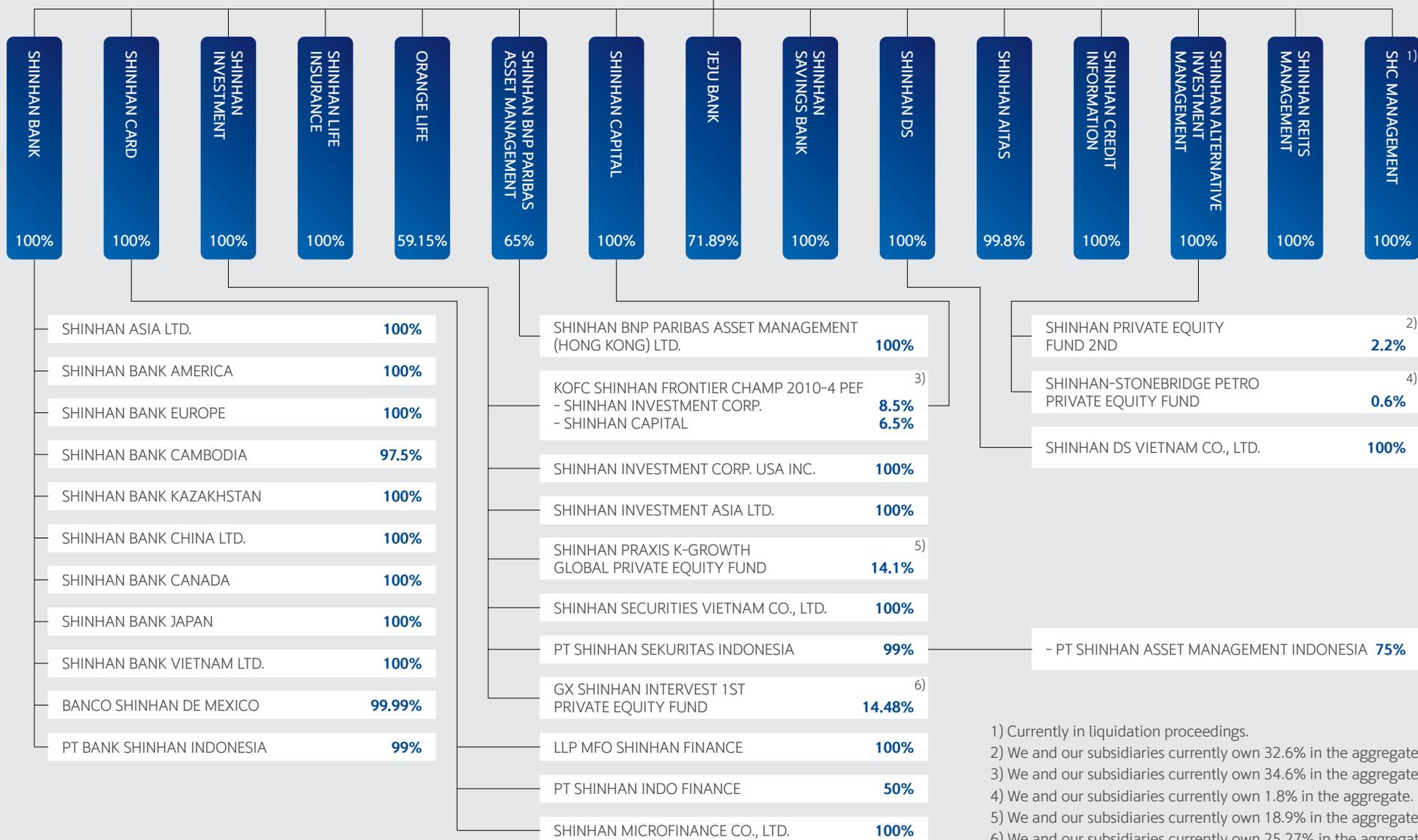
#### Main Work Experience

- 2019–Current Executive Director, Shinhan Financial Group
- 2017–2018 Head of Management Support Team,  
 Shinhan Financial Group

# Organization



# Business Portfolio



1) Currently in liquidation proceedings.  
 2) We and our subsidiaries currently own 32.6% in the aggregate.  
 3) We and our subsidiaries currently own 34.6% in the aggregate.  
 4) We and our subsidiaries currently own 1.8% in the aggregate.  
 5) We and our subsidiaries currently own 18.9% in the aggregate.  
 6) We and our subsidiaries currently own 25.27% in the aggregate.

