

F.R.E.S.H.

The letters of 'F.R.E.S.H.' are large and filled with various images. 'F' is a solid blue. 'R' shows a blue sky with white clouds and birds. 'E' is a solid blue. 'S' features a blue sky with birds and white concentric circles. 'H' is a solid blue. Small blue dots separate the letters.

thinking

ANNUAL REPORT 2020



F.R.E.S.H

Challenging
the status quo,
considering it
with fresh ideas.

Calling into question existing rules, challenging established practices and thinking beyond preconceived ideas – these are the principles of Shinhan Financial Group’s new strategic direction, “F.R.E.S.H. 2020s”. Our ability to bring fresh thinking to everything we do is the result of a unique blend of diverse and complementary businesses, an extensive global network, a long-term perspective and most of all, a dynamic culture which prizes challenge, teamwork and integrity.

Fresh thinking – going beyond conventional wisdom – has enabled us to uncover opportunities, nurture good ideas, help businesses grow stronger, create sustainable value and give back to our communities. In the same way, “F.R.E.S.H. 2020s” will continue to guide us and drive our performance ever upwards as we shape the future of finance.



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Message from the CEO



Dear shareholders,

Last year, Shinhan Financial Group established “F.R.E.S.H 2020s”, a mid-term strategy for achieving sustainable growth, and came together as one to embark on a challenging journey in pursuit of our vision “Excellence, Shinhan”. Reviewing our 2020 performance in terms of the five strategic elements – Fundamental, Resilience, Eco-system, Sustainability, and Human-talent – it is my great pleasure to report that we made significant achievements in all areas amid a multitude of uncertainties blanketing the global financial market.

First, we confirmed our “Fundamental” strengths despite the prolonged fears of COVID-19 compounded by lowering base rates. Backed by our diversified business portfolio in non-banking sectors, our interest income was increased by 1.9%, and non-interest income by 7.9% year-on-year, thereby achieving profitable growth for the seventh consecutive year.

On “Resilience”, we prepared ourselves for the impact of COVID-19 in anticipation of a protracting pandemic. To this end, we actively provisioned against loan losses and proactively responded to underperforming investment products, and thus eliminated future uncertainties and demonstrated our ability to turn crises into opportunities for advancement.

As for creating a digital “Eco-system” that will enable us to lead the future of finance, we built such effective framework to drive our digital transformation as “Digilog Committee” which streamlines the decision-making process and accelerates digital transformation across the Group. In addition, we further sharpened our competitive edge by forming ties and collaborating with fin-tech, big-tech and other diverse industry leaders.

On “Sustainability”, we strived to build up win-win ecosystems that is sustainable in a post COVID-19 era by upgrading our ESG management structure and spurring efforts in green finance and innovative finance. In particular, we have launched “Zero Carbon Drive”, an initiative to fight climate change and pursue net-zero carbon emissions across our portfolio by 2050. We will continue to work towards a greener future in collaboration with various global players to shape a happier and healthier future.

Last, on “Human-talent” that completes “F.R.E.S.H. 2020s”, we made multifaceted efforts through diverse avenues, internal and external, thereby securing talent who can lead in the digital era and gave them opportunities to unlock their full potential. We also developed a corporate culture of speed, agility and quickness.

As a result, we achieved a net income of KRW 3,414.6 billion, the largest ever in the industry’s history, representing a high-water mark in the financial industry amidst difficult circumstances at home and abroad.

Plans for 2021

Shinhan is facing the year 2021 with a resolve steelier than ever before. COVID-19 has disintegrated the conventional norms of human interactions. In these times of unforeseen changes and sprawling confusions, we stand tall on strong fundamentals, armed with business resilience and top-class talent, designing a sustainable eco-system for the future. The oncoming multitude of uncertainties can sink the unprepared, but can sail the vessel of the prepared across uncharted waters.

This year, all members of Shinhan will further solidify the foundation for, and accelerate the innovation drive toward “Excellence, Shinhan” in the direction of differentiated growth to which “F.R.E.S.H 2020s” is set. We will reinforce what we excel and supply what we lack, and we will always put customers and shareholders at the center of everything we do in our endeavor to repay their unswerving support of Shinhan with the greatest value and best experience possible.

Esteemed shareholders,

Ever since the establishment of Shinhan Financial Group, we have been able to overcome countless hardships, carrying on our legacy of success, thanks to the steadfast support, keen interest, and unswerving trust you have given us as we rose to one challenge after another. In 2021, as before, we will spare no effort to forge ahead on the journey going beyond the podium of No.1 to the more promising hill of “Excellence, Shinhan”, all to your grand expectations on Korea’s leading financial group that we are. I wish you all health and peace in the Year of the White Ox, a symbol of strength and placidity.



Cho Yong-byoung

Chief Executive Officer, Shinhan Financial Group



[CEO Interview Video](#)



This year, we will reinforce what we excel and supply what we lack, and we will always put customers and shareholders at the center of everything we do.



Key Performance Indicators

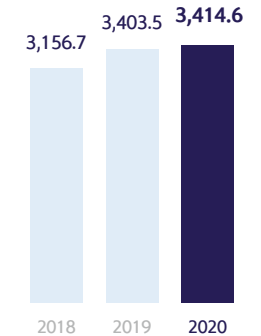
(KRW billion)

	2020	2019	YoY %
Operating Income before Expenses	11,532.9	11,131.7	3.6
Interest Income	8,155.1	8,001.0	1.9
Non-interest Income	3,377.8	3,130.7	7.9
G&A Expenses	5,212.5	5,134.7	1.5
Operating Income	6,320.4	5,997.0	5.4
Non-operating Income	-175.9	-134.7	n.a.
Pre-provision Income	6,144.5	5,862.3	4.8
Provision for Credit Losses	1,390.6	950.8	46.3
Earnings before Income Tax	4,753.9	4,911.5	-3.2
Income Tax	1,255.8	1,269.1	-1.1
Consolidated Net Income¹⁾	3,414.6	3,403.5	0.3
Loans in KRW (Bank, KRW trillion)	248.8	225.0	10.6
Group Assets (Consolidated, end-of-period, KRW trillion)	605.3	552.4	9.6
NIM (Group)	1.80%	2.00%	-0.20%p
Cost to Income Ratio	45.2%	46.1%	-0.9%p
Credit Cost Ratio	0.41%	0.30%	0.10%p
(Credit Cost Ratio excluding one-offs ²⁾)	0.29%	0.30%	-0.01%p
NPL Ratio	0.56%	0.52%	0.03%p
ROE	8.4%	9.4%	-1.0%p
ROA	0.6%	0.7%	-0.1%p
CET1 Ratio (Group) ³⁾	12.9%	11.1%	1.8%p

¹⁾ Net income in controlling interest²⁾ One-offs: Preemptive provisioning based on FLC (KRW 394.4 billion for 2020)³⁾ When not reflecting the early adoption of the revised BASEL III credit risk framework, CET1 is 11.75% for 2020

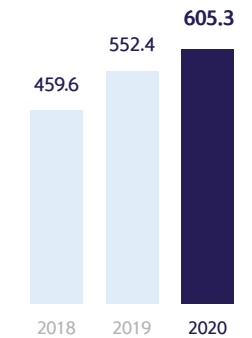
Group Net Income

(KRW billion)

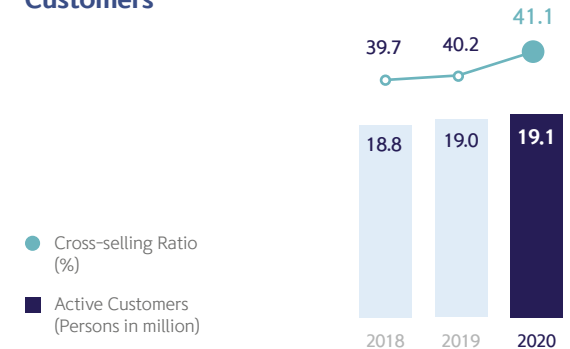


Group Assets

(KRW trillion)



Customers



Stock Information

Shareholders Holding Ownership of More than 1%

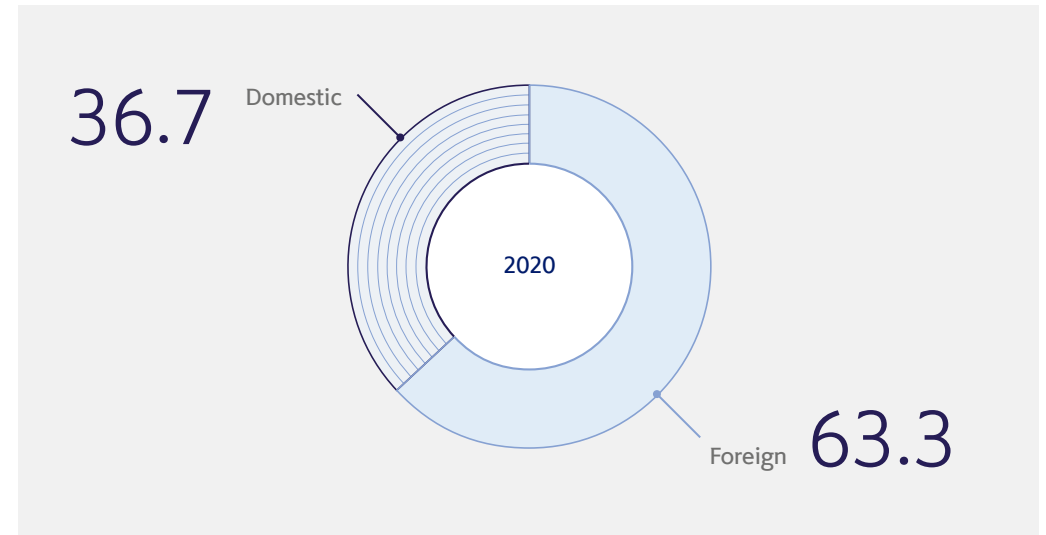
Name of Shareholder	Number of Shares Owned	Ownership
National Pension Service	50,666,140	9.81%
BlackRock Fund Advisors ¹⁾	29,063,012	5.63%
SFG Employee Stock Ownership Association	24,788,139	4.80%
Centennial Investment Limited	20,440,000	3.96%
BNP Paribas SA	18,690,310	3.62%
Supreme, L.P.	18,690,000	3.62%
Citibank, N.A. (ADR Dept.)	14,885,417	2.88%
The Government of Singapore	9,747,771	1.89%
Vanguard Total International Stock Index	6,389,977	1.24%
Peoples Bank of China	5,729,646	1.11%
Others	346,572,154	67.09%
Total	516,599,554	100.00%

* Based on the results of shareholder registry closing as of December 31, 2020

¹⁾ Based on the large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisory Service on September 27, 2018

Share Ownership

(Unit: %)



Stock Performance

(Unit: KRW)

	2020	2019
Market Capitalization (Year End)	16.6 trillion	20.6 trillion
Share Price		
Year End	32,050	43,350
High	42,750	48,000
Low	22,200	38,350
Weighting in the KOSPI (Year End)	0.8%	1.4%
Average Daily Trading Volume	2.4 million shares	1.0 million shares
Dividend Per Share (Common Stock)	1,500	1,850
Total Dividend Paid (Common Stock)	774 billion	852 billion
Dividend Payout Ratio (Common Stock)	22.7%	25.0%

Number of Shares Issued

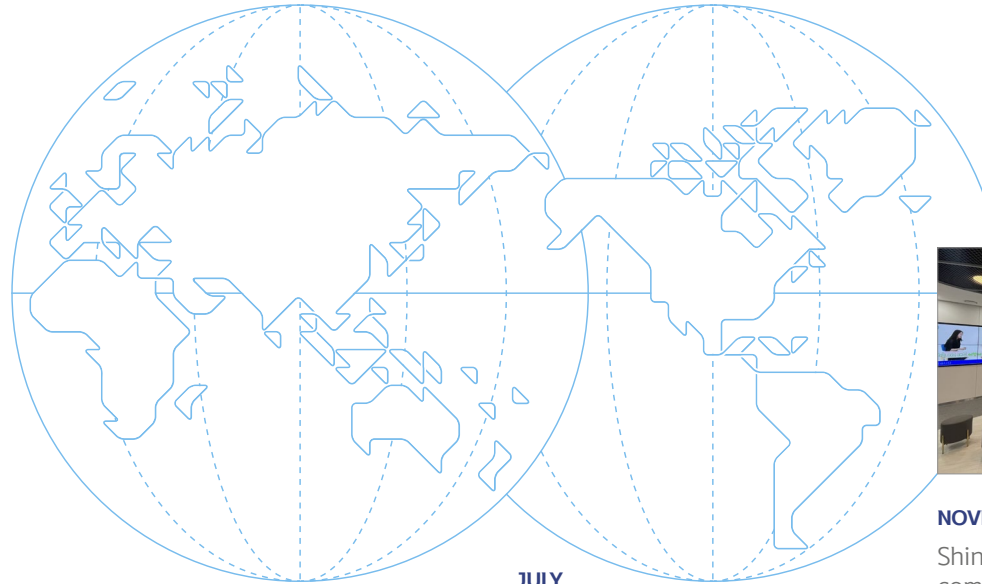
Type of Stock	No. of Shares
Common Stock	516,599,554
Convertible Preferred Stock ²⁾	17,482,000

* The number of treasury shares held by Shinhan Financial Group as of December 31, 2020 is 6,350 common shares

²⁾ All of the 17,482,000 convertible preferred shares other than the above common shares are held by Mercury 1st LLC.

YEAR IN REVIEW

More progress around the world



NOVEMBER

Shinhan Bank became the first commercial bank to open a "Digitact Branch", a futuristic innovative branch model that is equipped with a video consulting system

Q4

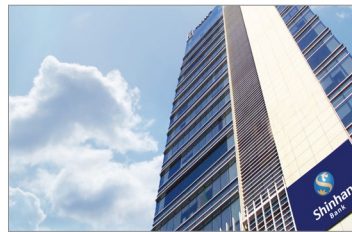
JULY

Shinhan Bank Vietnam was chosen as the "Best Companies to Work For 2020" by HR Asia for two consecutive years

Q3

APRIL

Shinhan Bank's overseas subsidiary in Japan, SBJ Bank, established a local ICT subsidiary specializing in digital and ICT support – Digital-Decoupling, New-Network, eXperience-transformation



BUSINESS DEVELOPMENT

Q1

JANUARY

Fully acquired OrangeLife
Shinhan Bank was chosen as the "Most Innovative Bank for Trade Finance in 2020" by Global Finance, a global financial magazine

Q2

MAY

Shinhan AI commenced joint "NEO" R&D project with ELEMENT AI, a global AI software solution company located in Canada
Shinhan Bank India launched "Shinhan SOL India"

SEPTEMBER

Neoplux (current Shinhan Venture Investment) became a subsidiary



OCTOBER

Shinhan Bank Vietnam opened its 38th branch, the Can Tho branch, in the Mekong Delta region in southern Vietnam



DECEMBER

Shinhan Bank opened "Expace", an open R&D space for digital innovation



Search



Digital Transformation

DIGITAL TRANSFORMATION



Q1

JANUARY

Shinhan AI's AI investment advisory platform NEO was used to launch "Shinhan BNPP SH-AI NEO Asset Allocation Fund" and "Shinhan NEO AI Fund Wrap"

Shinhan Investment's "overseas equity online gift card service" was designated as an "Innovative Financial Service" by Financial Services Commission (FSC)

FEBRUARY

Shinhan Card's "rental brokerage platform service" was chosen as an Innovative Financial Service by FSC

MARCH

Shinhan Card launched the personal expenditure management (PEM) service

Q2

APRIL

The Group membership system, Tops Club, was upgraded to "Shinhan Plus"

JUNE

Shinhan Card launched "Shinhan Pay^{FAN} My Healthcare Service", and "My Monthly Rent" service

Q3

JULY

Shinhan Card signed a strategic business agreement with "Zigbang", a leading property technology (prop tech) company in Korea



SEPTEMBER

Shinhan AI officially opened an AI-based product investment advisory service and AI market warning system

Q4

OCTOBER

Shinhan Card commenced the credit bureau (CB) service for individual entrepreneurs

Shinhan Bank's R-Offering platform¹⁾ won "This Year's Project" in the Omni Experience Innovator category of the "2020 IDC (International Data Corporation) DX Award"



DECEMBER

Shinhan Future's Lab held the N.E.O. (New Era of Opportunity) Renaissance Startup Demo Day event

Shinhan Bank & Shinhan Card received a preliminary permit for MyData business

¹⁾ A hyper-personalized marketing system that detects contact/transaction type information that is generated through at least 20 on/offline channels for recommendation of tailored products and services for each customer and real-time delivery of benefits information



Sustainability Management

SUSTAINABLE MANAGEMENT

Q1

MARCH

Launched the third group of Shinhan SHeroes
 Shinhan Life Insurance became the first in the domestic life insurance industry to join the UN Principles for Sustainable Insurance (PSI)

Q2

JUNE

Shinhan Investment strengthened financial product-related internal control (product governance)
 Launched Shinhan N.E.O. Project¹⁾ to spur innovative growth

Q3

JULY

Published the 2019 Group Corporate Social Responsibility Report (SASB, TCFD-aligned information disclosure)

SEPTEMBER

Shinhan Bank became the first commercial bank in Korea to join the Equator Principles

Q4

NOVEMBER

Shinhan Financial Group became the first financial group in East Asia to declare ambitions for achieving carbon neutrality with its "Zero Carbon Drive"

DECEMBER

Shinhan Financial Group joined the Partnership for Carbon Accounting Financials (PCAF) and Science-Based Targets initiative (SBTi)



8 & 12
consecutive years



DJSI
 Included in DJSI World for 8 consecutive years (12 years for AP Index and Korea Index)

Global 100

Included on Global 100 Most Sustainable Corporations list by Davos Forum for 9 consecutive years (Ranked 84th among global and 1st among financial companies in Asia)

84th



7
consecutive years



CDP
 Included in Carbon Management Hall of Fame for 3 consecutive years and in the Carbon Management Honors Club for 7 consecutive years (Acquired Leadership level A)

AA

MSCI ESG

Received AA grade for 5 consecutive years



KCGS ESG Evaluation
 Received A+ grade for 6 consecutive years



A+

¹⁾ New Economic growth supporting Operations

RESPONSE TO COVID-19

Shinhan Financial Group, as a leading financial group and respectful corporate citizen, has been responding to the COVID-19 pandemic from immediate relief efforts to long-term recovery strategies. In addition, we help our society remain competitive and resilient in the post COVID-19 era.

New credit extensions
KRW 13.1 trillion

Maturity extensions & debt rescheduling
KRW 23.1 trillion

Interest payment deferrals
KRW 388.5 billion

* As of December 31, 2020



CUSTOMERS

COVID-19 relief for
SME and SOHO clients



Committed KRW 1.8 trillion funding into
Bond Market Stabilization Fund

Committed KRW 1.0 trillion funding into
Equity Market Stabilization Fund

Donated KRW 3.3 billion for local communities
and those impacted by COVID-19,
as well as the medical staff

Provided a platform for donation through
crowd funding

* As of December 31, 2020



SOCIETY

Market Stability and
Philanthropic Finance



Activated Business Continuity Plan

Full disinfection of working area

Installation of an acrylic wall to prevent
spread of virus

Strong digital infrastructure to support
employees working remotely without cyber
security issues



EMPLOYEES

Employee Safety
in Priority

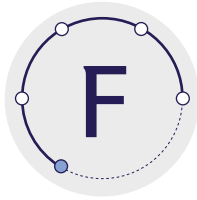


F.R.E.S.H 2020s

F.R.E.S.H 2020s is Shinhan Financial Group's distinctive strategy for achieving "Excellence, Shinhan". Even as the COVID-19 pandemic swept the globe in 2020, we put the strategic direction into practice, and progressed positively towards our long-term goal of becoming a "world-class financial group".

Mid-term Strategy Roadmap





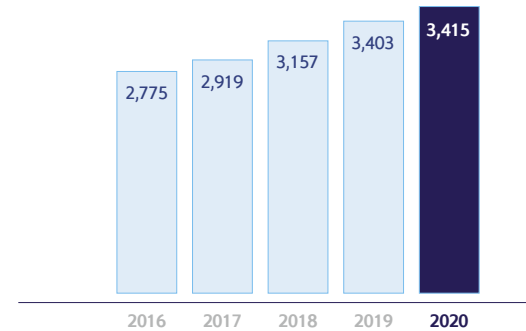
Maximizing corporate value by fortifying fundamentals

Securing sustainable growth through a diversified portfolio

In 2020, Shinhan Financial Group continued strong growth based on the consistent application of its mid- to long-term strategies. Even amidst the huge uncertainties caused throughout the year by the COVID-19 pandemic, we were able to increase interest income, our main profit source, and also achieve further growth by diversifying our business portfolio. As a result, our consolidated net income rose by 0.3% year-on-year to KRW 3,414.6 billion, the seventh consecutive year of profitable growth. Despite the low interest rate environment, our interest income grew by KRW 154.0 billion or 1.9%, while non-interest income saw strong growth of KRW 247.0 billion or 7.9%. In addition, we continued to build the foundations for sustainable growth with a solid increase in assets.

GROUP NET INCOME

(Unit: KRW billion)

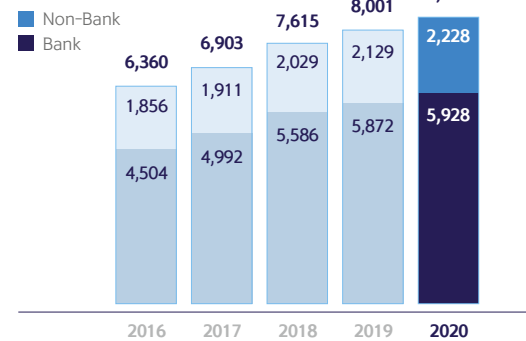


Maintained a strong level of income, driven by a diversified business portfolio, and thus achieved a net income of KRW 3,414.6 billion, a year-on-year increase of 0.3%

3,415 KRW billion

GROUP INTEREST INCOME

(Unit: KRW billion)

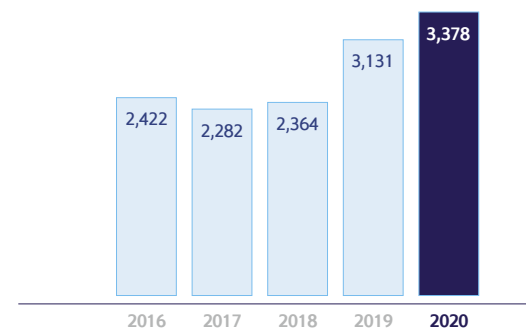


Thanks to solid asset growth based on a balanced loan portfolio and advanced asset-liability management (ALM), both bank and non-bank interest income rose during the year despite low interest rates and margins, achieving year-on-year increases of 1.0% and 4.6%, respectively.

8,155 KRW billion

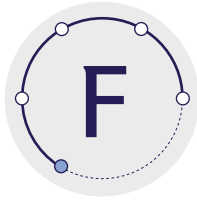
GROUP NON-INTEREST INCOME

(Unit: KRW billion)



Group non-interest income for the year stood at KRW 3,378 billion, a year-on-year increase of 7.9%, mainly attributable to increases in fee income, and strong performances in the securities and FX derivatives sectors.

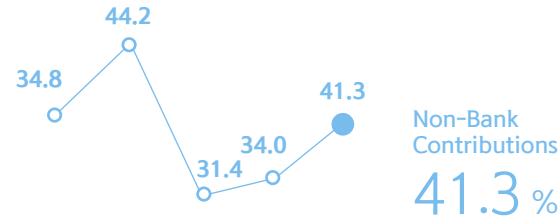
3,378 KRW billion



NET INCOME CONTRIBUTION BY NON-BANK SUBSIDIARIES

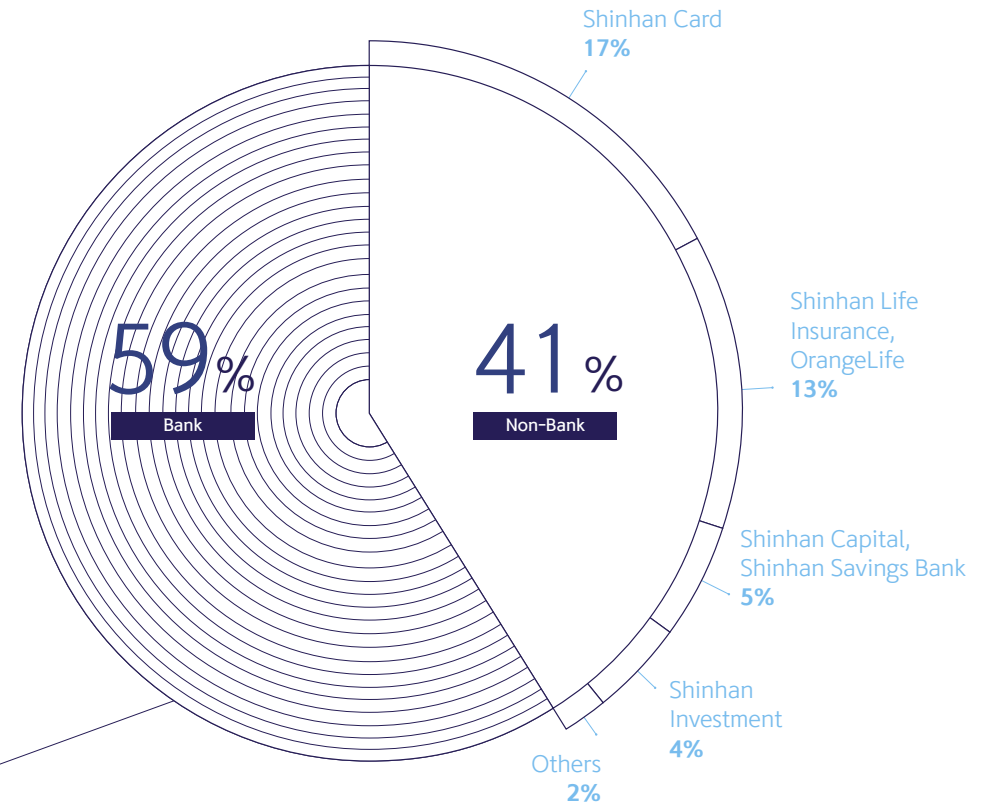
(Unit: KRW billion)

- Bank
- Non-bank



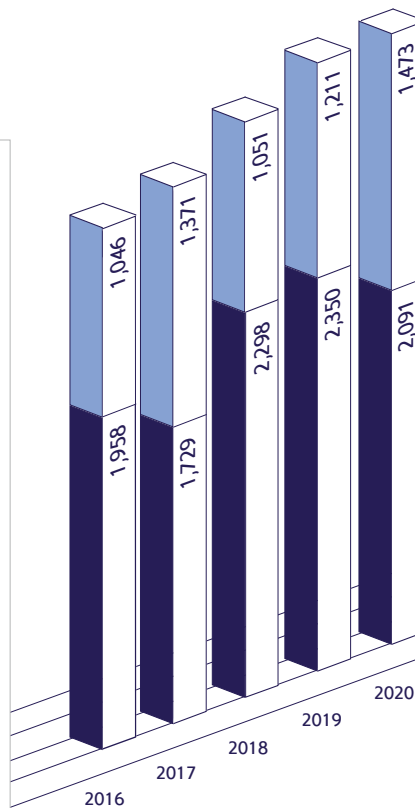
GROUP NET INCOME BREAKDOWN

(Unit: %)

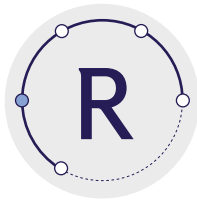


Non-bank boosting Group's fundamentals

We are strengthening our non-banking businesses in order to maintain solid growth and increase income at a time of continued low interest rates. The proportion of the Group's consolidated net income accounted for by our non-bank subsidiaries has increased steadily over the last three years, reaching 41.3% in 2020. In particular, the IB and GMS Business Divisions and other matrix organizations, as well as non-bank subsidiaries including Shinhan Card and Shinhan Capital, achieved sharp growth. Going forward, we will further enhance our corporate value by continuing to improve our fundamentals in product and service quality, irrespective of any crisis. We will then strive to ensure that this increased corporate value leads to enhanced value for our shareholders and all other stakeholders.



* Net income in controlling interest



Strengthening resilience, the ability to recover quickly from adversity

Building resilience throughout and after the COVID-19 pandemic

Resilience is the strength that will enable Shinhan Financial Group to make another leap forward by re-examining the key capabilities it needs to create a strong business. In 2020, we focused on building resilience in order to both overcome the financial and economic ramifications of COVID-19, and to be in a position to flourish our business when the pandemic ends. As a result of this commitment to long-term resilience, our major subsidiaries, including Shinhan Bank, set aside KRW 394.4 billion of additional reserves in 2020 in order to be prepared for unexpected future events and the economic shock triggered by COVID-19, and to ensure that growth in recurring net income is achieved through conservative policies on cost recognition. These additional provisioning was accumulated by reflecting forward looking criteria amid the COVID-19 pandemic (KRW 228.6 billion), and through discounted cash flow assessment and stage reclassification of certain loan assets (KRW 165.8 billion).

CAPITAL ADEQUACY

(Unit: %)



BIS Ratio

15.8%



CET1 Ratio

12.9%

The Group's CET1 ratio improved by 1.8%p over the previous year to record 12.9% on the back of solid net income increase and flexible capital management

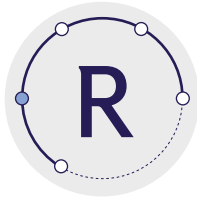
CET1 internal requirement 10.5%

CET1 regulatory requirement 8.0%

Strategic capital management for resilient and sustainable growth

It is not certain what the market will look like after COVID-19. We are therefore managing our capital in a flexible and efficient manner in order to allow us to respond effectively to the risks and opportunities which may arise. Our CET1 ratio is 12.9%, well above the regulatory requirement of 10.5% (CET1 Regulatory Requirement 8.0% + Counter Cyclical Buffer 2.5%). By reinforcing resilience through strict risk management and conservative yet flexible capital policies, we will overcome the current crisis and develop into a company with new capabilities, ready for the markets of the future.

¹⁾ After reflecting early adoption of the revised Basel III credit risk framework



PROVISION FOR CREDIT LOSSES

(Unit: KRW billion)

- Shinhan Bank
- Shinhan Card
- Others

COVID19-related Provisions

Total
394.4 KRW billion

4Q 2020
Shinhan Bank 113.4
Shinhan Card, etc. 73.9

3Q 2020
Shinhan Bank 21.8
Shinhan Card, etc. 0.6

2Q 2020
Shinhan Bank 150.8
Shinhan Card, etc. 33.9

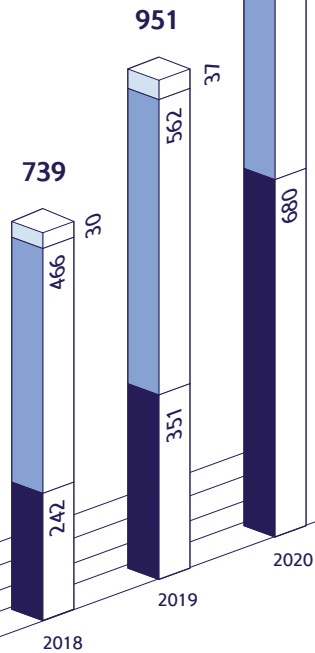
Accumulated KRW 394.4 billion in COVID19-related provisions by adjusting risk component (RC) that is applied to the entire portfolio to minimize uncertainties from COVID-19 and by conducting a credit re-evaluation on individual borrowers

Provision for Credit Losses

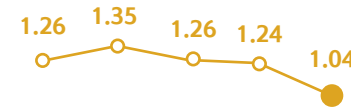
1,391 KRW billion

Provision for credit losses for 2020 increased by 46.3% year-on-year to record KRW 1,391 billion to minimize negative impacts due to future uncertainties

* Provisions made by Shinhan Bank, Shinhan Card and other Group subsidiaries



PROACTIVE CREDIT RISK MANAGEMENT



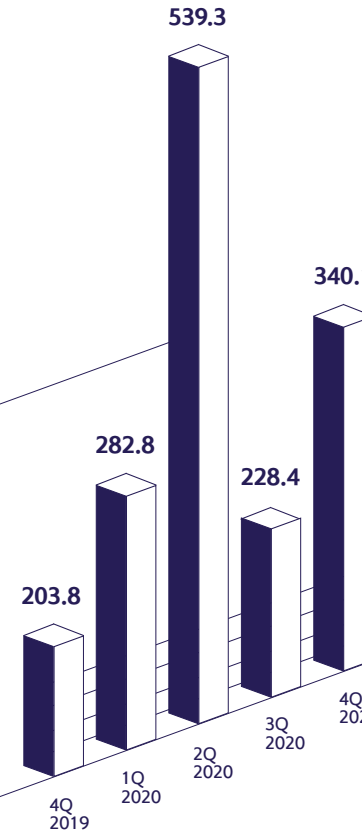
Delinquency Ratio of Shinhan Card

(Unit: %)



Delinquency Ratio of Shinhan Bank

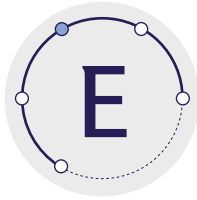
(Unit: %)



Provision for Credit Losses of the Group

(Unit: KRW billion)

Stable credit cost ratio even after securing a sufficient buffer for COVID19-related uncertainties, including any potential repercussion from the termination of government-led financial support programs



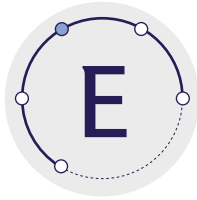
Building a digital ecosystem to elevate digital competitiveness

Leading digital innovation and evolving into digital Shinhan

In 2020, COVID-19 intensified the trend towards contactless interactions in business, and in society as a whole. This in turn has accelerated the digital transformation of our lives, and finance is no exception. Shinhan Financial Group has been leading the digital transformation of the Korean financial industry, and in 2020, focused strongly on its digital platform-based businesses. As a result, the number of monthly active users (MAUs) of SoL, Shinhan Bank's digital platform, rose by 0.7 million compared to the previous year to reach 7.0 million, and MAUs for Shinhan Card's Pay^{FAN} also rose strongly by 0.8 million, to reach 5.1 million. We continue to expedite our transition to a digital company, and have set out "Digilog" as our strategy for digital transformation, enhancing customer, corporate, and employee value through mutual support between digital and analog business.

SHINHAN DIGITAL PLATFORMS





DIGITAL REVENUE CREATION

(Unit: KRW billion)

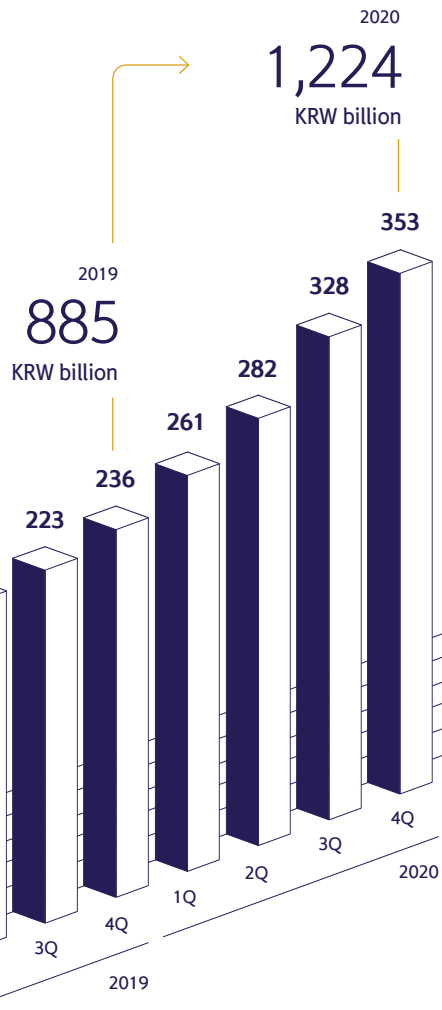
Operating Income before Expenses
via Digital Channels

+38.3% YoY



Generating more revenue from digital channels

We continue to innovate our digital channels by adding shopping services to our financial platform and launching hyper-personalized PEM¹⁾ services. Thanks to these efforts, the number of customers using Shinhan's mobile platform at the end of 2020 recorded 39.96 million, a year-on-year increase of 10%. Income generated by digital channels in 2020 was 1,224 billion, a substantial increase of 38.3% compared to the previous year.



DIGITAL COST EFFICIENCY

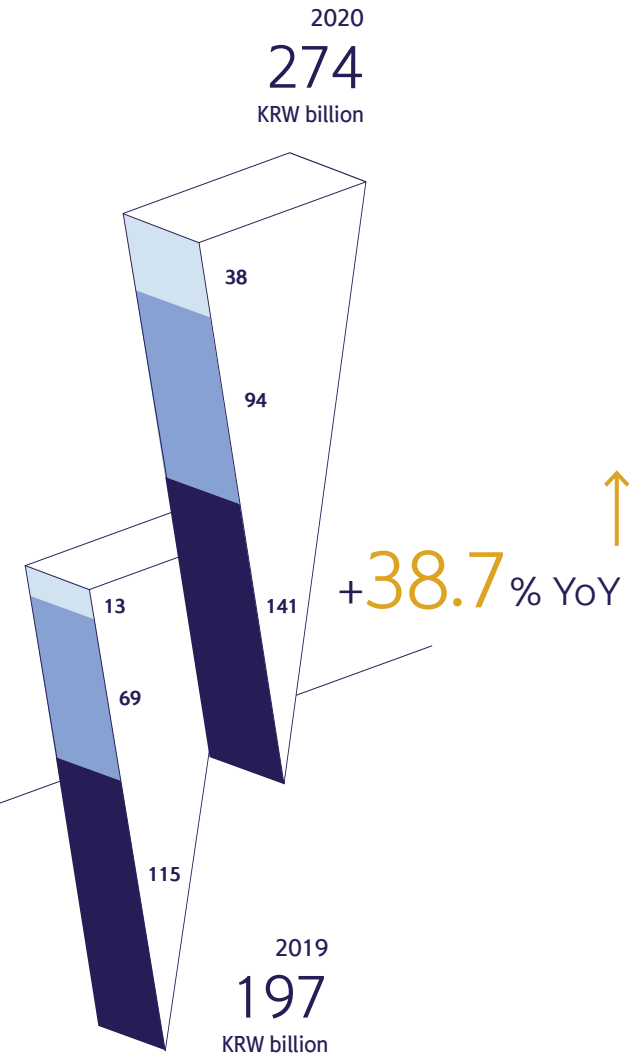
(Unit: %)

Costs Saved via DT

- Front
- Middle
- Back

Saving more cost through digital transformation

Digital technology increases time and resource efficiency, and the time and resources that are saved as a result can be used to create greater value. We are achieving cost reductions through digital transformation (DT), including robotic process automation (RPA), AI-based services and processes, and data-based customer management. Our major subsidiaries, including Shinhan Bank and Shinhan Card, replaced most of their straightforward customer consultation work with AI chatbots in 2020, and continued to expand the application of RPA, which resulted in a reduction in annual working hours of 270,000 hours. As a result, the cost reductions achieved in 2020 were 38.7% up over the previous year.



+38.7% YoY





Search



Executing a coherent Group-wide strategy towards a more sustainable future



#ZERO CARBON DRIVE



Fight climate change by pursuing net zero carbon emissions by 2050

Climate change is an unavoidable danger for the future, and its effect on nations, industries, companies, and households will impact financial institutions' credit, market liquidity, insurance, and operational risks. In order to respond preemptively to the changes that will be brought about by climate change, in November 2020 Shinhan Financial Group became the first financial group in East Asia to announce the implementation of "Zero Carbon Drive" as part of its international cooperation in the fight against climate change. Zero Carbon Drive is our distinctive eco-friendly strategy, and aims at achieving carbon neutrality across the companies in our asset portfolio, through the phasing out of the use of coal and replacement with renewable energy. In addition, we will reduce our own carbon emissions. We will achieve carbon neutrality by 2050, and will also increase our positive impact on the environment by expanding green finance.





Executing a coherent Group-wide strategy towards a more sustainable future

#ZERO CARBON DRIVE

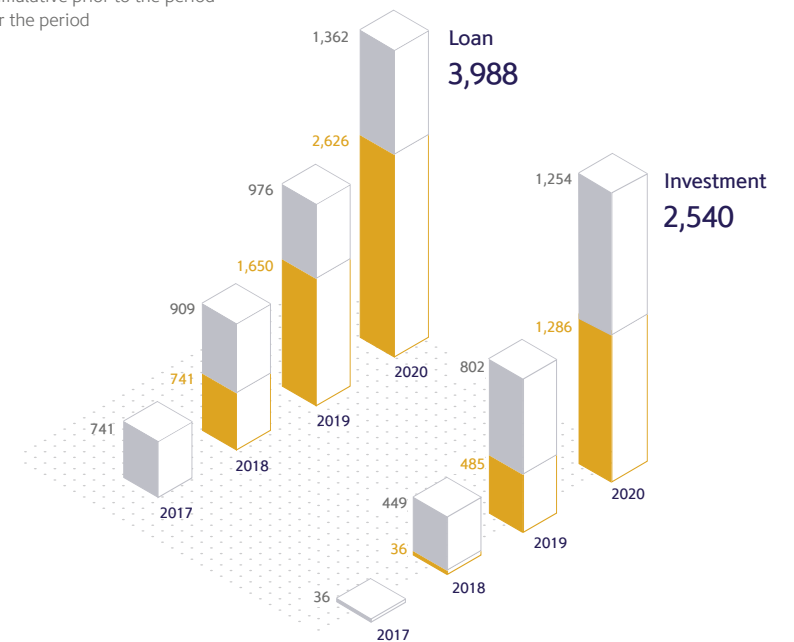
Green Finance

We are expanding our green finance and strengthening our support for renewable energy. Our new green financing in 2020 grew by 47.1% year-on-year to KRW 2,616 billion, with the cumulative total since 2017 now reaching KRW 6,528 billion. We are also encouraging eco-friendly practices through products such as Shinhan Bank's green loans and Shinhan Card's eco-cards.

GREEN FINANCE PERFORMANCE

(Unit: KRW billion)

- Cumulative prior to the period
- For the period





Executing a coherent
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Maximizing social value through changes that enable sustainable growth of stakeholders

By identifying and fostering startups, we are taking the lead in establishing an innovation ecosystem in Korea, and are also improving the fundamentals of the national economy. To this end, we are implementing “Triple-K Project” consisting of three Ks – Korea Cross-Country Plan, Korea to Global Plan, and participation in the government-led K-Unicorn Project aimed at nurturing promising venture companies – with the specific target of developing 10 unicorn companies.

In addition, we are continuing to expand our inclusive finance under our “Hope Together SFG” project. Under the project, we have set three major goals, each standing for a letter in “SFG”: (S) we are helping companies and individuals who dream of a new “Start up” change into healthy financial consumers; (F) enabling everyone to enjoy a stable economic life by being equipped with “Financial literacy”; (G) and removing regional gaps by resolving social issues that “Group of community” faces.



#TRIPLE-K



Executing a coherent
Group-wide strategy towards
a more sustainable future



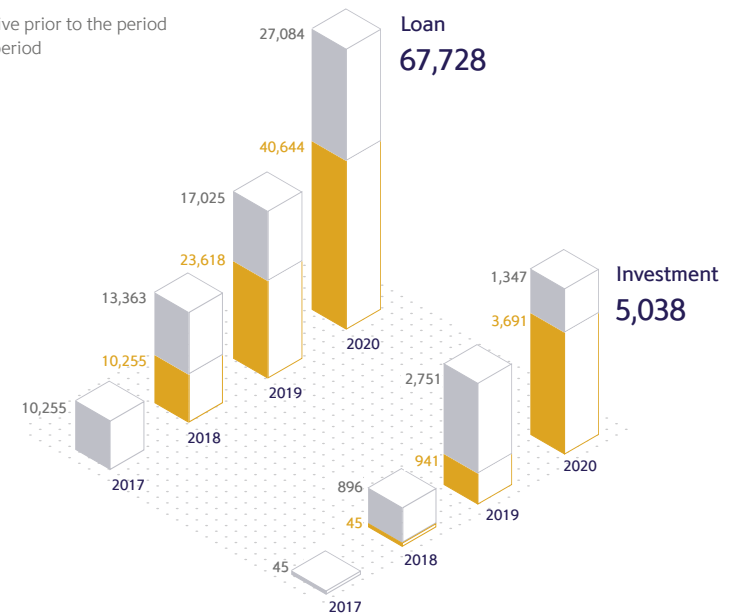
Inclusive Finance

We are leveraging our expertise in finance to help local communities preemptively prepare for the post-COVID-19 era. To this end, we are expanding our innovation finance and other financing for the underserved in the form of technology finance, job creation guaranteed loans, loans secured on IP and property, and direct loans to customers on low incomes. Our inclusive and innovative financing in 2020 rose by KRW 28,430 billion year-on-year, lifting the cumulative total since 2017 to KRW 72,766 billion.

INCLUSIVE FINANCE PERFORMANCE

(Unit: KRW billion)

■ Cumulative prior to the period
■ For the period





Versatile and talented people to lead future growth



Promoting respect, building diversity, and nurturing future leaders

Shinhan's distinctive strategic direction for growth, "F.R.E.S.H", can only be completed when "Human talent" is added to Fundamental, Resilience, Ecosystem, and Sustainability. This is why we continually focus on strengthening our human resources, show equal respect to all members of the Group, and promote workplace diversity.

In 2018, we became the first organization in the Korean financial industry to launch a dedicated program for nurturing female leaders. This program, called "SHeroes", has been such a success that it has expanded every year, from the first group of 27 participants chosen from four subsidiaries, then 49 participants from eight subsidiaries and most recently, 67 participants from 11 subsidiaries. In addition, as customer needs become more complex and business uncertainties continue to grow, we are nurturing employees with multi-faceted talents who are able to respond preemptively and actively to changes. Following the establishment of the new "Digilog" strategy in 2020, we are focusing on fostering digital talent, and are therefore building a Group-wide joint digital training system to nurture digital talent throughout the Group.

INCLUSION IN THE BLOOMBERG GENDER EQUALITY INDEX

We are striving to reduce gender-based social inequality and substantially improve the social status of women in Korean society by nurturing female leaders and supporting a better work-life balance. These efforts have earned global recognition. In 2019, we became the first company in Korea to be included in the Bloomberg Gender-Equality Index (GEI), and won inclusion for a second straight year in 2020. GEI is an ESG index which measures five pillars of gender equality – female leadership and talent pipeline, equal pay and gender pay parity, an inclusive culture, sexual harassment policies, and a pro-women brand. Shinhan has been chosen as one of 325 outstanding companies for gender equality from 42 countries across the globe.



TRAINING TO STRENGTHEN DIGITAL CAPABILITIES

We have defined an ideal digital talent as “creating value through improvement and innovation in existing work” and operate Group-wide digital training programs in support of this. We have adopted the online digital training platform (SCOOL) that has enabled us to continue to offer trainings to our employees despite the COVID-19 pandemic. Moreover, we newly opened an offline training space called “Digital Square”, where our employees can take full advantage of its space, as well as its infrastructure to elevate their digital competencies. Currently, our Digital Square is equipped with both the hardware and software for digital training, as well as a data practice environment using cloud. Combined, we are providing more than 90 courses on the five core competencies as defined by the Group’s digital strategy, including AI, big data, block chain, cloud, and digital transformation through our online and offline training platforms.

It is important that our employees have both financial and digital skills so that we can compete effectively against big tech and fintech companies, and can also develop drivers of future growth. Therefore, in 2017 Shinhan Financial Group became the first financial company in Korea to develop a master’s course in digital financial engineering, in collaboration with Korea University. The 61 Masters of Engineering who have graduated from this course and the 66 students currently enrolled are undertaking a wide range of projects connected to digital technology.





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SFG Overview



Group Strategy

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Shinhan Financial Group is heading towards its vision of becoming a World Class Financial Group, driven by a consistent strategic direction based on full trust of customers and society.

F.R.E.S.H 2020s

Shinhan Financial Group is implementing its mid-term strategic direction, “F.R.E.S.H 2020s” in order to evolve into “Excellence, Shinhan” that earns the recognition of all its stakeholders for distinctive growth even at a time of complex uncertainties.

Management Principles – T.O.P

In order to pave the way towards “Excellence, Shinhan”, we have adopted management principles of TOP – Trust, Openness, and Pioneer – as our “path for finance”, guiding both Shinhan and finance. The path of finance embodies the concept that the foundation of finance is customer trust (trust); the future growth of finance is beyond boundaries (openness); and serving the world through finance is built on pioneering (pioneer).

Mid-term Financial Goal

We aim to achieve excellence from the perspective of our customers and stakeholders, not just by ranking No. 1 as a business. This goal will be achieved through a virtuous cycle of growth, driven by three factors – the principles of customer first, enhanced shareholder value, and balanced growth. The three driving factors each have a specific focus (customers, shareholders, and the Group) and targets (to achieve the highest¹⁾ rates of return; to improve our BPS by up to 20%; and, to enlarge earnings from non-interest and matrix business lines by minimum 30%, while increasing earnings from non-banks by at least 40%). This virtuous cycle will enable us to become a leader in Korea over the mid-term in major financial indices such as ROE and global net income.

Distinctive Strategic Direction for Growth – F.R.E.S.H

In order to follow the “path of finance”, overcome complex uncertainties, and thus achieve strong growth, we will focus on the five distinctive strategic direction for growth expressed as “F.R.E.S.H”.

¹⁾ Highest among Korean peers

F.R.E.S.H



Fundamental

Maximizing corporate value by fortifying fundamentals



Resilience

Strengthening resilience, the ability to recover quickly from adversity



Ecosystem

Building a digital ecosystem to elevate digital competitiveness



Sustainability

Executing a coherent Group-wide strategy towards a more sustainable future



Human-talent

Versatile and talented people to lead future growth

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2021 Group Management Strategies

Guided by F.R.E.S.H 2020s, in 2021, Shinhan Financial Group will strengthen work processes and management systems to ensure to deliver optimal customer outcome while solidifying its business fundamentals in order to overcome complex uncertainties through resilience. We will also accelerate the implementation of our key directions for the future – “open & innovative digital transformation” and “sustainable finance of green, win-win, and trust”. We have therefore set out seven detailed strategic directions for 2021 which will be implemented flexibly depending on changes in markets.

2021 Strategic Tasks

1. Open and Innovative Digital Transformation We will accelerate the pace of digital transformation throughout our businesses across front, middle, and back areas. In particular, we will build an innovative platform in order to establish an open digital ecosystem, develop a data-based competitive edge, discover and nurture digital startups, and form alliances to create new business opportunities. In addition, we will strengthen our capabilities in key digital technologies, and enhance the competitiveness of our human resources.

2. Optimal Growth We strive establish a virtuous cycle whereby we improve the profitability of our existing businesses in order to generate the income needed to identify and invest in areas of future growth. We will improve the profitability of existing businesses through qualitative improvements and efficient allocation of resources, and also by expanding non-interest businesses. In order to identify areas of future growth, we will actively seek new business opportunities and undertake a selective expansion of our portfolio.

3. Global Consolidation and Expansion Instead of focusing on size-based expansion, we will adopt a more advanced global strategy based on qualitative growth. We will adopt a range of global business models based on our targeted localization strategy and a system of efficient collaboration between the Group subsidiaries. In order to continue to expand, our global growth strategies will be implemented from the customer perspective, including by strengthening the sourcing of global products. We will also improve our global proprietary asset management.

4. Sustainability Management Strategies for sustainable finance will be based on “green”, “win-win”, and “trust” management. In accordance with “Zero Carbon Drive” announced in 2020, we will reduce our own and financed carbon emissions, and will implement other positive measures such as increasing the supply of green finance. We will also continue to build a win-win ecosystem through innovative growth and “Triple-K Project”.

5. Preemptive Risk Management We will further strengthen our ability to respond preemptively to the complex and uncertain business environment. We will continue to upgrade our distinctive risk management, one of key strengths of Shinhan, by digitalizing risk management through the use of big data and other new technologies, and upgrading the risk management infrastructure. In addition, we will build a sophisticated consumer protection system under the direction of strengthening customer-centered risk management.

6. Dynamic Organizational System We will build a dynamic portfolio system, which enables the Group and the Group subsidiaries to move organically together, aimed at maximizing our operational efficiency. As well as increasing efficiency from the Group perspective, we will strengthen the organizational capabilities of each subsidiary by enhancing organizational efficiency and flexibility, and establishing a customer-centered organizational system.

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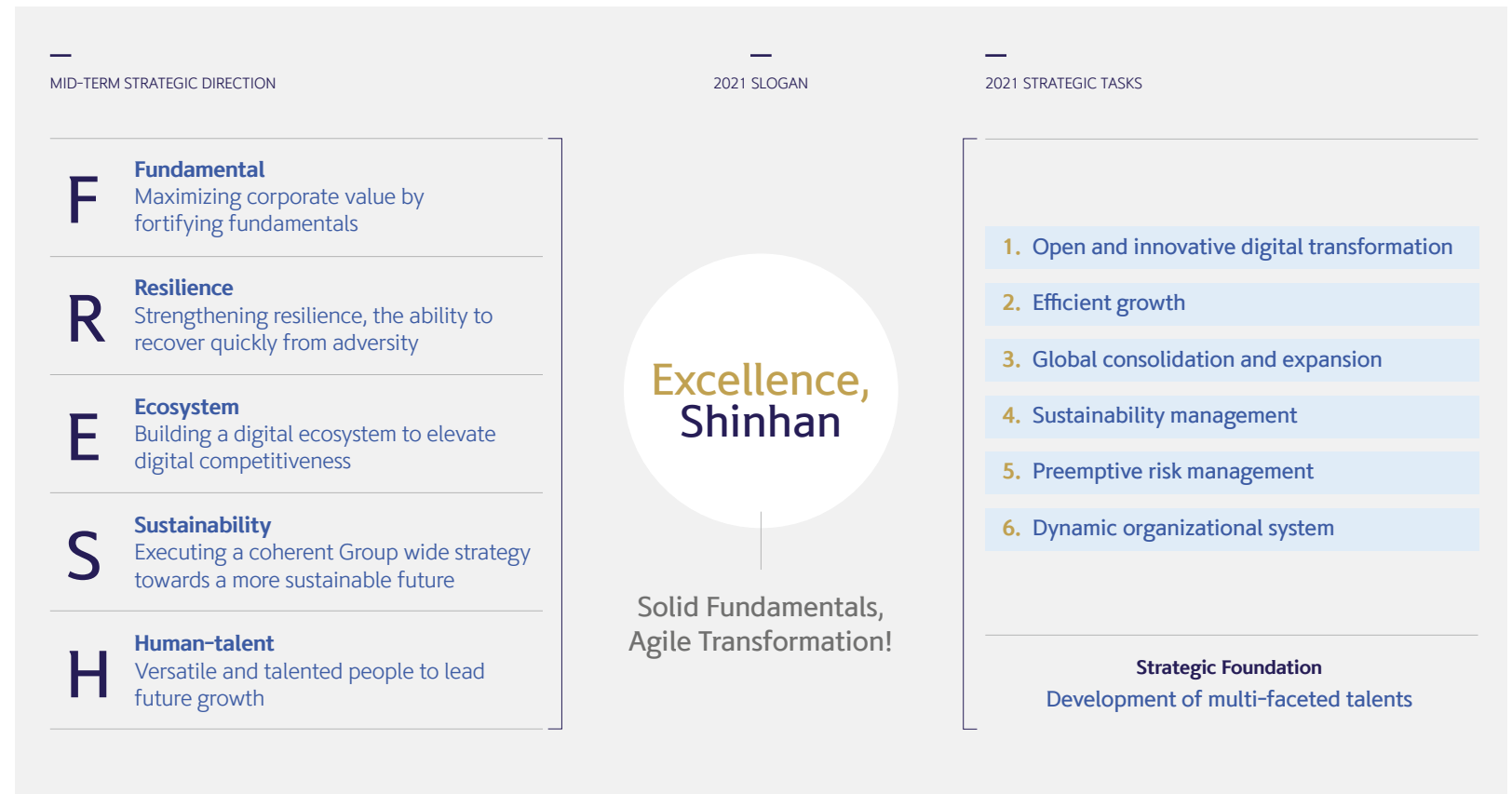
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Foundation for Strategic Tasks in 2021

Development of Multi-Faceted Talent Having people with convergent capabilities, which refers to those who excel in both finance and digital capabilities, is the foundation for Shinhan to implement all our key strategic tasks. We will therefore continue to recruit and nurture digital talent, and to build a portfolio of convergent talents.