# Global Network

## Shinhan Bank

Country	Name	Telephone	Address
Japan	SHINHAN BANK JAPAN	81-3-6403-0505	The Mita Bellju Building 5F, 108-0014 5-36-7 Shiba, Minato-ku, Tokyo, Japan
China	SHINHAN BANK (CHINA)	86-10-8529-0088	12th Fl. Zhongyu Plaza No.6, Workers' Stadium Road N.,Chaoyang District, Beijing 100027, China
Vietnam	SHINHAN BANK VIETNAM	84-8-3829-1581	Ground Floor, Mezzanine, 2nd & 3rd floor, Empress Tower, 138 – 142 Hai Ba Trung, Dakao Ward, District 1, Ho Chi Minh City, Vietnam
USA	SHINHAN BANK AMERICA	1-646-843-7300	330 5th Avenue 4th Floor New York, NY 10001 USA
Indonesia	PT BANK SHINHAN INDONESIA	62-21-2975-1500	International Financial Centre Tower 2, Ground floor, Mezzanine, 30th and 31st floor, Jl. Jenderal Sudirman Kav.22-23 South Jakarta, Indonesia
Germany	SHINHAN BANK EUROPE GmbH	49-69-975-7130	Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany
Canada	SHINHAN BANK CANADA	1-416-250-3500	5140 Yonge Street Suite 2300 Toronto, Ontario, M2N6L7, Canada
Hong Kong	SHINHAN ASIA LIMITED	852-3717-0700	Units 7704, 77/F International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
Cambodia	SHINHAN KHMER BANK	855-23-727-380	No.277 Norodom Blvd Sangkat Tonle Bassac Khan Chamkarmon Phnom Penh Cambodia
Kazakhstan	SHINHAN BANK KAZAKHSTAN	7-727-356-9620	38 Dostyk ave. Almaty, 050010, Republic of Kazakhstan
Mexico	BANCO SHINHAN DE MEXICO	52-55-6722-8000	Av. Paseo de la Reforma 250, Reforma Capital Torre B Cuauhtemoc, Juarez, 06600, Mexico D.F., Mexico
Hong Kong	HONGKONG BRANCH	852-2867-0100	Unit 7703, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
USA	NEWYORK BRANCH	1-212-371-8000	600 3rd Ave, 17th Floor, New York, NY10016, U.S.A
England	LONDON BRANCH	44-207-600-0606	6th Floor, 77 Gracechurch Street, London, EC3V 0AS.
Singapore	SINGAPORE BRANCH	65-6536-1144	1 George St. #15-03, Singapore 049145
India	MUMBAI BRANCH	91-22-6199-2000	5th Floor, Wockhardt Towers, C2, G Block, Bandra Kurla Complex, Bandra, Mumbai, 400-051, India
India	NEW DELHI BRANCH	91-11-4500-4800	3rd Floor, D-6, Part II South Extension, New Delhi, India
India	KANCHEEPURAM BRANCH	91-44-2714-3500	Survey No:69/4A1 B No.101A, Bangalore Highway Road, Thandalam Village, Kancheepuram, Tamilnadu, India 602105
India	PUNE BRANCH	91-20-3086-4800	Ground Floor, Red Building. Plot No.2, Galaxy Society, Boat Club Road, Pune, Maharashtra, India 411001
India	AHMEDABAD BRANCH	91-79-7117-0400	FF2&FF3, 1st Floor, Shapath V Building, Opp. Karnavati Club, S.G.Highway, Ahmedabad, Gujarat, India 380015
India	RANGA REDDY BRANCH	91-40-6635-2000	SLN Terminus, 1st Floor, Survey No 133, Gachibowli, Serilingampally, Mandal, Ranga Reddy District, Telangana State, India 500032
Myanmar	YANGON BRANCH	95-1-9345-170	No.192, 10th Floor, Myanmar Centre Tower 1, Kabaraye Pagoda Road, Bahan Township, Yangon, Myanmar
Australia	SYDNEY BRANCH	61-2-9224-7901	Level 25, 52 Martin Place, Sydney, NSW 2000, Australia
Philippines	MANILA BRANCH	63-2-405-6300	21st Floor, RCBC Savings Bank Corporate Center(RSBCC), 26th & 25th Street, Bonifacio South, Bonifacio Global City, Taguig City, Manila, Philippines
UAE	DUBAI BRANCH	971-4-551-2820	S1204, Emirates Financial Tower, DIFC, P.O. Box 507001, Dubai, U.A.E.
Uzbekistan	SHINHAN BANK UZBEKISTAN REPRESENTATIVE OFFICE	998-71-150-1184	Neworld bldg. 3rd fl., Oybek st. 22 Tashkent, Uzbekistan 100015