We will also build a way of working that is both efficient and agile. In addition, we will create an organizational culture of disruptive innovation, which transcends the boundaries of businesses, and will move forward with the value of the Shinhan brand.

Mid-term Strategic Direction & 2021 Strategic Tasks



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The Group has established a governance structure which reflects its milestones and organizational culture, while also ensuring transparency, soundness, and stability, in order to achieve long-term growth and protect the interests of all its stakeholders.

Governance Principles

Shinhan Financial Group has established a governance structure and principles that promote the interests of shareholders, protect the rights of stakeholders, enhance corporate value, and achieve sustainable growth. Thanks to our commitment to these principles and policies, we run our business ethically and with a sense of responsibility.

Our outstanding corporate governance has garnered outside recognition. For example, in the ESG assessment carried out by the Korea Corporate Governance Service (KCGS), we have received an integrated assessment rating of A+ for six consecutive years since 2015, and obtained an S rating in the governance category in 2017. In addition, we continued to receive the highest-possible rating even when a more demanding assessment model was applied to financial institutions beginning in 2018. The KCGS awarded the Group with the Grand Prize in Governance, praising our ESG management and strategy, namely, the establishment a high-level environmental management system and active promotion of stakeholder rights and interests, and establishment of a stable responsible management system by taking the lead in operating a CEO succession and top management compensation system, with the BOD performing a central role.

Transparent Governance Structure

We actively disclose our governance-related standards, procedures, and outcomes to ensure transparent corporate governance. We share corporate governance-related matters with all stakeholders by publishing an annual corporate governance report and then disclosing it on the company website and submitting to the Korea Federation of Banks, 20 days prior to the annual general meeting (AGM). In addition, we help our stakeholders understand operational practices concerning corporate governance by disclosing the full text of our internal corporate governance regulations

in the annual corporate governance report. These include the Articles of Incorporation, BOD regulations, and the regulations of each sub-committee of the BOD. It is particularly noteworthy that we use a cumulative voting methodology in order to protect the rights of minority shareholders at AGMs, and use both an electronic voting system and a system enabling shareholders to vote in writing in order to actively guarantee shareholder voting rights. We also offer fair and timely information at AGMs by providing real-time video streaming.

Sound Governance Structure

We have formed a Board of Directors (BOD) equipped with the independence and expertise necessary to maintain sound corporate governance. We faithfully abide by all laws, including the Commercial Act and the Act on Corporate Governance of Financial Companies, and all internal regulations, including the Articles of Incorporation, the code of corporate governance, and the regulations of the BOD. In addition, all recommendations in relation to BODs stipulated in the Act on Corporate Governance of Financial Companies and the KCGS Corporate Governance Code are reflected in the Group's corporate governance, and strictly observed.

Stable Governance Structure

In order to ensure stable governance structure through checks and balances among our constituents, we have delegated our decision-making and operation to the Board and the management respectively and the management reports the status of their execution of duties to the Board. Independent Directors account for 86% of the Board as of the end of March 2021, which is in excess of the 50% requirement by law, ensuring that the Board of Directors can check the powers of the management. The Company also actively promotes the Board's Independent Directors-centered activities by filling a majority of each subcommittee with Independent Directors. The average percentage of Independent Directors in subcommittees is 94%, and five out of seven subcommittees are wholly composed of Independent Directors.



[SFG's Corporate Governance Report](#)

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The Board is granted the authorities to appoint and dismiss CEO (executive director) and senior management. Independent Directors have the authority to request data, advisory services, etc., and the Company has the obligation to provide this information to Independent Directors. Dependent on the findings from the background checks, which includes third-party verification of Independent Directors' experience and reputation, they will be given two-year terms of office when elected the first time; thereafter they will be given a one-year term of office. This ensures that only Independent Directors that have dutifully executed their duties will have the chance of being re-elected at the general meeting of shareholders.

Diversity and Expertise of the Board of Directors

Our Internal Code of Corporate Governance specifies the "principle of diversity" in the composition of the Board. These principles are to prevent the Board from advocating specific interests, thereby realizing diversity and expertise of corporate governance. Diversity is considered in a broad sense, including, among other attributes, leadership, experience, skills, perspectives, gender and geography.

In its actual operations, the Board consists of members with diverse expertise that help to drive our strategy forward as the financial market and the competitive landscape continue to evolve. This also prevents specific backgrounds or job categories being over-represented. The composition of the Board evenly covers 6 areas (finance, business management, economy, legal, accounting and technology) mentioned in the Act on Corporate Governance of Financial Companies as expertise requirements.

Considering financial holding companies' characteristics, which cover all sectors of the financial industry, the Company endeavors to elect Independent Directors with expertise across multiple areas. The Company also considers diverse recommendation channels and perspectives regarding the Board's composition and the selection of Independent Director candidates, including from shareholders, the Independent Director Recommendation Committee, and outside agencies. By operating a system which invites shareholders to recommend candidates as independent directors, we receive recommendations for candidates who are fully committed to independently representing shareholder value, and also enable shareholders to participate in management.

We are dedicated to increasing female representation on the Board. Over the years, various measures, such as maintaining a minimum 20% for female candidates in the long list, have been put in place to enhance Board gender diversity. Such efforts came to fruition when in March 2020, Yoon Jaewon, a female independent director with expertise in accounting, was appointed to join our Board. We also ensure that the candidate group represents diversity in experience, background, and age, while factors that could restrict diversity, such as race, ethnicity, and religion are strictly taken out of the consideration for the candidacy. This is helping us in our efforts to abide faithfully by the principle of diversity in the composition of the BOD.

Governance Structure that Reflects the Group's Growth Paths

Shinhan Financial Group originates from Shinhan Bank, which was launched in July 1982 with 341 Korean-Japanese shareholders making a 100% equity investment of paid-in capital of KRW 25.9 billion. This was the first bank in Korea to be funded exclusively with private capital. These founding shareholders provided the foundations which enabled the Bank to grow from a small financial company with only three branches at the time of its establishment to a leading financial group in Korea, and they have provided wholehearted support as shareholders of the Group since its founding. The founding shareholders have continued to help with our development, including the "Campaign for Holding Shinhan Shares" despite a sharp drop in the share price during the Asian financial crisis. Thanks to the trust of our founding shareholders, we have continued our stable development guided by management who are not only financial experts, but who also have an in-depth understanding of the Shinhan culture from the time of our founding.

Launched in 2001 as the first private sector financial holding company in Korea, Shinhan Financial Group has built foundations for further growth by establishing a strategic alliance with BNP Paribas Group. In 2019, we attracted an investment from IMM PE, thus strengthening communication and collaboration with capital market participants and developing long-term growth engines. In addition, through a capital increase in September 2020, we attracted Affinity Equity Partners (AEP) and Baring Private Equity Asia (BPEA), global private equity funds, to preemptively respond to changes in the financial environment as well as build strategic alliances, including discovery of new growth areas through attraction of global professional investors.

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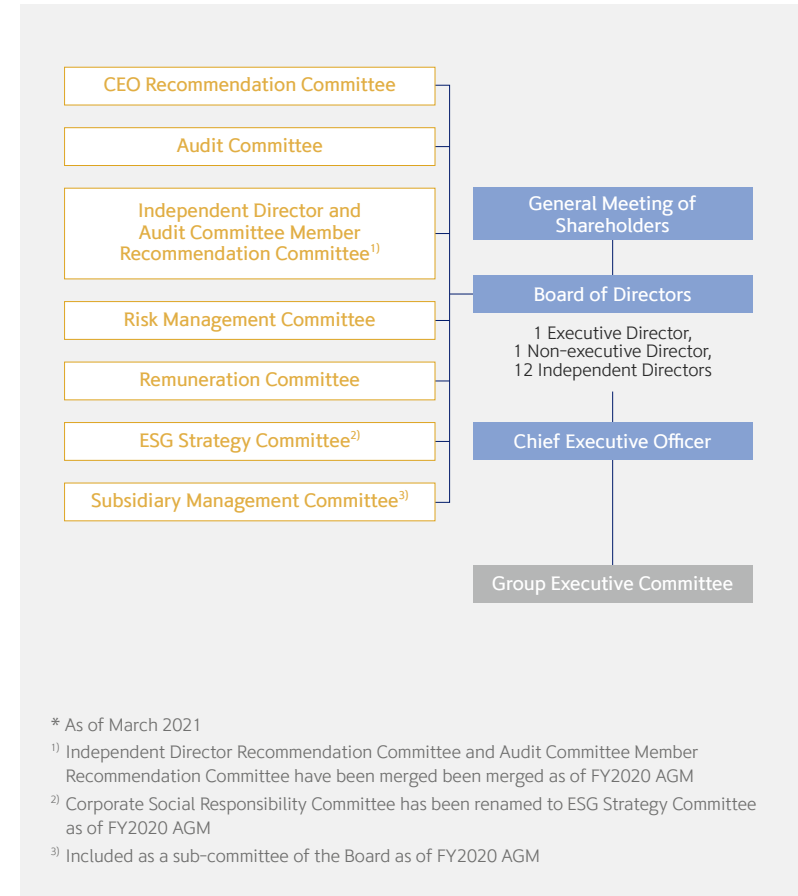
Governance Structure

As the company's top-level standing decision-making body, Shinhan Financial Group's BOD is vested with the authority to appoint and dismiss the CEO, and mainly consists of independent directors. As of the end of March, 2021, the BOD comprises a total 14 members, of which 12 are independent directors. Since March 2010, it has been regulated that an independent director serves as the BOD Chairperson.

As of March 2021, there are a total seven sub-committees of the Board – the CEO Recommendation Committee, Audit Committee, Independent Director and Audit Committee Member Recommendation Committee, Risk Management Committee, Remuneration Committee, ESG Strategy Committee, and Subsidiary Management Committee. Of these, the establishment of the Independent Director and Audit Committee Member Recommendation Committee, CEO Recommendation Committee, Audit Committee, Remuneration Committee, and Risk Management Committee has been made mandatory by such laws as the Act on Corporate Governance of Financial Companies. The BOD autonomously established the other two remaining committees to enhance BOD expertise, independence, and efficiency.

With regards to recommending candidates for executive positions, the Group operates the Independent Director and Audit Committee Member Recommendation Committee, CEO Recommendation Committee, and Subsidiary Management Committee. Enforced on August 1, 2016, the Act on Corporate Governance of Financial Companies obligates the establishment of the executive recommendation committee, which recommends candidates for executives, such as independent directors, chairman, CEO, and audit committee members. Even before the enforcement of relevant laws, the Group segmented the authority to recommend executives and divided it among sub-committees of the Board.

SFG's Governance Structure



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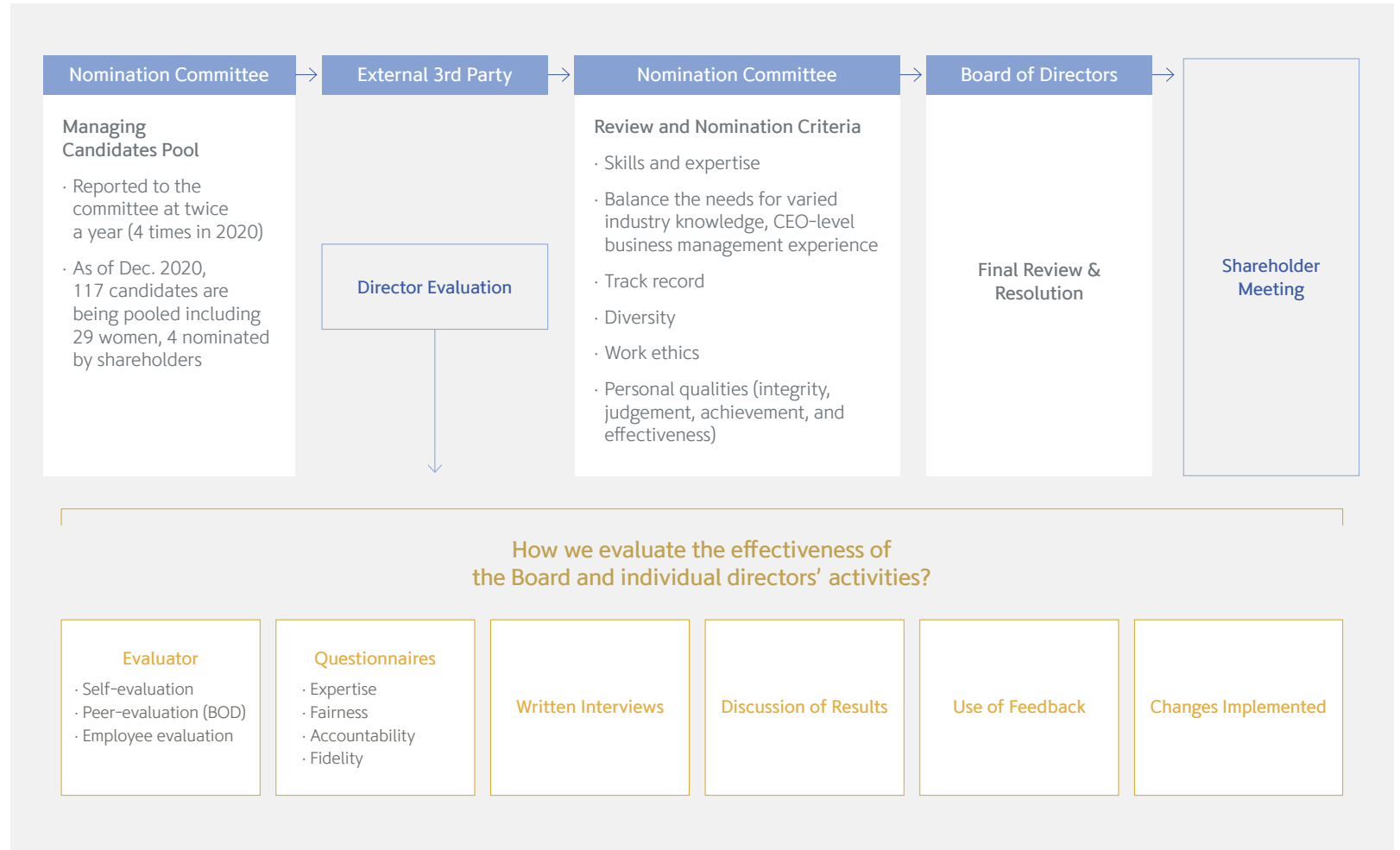
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BOD Composition by Expertise

As of	Finance	Economy	Business Administration	Accounting	Legal Affairs	Information Technology	Global	Total
Mar. 2016	4	2	4	1	1	-	-	12
Mar. 2017	5	1	4	1	1	-	-	12
Mar. 2018	5	1	3	1	1	1	-	12
Dec. 2018	4	1	3	1	1	1	-	11
Mar. 2019	5	1	3	1	1	1	1	13
Dec. 2020	5	1	3	1	1	1	1	13
Mar. 2021	5	-	2	2	3	2	-	14

Board of Directors' Skills and Qualifications¹⁾

Name	Finance	Economy	Business Management	Accounting	Legal	Technology	International Business	Risk Management
Cho Yong-byoung	○		○					
Jin Ok-dong	○		○				○	
Park Ansoon			○				○	
Byeon Yang-ho	○	○	○					
Sung Jae-ho					○		○	
Lee Yoon-jae	○	○	○					
Choi Kyong-rok			○			○	○	
Huh Yong-hak	○		○				○	○
Yoon Jaewon			○	○				
Jin Hyun-duk			○				○	
Bae Hoon ²⁾				○	○			
Lee Yong Guk ²⁾	○				○		○	
Choi Jae Boong ²⁾						○		
Kwak Su Keun ²⁾			○	○				

²⁾ Newly appointed at FY2020 AGM¹⁾ Skills/Qualifications

Skills/Qualifications	Description
Finance	Understanding of financial market, reporting, and management strategies
Economy	Ability to interpret macro-economic trends and events
Business management	Current or past leadership roles as top or senior executives
Accounting	Accounting expertise overseeing the integrity of financial reporting
Legal	Legislative experiences gained as policy practitioners and legal professionals, or from the academia and relevant associations
Technology	Experience with or oversight of information system, fin-tech or privacy, cyber security and their related risks
International Business	Experience in diverse geographic, political and regulatory environments
Risk Management	Skills and experience in assessment and management of business and financial risk factors

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In support of corporate mission of Shinhan Financial Group, “Compassionate Finance, Your Companion for the Future”, we continue to undertake extensive ESG activities which are generating sustainable value for Shinhan and our stakeholders through the power of finance.



ESG Strategy
Overview

Companies thrive by providing society with the support it needs to grow strongly and continuously, which is why Shinhan Financial Group has pursued sustainable growth in partnership with society since the early days of its founding. We are creating a virtuous win-win cycle through which our own value and the value of all our stakeholders increase together. It is this cycle of success which is the goal of our ESG strategy.

In 2015, we became the first financial holding company in Korea to establish a ESG Strategy Committee, formerly named CSR Committee, as a sub-committee of the BOD, thus ensuring that ESG became a key part of our corporate governance. Comprised of no more than five directors, including the Group CEO, the ESG Strategy Committee is in charge of setting the direction of the Group’s ESG-related activities, and deciding on relevant standards and policies. In 2019, we established a “Shinhan Financial Group’s principles for responding to climate change” in recognition of the risks and potential opportunities for wider society triggered by climate change. And based on the principles, we undertook a year-long program of internal discussions and analyses, and thus declared “Zero Carbon Drive”, in December 2020, aimed at achieving zero carbon emissions for the Group’s asset portfolio by 2050.

As an active member of the international community’s efforts towards sustainable development, we support major global sustainable management initiatives. In an effort to take active participation in global movement towards sustainable finance, we have been a member of the United Nations Environment Programme Finance Initiative (UNEP FI) since 2008. We also drafted and signed the Principles for Responsible Banking (UN PRB) as a founding signatory in 2018, and have been a participating organization since 2019. In addition, we joined the UN Global Compact (UNGC) in 2008, and have been active ever since in ensuring our compliance with the ten principles on human rights, labor, the environment, and anti-corruption.

In September 2018, we became the first financial group in Korea to give support to the Task Force on Climate-related Financial Disclosures (TCFD). As part of our commitment to implementing the recommendations of the TCFD, in 2020 we joined Partnership for Carbon Accounting Financials (PCAF) which measures the carbon emissions of asset portfolios. We also signed up to Science Based Target initiative (SBTi) in order to set a target for carbon emissions reductions in line with the Paris Agreement. Going forward, we will continue to disclose the impact that climate change and the implementation of climate change-related global initiatives have on the organization and its management in areas such as governance, strategy, risk management, and performance indices.

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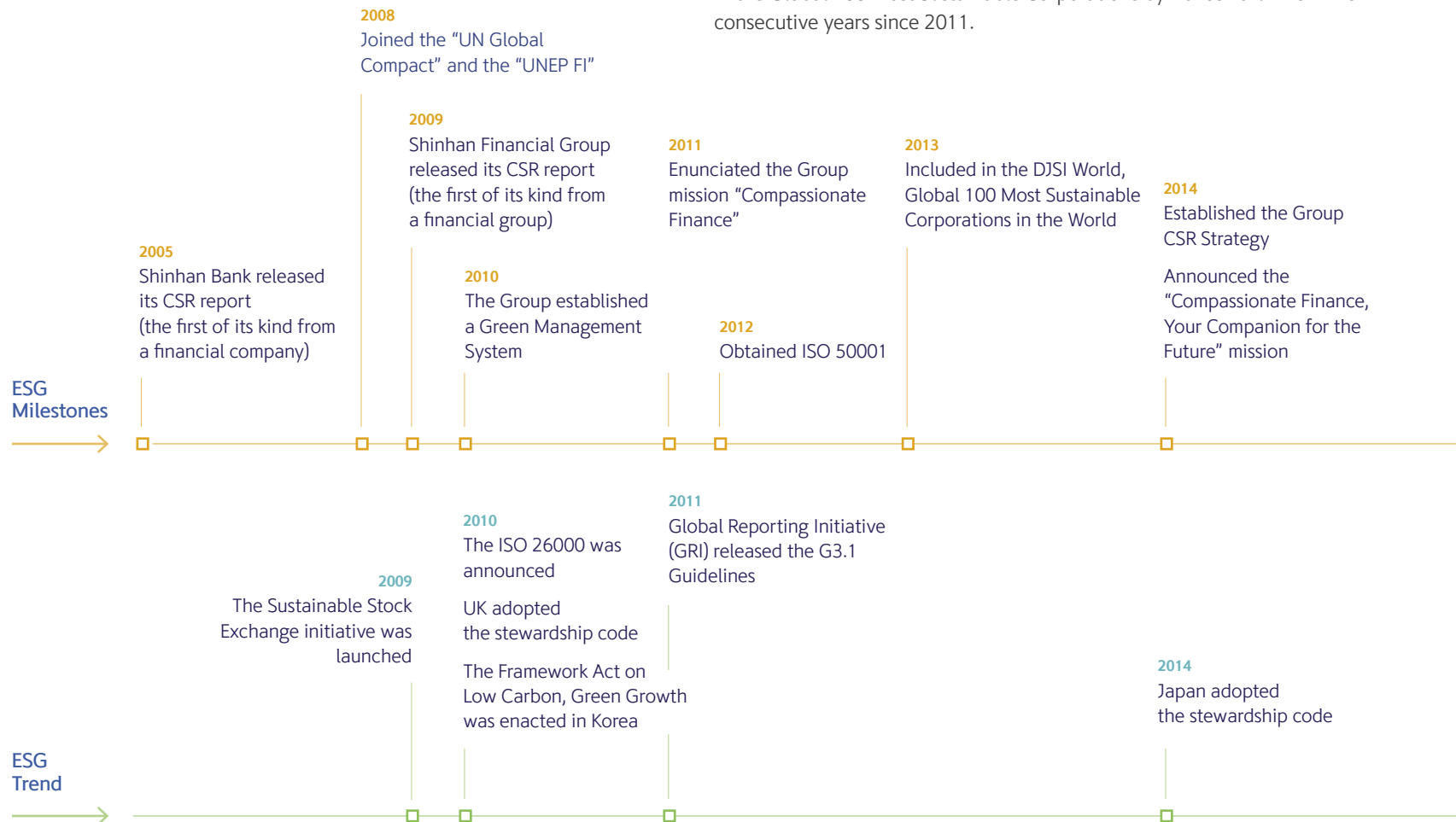
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Leveraging our experiences in participating in global initiatives, we have earned outstanding results in ESG evaluations. Shinhan Bank first participated in the Dow Jones Sustainability Index (DJSI) evaluation in 2009, as a result, it was included in the Asia Pacific index ranking first in the Korean banking sector. In 2013 Shinhan Financial Group became the first Korean financial group to be included in the DJSI World Index, and has now been part of the DJSI World Index for eight consecutive years.

In 2014, the Group earned "Leadership A", the highest possible grade given to a company through an evaluation of its environmental management done by Carbon Disclosure Project (CDP), and has now maintained this rating for seven consecutive years. We also have been included in the Korean CDP Committee's "Carbon Management Honors Club" for six consecutive years, and became the first financial group to be in CDP "Hall of Fame" for two consecutive years. We received AA grade in the MSCI ESG Indexes for five consecutive years from 2016 through 2020, and have been included in the Global 100 Most Sustainable Corporations by Davos Forum for nine consecutive years since 2011.





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FINANCE for IMPACT

In 2020, Shinhan Financial Group redefined its ESG sustainability management as “sustainable finance”, enabling the sustainable growth of all stakeholders through the business of finance, which is the essence of the Group’s business. We also defined our main principle of ESG as “Finance for IMPACT”, with the goal of inducing positive change of our stakeholders and maximizing positive impact on society led by our own change in a “Pro-Active” manner. To this end, we set out three strategic directions for our ESG projects – green, win-win, and trusted. In addition, five IMPACT tasks, aligned with UN Sustainable Development Goals (SDGs), will be implemented in order to maximize positive impact and minimize negative impact.

Sustainable Finance Strategic Framework



GREEN

Zero Carbon Drive

- + Achieve carbon neutrality by cutting down carbon emissions and expanding green investment

ALIGNMENT WITH UN SDGs



WIN-WIN

Triple K

- + Create an innovative ecosystem in Korea in partnership with stakeholders

Hope Together SFG

- Provide inclusive finance



TRUSTED

Respect for Diversity

- + Reduce social inequality by fostering female leaders and supporting the underserved

Financial Consumer Protection

- Strengthen product governance and offer financial education for all generations



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Shinhan's ESG Ambitions



Key Performances in 2020

Zero Carbon Drive On November 13, 2020, Shinhan Financial Group became the first financial group in East Asia to declare ambitions for achieving carbon neutrality under its “Zero Carbon Drive” to counter climate change. Zero Carbon Drive is our unique, eco-friendly financial strategy, and has been set up in line with international carbon neutral policies. It involves managing loans to and investments in high carbon-emitting companies and industries, while also contributing to the transition into a low-carbon economy by increasing eco-friendly financial support to relevant companies and industries. We plan to reduce our own carbon emissions by 46% by 2030 and 88% by 2040, and reduce the carbon emissions of our asset portfolio by 38% by 2030 and 69% by 2040, as measured by the SBTi methodology in accordance with the Paris Agreement.

Incheon Startup Park in Support of Triple-K Project In May 2020, Shinhan Financial Group took part in a project to build a startup ecosystem through a private-government cooperation in partnership with the Korean government, local government, and private businesses, including the Ministry of SMEs and Startups, Incheon Metropolitan City, and Celltrion. The aim of this project is to build an innovative startup hub in Korea which can rank alongside “Zhongguancun” in China, “Silicon Valley” in the U.S., and “Station F” in France.

We will create a space that can be used to nurture startups, and run a one-stop accelerator program for the unicorn companies of the future based on our expertise in innovation finance. In particular, we aim to build a platform that will specialize in the support of global/tech/bio startups by leveraging the geopolitical characteristics of Incheon, and will become a global forward base for startups which are striving to expand overseas. We will focus on startups with such innovative technologies as data, AI, 5G mobile communications, and the Internet of Things, as well as bio and health-based startups. To this end, we will choose at least 80 startups per year and will provide them an office space for as long as a year, free of charge, to support their scale-up. In addition, we will provide support by covering their operating expenses up to KRW 12 billion over four years, and will establish an exclusive fund totaling KRW 50 billion. We will also create a startup membership system that includes startup companies in- and outside the Startup Park, and provide them information about our support programs.

Shinhan Social Value Measurement Framework In collaboration with Yonsei University’s Center for Global Business Ethics and Responsibility, we developed the “Shinhan Social Value Measurement Framework (SVMF)”. This is our own model for measuring social value, and is the first such model from any financial company in Korea. We will carry out focused analyses on areas which are subject to measurement in six major categories¹⁾, and will offer more support for activities and programs which score highly in the measurement model, including “Shinhan Global Young Challengers”. Shinhan Global Young Challengers is a program which provides young people aiming to find a job overseas with training and networking opportunities. KRW 1.7 billion was spent on this program between November 2018 and December 2019, and the total social value generated was around KRW 6.3 billion, a return of some 370%.

¹⁾ Support for the vulnerable, job creation, support for SMEs/innovative companies and the social economy, education, social donations, mécénat

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Environment

Zero Carbon Drive

To take preemptive action against any climate-related risks and any “Green Swan” events, we established “Zero Carbon Drive”, our eco-friendliness strategy, with the goal of achieving zero carbon emissions. Zero Carbon Drive consists of a 2 major pillars - the reduction and offset of carbon emissions. By establishing detailed quantitative goals and systematically managing those goals, we will be able to manage every risk and opportunity within our controllable range.

Zero Carbon Drive 2 Major Pillars

1. Reduction of Carbon Emissions

Measurement of Emissions In collaboration with S&P Trucost, we measured the carbon emissions of the Group asset portfolio as of 2019. We analyzed the carbon emissions of corporations in which we have asset holdings of at least KRW 10 billion, including loans, investments, and bonds, and confirmed that the largest amount of carbon is emitted by utility and material industries among 11 industries defined by the Global Industry Classification Standard.

In addition, we calculated the carbon emissions of 1,042 companies in Korea that are allocated of CO₂ emissions allowances or under greenhouse gas and energy target management based on disclosed greenhouse gas emissions¹⁾, and also taking into account the exposure to each company in our asset portfolio²⁾. In December 2020, we became the first financial company in Korea to join PCAF, and we will continue to use PCAF guidelines to upgrade our carbon emissions measurement model.

Goal We set a plan to reduce carbon emissions aligned with 2°C scenario in accordance with Sectoral Decarbonization Approach (SDA) set by SBTi in October 2020. Our reduction targets are based on emissions and activity data for each target industry – power generation, commercial buildings, steel, paper, cement, and transportation.

Management Measures We plan to upgrade our environmental and social risk management (ESRM) framework and environmental and social reviews on project financing (PF) to be aligned the Equator Principles criteria. We will also create a climate change-related portfolio emissions management system within existing risk management systems, and build a database. In addition, we will ensure regular monitoring by building an emissions dashboard, and establish a total limit management system for the Group. To this end, we will create a database on the emissions intensity of each company we do business with, and will strive for reductions in emissions through engagement with individual customers.

2. Offset Carbon Emissions

Measurement of Offset Amount In order to offset the carbon emissions generated while engaging in the business of financial services, we reviewed the entire carbon emissions industry ecosystem, ranging from fuel resources to energy conservation, production, use, and waste processing. The results of this review indicated that the best way for a financial institution to offset its carbon emissions is through providing support for the production of renewable energy. We have therefore calculated the business size (measured in MW) and investment (CAPEX) required to offset our internal and asset portfolio emissions, for each renewable energy type (photovoltaic/wind power).



[Please refer to Shinhan Financial Group 2020 ESG Highlight for more information.](#)

¹⁾ The disclosed greenhouse gas emissions accounts for 89.4% of total greenhouse gas emissions in Korea

²⁾ Calculation method: (CO₂ emitted per year by a company in which Shinhan Financial Group has invested, or has provided a loan to) × [(The amount financed by Shinhan Financial Group in investment or loan) / (the company's total assets)]

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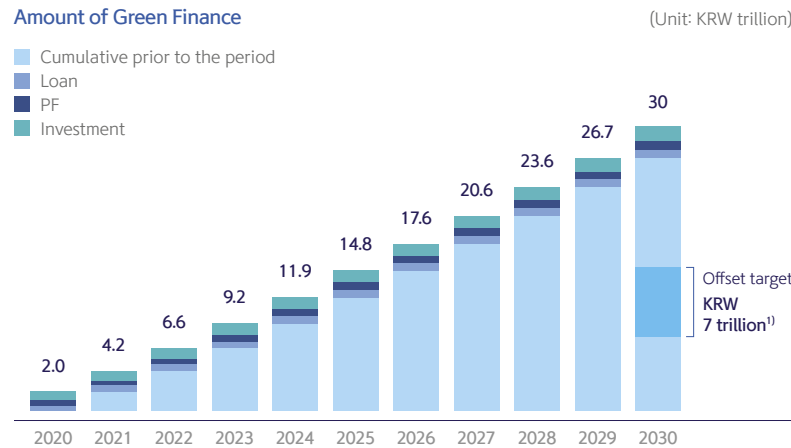
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Goal We have set a target for green finance of cumulative KRW 30 trillion by 2030, and in order to achieve this target, we will expand green finance of all Group subsidiaries.



¹⁾ The offset target is the proportion of photovoltaic/wind power-based renewable energy PF. The level of carbon emissions that can be achieved without reduction efforts was estimated.

Management Measures We will more actively implement green finance at each Group subsidiary using K-Taxonomy. We will improve our capabilities in green finance by targeting relevant companies and customers through a preemptive assessment of businesses which meet green finance standards. We will also develop an IT program based on K-Taxonomy and computerize such processes to be used in our assessment and follow-up management. In addition, we will support the policies on the Korean Government's Green New Deal and renewable energy, while also expanding industry research and reviewing/implementing relevant deals, including PF, equity investments, and support for technology development. Another plan is to develop new product structures, including guaranteed loans for renewable energy and carbon credit forward connection.

Green Finance Performance in 2020

Performance of the Group Shinhan Financial Group has been substantially expanding its support for the renewable energy industry. In 2020, we newly committed KRW 805.7 billion to 40 eco-friendly PF projects. Shinhan Bank provided loans worth KRW 226.7 billion through its green finance-only products, and Shinhan Card achieved KRW 247.7 billion in customer spending on its Deep ECO Card, thus encouraging eco-friendly consumption by its customers.

In 2020, in order to build a social safety net in response to the prolonged COVID-19 crisis, we increased the issuance of sustainability and social bonds. Shinhan Bank's issuance of social bonds worth USD 50 million in March was followed by Shinhan Card's issuance of sustainability bonds worth USD 100 billion in May and USD 400 million in October. Shinhan Financial Group issued social bonds worth USD 500 million in July, and Shinhan Capital issued ESG bonds totaling KRW 200 billion in October.



Newly committed **KRW 805.7 billion** in green PF



Shinhan Bank extended **KRW 226.7 billion** in green loans through its 14 different eco-friendly loan products



Shinhan Card's Eco Card marked **KRW 247.4 billion** in card usage



Recorded **KRW 782.2 billion** in sales of renewable energy related funds

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Strengthened Green Leadership and Partnership Shinhan Financial Group is enhancing its environmental leadership and partnership by taking an active role in the UNEP FI, TCFD, CDP, PRB, and PSI. In 2020, after setting out Zero Carbon Drive, we became the first financial company in Korea to join the Partnership for Carbon Accounting Financials (PCAF), in order to upgrade the measurement of carbon emissions in the Group’s asset portfolio. Going forward, we will continue to share details concerning the carbon emissions of the Group asset portfolio based on PCAF guidelines, and ensure that these measurements meet international standards. In addition, we have joined the Science Based Target initiative (SBTi), and will improve our emissions measures over the next two years in order to win SBTi approval for reduction targets.

In March 2020, Shinhan Life Insurance became the first life insurer in Korea to sign up to the UNEP FI’s Principles for Sustainable Insurance (PSI). It will ensure that ESG is integrated into company management, including operations, strategies, risk management, as well as product and service development. In September, Shinhan Asset Management followed the Group’s lead in declaring support for TCFD, and is creating internal processes which consider the impact of climate change on securities, bonds, and alternative investments. In order to manage its diverse range of financial products based on more eco-friendly investment strategies, the company launched the “Shinhan Global Sustainability Management ESG Fund”. In November, Park Sung-hyun, the Group’s Chief Strategy and Sustainability Officer (CSSO), was appointed as UNEP FI Global Steering Committee Asia Pacific Banking Sector Representative, and will thus perform an important role in leading environmental finance across Asia Pacific for three years from 2021 to 2023.

Global ESG Initiatives

Description	Date of Membership	Overview
Carbon Disclosure Project (CDP)	Mar. 2007	A project which aims to make environmental reporting and risk management a business standard and drive disclosure, insight, and action on sustainable economies
UNEP FI (UN Environmental Programme Finance Initiative)	Jan. 2008	Public-private partnership between the UNEP and the financial sector
UN Global Compact	May 2008	A UN pact that encourages businesses to fulfill their social responsibilities and be inspired for socially responsible policies
Task Force on Climate-related Financial Disclosures (TCFD)	Sep. 2018	A task force for setting a standard on disclosing financial information related to climate change
UNEP FI Principles for Responsible Banking (PRB)	Sep. 2019	A framework for ensuring that signatory banks’ strategy and practice align with the UN SDGs and the Paris Climate Agreement
UNEP FI Principles for Sustainable Insurance (PSI)	Feb. 2020	A guide for the insurance industry to align sustainability factors with operation strategy, risk management, product governance, and other management activities
Equator Principles	Sep. 2020	An agreement among financial institutions not to finance large development projects that can harm the environment or violate human rights
Partnership for Carbon Accounting Financials (PCAF)	Nov. 2020	A global partnership of financial institutions to develop an approach to assess and disclose the greenhouse gas emissions associated with their loans and investments
Science Based Target initiative (SBTi)	Nov. 2020	A global initiative developed to help companies set a target in line with science-based reduction criteria (1.5°C and 2°C scenarios)

* In Korea, we are participating in the Renewable Energy Option Initiative which advocates the securing of renewable energy options for power users (for both corporates and individuals) and the promotion of the use of renewable energy

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Society

Hope Society Project

Since 2017, Shinhan Financial Group has been running “Hope Society Project”, a Group-level social contribution which puts into practice the Group’s mission of “Compassionate Finance, Your Companion for the Future”, with an annual budget of KRW 90 billion. By operating a social contribution program at the Group level, we are delivering new hope to society and bringing about positive change.

Key Performances in 2020

CSR Activities to Fight Against COVID-19 In early 2020, due to the unprecedented COVID-19 pandemic, face-to-face gatherings and training programs were no longer available, and COVID-19 has disproportionately impacted the vulnerable. In January 2020, we started distributing masks totaling 200 thousand in a prompt response to what eventually spread into an unprecedented pandemic. “Hope Together”, a donation campaign conducted in the form of crowd funding, was participated by all Shinhan employees, and it also quickly attracted the participation of many neighboring communities. With the KRW 2.5 billion raised through the campaign, we delivered 5,000 daily necessity packages and 500 thousand medical supplies to medical personnels in the Daegu and North Gyeongsang Province areas; 15,000 meal boxes to poorly-fed children; and 10,000 food packs and lunch boxes each to low-income seniors and the disabled, with a third campaign in the pipeline, as of now. In addition, we are striving to find ways for local communities to address community issues induced by COVID-19.

Support for the Financially Vulnerable We provided education, employment, self-reliance support for people in unstable financial circumstances, so that they can overcome their financial problems and become healthier members of society. Beneficiaries include people with low credit ratings and women experiencing disruption in their careers.

- Support program for people with low credit ratings: Successful employment package, education for people with low credit ratings, and support for credit recovery – participated by 5,266 people; and 1,050 people found a job
- Youth debt total care: Support for youth with debt and low credit ratings – participated by 294 people; and 288 people completed the course (credit rating of 257 persons was lifted around 1 rating, 163 persons opened an installment savings account, 29 persons acquired a certificate, 25 persons fully paid off their loans, etc.)
- Support for women experiencing disruptions in their careers: Education support for reemployment – participated by 1,955 people; and 1,024 people found a job
- Shinhan Dream Dodamteo: After school childcare facility for double-income families with children in elementary school – opened 25 new centers (101 centers in total), finance education participated by 621 children
- Shinhan SOHO Success Project: Providing software programs to support business management of individual entrepreneurs – participated by 5,174 businesses

Job Creation and Employment We addressed major matters of social interest, including the social economy, startups, and the empowerment of local communities. We also implemented job support programs which helped tackle problems around employment, including youth unemployment.

- Global Young Challenger: Support for overseas employment of youths (Japan, Vietnam, Hungary) – participated by 86 people; and 52 people found a job
- Local community-tailored job programs based on vitalization of the social economy: Creating jobs and building an empowerment system by establishing village businesses and cooperatives in Suncheon, Sejong, and Busan
- No. 1 Social Enterprise Fund: Cumulative support of KRW 1.4 billion – supported 11 companies, including ZIPTOSS and Dohands Corporation
- No. 2 Social Enterprise Fund: Cumulative support of KRW 1.35 billion – supported six companies, including Alicorn and Enuma
- “S² Bridge: Incheon”: Startup park – 84 companies have moved into the park, and start-up support is in process

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CSR Synergy We continued to support people in need by implementing unique and targeted social contribution projects. We also identified and supported projects which can have an impact through a connection with the Group's CSR activities, both in global and in local communities.

- Hope School Software Education: IT/software education for disabled students at special-education schools – participated by 1,022 people (42 schools, 111 classes); and nurtured 118 instructors
- Hope Together Campaign, a program on resolving local community issues: Seven different support models across the nation to respond to prepare for and adapt to a post-COVID-19 world

Strategies for 2021



Plans for 2021

In fulfilment of Shinhan Hope Foundation's slogan of "Hope Together SFG, Opportunities for All", we will increase our financial support for local communities, companies, and individuals who are underserved, thus helping everyone to enjoy a healthy, stable life. We will focus on high impact activities, as measured by the Shinhan Social Value Measurement Framework (SVMF).

Start-up We will help companies grow into sustainable consumers that will create future value through innovative growth. We will therefore establish S² Bridge throughout Korea, in order to build a strong ecosystem for startups and to create jobs. We will also implement a range of programs which help startups with their capital stability and their plans for global expansion.

Financial literacy By helping future generations understand finance, we will nurture better financial consumers and promote individual financial stability. To this end, we are building an integrated financial education platform across all Group subsidiaries to help people in need from every generation, including people on low incomes or with low credit ratings, and those with unstable or limited employment. We will also put into place programs which help young people get out of debt and improve their credit and job prospects, build a better child care environment for dual-income families, and provide education in IT and software.

Group of community We will implement a wide range of programs to build better social/economic value in local communities. We will create jobs which are tailored for local communities by strengthening our connections with social impact companies, including social enterprises and cooperatives. We will also present a social contribution model that derives the community's issues with participation by local community members and stakeholders, and resolve any issues together.

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SHeroes

In 2018, Shinhan Financial Group established “R.O.S.E” as part of its group management leadership training system, to train female leaders within the Group and to substantially increase the number of female leaders. The “R” in R.O.S.E. stands for relationship – strengthening relationships; “O” is for opportunity – increased opportunities for women; “S” is for segmentation – the segmenting and targeting of every job position; and “E” stands for environment – the establishment of a gender-neutral work environment. In the same year, we became the first organization in the Korean financial industry to launch “Shinhan SHeroes”, a platform specifically aimed at training and supporting female leaders. Beginning with the 27 members of the first group, we select female leaders every year and run mentoring and academy programs to enable them to share their visions, and to support their professional development and growth. This is ensuring a Group-wide consensus on the importance of female talent across all Group subsidiaries.

Key Performances in 2020

In 2020, the third year since its launch, Shinhan SHeroes increased the size of its leadership group and diversified the regions and job positions targeted, with the aim of supporting more female leaders and creating role models with diverse experience and outstanding leadership skills. 67 female department heads were chosen from 11 subsidiaries to become the third group of SHeroes¹⁾.

The program is mainly based on mentoring, an academy, and conferences. The mentoring program aims to make the SHeroes into the Group’s female mentors, and to strengthen leadership and coaching skills. The mentoring activities were carried out in partnership with external coaching experts and professional organizations. In addition, “Shinhan SHeroes Academy”, which was created in 2019, was upgraded to more systematically support female leaders. We also offered lectures on a wide range of themes, including the humanities, to expand insights into leadership and to strengthen networks through communication and learning. Leaders were able to share their experiences and their commitment to grow as leaders within their respective Group subsidiaries.

“Shinhan SHeroes Conference” is aimed at the year-round reinforcement of Shinhan Financial Group’s activities in support of its female leaders, and at continuing to share the positive influence of those leaders. In 2020, 300 female leaders participated in an online conference. This conference consisted of a special lecture from an external expert, a presentation by members of the third group of Shinhan SHeroes about a research project undertaken during the mentoring program, and a panel discussion on “female leadership in the new era”.

In 2019, our commitment to nurturing female talent and supporting work-life balance resulted in the inclusion in the Bloomberg Gender-Equality Index (GEI), the first time any Korean company had been included in the GEI. We were also included in the GEI for a second consecutive year in 2020 which represents a significant achievement, as we have been recognized as one of 325 outstanding companies for gender equality from 42 countries across the globe.

Plans for 2021

We will continue to foster outstanding female talent, and will establish a positive ecosystem in which women become important drivers of the future growth. We plan to improve Shinhan SHeroes program both qualitatively and quantitatively in order to accelerate the growth of female talent across the Group. In addition, we will establish a comprehensive support strategy throughout all our HR operations, including equal pay, training, and a positive and gender-neutral organizational culture, thus creating a virtuous cycle in which the female leaders of the present identify, train and support the female leaders of the future.

¹⁾ 1st group: 4 subsidiaries, 27 participants / 2nd group: 8 subsidiaries, 49 participants / 3rd group: 11 subsidiaries, 67 participants

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The Group strives to earn the trust of all of its stakeholders through transparent and ethical management. As part of these efforts, all employees are committed to making ethical management a central part of the Shinhan corporate culture.

Ethical Standards and Principles

Shinhan Financial Group has established detailed systems related to ethical management, and encourages employee participation to ensure the highest levels of ethical management. We have established the Shinhan Financial Group Code of Ethics and the Employee Code of Conduct in order to make ethical management a fundamental part of our corporate culture, and to strengthen our employees' commitment to ethics. Online training programs on ethics and compliance are offered to employees at both the Group and subsidiary level. In 2019, we began sharing examples of ethics and compliance management and financial consumer protection in an entertaining webtoon format, and this program continued in 2020, with 17 webtoons being created and shared, thus helping to build a culture of integrity and encouraging employees to engage in ethical conduct.

Shinhan Bank has designated the second week of each month as compliance training week. During this week, it publishes a compliance letter and provides training through the Compliance Representatives in each of its departments. In addition, all employees sign a written pledge about practicing ethics, and an internal ethics and compliance inspection takes place every month. In 2020, the Bank upgraded the effectiveness of its internal ethics and compliance inspections by completely rebuilding the system. In addition, it enforces strict guidelines on preventing sexual harassment and workplace bullying, and requires all employees to undertake related training at least once a year.

At Shinhan Card, all employees sign a written pledge concerning the practice of ethics and compliance. The company runs continuous ethical management programs, including internal inspections in every department, self-assessments on the observance of laws, and the regular publishing of a web magazine dealing with compliance.

In addition, it runs an extensive range of activities to ensure a commitment to ethics and compliance, including strengthening the capabilities of compliance officers, training every employee about the Code of Ethics and the need for full compliance with all laws, and training to prevent mis-selling and money laundering.

At Shinhan Investment, all employees sign a written pledge on compliance. There is training provided to new employees or those taking on new duties, and when regular branch inspections are conducted. The training covers a wide range of related issues, including changes to finance-related laws and systems, compliance monitoring, and the prevention of compliance-related incidents. This ensures an enhanced ethics and compliance mindset among employees.

Shinhan Life Insurance posts its "Ethics & Compliance Newsletter" on its internal portal bulletin board, to be shared with all employees and at every sales location. The company also conducts a monthly assessment of the results of its ethics and compliance training. In addition, Shinhan Life Insurance runs a strict system in every sales channel aimed at eliminating workplace harassment. It is also enhancing the sense of ethics and compliance among its employees, establishing a culture of complete sales, putting customers at the center of its sales activities, and providing training on the prevention of money laundering.

OranLife strives to maintain a strict global-level ethical business culture. It demands a strict sense of ethics from its employees and its sales organizations, so that they practice ethical management in accordance with the Code of Ethics and the Code of Conduct posted on the company website. Employees and financial consultants (FC) undergo ethics and compliance training when they join the company, and then sign a written pledge related to what they have learned. They then receive annual training to renew their focus on ethics and compliance, and reaffirm their pledge. In addition, a monthly broadcast transmitted to financial consultants throughout the sales organization sets out the sense of ethics that is required to be maintained.



[SFG's Socially Responsible Management Policy](#)

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Ethical Management System

Internal Control System

The Group Chief Compliance Officer is in overall charge of Shinhan Financial Group’s internal controls, and also supports the compliance officers at subsidiaries regarding those internal controls. The holding company Compliance Officer receives regular compliance, internal trading and other reports to ensure that each subsidiary’s compliance officer is properly undertaking the required internal control activities, and also conducts annual inspections of subsidiaries and their actual execution of internal controls.

In accordance with the enactment and enforcement of the Act on Corporate Governance of Financial Companies in August 2016, we have reflected in full the requirements of the Act concerning internal controls¹⁾ in the internal control and compliance regulations at all of its subsidiaries. We also ensure that our internal control systems are managed consistently and efficiently. In addition, each Group subsidiary has established an Internal Control Committee, chaired by its respective CEO, which annually inspects its internal control systems and operations, and reports the results to the BOD.

Whistleblower System

As part of our efforts to facilitate the highest levels of internal controls, we actively promote our whistleblower system for preventing and taking measures against unethical conduct. In the case of the holding company, internal reports can be submitted through the company homepage and the mobile homepage, and employees at subsidiaries have access to similar reporting channels.

Each Group subsidiary has established a whistleblower system. Shinhan Bank runs “Shinhan Guardian”, a whistleblower program which can be accessed by both employees and business partners. The program guarantees the complete confidentiality and protection of whistleblowers, and also provides a wide range of reporting channels, including a website, email, telephone, fax, and regular postal mail.

Shinhan Card operates a whistleblower system for its employees and business partners. It has improved accessibility by enabling reporting through various online and offline channels, including the homepage, Intranet, email, fax, telephone, regular mail, and in-person interviews (both inside and outside the company). It operates “Cyber Sinnungo” on the company homepage as a channel for internal/external whistleblowers to make reports and for the reporting of unfair transactions. Complete anonymity is guaranteed, thus protecting whistleblowers against potential career and transaction-related reprisals.

Shinhan Investment operates a whistleblower system which enables unlimited reports to be made to a professional auditor through various channels, including the company Intranet, offline meetings, phone, email, and the website. All employees receive a booklet about the whistleblower system every quarter, including a strong emphasis on the guarantee of the whistleblower’s anonymity and career status. The company also provides whistleblower training.

At Shinhan Life Insurance, a whistleblower reporting window called “Sinnungo” is displayed prominently on the front page of its website. The company has also ensured the easy use of its whistleblower system by diversifying its reporting channels to include the Internet, phone, and postal mail.

The whistleblower system at OrangeLife enables direct reports to be made to the compliance officer via email, phone, regular mail, fax, and other channels. It guarantees the full anonymity and confidentiality of reports in order to ensure the complete protection of whistleblowers.

¹⁾ Whistleblower system, mandatory leave, separation of duties for high-risk clerical employees, establishment of processes for developing and selling new products, branch self-inspection, etc.



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Ethical Management Programs**Anti-Money Laundering Activities**

From 2019 to early 2020, the Financial Action Task Force (FATF), an international anti-money laundering (AML) organization, undertook a national evaluation in Korea. In addition, an amendment to the Act on Reporting and Using Specified Financial Transaction Information has further strengthened AML obligation fulfillment criteria and laws. Shinhan Financial Group has therefore overhauled our AML systems, and is making continued efforts to set our AML standards to a global level.

Shinhan Bank upgraded its domestic AML operations by implementing a Suspicious Transaction Report (STR) project, resulting in the optimization of rules on suspicious transactions. It also centralized the onboarding process of corporate clients to its headquarters in order to strengthen and streamline the implementation of KYC checks. In addition, it ran a project on Cash Transaction Report (CTR) data verification, and established new internal control systems. The Bank is also using new digital technologies to make its AML more efficient, including customer self-confirmations using QR codes and the creation of basic STR information using robotic process automation (RPA). It completed the implementation of global-level AML regulations, methodologies, and procedures at overseas branches, and continuously improved the operation of their AML systems. Shinhan Bank is ensuring that its AML internal controls reach global levels by giving its employees AML training provided by global training institutes, and by motivating employees to acquire international certifications on related topics.

In 2020, Shinhan Card improved its systems for the monitoring of suspicious transactions and the confirmation of customers thanks to the implementation of advanced AML systems. It also provided AML training to all employees, including the BOD, and continues to foster experts through training given by specialist external organizations.

Shinhan Investment runs a risk-based system which identifies, analyzes, and evaluates risks related to money laundering and the financing of terrorism. The company has also strengthened AML at its overseas subsidiaries by developing a more detailed checklist and conducting internal inspections. In addition, it provides detailed AML training, including through the in-house production of a training video, and has increased the efficiency of its AML operations as part of its continued commitment to the highest levels of AML.

Shinhan Life Insurance has completed a project to improve its AML risk assessment by establishing advanced processes for the preemptive identification of money laundering risks, and upgrading its assessment and response. In addition, every year, it identifies and evaluates money laundering risks at headquarters departments and branches.

OrangeLife has in place an AML and risk management system which meets global standards, and enforces strict adherence to the system in order to prevent the use of the company and its insurance products for money laundering. It is committed to preventing money laundering through prior risk evaluations and follow-up inspections. It provides regular AML training to all employees and FCs, and uses in-house broadcasting to ensure that FCs give their full attention to the system.

Trainings on Preventing Employee Misconduct

Shinhan Financial Group has upgraded its training regarding the prevention of employee misconduct in order to ensure full compliance with all regulations related to fair, transparent and ethical financial trading. Annual training concerning fair transactions is provided at the Group level to all employees working in the internal control departments of Group subsidiaries. This ensures that all relevant regulations are fully understood and implemented, thus preventing violations.

At the subsidiary level, Shinhan Bank examines in detail all declarations regarding financial trading and the ownership of financial products in order to prevent unfair transactions such as trading based on non-public material information. Additional training is provided to departments with an inherently higher likelihood of having access to undisclosed information. In 2020, the Bank provided two additional training sessions on fair transaction in relation to an amendment to the Monopoly Regulation and Fair Trade Act, giving practical examples of how the Act will be put into practice.

Shinhan Card has strict rules on the prohibition of the use of non-public information, and constantly monitors whether there has been any unfair financial trading by examining reports on the sales of financial investment products, and through regular monitoring to prevent unfair transactions. It also gives regular training to departments with an inherently higher probability of having access to undisclosed information in order to ensure the preemptive prevention of any acts that may violate laws.



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Shinhan Investment has established guidelines to prevent the use of non-public information and unfair transactions, and uses extensive employee training to ensure that related laws are observed in full. The company also actively keeps monitoring on unfair practices in order to identify and take measures against unlawful, unethical or manipulative transactions.

Shinhan Life Insurance has implemented a wide range of measures to prevent any conflict of interest between its special accounts department, which is responsible for managing customer assets, and the departments which manage the company's own assets. These measures include examining the opening of any investment account by any employee involved in asset management, detailed reporting on in-house trading, examining communications and meetings between asset management departments, and the verification of exchanges of information. The company undertakes quarterly examinations on the transactions of its financial products and accounts, and on a quarterly basis, it provides information about systems for the prevention of employee misconduct. In addition, in order to prevent trading using non-public information, the company conducts thorough investigations into all potential incidents of unfair transactions at its front-, middle-, and back- offices, and shares the results with all relevant employees.

OrangeLife has put into place a dual process for the preemptive prevention and follow-up inspection of any potential illegal conduct. It has established strict standards on the trading of financial investment products by its employees in order to prevent any conflict of interest with customers, or any other unfair conduct caused by the use of undisclosed material information. All employees in the asset management department and all other employees who are in a position to obtain material non-public information must comply with these standards, and are also subject to monthly asset management monitoring and inspection.

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Guided by fundamental and effective principles of risk management, Shinhan Financial Group manages risks in a preemptive and integrated manner based on a semi-matrix risk management organization between the holding company and the Group subsidiaries.

Risk Management Tools

Risk Management Philosophy

All employees of Shinhan Financial Group follow the same set of risk management guidelines that apply to every risk-related action and decision taken in front offices, thus ensuring that the fullest possible range of risks is taken into account in all our business dealings.

Integrated Risk Monitoring System

We run a comprehensive risk monitoring system that measures a wide range of outside economic indicators, our own risk indicators, and the current status of our risk management process and policies. This system enables a timely identification of potential risks and other key issues. Upon an analysis of the impacts of such risks and issues, preemptive countermeasures are put into place at the Group level. The system also detects and manages unexpected shifts within core indicators by operating a “risk dashboard” system to monitor the amount of assets, risks, and related external issues contained in the portfolios being managed by each subsidiary.