### Shinhan Card

Country	Name	Telephone	Address
Indonesia	PT SHINHAN INDO FINANCE	62-21-857-9095	Wisma Indomobil 1, 10th Floor, Jl. Letjen M.T. Haryono Kav. 8, Jakarta 13330, Indonesia
Kazakhstan	LLP MFO SHINHAN FINANCE	7-727-352-85-62	Office 2/3, 2nd floor, 48 Auezov street, Almaty, Republic of Kazakhstan
Myanmar	SHINHAN MICROFINANCE CO., LTD.	094-5296-7837	Room 206, 3 RC Building, Thiri Mingalar Street, East Ywama Township, Yangon, Myanmar

### Shinhan Investment

Country	Name	Telephone	Address
Indonesia	SHINHAN SEKURITAS INDONESIA	62-21-8086-9900	Jalan Jendral Sudirman Kav. 22-23, RT.10/RW.1, Karet, Setia Budi, Kota Jakarta Selatan, DKI Jakarta 12920, Indonesia
Hong Kong	SHINHAN INVESTMENT ASIA	852-3713-5301	Units 7705A, Level 77 International Commerce Center(ICC), 1 Austin Road West, Kowloon, Hong Kong
Vietnam	SHINHAN INVESTMENT VIETNAM	84-28-6299-8000	22nd floor, Centec Tower, 72-74 Nguyen Thi Minh Khai, Phuong 6, District 3, Ho Chi Minh City, Vietnam
USA	SHINHAN INVESTMENT NEW YORK	1-212-397-4000	1325 Avenue of the Americas #2002A, New York, NY 10019, USA
China	SHINHAN INVESTMENT SHANGHAI REPRESENTATIVE OFFICE	86-21-6194-6624	1st Floor, Huaneng Unite Mansion, 958, Lujiazui Ring Road, Pudong New Area, Shanghai 200120, China
Vietnam	SHINHAN INVESTMENT HO-CHI-MINH CITY REPRESENTATIVE OFFICE	84-28-6287-8034	22nd floor, Centec Tower, 72-74 Nguyen Thi Minh Khai, Phuong 6, District 3, Ho Chi Minh City, Vietnam
Indonesia	SHINHAN ASSET MANAGEMENT INDONESIA	62-21-3100078	Sucaco, Jl. Kebon Sirih No.71, RT.3/RW.2, Kb. Sirih, Menteng, Kota Jakarta Pusat, Daerah Khusus Ibukota, Jakarta 10340 Indonesia

### Shinhan Life Insurance

Country	Name	Telephone	Address
Vietnam	SHINHAN LIFE HANOI OFFICE	84-24-3766-2000	2501-2 Keangnam Hanoi Landmark Tower, Plot E6, Cau Giay, New Urban Area, Me Tri Ward, Nam Tu Liem District, Hanoi City, Vietnam

### Shinhan BNPP AM

Country	Name	Telephone	Address
Hong Kong	SHINHAN BNP PARIBAS ASSET MGT HK LIMITED	001-852-2525-9110	29/F THREE EXCHANGE SQUARE 9 CONNAUGHT PLACE CENTRAL, HONG KONG

### Shinhan DS

Country	Name	Telephone	Address
Vietnam	SHINHAN DS VIETNAM COMPANY LIMITED	84-28-3823-7255	Room 201, 2nd Floor, Centec Tower, 72-74 Nguyen Thi Minh Khai, Ward 6, District 3, Ho Chi Minh City, Vietnam