Risk Expert Network (REN)

The REN, a network of our risk experts, was formed to foster risk experts through risk training programs and workshops, and to upgrade the overall risk management capabilities of Shinhan Financial Group. Members of the REN are chosen according to their work experience and knowledge within their business areas and the related risks. The REN performs a pivotal role in spreading a culture of strong risk management.

Group-wide Corporate Credit Assessment System

In order to ensure the best-in-class credit risk management at all levels of our operations, all of the Group’s subsidiaries are obliged to align their credit checking system with the Group’s standard corporate credit assessment system. This system, which has received an official approval from the Financial Supervisory Service in 2016, has improved the quality of our credit portfolio.

Group-wide Risk Management System

We preemptively manage risk at the Group level through our seamless risk management system which identifies risks, determines the development phase of each risk, and then establishes and executes targeted countermeasures. For example, our liquidity risk management system monitors the status of liquidity management at each subsidiary in order to ensure efficient decision-making and suitable emergency measures in the event of a crisis.

Risk Management Organization

Shinhan Financial Group’s risk management organization comprises the Group Risk Management Committee, Group Risk Management Council, Group Chief Risk Officer (CRO), Risk Management Team of the holding company, and other risk-related committees and dedicated organizations within individual subsidiaries.

Group Risk Management Committee

As the highest decision-making body that establishes basic policies and strategies concerning the Group’s risk management, the Committee, which is a subcommittee of the Group’s Board of Directors, is composed of independent directors, and mainly deliberates and discusses the following:

1. The development of risk management policies that are in line with management strategies;
2. The determination of risk limits for the Group and its subsidiaries;
3. The approval of appropriate investment limits and risk exposures;
4. The enactment and amendment of the Group’s risk management regulations and Group Risk Management Council regulations;
5. The organizational structure of the Group’s risk management entities and their roles and responsibilities;

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6. Matters concerning the operation of the Group’s risk management system;
7. Matters concerning the setting of various kinds of limits and the issuance of approvals for exceeding limits;
8. Decision-making matters concerning FSS approvals, based on internal ratings approaches to the Group’s credit evaluation system;
9. Matters concerning the Group’s policies regarding risk disclosures;
10. The results of risk scenario analyses, and relevant capital management and financing plans;
11. Matters deemed necessary and appropriate by the BOD;
12. Matters demanded by outside regulations, including those of the FSC, and matters set forth in other regulations, guidelines, etc.; and
13. Other matters deemed necessary and appropriate by the Chairperson.

Group Risk Management Council

The Council discusses risk policies and strategies of the Group and each subsidiary, and makes decisions on matters necessary to the implementation of policies determined by the Group Risk Management Committee. It is composed of the Group CRO and the CROs of the Group’s major subsidiaries. It mainly makes decisions on the following:

1. Matters concerning the setting of exposure limit for a country, areas that require caution, individual company and its affiliates;
2. Matters related to the analysis of the integrated crisis situation of the Group; and
3. Matters related to the Group’s non-retail credit assessment system excluding those subjects to approval from the FSS.

It mainly deliberates and discusses the following:

1. Matters concerning the setting of risk tolerance of the holding company and each subsidiary;
2. Results of the analysis of the integrated crisis situation of the Group, and related matters on capital management plans and funding plans;
3. Matters related to risk disclosure policies; and
4. Other matters deemed necessary and appropriate by the Chairperson.

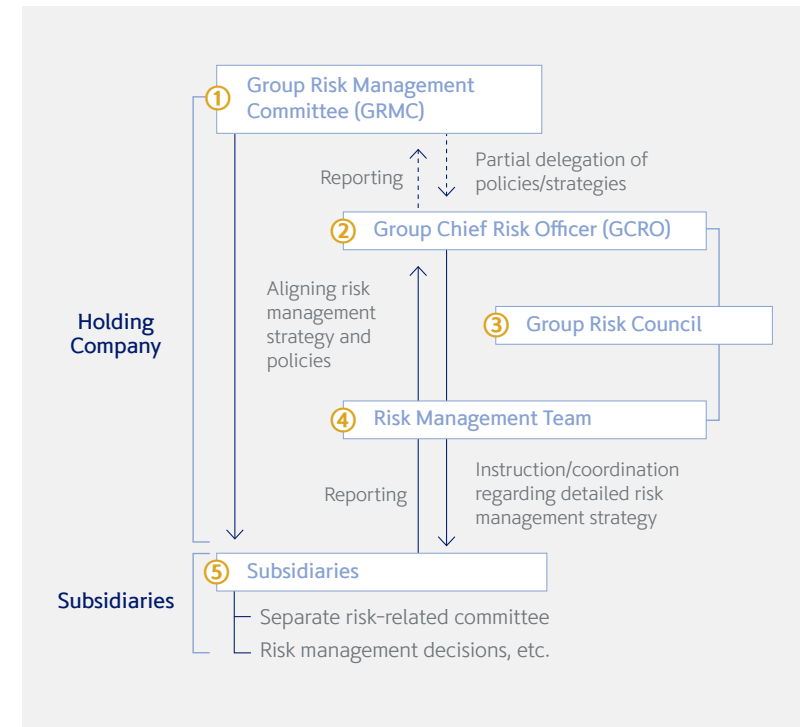
Group Chief Risk Officer

The Group Chief Risk Officer assists the Group Risk Management Committee, implements the risk policies and strategies determined by the Committee, and ensures that they are executed consistently across all of the Group’s subsidiaries. In addition, the Group CRO evaluates each subsidiary’s CRO, and examines the status of each subsidiary’s risk management.

Risk Management Teams

The Risk Management Team of the holding company supports the Group CRO. The risk-related committees and dedicated teams within individual subsidiaries implement risk policies and strategies in line with the Group’s risk management direction, and report back to the holding company. They are also responsible for managing risks at the subsidiary level, and for making improvements to their risk management systems.

Risk Management Structure



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Key Performances in 2020

Shinhan Financial Group’s risk management strategy for 2020 was defined as “developing differentiated risk management capabilities to better manage change”. We, therefore, strived to respond preemptively to crisis and improve our resilience. We also strengthened capital efficiency and our capability in responding to regulatory change, while making our risk management fit for sustainable growth. Moreover, we aimed to digitalize and improve efficiency of risk management.

In particular, we responded to heightened financial market volatility triggered by COVID-19 with timely activation of crisis response systems, and strengthening our early alert systems by collaborating with Shinhan AI to develop a market warning system which uses AI to forecast significant falls in markets. We also analyzed areas of potential risk, including increased household debt, overseas real estate, risks of emerging nations, and liquidity, and established effective countermeasures. In addition, we improved capital efficiency by setting the limit of budget for risk-weighted assets (RWA) and credit risk limits for each business division, and lowered credit RWA by improving the methodology for calculating RWA.

In response to the changes in the Basel III accord, we reflected the early adoption of the revised BASEL III credit risk framework, and formed a taskforce to upgrade our operational risk management systems. We became the first financial group in Korea to analyze the impact of our asset portfolio on climate change and then establish countermeasures. We also improved our global risk management and analysis by benchmarking the evaluation methodologies of overseas credit evaluation companies.

2021 Business Plans

We have set our strategic direction for 2021 as “solid risk management to enhance our resilience”. This will enable us to respond to the impact made on financial soundness by the prolonged COVID-19 pandemic, the US-China trade conflict, increase in the number of marginal companies, increasing debt burden in some emerging nations, and continued low growth and low interest rates.

To this end, we will upgrade our risk management systems by strengthening the Group-level supervision of risk management, undertaking more detailed integrated analyses of crisis situations, and optimizing our portfolio to be centered on high-quality assets. We will use big data and new technologies to upgrade our credit assessment models and improve the efficiency of our risk management. We will also respond to climate change by creating an in-depth climate change risk management system, including a database of relevant data. In terms of improving the risk management infrastructure to respond to changing regulations, we will implement the RWA budget system to ensure capital-efficient growth, and establish the Group operational risk management system in response to the revised Basel III accord.

In preparation for the integration of two life insurance companies of the Group in 2021, we will establish an integrated risk management system, while also strengthening management systems in areas of new growth at the Group level, including GIB, global business, and N.E.O Project. In addition, we will set a clear direction for customer asset risk management, including a monitoring system which examines customer asset processes and strict limits on risk concentration.



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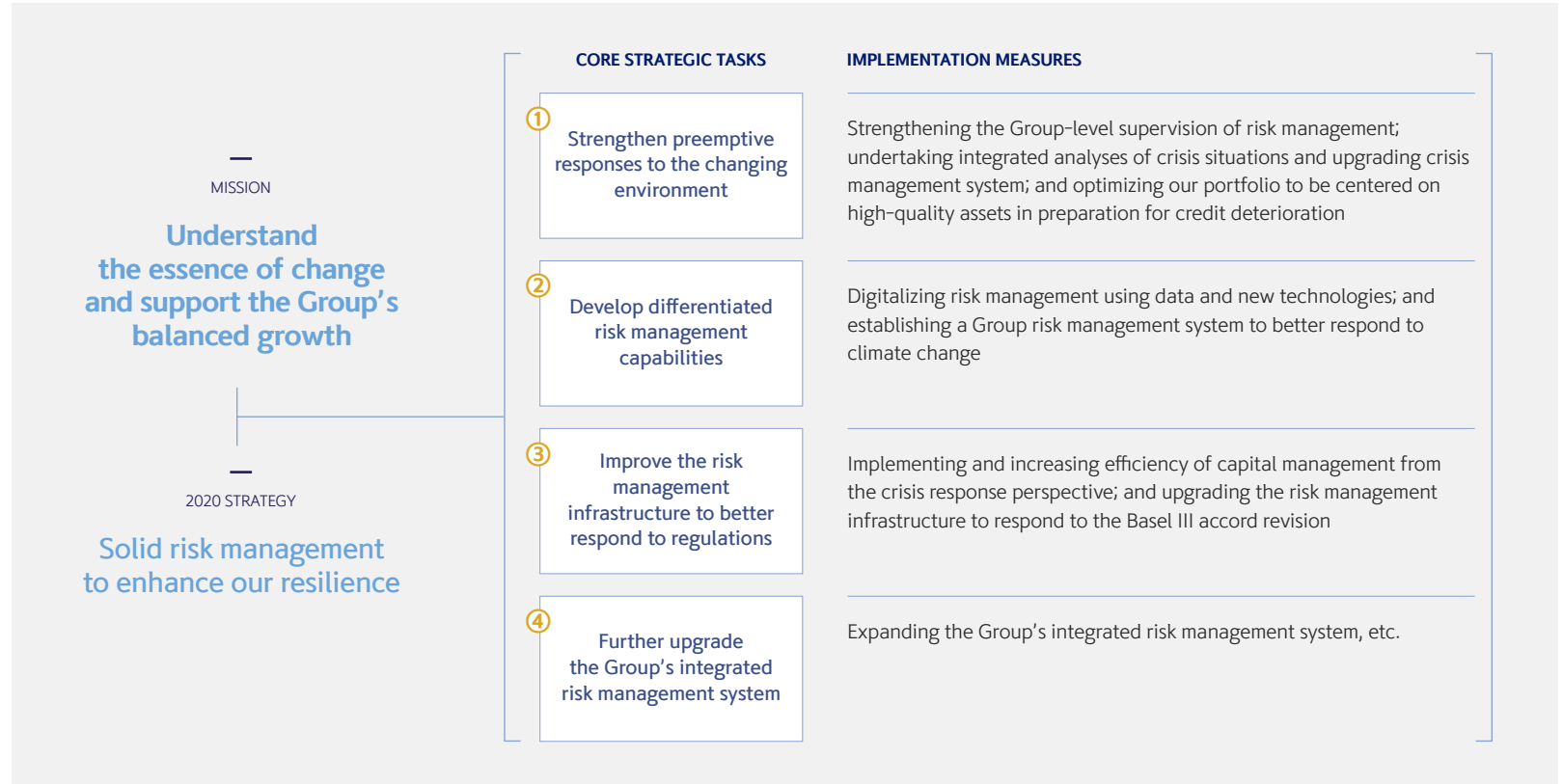
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Risk Management Plan for 2021



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Shinhan Financial Group seeks to efficiently manage its capital to satisfy various expectations of shareholders, potential investors, customers, and credit rating agencies, while complying with the regulatory levels of financial authorities.

Key Figure



Key Performances in 2020

2020 was the year when “2020 S·M·A·R·T Project”, our previous mid- to long-term growth strategy, was completed, and when a new mid- to long-term plan had to be established. To this end, there was a need to fortify our capital strength, as a driver to maintain the existing growth strategy and to seek new sources of growth. We, therefore, focused on improving Tier 1 capital ratio through various measures, including a paid-in capital increase and the issuance of contingent capital securities. As a result, our common equity Tier 1 (CET1) ratio improved from 11.1% at the end of 2019 to 12.9% at the end of 2020, thereby laying a solid foundation for future growth.

Although the level of uncertainty in the wake of the COVID-19 pandemic was extremely high in 2020, when COVID-19 alleviates, there will be many new growth opportunities, and we determined that sufficient capital strength will be needed to cease good investment opportunities. We therefore preemptively strengthened our capital in 2020, thereby improving the stability of our shareholders’ and customers’ financial assets and transactions, while also securing a new growth driver.

Beginning with the acquisition of OrangeLife in 2018, we strengthened new business lines in our non-banking sector, including Asia Trust and Neoplux (currently Shinhan Venture Investment), and as a result, the Group recurring net income, as well as the proportion of the Group’s non-interest income, is increasing.

Amid a prolonged pandemic, financial authorities requested financial institutions to focus on loss-absorbing capacity rather than dividend payouts, and recommended to maintain the level of dividend payout ratio to be around 20% which is unprecedented. Accordingly, the average dividend payout ratio of financial holding companies in Korea was no more than 20% in 2020, but we managed to keep our dividend payout ratio for common stocks above average at 22.7%. Although this is lower than the previous year, we were able to offer relatively higher dividend yields backed by our capital strength. Going forward, we will continue our efforts to strike the right balance between our corporate growth and shareholder return.

Plans for 2021

In 2021, we will actively allocate capital to take full leverage of the increased capital strength and to ensure that such capital allocation leads to greater corporate earnings power, including strengthening of digital, global, and new business lines. To this end, we will continue to expand growth areas of existing business lines, including GIB and GMS, while discovering new investment targets. We will also look for more ways through which our earnings growth can translate into higher returns for our shareholders.

Diversifying Growth Strategies and Increasing Profitability

We will strengthen capital strength in areas that are anticipated to grow. Considering exceptional circumstances, such as those of COVID-19, and resulting volatile business environment, as well as vaccination progress, we will actively discover good investment opportunities that are undervalued while also responding to changes in business environment, including the accelerated digital transformation.

Diversifying Ways to Increase Shareholder Returns

We plan to look for ways to diversify shareholder returns, including the frequency of our dividend payouts. To this end, we established grounds in our Articles of Incorporation to make quarterly dividend payments plausible, and plan to execute interim dividend payouts in the near future. In consideration of our capital adequacy levels and capital management plans, we will also review the option of share buybacks and cancellations as part of our efforts toward increasing shareholder returns.

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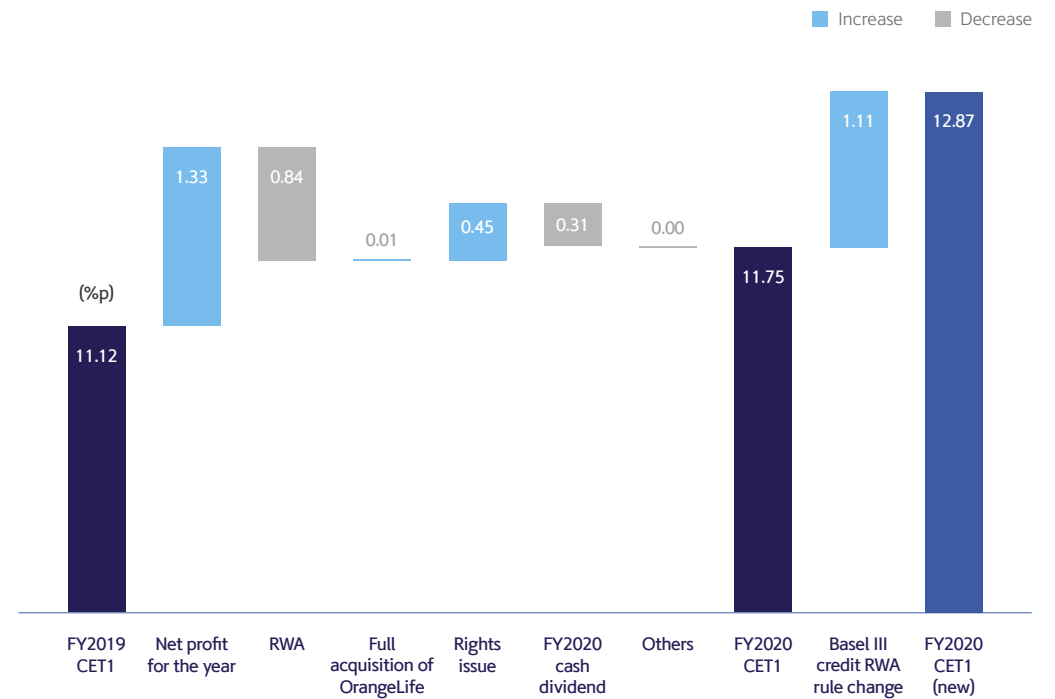
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CET1 Movement

- As of the end of 2020, the Group's CET1 ratio stood at 11.75%, year-on-year improvement of 63bp¹⁾
- The capital allocated for business development (RWA) marked 84bp; and 31bp in capital was allocated for year-end dividend payout (DPS = KRW 1,500)
- We are consistently pursuing effective capital management and RWA budget management to reach mid-term CET1 target of 12%

¹⁾ Not reflecting early adoption of the revised Basel III credit risk framework



Dividend

(Unit: KRW billion)

	2018	2019	2020
Dividend per Share (KRW)	1,600	1,850	1,500
Group Net Income	3,156.7	3,403.5	3,414.6
Dividend Paid	753.0	883.9	803.8
Common Stock	753.0	851.6	773.8
Convertible Preferred Stock	-	32.3	30.0
Dividend Payout Ratio	23.86%	25.97% ²⁾	23.54% ²⁾

²⁾ Dividend payout ratio for common stocks is 25.0% (FY2019) and 22.7% (FY2020)

(Unit: KRW billion)

	2018	2019	2020
Tier I Capital	30,677.9	31,699.8	36,267.2
Common Equity Tier I Capital	28,696.3	28,561.6	32,461.9
Additional Tier I Capital	1,981.6	3,138.3	3,805.4
Tier II Capital	3,315.2	4,014.7	3,441.8
Total BIS Capital	33,993.1	35,714.6	39,709.1
RWA	228,678.1	256,891.7	252,321.4
BIS Capital Adequacy Ratio	14.87%	13.90%	15.74%
Tier I	13.42%	12.34%	14.37%
Common Equity Tier I Ratio	12.55%	11.12%	12.87%
Common Equity Tier I Ratio (former)			11.75%
Tier II	1.45%	1.56%	1.36%



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Shinhan Business Organization

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Shinhan Financial Group has 17 subsidiaries, providing customers with a full range of excellent financial services, including banking, credit cards, securities, insurance, and asset management. The Group operates a matrix system in order to expand the business of each subsidiary, ensure a coherent and efficient Group strategy, and to optimize the use of all of its resources, in particular capital and personnel. As of the end of 2020, we operate seven businesses in a matrix structure – GIB, WM, Global, GMS, Pension, Real Estate and Digital.



Shinhan Financial Group

Shinhan Bank
BANKING

Shinhan Card
CREDIT CARD

Shinhan Investment
SECURITIES BROKERAGE

Shinhan Life Insurance
LIFE INSURANCE

OrangeLife
LIFE INSURANCE

Shinhan Asset Management
ASSET MANAGEMENT

Shinhan Capital
LEASING BUSINESS

Jeju Bank
BANKING

Shinhan Savings Bank
CONSUMER FINANCE

Asia Trust
REAL ESTATE INVESTMENT MANAGEMENT

Shinhan DS
FINANCIAL ICT

Shinhan Credit Information
CREDIT MANAGEMENT

Shinhan AITAS
FUND SERVICE

Shinhan Alternative Investment Management
ALTERNATIVE INVESTMENT

Shinhan REITs Management
REAL ESTATE INVESTMENT TRUSTS

Shinhan AI
INVESTMENT CONSULTING

Shinhan Venture Investment
VENTURE CAPITAL

Retail Banking



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Based on the belief that customers are the foundation of finance, we offer a wide range of loan and deposit products as an optimal financial solution for our retail customers, supported by distinctive marketing and sales.

Key Performances in 2020

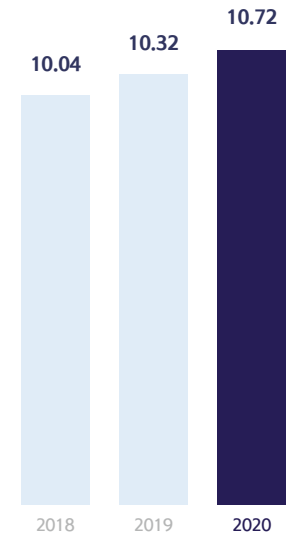
Despite a highly challenging business environment as a result of factors including the COVID-19 pandemic, Korean government’s real estate regulation policies, lower interest rates, and the advances made by big tech companies into financial services, the Retail Banking Division continued to grow strongly thanks to Shinhan’s digital competitiveness. It also fulfilled its social responsibilities based on the slogan, “Digital Innovation Created Together! Pursuing “Excellence” in Retail Banking!” In particular, growth in both loan and deposit assets, as well as an increase in our customer base made Shinhan Financial Group distinctive from other financial groups, and will be the foundation of our future sustainable growth.

Highest number of new active customers among commercial banks in South Korea

No. 1

Active Retail Customers

(Unit: Persons in million)



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Expanding the Customer Base by Facilitating Finance Platforms

2020 was a year of both crisis and opportunity, especially with big tech companies advancing into financial services and the full-scale implementation of open banking services. Shinhan Financial Group actively responded to these changes and expanded its customer base by facilitating its platform business. We upgraded existing financial services for customers with income, and also targeted younger customers. For example, we launched the “Hey Young” brand aimed at customers in their 20s, and offered financial products and services fit for the lifestyle of millennials. We also launched an integrated auto finance platform, “Shinhan My Car”, consolidating various auto finance products and services offered by the Group subsidiaries into a single platform. This will not only improve choice and convenience for customers, but it will also be a marketing tool for payroll accounts, targeted at individual businesses. As a result of these efforts, the number of our active retail customers increased by approximately 400,000 during the year, to 10.72 million.

Increase in Core Deposits and High-quality Assets Core low-cost deposits grew by KRW 11.3 trillion year-on-year thanks to stable inflows from public organizations in addition to rise in household deposits backed by an increase in active customers, and increases in credit card and merchant payment accounts. This is a 55.7% larger net increase than that achieved in 2019. Household loans increased by KRW 18.3 trillion year-on-year, driven by strategic products such as *Jeonse* loans, “My Car” loans, and unsecured personal loans for customers with strong credit. This was 52.4% higher growth than the net increase achieved in 2019. The Group also demonstrated Shinhan’s distinctive growth by expanding its loan and deposit assets through external alliances.

Compassionate Finance, Your Companion for the Future Shinhan Financial Group is striving to increase customer assets and add social value through finance, based on its mission – Building a Better World through Finance. The COVID-19 pandemic has posed a bigger threat to the financial security of the underprivileged, and resulted in increased demand for financial support. In response, Shinhan has helped small business owners through small-ticket loan products, such as the “New Hope Spore Loan” to improve their financial stability. As a result, we became the biggest provider the inclusive loans within the domestic banking sector.

Our commitment to building win-win relationships with our small and medium-sized enterprises (SME) clients in these difficult times has earned outside recognition. Shinhan Bank was chosen as the No. 1 company at the “Korean Sustainability Conference 2020” organized by the Korean Standards Association, and ranked first in the “2020 Korean Customer Satisfaction Index” organized by Korea Management Association Consultants (KMAC), first in the “2020 Korea Best Brand Awards” organized by Forbes Korea, and first in the “2020 Korea Customer Surprise Brand Index” organized by the Korea Brand Management Association.

Plans for 2021

In 2021, the Retail Banking Division will continue its distinctive growth based on its strategic goal of “Innovating Customer Experience! Creating Differentiated Growth! Pursuing “Excellence” in Retail Baking!”. In particular, the Division will focus on three strategic directions – enhancing customer value, strengthening the core business, and securing future revenue sources – in its efforts to achieve “Excellence in Retail Banking, Loved by Customers”.

Enhancing Customer Value, with a Focus on Customer Experience

We will systemize our customer management process and build a single-view digital customer management system. This will allow a more effective marketing customized to each target client groups, including millennials, the employed, and senior citizens. This will also enable us to develop customer-centric products and services which reflect the most up-to-date market trends.

Strengthening the Core Business to Become a Market Leader

We will focus on smart and profitable asset growth by expanding high-quality household loans. We also aim to rank first in net increase among commercial banks in Korea by expanding our low-cost deposits. In addition, we will accelerate the digital transformation of our front offices by, for example, completing a non-face-to-face process system for all of our loan and deposit products, and improving digital marketing support. We will also strengthen customer relationships through our newly launched “My Care” system which integrates digital marketing with the analog human touch.



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Securing Future Sources of Revenue through Creative Innovation

We will look for ways to increase its number of customers by building stronger business alliances and pioneering new markets. We will also identify new revenue models in response to changing market and advancements in digital technologies. In addition, we will implement marketing strategies which maximize cooperation between our subsidiaries through “Shinhan Plus”, a digital financial service platform that integrates the products and services offered by various subsidiaries of Shinhan.

Strategies for 2021

STRATEGIC GOAL

**Innovating Customer Experience!
Creating Differentiated Growth!
Pursuing “Excellence” in Retail Banking!**

STRATEGIC DIRECTIONS

01

Enhancing customer value, with a focus on customer experience

02

Strengthening the core business to become a market leader

03

Securing future sources of revenue through creative innovation

Corporate Banking



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Shinhan Financial Group is striving to shape the future of finance through stable growth, strong execution capabilities and excellence in corporate banking.

Key Performances in 2020

In order to overcome the challenging business environment in the low growth era and achieve strong growth to stay ahead of the competition, Shinhan Financial Group's Corporate Banking Division set its strategic goal for 2020 as being a "Creative solution leader, demonstrating "Excellence" in corporate banking". In support of this, the Division implemented a set of detailed strategies – improving business fundamentals, customer-centered growth, and differentiated growth in the markets of the future. The Division paid particular attention to the needs of corporate clients during the COVID-19 pandemic, and further strengthened its foundations as a corporate banking service provider.

Selected as a leading bank in supporting SMEs¹⁾

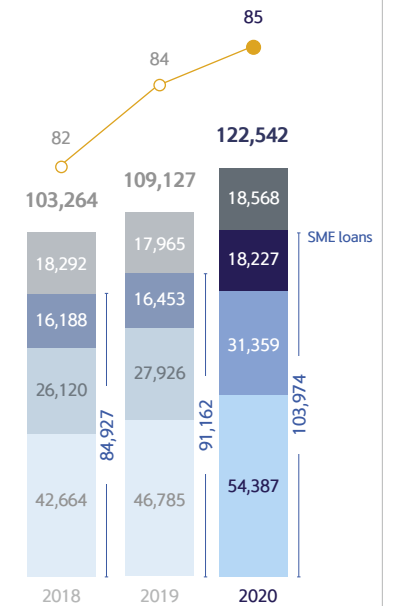
No. 1

¹⁾ Based on SME loans; as of December 31, 2020; and No. 1 among commercial banks in Korea

Corporate Loans

(Unit: KRW billion)

- Proportion of SME loans out of total corporate loans (%)
- Large Corporates etc.
- Audited SMEs
- Non-audited SMEs
- SOHO



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Customer Value Creation in Core Business Areas In order to maintain strong growth based on high-quality assets in 2020, we focused on our core markets, including mid-cap, audited, and non-audited corporations. In particular, we targeted our sales activities at robust mid-cap companies, and as a result, we ranked first among commercial banks for increases in KRW loans to SMEs. In addition, we have improved the customized services offered to our corporate clients at each stage of their development. Consequently, the number of our SME clients with more than KRW 100 million in loans now stands at 50,619, making us the leader in Korea’s commercial banking sector, and solidifying our reputation as the leading bank in providing financial support to SMEs.

Profitable and Sustainable Growth We focus on building a stable revenue structure with the goal of achieving sustainable growth. In 2020, our Corporate Banking Division undertook a range of collaborative marketing activities targeting SMEs and mid-cap companies, including cooperation among in-company sales teams, referrals from other business divisions, and synergy between the Group subsidiaries. In addition, we improved our comprehensive loan support systems in order to ensure efficient asset management and better profitability, and have also segmented the management of our non-interest income, including FX/derivatives and trust/retirement pensions. In addition, we achieved smart asset growth and stable profitability by diversifying our revenue structure.

Differentiated Growth for the Future We actively moved forward with our digital transformation in line with market demand for non-face-to-face services and accelerating digital transformation. One of key achievements in 2020 is “Shinhan Online Direct Export Bond Insurance Loan”, a loan which is processed entirely non-face-to-face, in collaboration with Korea Trade Insurance Corporation, becoming the first company in the financial sector to launch such a product. In addition, we continued to lead in digital transformation and expansion into fast growing markets. In particular, we expanded our support for technology finance, focusing on startups and companies with outstanding technological prowess and potential for growth in promising sectors of technology. As a result, we won first place in an evaluation of the banking sector’s technology finance performance in the first half of 2020. In addition, we also expanded our support for intellectual property (IP) rights and asset-based lending.

Plans for 2021

Shinhan Financial Group seeks to lead the market by actively responding to the rapidly-changing business environment, and by engaging in outstanding innovation. To this end, the Corporate Banking Division has set its strategic goal for 2021 as “New future through digital innovation, customer-centered corporate banking par excellence”. In support of this goal, it will implement the following strategic directions – customer-centric corporate banking, improving business fundamentals, and leading the future of corporate banking.

Customer-centered Corporate Banking Par Excellence We will earn customer trust, which is a value that customers consider with top priority when choosing a bank, by offering distinctive financial products and solutions, and by establishing a fair and transparent business culture. We will focus on providing loan support and new products which reflect changes and trends in the industry. In innovation finance, we will increase our marketing in technology finance, property-secured loans, IP-secured loans, relationship banking, social finance, and its support for companies in key materials, parts, and equipment sectors. We will also offer our customers differentiated solutions in tax/management consulting, global consulting, and corporate management consulting. We will also maximize the value of our clients by providing both financial and non-financial support for small businesses.

Improving Business Fundamentals In 2021, we will focus on increasing the quality of our SME loan assets, and continuing to strike the right balance between risk and profitability. The Project and Relationship Manager Team created in 2020 will be expanded and reorganized in order to strengthen the direct, centralized marketing aimed at blue-chip companies, and will collaborate with Retail Relationship Managers to provide customers with the best financing solutions. We will also expand our customer base through the effective management of long-term customers.



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Leading the Future of Corporate Banking We will continue with our efforts to lead the markets of the future. In order to improve our competitiveness in digital corporate banking, we will increase our digital coverage in this sector, and will build customer-focused, open corporate banking platforms through digital marketing and the opening of digital innovation branches. In addition, we will form alliances with other business sectors to further expand the range of our new products and services. We will also solidify our leadership in corporate banking by substantially expanding c IB and consultancy services, thus preemptively responding to changes in both markets and customer needs.

Strategies for 2021

STRATEGIC GOAL

**New Future through Digital Innovation,
Customer-centered Corporate Banking
Par Excellence**

STRATEGIC DIRECTIONS

01

Customer-centered corporate banking par excellence

02

Improving business fundamentals

03

Leading the future of corporate banking

Credit Card



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Shinhan Card extends the boundary of customers, collaborates with a wide range of business partners, and strives for other challenges to overcome the limitations of credit card business.

Key Performances in 2020

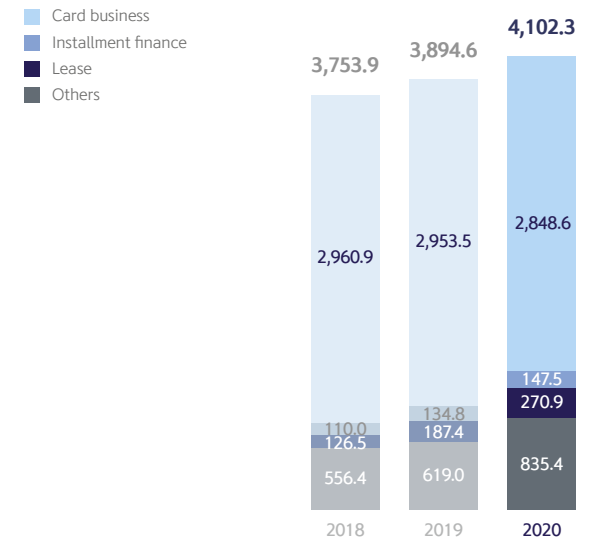
In 2020, Shinhan Card implemented its new vision of expanding the scope of its business based on the slogan, "Connect More, Create the Most", and focused on Winning next payment market, Accelerating multi-finance, Valuing up platform business, and Evolving core strengths, supported by the Deep WAVE strategy for creating and sharing differentiated customer experiences. As a result, Shinhan Card was able to achieve a solid performance, even in the midst of the COVID-19 pandemic.

Ranked first in credit card market share in South Korea

No. 1

Operating revenue

(Unit: KRW billion)



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Launched Innovative Products The “Deep Series” expanded the product line-up to offer hyper-personalized incentives and benefits, leading the industry’s new product trend. “Shinhan Pay^{FAN}”, which offers services in payment, finance, and daily life through simple payments, achieved solid growth despite the launch of intense competition from big tech companies. This was mainly attributable to the addition of distinctive functions and services, including “My Report” personal expenditure management (PEM) service, “Digital Wallet” which offers an actual wallet within an application, and the Korean finance industry’s only iPhone touch payment service. As a result, it is now a major payment & life platform, with 13 million subscribers and annual payments of KRW 13 trillion.

We have been making efforts to diversify our asset portfolio, and one of the new business sectors that we’ve focused on is auto finance. Consequently, the company’s auto finance assets exceeded KRW 6 trillion in 2020. In addition, we launched “My Car”, which is an integrated auto finance platform that offers a comprehensive range of automobile-related services and content. We also strengthened our financial product line-up in response to diverse customer demand, and expedited the transition into a multi finance company by expanding our overseas business.

Thanks to these efforts, in 2020 three Shinhan Card products (rental brokerage, overseas remittances for foreigners, advanced payment services for merchants) were chosen by the government as innovation finance services. We now have eight different innovation finance services recognized by the government, the most in the financial industry. We recorded the greatest number of transactions in the Financial Data Exchange. Furthermore, we led innovation by expanding data sales into the global market and by launching the “D-Club”, a 100% digital membership.

Growth Strategies to Go Beyond Credit Cards The paradigm of the financial environment is rapidly changing, mainly attributable to amendments to three data-related laws¹⁾, and the emergence of more MyData and My Payment companies. We are using these changes as opportunities, offering our customers new experiences through innovation. We have therefore set out detailed directions for its digital platform innovation strategy, also referred to as its “D.N.A business model”.

D stands for “Daily payment expenditure and finance management” through which we will put “one app, all finance” into the hands of our customers every day. N stands for the “New discovery platform”, providing new services and benefits in line with customer lifestyles based on analysis from MyData. A stands for “Amazing business finance management”, representing our goal of becoming a platform offering comprehensive support to merchants’ operations and finance.

Thanks to these efforts, we won the Presidential Citation at the National Productivity Awards in 2020, and ranked first in all the three major brand evaluations held in Korea – the National Brand Competitiveness Index organized by the Korea Productivity Center, the Korea Brand Power Index survey conducted by KMAC²⁾, and the Korea Standard Premium Brand Index survey conducted by the Korean Standards Association. We, Shinhan Card, have thus achieved the triple crown in brand value evaluations for nine consecutive years, an unprecedented achievement for a financial company.

Plans for 2021

We have been implementing the customer-centered “Deep Strategy” for the last three years, and continue to generate positive outcomes from it. In 2021, we will execute its unique “Deep Contact” strategy to gain a deeper understanding of our customers in this era of profound change brought about by COVID-19. It will therefore complete the following four tasks.

Digital Contact In the digital era, we are going beyond the boundaries of the credit card business by offering our customers new experiences in their daily lives, based on a framework of “life & finance”. Shinhan Pay^{FAN} will be developed into Korea’s leading “life & finance” platform, enabling the integrated handling of all financial and life services. In addition, we will expedite the digitalization of all our businesses, including credit card, finance and new businesses.

¹⁾ Personal Information Protection Act; Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc.; Credit Information Use and Protection Act

²⁾ KMAC: Korea’s Most Admired Companies

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Economic Contact We aim to contribute to society and the national economy by supporting the financial growth of its customers. We will offer high-quality loans to customers, further upgrade our auto finance platform, and offer a comprehensive financial platform to merchants. We will also undertake a wide range of environmental, social and governance (ESG) activities to create a virtuous cycle of sustainable growth benefiting both current and future generations.

Extended Contact We will enhance customer value and expand our business by connecting customers, data, and business. We will create new value by cooperating with companies in other industries, expanding new data-based businesses, increasing our overseas business, and by making new investments to establish a multi-finance company.

Personalized Contact We will ensure that our product recommendations are made entirely from the perspective of the customer, and will also improve our consumer protection. We will provide optimal benefits and experiences to a greater number of customers through hyper-personalized products and services brought about by digital technology.

Strategies for 2021

STRATEGIC GOAL

DEEP-tact

Shinhan Card's Deep Contact Strategy

STRATEGIC DIRECTIONS

01

Digital contact

Digital-based innovation of customer experience and redefinition of card business

02

Economic contact

Economic growth of customers supported by the advancement of financial industry

03

Extended contact

Extension of customer value and business areas through hyper-connection

04

Personalized contact

Personalized, detailed recommendation and risk management based on data and digital technology

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Selected as one of the Korea's Most Admired Companies in the financial investment sector by KMAC for five years in a row

No. 1

KEY FIGURE

Shinhan Investment plays as a hub for the Group's capital markets business, with an aim to be the leading securities firm in the Korean capital market, based on its customer-focused management philosophy.

Key Performances in 2020

Economic uncertainties grew throughout 2020 as a result of the worldwide spread of COVID-19. Korean financial markets saw both negatives and positives during the year, with negative aspects including reduced customer faith in financial products and change in the competitive landscape with big tech companies newly entering the securities business. On the positive side, both the number and the amount of transactions within the stock market soared as a result of increased liquidity.

2020 was an important year for our brokerage arm, Shinhan Investment, as it strengthened the foundations for innovation of all its businesses. By overcoming the difficult conditions both at home and abroad, and by enhancing customer trust while strengthening the fundamentals of all its business units, the company achieved a solid financial performance, supported by strong growth in the GMS, GIB, and Digital Divisions. It also won outstanding external evaluations, including its fifth consecutive No. 1 rating of all the securities firms with which the National Pension Service trades, winning the Social Contribution Grand Prize from the Korea Chamber of Commerce and Industry and Forbes, and an upgrade in the ratings outlook from Moody's.

Established the Right Principles We have established sound business fundamentals and principles for all our business units, to ensure that they put the philosophy of customer-focused management is fully put into practice. We have redesigned all our systems, and have also enhanced our corporate culture, including human resources management and training. In addition, we are making company-wide improvements in our internal controls, including creating detailed manuals and systems, and improving operational risk management systems through an agile organization based on the "Internal Control Cell".

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Focused on Offering the Best Financial Solutions We are dedicated to providing the best brokerage and investment solutions to all our customers. We have therefore focused on establishing stable and reliable product supply and processes in order to earn customer trust. In particular, we have revamped our product management systems and re-examined our product processes from the customer perspective. This includes a complete survey of investment products, expanding the role of our Research Center to include support for improving company-wide investment skills, and enhanced employee training.

Established the Foundation for a Digital-Leading Company We have established the foundations for becoming Korea’s leading digital investment company. We became the first financial company in Korea to create a data analysis platform in response to the digitalization of the industry and in order to enhance customer convenience. We have set key targets related to digital transformation, including new home trading system (HTS) and customer relationship management (CRM), and have created a more agile corporate culture and organizational structure.

While strengthening our digital platforms, including HTS and mobile trading system (MTS), we are also expanding our digital business by establishing alliances with companies in different industries. In 2020, our overseas equity gift card “Stockcon” became part of the KakaoTalk Gift platform. We also began our overseas equity small investment service on Shinhan Card’s Shinhan Pay^{FAN} mobile application, and launched a securities passbook in alliance with 11STREET, an e-commerce platform.

Plans for 2021

The uncertainties caused by COVID-19 and the challenges that have arisen from external factors such as heightened competition from big tech companies and additional industry regulations will likely continue to linger in 2021. The strategic goal for Shinhan Investment in 2021 is “to become a renowned digital investment house”, to fulfill the role as the Group’s capital markets hub, and to turn current challenges into opportunities for innovation. To this end, we have established seven major strategic tasks.

Open Innovation & Digital Transformation All industries, including the securities industry, are seeing rapid movement towards digitalization. We will increase the number of our digital customers by improving our MTS and HTS platforms, and will create the best possible ICT infrastructure within all our business units in order to ensure firm digital foundations. In addition, we will build alliances with companies in different industries, and undertake a range of investments in collaboration with big tech companies.

Customer-focused Channel Innovation By upgrading the previous offline business model into a new MTS-centered platform, we will offer our customers easy and convenient investment information, and offer products and services customized to the needs and risk appetite of each client. These hyper-personalized services will expand the customer asset base.

Strengthening Management and Competitiveness of Products We will improve our investment capabilities through advanced management strategies and ensure stability throughout the entire product sales process. We will enhance our financial consumer protection systems, and offer products which meet customer requirements, with a focus on products with proven stability, including both products developed internally by Shinhan Investment and publicly-placed products.

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Generating Sustainable Outcomes We will maintain our wholesale sales capabilities by upgrading our sales network for existing corporate clients, and also by enhancing our corporate and overseas businesses. In addition, we will strengthen our traditional IB business, which is based on coverage capabilities, and IB capabilities at our overseas subsidiaries, and will diversify income through retail business at our overseas subsidiaries.

Improving Risk Management Systems We, Shinhan Investment, will improve our risk management infrastructure systems, which will both strengthen the management of existing investment assets and build the foundations for the risk management of future growth.

Nurturing π-Type¹⁾ Talent We will recruit the best personnel who excel in both digital capabilities and capital markets by upgrading our recruitment processes. We are also building a learning organizational culture, including the adoption of self-development indices and improvements in training systems.

Strengthening Connections and Communications We will leverage the Group's digital platforms in order to expand our customer base through cooperation with other Group subsidiaries. In addition, we are creating a non-hierarchical, internal communications system which will identify work tasks and generate positive outcomes through collective intelligence.

¹⁾ n-type talent: Individuals with expertise in two areas – digital and capital markets

Strategies for 2021

STRATEGIC GOAL

Renowned Investment House that Leads Digital Paradigm

STRATEGIC DIRECTIONS

01

Open innovation & digital transformation

02

Customer-focused channel innovation

03

Strengthening management and competitiveness of products

04

Generating sustainable outcomes

05

Improving risk management systems

06

Nurturing π-type talent

07

Strengthening connections and communications

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Shinhan Life Insurance and OrangeLife, together run the Group's insurance business, continue to innovate in key areas, including customer strategy and digital finance, establishing leadership in a new era of insurance.

In 2020, the Group's insurance business strived to build business resilience in the face of a very difficult business environment, including the sluggish real economy due to COVID-19, the acceleration of digital transformation, and ultra-low interest rates. It focused on increasing its sales capabilities and generating profitable new growth, especially in the digital world. Ahead of the integration of Shinhan Life Insurance and OrangeLife in 2021, they sought to build strong foundations for the integrated company by promoting innovation in the insurance industry.

Net income of insurance business in 2020

457 KRW billion
(SL 178Wbn + OL 279Wbn)

Shinhan Life Insurance

Diversified sales channels, excellent product profitability

- **Balanced channels, including financial consultants (FC), tele-marketing (TM), general agency (GA), and bancassurance**
- **Outstanding product profitability centered on protection-type products**
- **Enhanced asset management capabilities using the Group matrix**

OrangeLife

Expert FC channel, industry's top-level capital soundness

- **Young, highly-productive FC channel**
- **Variable composition ratio with high income contribution**
- **Industry's top-level capital soundness**

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Key Performances in 2020

Strengthened Business Resilience and Increased Value in New Business

We increased our sales capabilities of our insurance products, through marketing campaigns and other efforts, in order to support sales that had been negatively affected by the sluggish real economy and increased financial market volatility. We also strengthened resilience by focusing on profitability and sales efficiency, and improving our asset liability management (ALM). In particular, we enhanced the competitiveness of our sales channels and reorganized our sales models to operate from the perspective of profitability.

Digital Transformation In order to enhance digital experience of our customers, we are working on the digitalization of the entire insurance process, ranging from sales to customer management, claims, and payment. As part of these efforts, in 2020 we developed an AI-based chatbot for customers, upgraded sales support systems, and undertook a range of other measures to increase digital competitiveness. We are also developing a digital healthcare platform in order to make a preemptive move towards leadership in the digital healthcare market.

Expanded Drivers for New Future Growth With the existing insurance sales environment proving increasingly difficult, we are striving to identify drivers of new growth. We have therefore established a sales company in the general agency (GA) market, and have also laid the foundations for a global business by establishing a subsidiary in Vietnam.

Integrated Competitiveness for NewLife In order to ensure a stable and full integration of the two insurance companies under Shinhan Financial Group, we have created customized integration systems and strategies for different business areas and teams. In addition, we have set out measures for improvements in key areas, including customer management, sales channels, and digital strategy, aimed at strengthening competitiveness of the newly integrated insurance company. In addition, we established organizational systems which can react quickly to a rapidly-changing environment through corporate culture innovation, including an agile way of working and organizational structure.

Plans for 2021

2021 will be a highly significant year for Shinhan's insurance business, as Shinhan Life Insurance and OrangeLife are integrated into one company. Shinhan Financial Group will focus fully on the stable integration of NewLife, and on strengthening the competitiveness of the integrated company. As well as the integration of the insurance arms, the Group will respond to the challenges of COVID-19 with agility and effectiveness, accelerate the implementation of digital transformation, and develop drivers of new growth, thus preparing for a future in which individuals and companies can move on from the pandemic era.

Open Innovation & Digital Transformation Accelerated by COVID-19, our society is becoming ever more digital. We will therefore aim to develop a competitive edge through technology-based digital innovation. We will strengthen digital sales support, make advancements in AI-based customer service, and build a healthcare ecosystem based on our new healthcare digital platform. In addition, we will use big data to make our marketing models more sophisticated and accurate.

Efficient Growth In an increasingly uncertain business environment. We will look to strengthen our qualitative growth by increasing the competitiveness of each sales channel, expanding new business and managing for profitability not size.

Preemptive Risk Management Risk management systems for our insurance business are constantly being upgraded in response to existing and future risks, including COVID-19 and low interest rates. We will make our analysis systems more accurate by reflecting the lessons learned from the pandemic, and will further strengthen our asset risk management in response to the ultra-low interest rate environment.

Global Connection and Expansion We will generate income for the future by expanding globally. As an initial step towards global expansion, we will obtain a license for establishing a subsidiary in Vietnam, and advance localization strategies.

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Creating Sustainable Outcomes With ESG factors becoming ever more important, including eco-friendliness and corporate social responsibilities, we will strengthen our systems for sustainable management. We will actively support global initiatives such as ISO 14001 and UN PSI¹⁾, and will continue to take part in the Group-level drive towards zero carbon.

Multi-faceted Talent Management Amid the rapid transition to a digital era, we will develop more digital-focused personnel by strengthening corporate-wide digital capabilities.

Building a Dynamic Organization We will take advantage of the opportunities offered by the integration of Shinhan Life Insurance and OrangeLife to create an agile organization which can more strategically and rapidly respond to changes in the business environment.

¹⁾ PSI: Principles for Sustainable Insurance is a global sustainability framework and initiative of the UN Environment Programme Finance Initiative.

Strategies for 2021

STRATEGIC GOAL

**NewLife beyond OneLife.
NewLife achieving “Excellence”**

STRATEGIC DIRECTIONS

- | | | |
|---|--|--|
| 01
Open innovation and digital transformation | 02
Efficient growth | 03
Preemptive risk management |
| 04
Global connection and expansion | 05
Creating sustainable outcomes | 06
Multi-faceted talent management |
| 07
Building a dynamic organization | | |

Asset Management



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Shinhan Asset Management, which has been rebranded from Shinhan BNP Paribas Asset Management in January 2021, is Shinhan’s asset management hub, and offers a wide range of customer-tailored investment solutions based on a solid management principle.

Key Performances in 2020

Three Major Strategic Directions for Change and Growth In 2020, we followed three major strategic directions in order to maintain growth momentum in asset management business sector – enhancing key business capabilities, expanding into new business, and upgrading HR and systems. In traditional equity investments, we have boosted our assets under management in the Korean market by increasing rates of return on large-cap stocks and offering small- and medium-cap stock funds. In bonds, we have continued to attract institutional funds based on our excellent management performance. Growth in target dated fund (TDF) retirement pension products continued thanks to the popularity of our newly launched products. In addition, we have sought to improve customer returns by diversifying the revenue structure of our underlying assets. In structured products, we have solidified our industry-leading position with new product development.

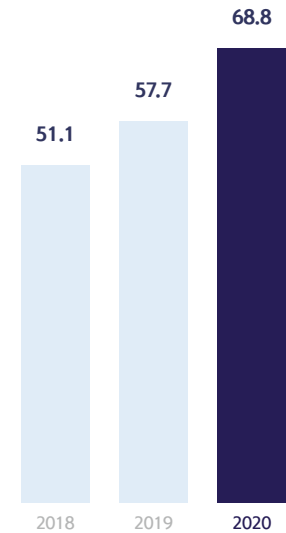
Year-on-year growth of AUM

19.2%

* Based on net asset value

Assets Under Management

(Unit: KRW trillion)



* Based on net asset value

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We, Shinhan Asset Management, continued to offer customized solutions to our customers by setting out solution-based investment strategies, giving access to industry experts, and by developing flagship products, led by the Product Strategy Center. This has enabled us to offer competitive products, which in turn has led to increased rates of return on funds.

In the outsourced CIO (OCIO) business, we received an outstanding evaluation for the management of the Radioactive Waste Management Fund. As a result, we were selected as the National Health Insurance Service's alternative investment manager, which substantially increased our funds under management. In the alternative investments sector, we continued to solidify our strategic foundations, offering a wide range of products to our customers, and setting up a VC investment platform to spur innovative growth.

In the initial public offering (IPO) market, we focused on developing tailored investment products for retail customers. The hybrid "Samsung Electronics Alpha" fund pursues above-market profitability by investing in the shares of Korea's leading company, Samsung Electronics, in addition to government and other public bonds, and investment-grade corporate bonds. The fund's assets have surpassed KRW 400 billion, making it the industry's leading fund. In addition, the "BEST Credit Short-Term" fund, a short-term bond product, grew substantially, and now has assets amounting to KRW 250 billion.

Expanded in Global Markets We strengthened our global asset allocation and fulfilled the overseas investment requirements of our institutional investors by launching a wide range of funds of funds. We also increased the volume of our overseas investments by sourcing alternative assets, and by launching ESG and infrastructure funds.

Increased ESG Investments for Sustainable Growth We became the first comprehensive asset management company in Korea to declare support for the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD). Thanks to our commitment to sustainable growth, we were selected to manage Korea's National Pension Service's SRI fund and Public New Deal fund, strengthening our position as a leader in ESG fund management. We will continue to build a full line-up of ESG funds and increase investments in ESG.

Plans for 2021

Financial markets are forecast to remain highly volatile in 2021, mainly because of ongoing risk factors associated with the COVID-19 pandemic. In addition, with returns from traditional investments still low and customers continuing to prefer safer assets, demand for absolute return and alternative investments is likely to increase still further. We, Shinhan Asset Management, are therefore establishing investment strategies and developing products to meet this trend. In addition, we will strengthen our role as the asset management platform for Shinhan Financial Group, and reinforce our position as the leading comprehensive asset management in Korea. To this end, we have set the strategic goal for our asset management business in 2021 as "taking on challenges and innovation for sustainable growth", and has defined seven major strategic tasks in support of this goal.

Digital Transformation through Digital Innovation In response to the rapidly-changing market environment, including the contactless culture brought about by the pandemic, we will focus on digital transformation and innovation in all aspects of our asset management business, including asset management, sales, and management, thus enhancing our digital business capabilities.

Efficient Growth in Key Businesses We will diversify product offerings and sales channels in its retail and pension units. We will also meet institutional investor demand for a wider range of global assets. In addition, we will diversify the sources of income by identifying and investing in new OCIO and alternative investment businesses.

Growth in Partnership with Customers By improving the performance and profitability of our clients' assets, we will grow in partnership with our customers. We will increase customer returns by continually improving its asset management capabilities, and will enhance the role of the Product Strategy Center in creating products which meet the various needs and requirements of our customers.

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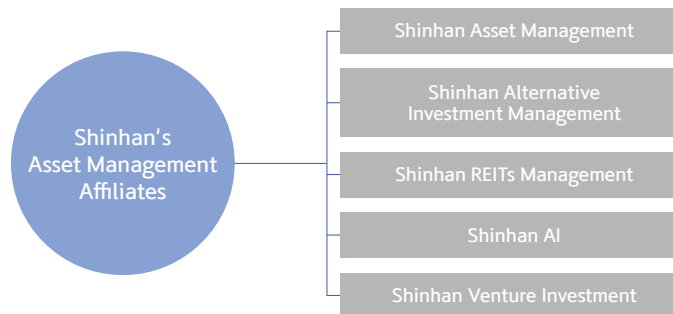
Increasing Opportunities and Strengthening Management We will increase our direct investments by improving our global management, research and asset allocation capabilities. We will also collaborate with GIB and overseas management companies in order to expand our overseas alternative asset investments, supported by strict risk management.

Increasing ESG-focused Investments We will reinforce our position as the leader in Korean ESG fund management by committing larger amount of investments to environmentally-friendly assets. We will also integrate the Group's ESG management strategy – Green, Win-win, and Trusted management – into our asset management practices.

Rapid Response to Changes in Capital Markets We will improve our risk management by strengthening internal controls and management accounting. We will thus protect customer assets and respond preemptively to changing trends and requirements in the capital markets.

Performance-based Personnel and Organizational Management We will recruit, retain and train the best people for each position within the company. We will establish an open organizational culture, based on performance-driven compensation and a flexible organizational system.

SFG's Asset Management Arms



Strategies for 2021

STRATEGIC GOAL

Taking on Challenges and Innovation for Sustainable Growth

STRATEGIC DIRECTIONS

- | | | |
|--|---|---|
| <p>01
Digital transformation through digital innovation</p> | <p>02
Efficient growth in key businesses</p> | <p>03
Growth in partnership with customers</p> |
| <p>04
Increasing opportunities and strengthening management</p> | <p>05
Increasing ESG investments</p> | <p>06
Rapid response to changes in capital markets</p> |
| <p>07
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One Shinhan



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Shinhan Financial Group has built an effective management system at the Group level based on the “One Shinhan” strategy, ensuring close collaboration between the Group subsidiaries and driving growth towards “Excellence, Shinhan”.

Key Performances in 2020

“One Shinhan” is not just a slogan, but a strategy which is shared by all the Group subsidiaries and a system of collaboration which provides customers with optimized products and services. In 2020, the Group launched Shinhan Plus Membership, an app-in-app service that integrates Group-wide reward programs and financial services offered by different subsidiaries, and launched hybrid products such as “Shinhan Plus Membership Installment Savings” and “The More Card” to allow our customers to take full advantage of the “One Shinhan” platform, while collecting bigger rewards. This laid the foundation for us to expand and strengthen our customer cross-marketing, as well as a higher Group cross-selling ratio. We also launched the “Shinhan MyCar” platform, which merged the auto financing platforms of Shinhan Bank and Shinhan Card.

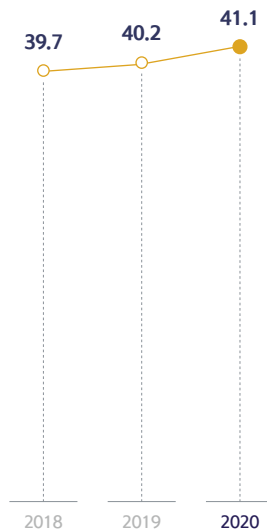
2020 Cross-selling Ratio

41.1%

* As of December 31, 2020; and based on the ratio of customers using products and services from two or more of the Group subsidiaries, including Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance

Cross-selling Ratio

(Unit: %)



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Widened the Group Customer Base and Expanded Cross-marketing

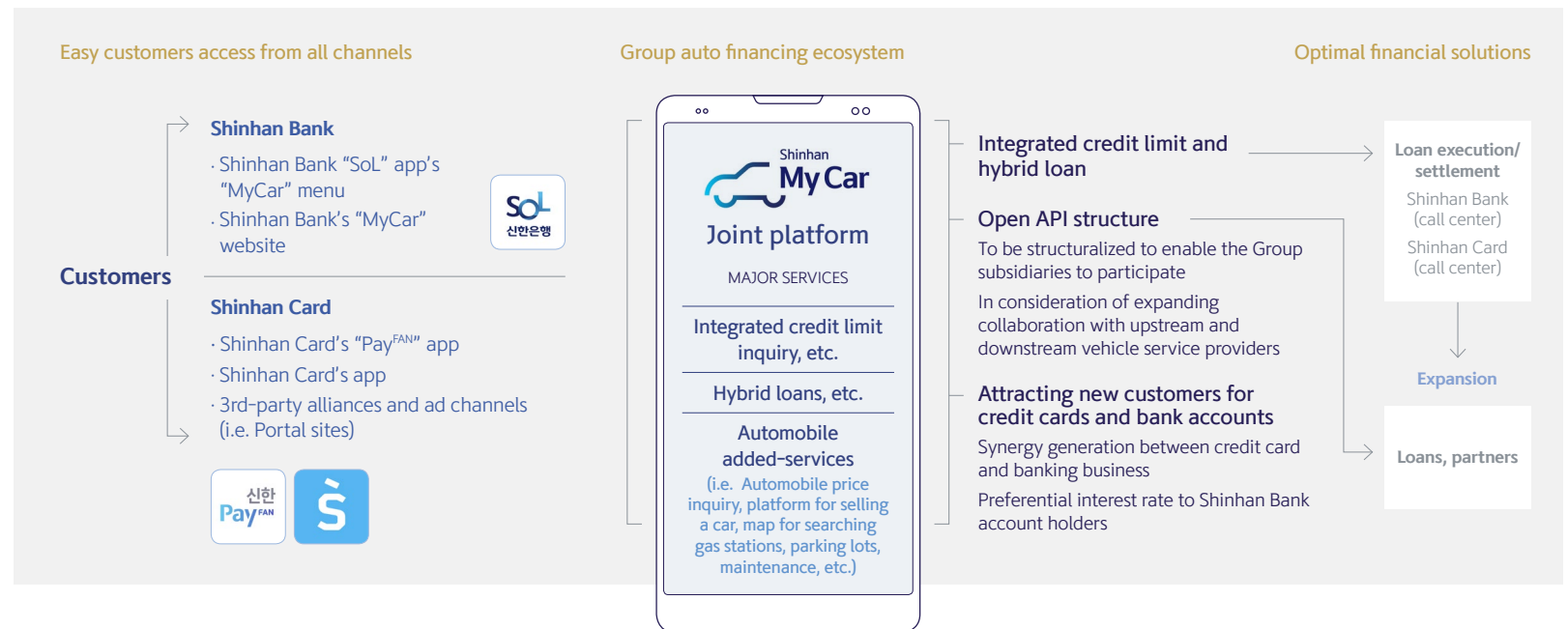
In 2020, we were able to expand our customer base and to cross-sell more effectively with the launch of “Shinhan Plus Membership”. The Membership is a result of a full-scale reform of “Shinhan Tops Club”, and it not only combines the benefits and rewards of Shinhan’s different subsidiaries, but also offers some 110 important financial services, including customer inquiries and product subscription. It is not an independent app, but is offered as an in-app service that can be accessed via the apps of Shinhan’s main subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance.

In addition to offering a wide range of customer rewards, including “My Shinhan Points” which can be used like cash, the Membership offers other customer-tailored products and services such as “Shinhan Plus Membership Installment Savings”, which is a package product only available to Shinhan Plus customers, and “The More Card” which helps customers make small investments.

Thanks to these distinctive services and products, the number of Shinhan Plus Membership subscribers has grown steadily since its launch in April 2020. At the year-end, the cumulative number of subscribers had reached 14.63 million, with 12.05 million members providing marketing consent.

Increased Cooperation across Value Chains Shinhan Financial Group strives to maximize synergy by ensuring cooperation between all of our subsidiaries. As a result of these efforts, we launched “Shinhan Real Estate Value-Plus” which combines the investment advisory services of Shinhan Bank and Shinhan Investment with the real estate development and management services of Asia Trust, overseen by Shinhan WM-Real Estate Committee. This has enabled us to offer our clients with a comprehensive financial solution that integrates the expertise of our different business lines to provide financial consulting for the entire lifecycle of real estate, including development and management. In addition, we have launched the “Shinhan MyCar” joint platform to help customers achieve one-stop satisfaction in all their auto financing-related needs, including inquiries concerning integrated loan limits and portfolio optimization.

Shinhan MyCar – the Group’s auto financing platform



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Strengthened Customer-centered One Shinhan Management System

Shinhan Financial Group is building a monitoring system designed to protect investors from the customer perspective. In 2020, we expanded the customer’s asset monitoring system, which aims to leverage inter-subsidary cooperation to increase customers’ rates of return, to include Shinhan Life Insurance, OrangeLife, and Jeju Bank as well as the existing input from our Bank and Investment arm. For our “One Shinhan Awards”, which is awarded to employees who create great synergy within Group’s different business lines, “customer-centric way of work” had been added to the selection criteria to make sure that customers always come first in all aspects of our business. We also operated the “One Shinhan Panel”, consisting of sales employees representing each of the Group subsidiaries. Although all of the panel meetings were held on a non-face-to-face manner due to the prolonged COVID-19, the panel had active exchange of opinions and concrete discussions between subsidiary employees, as well as facilitating three meetings with the top management.

Plans for 2021

In 2021, Shinhan Financial Group will expand customer-centered One Shinhan cooperation to increase customer value and achieve its goal of “Excellence, Shinhan”, thus earning recognition from both customers and wider society.

Connecting and Expanding the Group’s Customer Base We will segment customers and markets using actual transactions, thus identifying customers with high potential for initiating multiple transactions with more than one of our subsidiaries. In addition to strengthening the existing outstanding customer programs, particularly Shinhan Plus Membership, we will upgrade the UI and UX of Shinhan Plus platform from the customer perspective, and improve product recommendation functions. We will also expand cross-marketing by leveraging our customer database, and will more actively approach customers to offer competitive products, including hybrid products. More non-financial services will be added to Shinhan MyCar, including deals on car purchases, car-related information, cultural contents, and a car community, making it a true ‘finance & life’ platform, and leading the market through platform-based quantitative and qualitative joint growth.

Strengthening Competitiveness of the Group’s Joint Business

We will respond to the changes of internal and external environments by improving communications between the Group subsidiaries and developing cross-subsidary business models. In addition, we will identify market trends in each business and establish response strategies through collaboration between subsidiaries on digital transformations in areas such as Group integrated pay services, responding to the era of My Data, and expanding the healthcare business. This will enable the Group to enhance its digital competitiveness and achieve stronger results.

Digital Transformation



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We have set digital transformation as one of our top priorities and evolve into a digital financial company by pursuing innovation in customer experience and improving operational efficiency.

Digital Transformation Strategy

Shinhan Financial Group's digital transformation (DT) strategy is built on the "2 Tracks & 5 Cs" framework. The first track is the transformation of current business models, with the key elements being innovation in the customer experience and operational efficiency. The second track is the development of disruptive models in order to respond to the fast-changing business environment with new market entrants such as big-tech and fintech companies, and to embrace innovative models and enhance cooperation. 5Cs is about assessing how prepared the organization is to implement DT, and is comprised of the core technologies and capabilities required, organizational culture, platforms and partnerships, and change management. Through balanced and detailed adjustments under this distinctive Shinhan framework, the Group is moving forward with a thorough and sustainable digital transformation.

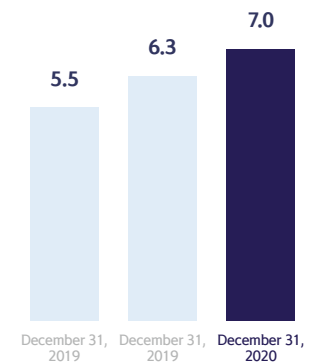
Number of People Using Shinhan's Digital Platform as of December 31, 2020

39.96 million users

* The sum of digital platform users of SOL, Shinhan Pay^{FAN}, and Shinhan Plus

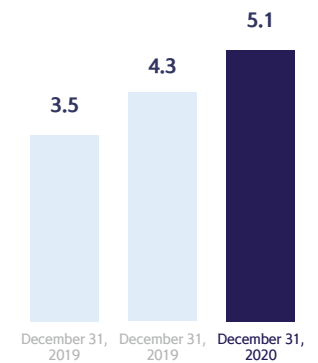
MAU of SOL

(Unit: Million persons)



MAU of Pay^{FAN}

(Unit: Million persons)



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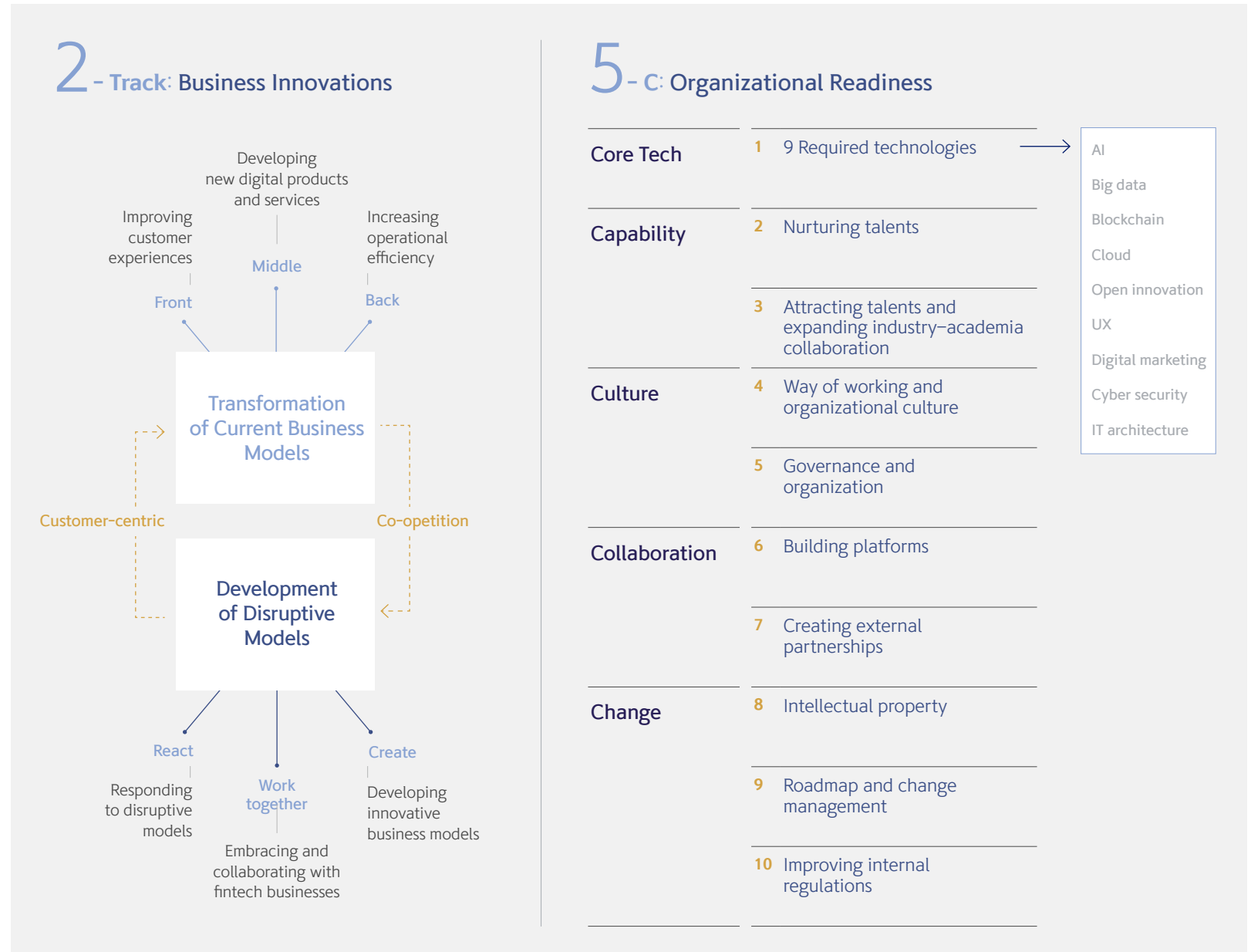
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Framework for Digital Transformation Strategy



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Key Performances in 2020

Established the DT Drive System In early 2020, we hosted the “Digilog Debate”, with participation of some 300 employees across the Group on how to offer agile responses to the rapidly-changing digital financial environment. We also established the “Digilog Committee”, supervised by the Group CEO and comprised of CEOs of the Group subsidiaries, in order to implement 200 innovative ideas related to digital leadership, personnel, competencies, culture, ecosystem, new technology, and DT in overseas business. The Group has established ABCD (AI, block chain, cloud, big data) technologies as its key digital technologies, and has adopted a “digital technology patron system” through which CEOs of the Group subsidiaries become patrons of different technologies in order to drive forward Group-

level technological capabilities. We have thus established a DT drive system which covers all our business sites in Korea and on the global stage, and are now looking forward to generating DT results.

Innovative Customer Experiences, Going Beyond Finance In this digital era, Shinhan Financial Group continues to establish itself as Korea’s leading financial platform by innovating its mobile platforms, which are now the closest customer contact point, to offer distinctive customer experiences. The number of customers who use Shinhan’s mobile platforms is increasing steadily every year, recording 39.96 million in 2020, a year-on-year increase of 10%.

Shinhan’s Mobile Platforms

Shinhan SOL



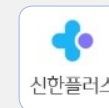
Shinhan SOL is Shinhan Bank’s full banking service platform. As of the end of 2020, the total number of customers using SOL had reached 12.5 million, and its monthly active users (MAU) totaled 7.01 million. As these figures indicate, it is leading the Korean open banking market, and it is also evolving into a customer-tailored mobile platform. In addition to providing financial services and an innovative UX, SOL offers dedicated non-financial services such as real estate platform - “SOL Land”, hobby platform - “SOL Class”, and travel and tourism platform - “SOL Trip”. Moreover, it is attracting new younger customers through the ‘Hey Young’ service which is optimized for the mobile life of the MZ generation. As a result of these efforts, in 2020, SOL ranked No. 1 in the mobile banking sector of the Korea Customer Surprise Brand Index organized by the Korea Brand Management Association.

Shinhan Pay^{FAN}



Shinhan Card’s Pay^{FAN} is the No. 1 card mobile platform in Korea, with the total number of users reaching 12.83 million in 2020, and MAU totaling 5.1 million as of the end of 2020. It makes more accurate analyses of consumption compared to its competitors, thanks to a detailed consumption industry categorization system which enables it to provide customer-tailored consumption analyses and reports. In addition, Pay^{FAN} offers a wide range of services to consumers, including MyWallet, Starbucks Siren Order, a small investment service, and general hospital appointment and payment services.

Shinhan Plus



Launched in April 2020, Shinhan Plus Membership combines the membership platforms and financial apps of major Group subsidiaries – Shinhan Bank, Shinhan Card, Shinhan Investment, and Shinhan Life Insurance. The Membership can be easily accessed through an open API without having to install a separate app for each subsidiary’s mobile platform. The Membership offers distinctive benefits for customers, including exclusive coupons, specialized financial products, and an integrated loan service. It has generated substantial customer interest, as evidenced by the 10 million views of a YouTube advertisement for Shinhan Plus Membership in just 18 days after its release. As of the end of 2020, Shinhan Plus Membership has 14.63 million members.

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Product & Service Innovation



My Asset

(Personal financial management (PFM) service offered by Shinhan Bank)

Included in SOL, "My Asset" covers both financial and nonfinancial wealth management needs of customers, and services 2.04 million users as of the end of 2020. In addition to basic wealth management services, it offers unique financial functions. For example, customers can use "Let's Save up" service to save a targeted sum of money within a targeted time frame; "Pension Diagnosis" to calculate the expected amount of pension based on information from all domestic financial institutions and engage in retirement planning and diagnosis; and "Housing Subscription Consulting" to plan home purchasing.



Timeline

(PEM service offered by Shinhan Card)

Included in Pay^{FAN}, this personal expense management service performs as a secretary so that customers can independently manage their expenses. It makes timely suggestions on customer-tailored benefits and consumption analysis information in accordance with customer's spending patterns. It also offers a credit management service so that customers can check and manage changes in credit information.



MyWallet

Included in Pay^{FAN}, MyWallet service features payment, banking, and ID functions, and it also provides mobile driver's license and student ID. In addition, users can store and submit electronic certificate issued by the government. Since its launch in November 2020, 150 thousand people subscribed to the service in merely a month. Anyone aged 14 or above can subscribe to this service, which is receiving a considerably favorable response from Generation Z.



HowFit

Shinhan Life Insurance's digital health care platform "HowFit" provides AI-based home training services. Through real-time health care lessons that are provided by social media influencers, AI recognizes movements using only on a smartphone, without any wearable devices, and provides coaching to users.



Shinhan MyCar

Shinhan MyCar is an auto financing platform that was jointly launched by Shinhan Bank and Shinhan Card in October 2020. It includes all financial products and alliance services of Shinhan Financial Group that are related to automobiles. It features auto financing solutions such as hybrid loan services, and it plans to add more automobile-related services, such as a vehicle accessory shopping mall, maintenance, and car wash, to offer distinctive non-financial benefits.



R-offering

This omni-channel marketing system detects customer contact and transaction information from multiple channels, including offline branches, call centers, and mobile apps, to recommend customized products/services and deliver real-time benefits to customers. "R-offering", which won the "This Year's Project Award" at the 2020 Digital Transformation Awards that was hosted by IDC, aims to continuously innovate customer experiences via hyper-personalized marketing that knows me better than I do.



Digilog Branch

Shinhan Bank opened "Digitact Branches" to offer digital products and services at its offline branches for those who are not accustomed to mobile transactions. It became the industry's first to operate a "Digitact Counter" which is an unmanned video counseling counter, to handle most financial transactions, such as certification, financial consulting, and submission of documents.



Expace

In December 2020, Shinhan Bank opened "Expace", an open R&D space where the Bank breaks away from previous offices and exchanges with outside companies to jointly develop digital technologies. "Expace" is equipped with a state-of-the-art digital infrastructure including 5G mobile edge computing (MEC) and digital collaboration devices so that the space is also used as a testbed for testing new services, going beyond sharing ideas and collaborating with various companies, including large corporations, global companies, and startups.



Shinhan Face Pay

Chosen as an innovative finance service by the government, Shinhan Face Pay is a payment service that uses facial recognition technology so that a transaction can be made without a credit card or mobile phone. Customers can conveniently make payments at any store that the Face Pay function is available by simply registering once.

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Chosen as Innovative Finance Services Shinhan Financial Group is commercializing a wide variety of innovative ideas through the active use of the “Innovative Financial Service”¹⁾, a government-led financial regulatory sandbox program to encourage innovation. We have been selected for 13²⁾ projects, the most of any financial institution.

Expanded Shinhan’s Digital Ecosystem We have fostered 214 companies over the last six years through Shinhan Future’s Lab, a startup acceleration program that was the first of its kind to be launched by a financial group in Korea. We also have supported 137 instances of collaboration as well as direct/indirect investments worth KRW 35.97 billion, thus driving open innovation at home and abroad. In particular, we have launched “S² Bridge” to build an innovative growth ecosystem in Korea, and are making preparations to operate a program to foster startups from regional bases across the nation, including Seoul, Incheon, and Daejeon. We continue to build an ecosystem for startups in diverse fields, including innovative technologies related to the fourth industrial revolution, biotechnology, healthcare, and ESG. We are also expanding globally. We have presence in markets outside of Korea including in Vietnam, Indonesia, and Silicon Valley, and are increasing the range of overseas cooperation.

We are also partnering with companies across different industries in Korea and abroad. We are collaborating with 187 companies in ICT, electronics, distribution, and other sectors, and has signed MOUs with NEXON, Microsoft, and SK Telecom, amongst others. In particular, we are focused on discovering future businesses based on new digital technologies, including AI, data, and 5G, in addition to finance-related business opportunities. We are also leveraging these alliances by creating investment connections through our One Shinhan Future’s Fund.

Strengthen Capabilities in Key Digital Technologies Shinhan Financial Group has adopted a digital technology patron system to strengthen its capabilities in key digital technologies, and is identifying and implementing collaboration projects for each technology at the Group level. It is also undertaking a wide range of projects with leading external organizations.

Artificial Intelligence

Shinhan Financial Group is involved in various businesses which combine finance and AI. In 2020, Shinhan AI leveraged its “NEO” AI investment advisory platform to launch two AI investment advisory products, including the “AI Fund Wrap”. Shinhan Bank unveiled an AI voice phishing detection service, and created the AI-based customer contact center. Shinhan Card commercialized “Shinhan Face Pay”, a facial recognition payment service, and Shinhan Life Insurance targeted the healthcare market by launching “HowFit”, an AI home training platform.

In addition, Shinhan Financial Group has established the AI Financial Research Center in partnership with KAIST. This Research Center consists of KAIST professors and employees of Shinhan Financial Group, and undertakes AI research specializing in finance, including analyses of patterns of customer consumption and creating algorithms based on investment behavior. This research will then be reflected in our financial products and services.

Block Chain

Shinhan Bank has used block chain technology for decentralized identity (DID), small merchant policy fund support, and financial product management, thus accumulating extensive real-life project experience in this area. Based on these skills, Shinhan Bank is expanding its block chain business to include the establishment of a digital asset custody JV, and participation as an advisor in the Bank of Korea’s CBDC project. In addition, Shinhan DS has developed a block chain-based digital wealth management platform, and is expanding its block chain ecosystems and block chain business commercialization through collaboration with non-financial business partners.

¹⁾ A program which has been implemented pursuant to the Special Act on Innovation Financing Support by the Financial Services Commission. It defers or exempts the application of regulations, including those related to permissions and approvals, on selected services for as long as four years.

²⁾ Credit card-based remittances; credit assessments for individual businesses through the use of their credit card information; small investments linked to consumption and expenditure management; facial recognition payments; real estate monthly rent card payments; overseas equity gift cards on online platforms; rental processing proxy services through a rental brokerage platform; overseas equity stock back service based on small-unit overseas equity-trading service; credit card company’s overseas remittance services for non-residents/foreigners; real name confirmation services using a bank app; small merchant win-win platform for brokerage of food orders; quick payment services for merchant sales funds; and family card services for juveniles

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Cloud

In 2020, Shinhan Financial Group launched Cloud Business Office for a strategic Group-wide transition to the public cloud. Work units throughout the Group are therefore now conducting cloud infrastructure building projects and transitioning to the public cloud, thus increasing operational efficiency and stability.

Big Data

At the backdrop of the enforcement of Korean government's three new data-related laws in 2020, Shinhan Financial Group set up the Group Data Innovation Team in order to establish strategic responses at the Group-level. Given the need to have competitive business models for the newly emerged data economy, the Group is implementing detailed tasks for each subsidiary to acquire a MyData license, and to discover new areas of business based on data. Shinhan Bank and Shinhan Card have obtained preliminary MyData permits, and Shinhan Investment and Shinhan Life Insurance are making preparations to acquire MyData licenses.

Improved Operational Efficiency and Reduced Costs Shinhan Financial Group is enhancing efficiency and improving the work environment by applying new digital technologies across all work processes. Robotic process automation (RPA) is being continually implemented across the Group, resulting in an annual work reduction of 270,000 hours. In particular, "A.I. MOLI", a chatbot for employees, offers two-way communications across sales locations and can be used on a multitude of platforms, including PCs, mobile phones, and tablets, thus eliminating time and locational restrictions. These efforts have led to cost reductions worth around KRW 260 billion annually, and also earned the Presidential Citation at the 44th National Productivity Awards hosted by the Ministry of Trade, Industry and Energy.

Offered Training to Strengthen Employees' Digital Capabilities

We have defined an ideal digital talent as "creating value through improvement and innovation in existing work" and operate Group-wide digital training programs in support of this. We have adopted the online digital training platform (SCOOL) that has enabled us to continue to offer trainings to our employees despite the COVID-19 pandemic. Moreover, we strive to improve the completeness of online training by creating a data practice environment using cloud and by building a competences self-diagnosis system.

In order to stay ahead in the competition with big/fintech companies, and also to develop the drivers of future growth, it is essential to nurture talents who have both financial business skills and digital capabilities. Therefore, in 2017, Shinhan Financial Group became the first Korean financial company to create a Master's course in digital finance engineering, in cooperation with Korea University. 61 Masters of Engineering who have graduated from this course and the 66 currently-enrolled students are undertaking a wide range of projects related to digital technology.

Plans for 2021

Gartner, a global research firm, forecast that 2021 will be a tipping point for digital business. In order to sharpen our competitive edge in competing with financial and big/fintech companies in areas such as customer, business, data, and technology, Shinhan Financial Group has established a strong Group-wide DT drive system and created digital KPI. Based on these systems, we will undertake new businesses in platform, data, new technology, and digital talent, actively supported through the allocation of a budget of 10% of the Group net income every year until 2023. This will accelerate the digital transformation of the Group, and enable us to become a "digital finance company which creates the best experiences through technology and data".

Making Major Improvements in Existing Platforms and Launching Innovative New Platforms

In 2021, we will offer better customer experiences by making its existing platforms, such as Shinhan SOL and Shinhan Pay^{FAN}, open to all. Moreover, we will further innovate our business in such areas as payments, SME, and healthcare in order to secure a competitive advantage compared to big-tech and fintech companies. One example of this is the launch in early 2021 of "Shinhan Pay^{Money}", an integrated payment system, providing children, adolescents and customers who do not have bank accounts with a means of making electronic payments. In addition, we have set up the Total of Digital Platform (TODP) Implementation Team as part of the platform strategy established in 2020, and we plan to unveil a new platform centered on non-financial content in the second half of 2021. We will expand our budget for these platform innovations, and will also actively seek out inorganic growth opportunities including strategic investments and mergers and acquisitions with non-financial and tech companies.

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Focusing More on Data Innovation and Profitable Business We obtained a preliminary MyData permit in 2021. This has enabled us to rapidly execute our MyData strategies ahead of our competitors. We have created the Digital Innovation Team under the direct control of the Shinhan Bank CEO, and recruited experts to lead the big data and AI sectors. The Group is now preparing to launch new data-based customer services in August 2021, and will also deepen the integration of data from different industries through alliances, and expand its data sales business.

Process Innovation and Improved Efficiency In order to accelerate an offline digital transformation to match the transformation taking place in the mobile environment, we will establish a new sales system, including the setting-up of the Digital Sales Division, and will expand our AI-based digital contact center. These improvements in the digital sales infrastructure will enhance process innovation. In addition, we will maximize efficiency by spreading DT throughout the Group, including "Next RPA" and the AI-based automation of loan appraisals.

Strengthening Digital Personnel Capabilities Shinhan Financial Group is working both on improving the competitiveness of its existing employees and recruiting the best outside talent. In order to increase digital capabilities within the Group, we will expand SCOOOL, our joint digital training platform created in 2020, to incorporate all subsidiaries, and will continue to run programs which make digital-based innovation a part of daily life, including hackathon and the ideas contest. We will also institute personnel exchanges with Korea's top tech companies, and identify new business models. In addition, we will recruit talent with world-leading skills from outside the Group, thus further developing a culture of openness and innovation.

Strategies for 2021

STRATEGIC GOAL

Digital Finance Company Which Creates the Best Experiences Through Technology And Data

STRATEGIC DIRECTIONS

Platform	Data	New technology	Digital talent
Focusing on core platform businesses to expand transaction	Securing internal and external data, and capabilities to use them; and move forward with MyData business	Discovering new business opportunities through a digital technology patron system; and securing new digital technologies	Hiring and attaining digital specialists; and developing more digital talents

DRIVING SYSTEM

Digilog Committee, Digital KPI, and Budgets for DT

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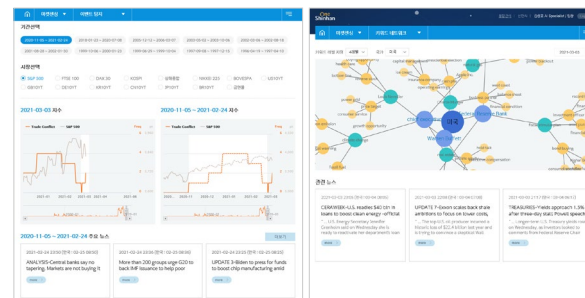
Shinhan AI

Shinhan AI is the first subsidiary of a financial group in Korea to specialize in artificial intelligence. It was established in September 2019 as the result of a 2018 Group project to improve its competitiveness in AI-based capital markets, and is rapidly strengthening its business, with a focus on capital markets-related middle office.

Key Achievements

NEO, an AI Investment Advisory Platform NEO is an investment advisory platform which forecasts the direction of major global markets, suggests optimal portfolios, and recommends outstanding global investment products by using the latest AI technology, based on big data on global markets from more than past 30 years. NEO is enabling us to generate our own distinctive house views, strengthen our strategic asset management and risk management, diversify the range of customer investment products, and increase rates of return.

AI Investment Advisory Products In January 2020, we launched two AI investment advisory products – one of them is an AI asset allocation fund, the optimal asset allocation for which is managed through the latest learning algorithms, and based on the technological capabilities accumulated through NEO, and the other one is an AI fund wrap consisting of an optimal combination of outstanding funds recommended by NEO. AI investment advisory products minimize human error through AI-driven decision-making, and use massive amounts of data to generate additional returns. In addition, these products leverage AI-based risk management to maximize risk-weighted rates of return, and minimize the possibility of a decline in performance.



Market Warning System Shinhan AI's risk detection system provides early warnings of severe market declines less than a month ahead. It assesses risks both at home and in major global markets, and conducts scenario analyses using around 600 variables, including typical and atypical variables that have been shown to detect global market risks and adverse financial events.

Future Plans

After the official launch in September 2019, in 2020 Shinhan AI demonstrated the possibilities for business models which use AI. In 2021, we will move forward with the full-scale expansion of our AI business. We will build an AI investment asset management platform that will give every customer access to high-quality market information through AI. This platform will also provide each customer with an individually optimized portfolio, and will enable effective follow-up management. Shinhan AI will continue to lead innovation in the capital markets by launching NEO 2.0, making its market forecasts even more accurate and further improving product recommendation models.

In addition, we will increase our collaborations with deep tech companies across various industries, and will make substantial investments to overcome the inherent limitations of organic growth. This major expansion of the AI business will enable Shinhan to offer its customers new value over the mid-to long-term, and will lead AI innovation in the Group's value chain as we move towards "Excellence".

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Cloud Transformation

Shinhan Financial Group is undertaking a hybrid/multi cloud transformation in accordance with its cloud strategy, supported by the Cloud Business Office (CBO). In 2019, we completed a consulting project which established the direction for the Group cloud transformation in four areas – platform, operating systems, organization and capabilities. Based on a cloud suitability evaluation, we are modernizing existing services, and have established a “cloud 1st” strategy for new services.

Key Achievements

Shinhan Financial Group established a direction for its future architecture in 2015, and has continuously modernized its infrastructure (U2L: Unix to Linux) accordingly. The Group was an early adopter of the cloud, especially for its global business where regulations on the use of the cloud were relatively lighter, and for routine work. Examples of this include the Shinhan Bank America Internet banking system and the digital form management system adopted by Shinhan Bank in 2016, Shinhan Bank Japan’s Internet banking and smart banking systems established in 2017, and the Allthat Shopping event of Shinhan Card and the Jeju Jini service of Jeju Bank launched in 2018.

In January 2019, following an amendment to regulations on electronic finance supervision, systems for using the cloud were strengthened, including additional evaluations of cloud stability and reports both before and after cloud usage. We have undertaken a systematic process of preparation in accordance with these new guidelines, enabling us to move forward with our cloud transformation as planned, including the creation of the Group-level Cloud Business Office in 2020. Our cloud transformation is aimed at creating a hybrid cloud which connects the public and the private. This is being supported by a cloud architecture which has been designed through multiple technology verifications.

Our cloud transformation is unique in that we are building an integrated cloud environment from a long-term perspective. We are preparing for the cloud era by increasing efficiency in service and operational management, and by strengthening risk controls.



Expected quantitative effects

KRW 22.6 billion in annual savings through shorter infrastructure/service lead times and time-to-market

Expected qualitative effects

Improved business agility, a foundation for digital innovation, and increased work efficiency

We also focus on expanding Group-level standardization and increasing automation within Group operations. In particular, in automation, which is one of the most important advantages of the cloud, we will design it to automate our operations, thus maximizing efficiency and stability.

Prior preparations are important in a successful cloud transformation, but it is also essential to develop capabilities required for successful operations after the cloud transformation. Shinhan Financial Group therefore appointed the CEO of Shinhan DS, its IT subsidiary, as the Group’s patron for cloud technology. Shinhan DS is now performing a pivotal role in strengthening the Group’s cloud capabilities, reflecting the Group’s focus on developing the skills needed for cloud operation at the Group level.

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Future Plans

In 2021, Shinhan Financial Group plans to build a hybrid cloud which uses both public and private cloud in line with the Group's standard cloud systems, aimed at providing effective business support. The first phase of the Group cloud project will be to build the Group cloud platform, which will be run from January to October, and be focused on automated operations, security controls and user portal applications. If this phase is successful, we expect to be able to minimize operational risks and maximize automation through the cloud, thus making the business more agile and substantially improving infrastructure efficiency. We will continue to improve operational management and the development management of the Group cloud platform, after which, we will proceed with the second phase of development until, finally, we complete the development of the Group's standard cloud platform.

Establishing a cloud platform will lead to improved business and IT agility, stable operations and better efficiency, and reduced IT infrastructure costs. This in turn will be a key driver in achieving the Group's DT. The cloud transformation is expected to reduce infrastructure and service development lead times by around 80% and 39%, respectively, generating annual cost savings of around KRW 2.5 billion and KRW 6.8 billion, respectively. The positive effects on time-to-market are forecast to improve profitability by approximately KRW 13.3 billion, making the total positive financial impact of the cloud platform worth around KRW 22.6 billion annually.

Cloud Transformation Roadmap



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Cyber Security & Resilience

Shinhan Financial Group makes sure that all digital service provided by Shinhan are protected by a cyber-security system which ensures the complete protection of customers' personal information.

Key Achievements

The COVID-19 pandemic in 2020 brought about significant changes to the business environment, including cyber security. The substantial increase in telecommuting has created more channels for cyberattacks between the Internet and company systems, and therefore a major expansion of targets to be protected. Given the urgency of these issues, Shinhan Financial Group has followed and exceeded all the requirements of national regulations, including the operation of diverse cyberattack response systems. As a result, the Group experienced no cyber security incidents.

We had DDoS attacks against in August and November which generated false traffic and paralyzed normal customer services. In addition, we had an attempted blackmail which warned of a 2 TB attack and demanded 20 bitcoins (around KRW 280 million). "Fancy Bear", the hacker group behind the blackmail, sent 20 GB of malicious traffic to Shinhan Bank's Internet banking as a warning of an attack, but the Group was able to block the attack through its cyber security response systems. Fancy Bear has reputation of attacking numerous organizations including financial and fintech companies as well as universities, and had caused some of them to suffer financial and operational damages. Following the DDoS attacks, the Group re-examined and improved its Group-level responses and defense policies, and reinforced its systems for cooperating with the relevant organizations at home and abroad.

Zero

Neither information leakage nor service malfunction



Shinhan Financial Group's cyber security response systems include strong countermeasures against ransomware which can infect systems through such endpoints as PCs or mobile phones. Ransomware that was already widespread is now spreading even further due to the increase in telecommuting. In response, we operate continuous user protection systems, and undertake 24/7 monitoring through our integrated security control systems. In addition, we have established a multi-layer defense system (account management, vaccines, patch management, etc.) to block the execution and transmission of malicious code at user endpoints, and have also built an endpoint detection and response (EDR) system which blocks abnormal terminal actions.

Future Plans

In 2021, Shinhan Financial Group will build stronger foundations for cyber resilience by continuing to implement its mid- to long-term information protection strategies, thus strengthening cyber security and responding to new digital risks.

In the process of digital transformation, where increasing levels of information exchange and collaboration with new industries are required, we have encountered new security risks. We will therefore combine our own experiences with external information on risk response in order to establish a new cyber security response system.

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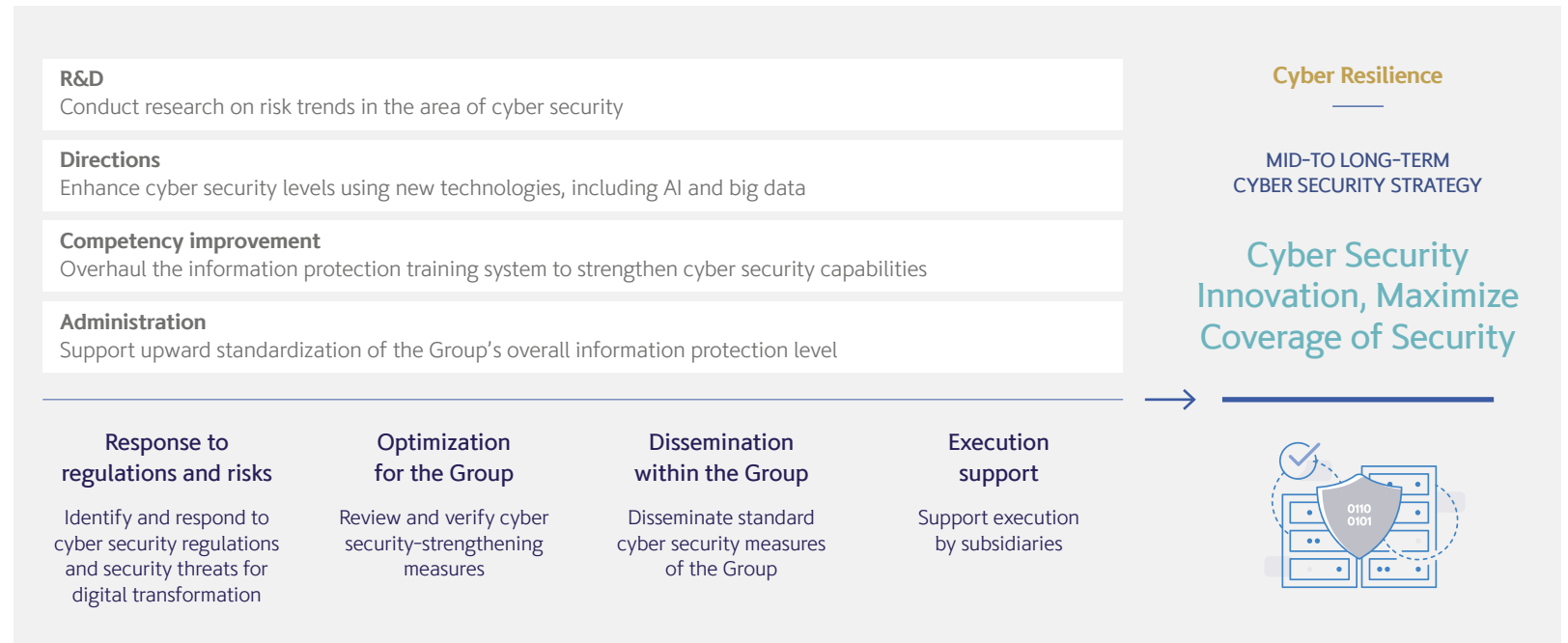
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The massive increase in demand for existing and diversified digital-based services also means a huge increase in the number of targets which need protection, which in turn requires innovation in cyber security operating systems. In order to generate maximum effect with limited resources, we are transforming our cyber security through the use of AI and big data technology, and continually test, verify, and adopt new technologies and systems which increase the efficiency of existing systems or add new layers of information protection to them.

Moreover, we will overhaul our internal information protection systems, in order to improve and standardize cyber security at the Group's 17 subsidiaries. The central role in this process will be performed by Shinhan DS, which has been state-certified as an information protection specialist company. In 2021, Shinhan DS will begin a program to integrate the information protection systems of the Group's relatively smaller subsidiaries using cloud technology, and will also outsource cyber security management to specialist companies where necessary.

Cyber Security Value Chain for 2021



Global Business



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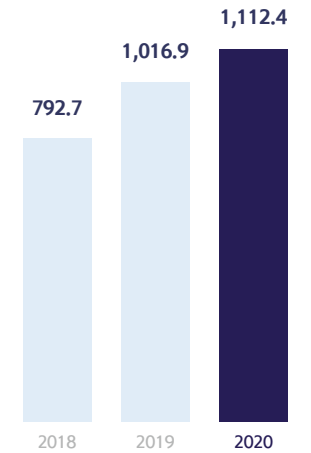
Led by the Global Business Division, Shinhan Financial Group is continuously expanding its business overseas. Its global strategy focuses on glocalization, selection and concentration, and establishing presence in strategic markets.

Key Performances in 2020

In 2017, Shinhan Financial Group adopted a matrix system to integrate the global business divisions of its subsidiaries. This has ensured the consistent implementation of the Group’s global strategies and the optimal allocation of resources. The strategic goal for 2020 was set out as “Distinctive global strategies and efficient overseas operations for Excellence”. In support of this goal, the Global Business Division followed four strategic directions – leading the market in key businesses, generating outcomes in new business, improving a system to create global synergies, and focusing on preemptive risk management.

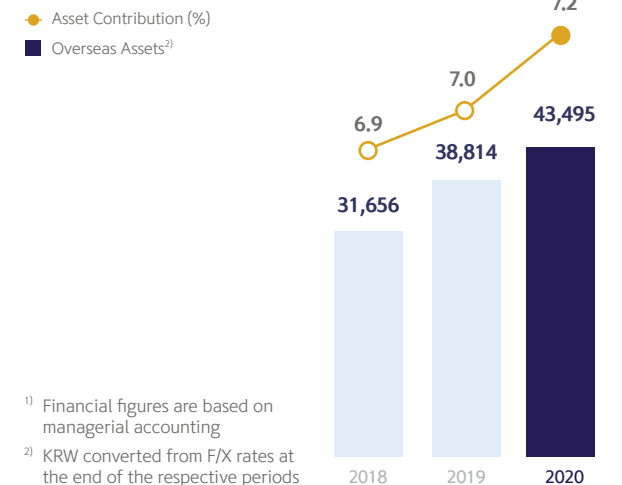
Global Business Operating Income^{1) 2)}

(Unit: KRW billion)



Asset Contribution from Overseas Business

(Unit: KRW billion)



¹⁾ Financial figures are based on managerial accounting

²⁾ KRW converted from F/X rates at the end of the respective periods

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Led the Market in Key Businesses We differentiate our strategy for each market, offering a range of products which take into account the business environment of each country in which we operate, thus strengthening our position in corporate and retail markets around the world. We have set up a Regional Head system, making each region more independent while also promoting close collaboration and synergy creation within the region. We have grown organically by expanding our local business networks, and diversified sources of income by operating business models aimed at specific markets.

Generated Outcomes in New Business Shinhan Financial Group has set up diverse strategic alliances with digital platform providers, which have large customer bases, in Cambodia, Vietnam, and other countries. We have also expanded our product portfolio by developing and promoting new local products. In addition, each subsidiary is investigating the possibility of inorganic growth through M&As, equity investments, and JVs.

Improved Shinhan's Global Synergy Creating System We are meeting local customer requirements by generating synergies with non-bank subsidiaries, with a particular focus on regions where Shinhan Bank has a strong presence. We are leveraging the global One Shinhan platform in order to undertake joint marketing, supported by the Country Head system used in countries where the Group subsidiaries have a joint presence. We have also improved efficiency by enhancing cooperation among our subsidiaries and networks and optimizing resources.

Focused on Preemptive Risk Management As part of our global expansion, we have improved our compliance, including an upgrade of global Anti-Money Laundering (AML) systems and the strengthening of internal controls through the establishment of a system for the governance of global information protection. We are closely examining loan management at each overseas branch through strict loan follow-up management, and ensuring the timely resolution of any issues which may arise. Liquidity risk management has also been improved, as we diversify our funding portfolio in each country in order to build solid funding foundations which are able to withstand any potential crises.

Plans for 2021

Shinhan Financial Group will build on the successes of 2020 by implementing global business strategies which will substantially enhance and expand the Group's overseas operations. The Global Business Division will ensure that the Group's strategy of building strong businesses and developing future competitiveness is maintained.

Creating Global Customer Value We will enhance business competitiveness through customer-based products and services in support of distinctive strategies which are individually created for the characteristics of each country, market, and region. We will develop new products tailored for local customers, and will discover new opportunities by following targeted business models for each local market, and by launching the 5G¹⁾ businesses.

Enhancing Fundamental Competitiveness We will achieve our global income target for 2021 through the generation of stable income, and by building an efficient asset portfolio based on a strong return on risk-weighted assets (RORWA). In addition, we will expand the Regional Head system in order to increase collaboration between channels, ensure effective cooperation between Country Heads, promote joint marketing between subsidiaries, and widen the sourcing of funds and products by using subsidiary channels. We will also implement customized strategies for inorganic growth in each key market and at every subsidiary, and will make more investments and alliances with digital companies.

Global Digitalization In addition to using digital technologies to make operational improvements (adopting e-KYC, improving digital loan and appraisal processes, etc.), Shinhan Financial Group will develop more digital-based products and services, and foment a global digital culture. We will form more alliances with digital platforms, especially in Asia, and will make continuous efforts to establish a digital ecosystem, including by creating digital credit assessment models.

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Strengthening Future Capabilities In an era defined by COVID-19 and low growth, Shinhan Financial Group will protect the soundness of its assets, improve debt collection processes, and enhance crisis management at its overseas branches by strengthening liquidity and risk management. We will set out new guidelines on ESG, with a particular focus on the environment and financial support for those on low incomes. We will also continue to improve our human capital by training the global talent of the future, recruiting experts, and presenting a clear vision to all employees.

¹⁾ 5G businesses refer to Group & Global Investment Banking (GIB), Global Trading Center (GTC), Global Transaction Banking (GTB), Global Custody (GCD), and Global Markets and Securities (GMS).

Strategies for 2021

VISION

Global Standards

STRATEGIC GOAL

**Strong Field! Future Capabilities!
Global Excellence, Shinhan**

STRATEGIC DIRECTIONS

01

Creating global customer value

02

Enhancing fundamental competitiveness

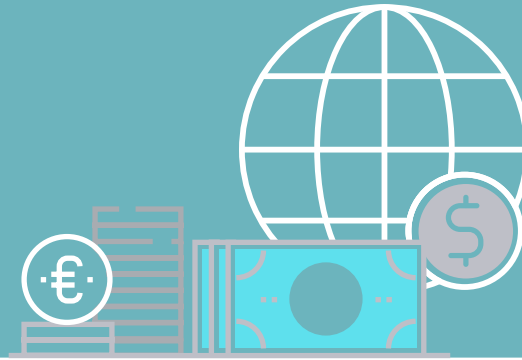
03

Global digitalization

04

Strengthening future capabilities

Group & Global Investment Banking



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GIB Division, which is fully backed by the expertise of Shinhan Financial Group's different subsidiaries closely cooperating under the Group's matrix organizational structure, aims to provide optimal integrated financial solutions for customers in domestic and overseas capital markets.

Key Performances in 2020

In 2020, despite a difficult business environment, the GIB Division achieved an outstanding financial performance, recording an operating income (before deducting expenses) of KRW 915.9 billion, a year-on-year increase of 34.2%, mainly attributable to increases in dividends and gains from sales of high-quality assets. In addition, it minimized the impact of the pandemic by focusing on preemptive risk management, thus establishing the foundations for fulfilling the Group's mid- to long-term financial and strategic plans for 2023.

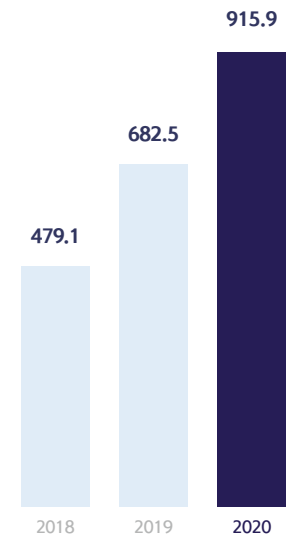
GIB Operating Income in 2020

915.9 KRW billion

* Before deducting expenses

GIB Operating Income¹⁾

(Unit: KRW billion)



¹⁾ Financial figures are based on managerial accounting

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Strengthened the Sustainable Finance Growth Model We have solidified our value chain for sustainable innovation finance, based on the One GIB collaboration system. In response to global demand for more focus on ESG, we increased investments in eco-friendly, new and renewable energy markets, including photovoltaic and wind power sectors in Korea and abroad. In addition, Shinhan was chosen as a financial investor for the “Kohygen” project to build an infrastructure for hydrogen-fueled vehicles, which is part of Korean Government’s Green New Deal Policy. This has given us a strong position in the new and renewable energy markets of the future. We also continue to focus on establishing a venture ecosystem in support of investments in innovative technology and companies, thus increasing the chances of discovering the blue-chip corporations of the future and strengthening investment support for potential Korean unicorn companies.

Differentiated Risk Management In response to the uncertainties caused by COVID-19, Shinhan Financial Group has upgraded GIB Division’s own crisis response systems. We strengthened the GIB Risk Management System internal controls, and created the IB Trust Team and GIB Global Asset Management Cell in order to strengthen asset monitoring in specific businesses and regions. This enabled us to maintain the delinquency rate at levels similar to those achieved pre-pandemic, thus solidifying the foundations for strong growth post-pandemic.

Strengthened the One Shinhan System We have implemented our resilience strategy in preparation for an era of the “new normal”, with particular focus on discovering new businesses and expanding coverage. Increased cooperation between GIB subsidiaries has enhanced Shinhan’s cohesiveness in the capital markets, which in turn increased profitability and enabled us to solidify our leadership in Korean IB by ranking first in the domestic syndicated loan arrangement market¹⁾. In addition, the GIB Division’s global network successfully closed several major global deals, even in very difficult circumstances, thus demonstrating once again the strength of One GIB.

¹⁾ Market share of 26%, based on figures from Bloomberg

Plans for 2021

Uncertainties caused by the pandemic will continue well into 2021, alongside new business opportunities resulting from rapid industry changes. This will inevitably lead to more intense competition. The GIB Division will continue to respond effectively to the crisis, and will use the opportunities ahead to develop a model for continued growth. This will enable it to remain an important source of profitability within Shinhan Financial Group.

Focusing on the IB Business through Preemptive Crisis Response

Shinhan Financial Group will counter the uncertain business environment by improving GIB Division’s own crisis response systems. In addition, we will strengthen our leadership in the capital markets and achieve growth by constantly upgrading our organization and systems.

Leading in New Businesses and Areas of New Growth By focusing on the opportunities created by Korean Government’s K-New Deal policy, the GIB Division will give considerable support to the implementation of the Group’s N.E.O Project. In addition, the Division will increase investments in innovation finance and establish an innovation finance ecosystem in support of the Group’s Triple-K Project. We will also overhaul our global IB platform and expand global IB coverage to strengthen our position in global capital markets.

Building GIB Platform Par Excellence Given the accelerated digital transformation, we will expand new digital businesses and increase investments in high-potential companies. We will also strengthen our leadership in capital markets by ensuring more effective One Shinhan cooperation with the GIB Division taking the central role. In addition, the Division will respond to the Group’s increased demand for top IB personnel demand by establishing a mid- to long-term plan for hiring and nurturing the best IB talent, and will also develop outstanding training programs as part of its role as the Group’s IB training center.

Wealth Management



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We bring together the WM expertise of all Group subsidiaries in order to provide distinctive wealth management solutions based on Shinhan Private Wealth Management, our unique model of wealth management.

Key Performances in 2020

The Wealth Management (WM) Division launched Korea's first Private Wealth Management (PWM) Center in 2012, a hybrid branch formed through collaboration between Shinhan Bank and Shinhan Investment. These Centers provide comprehensive wealth management services to high-net-worth individuals (HNWIs), giving Shinhan WM a distinctive competitive edge in wealth management. Despite the difficult environment in 2020 caused by the COVID-19 pandemic and increased financial market volatility, the Division continued to place customer value at the center of everything it does, including by creating new business models, innovating evaluation systems to create joint growth, and transforming digital wealth management. As a result, it excelled in multiple performance indices, and earned market-leading evaluations both at home and abroad.

WM Operating Income in 2020

162.6 KRW billion

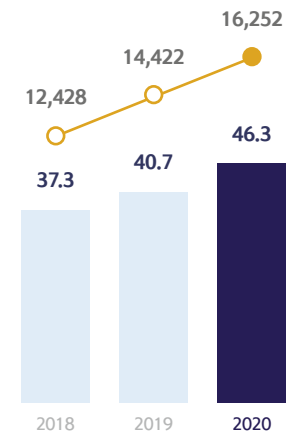
* Before deducting expenses

Number of high-net-worth individuals (HNWI) with assets of KRW 1 billion and more as of December 31, 2020 (No. 1 among 4 major commercial banks in Korea)

16,252 persons

WM Assets

● Number of HNWIs¹⁾ (Persons)
■ WM Assets (KRW trillion)



¹⁾ Customers with assets of KRW 1 billion and more

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Combined PB and IB Solutions to Introduce a New Business Model

We were the first among Korean banks to upgrade our PWM business model by adopting a PIB business model which combines private banking and investment banking services, and began offering financial consulting on business management as part of our comprehensive wealth management services for ultra-high-net-worth company owners with assets of at least KRW 10 billion, who also own businesses. The PIB Center offers comprehensive wealth management services through a team which consists of experts in portfolio management, products, tax, real estate, and corporate IB solutions. The first PIB Center was opened in December 2019, and, following a favorable customer response, the second center was opened in July 2020. These Centers have achieved a strong performance, with assets under management exceeding KRW 1,076.4 billion.

Innovated Evaluation Systems to Create Joint Growth The WM Division has changed its internal evaluation systems in order to promote joint growth for customers and WM. Under the new evaluation scheme, top priority is given to customer returns and less emphasis placed on the volume of product sales and more on customer rates of return and an improved sales culture. In support of this upgrade, the Division has created the PWM Solution Team to deliver guidelines on optimal investment product strategy to all sales locations in a timely manner. It is also ensuring better customer wealth management by systematizing its wealth management sales support and upgrading ability to create outstanding WM solutions.

Digital Transformation of Wealth Management COVID-19 has hugely increased demand for contactless, digital services. In response to this change, we are creating a new wealth management environment which enables customers to freely access wealth management services without boundaries of time or location. To this end, we launched a PB-only digital platform taskforce, and are also creating a mobile wealth management channel which will encompass all the processes involved in wealth management, including wealth diagnosis and access to new products, with the same level of efficiency as in branches. This channel is expected to launch in early 2021. In addition, we are transforming the PWM Center into a “Digilog Branch”, combining digital and analog, and offering both customers and employees a more convenient and efficient digital environment.

Plans for 2021

The WM Division continues to become ever more customer-centered, focused on customer rates of return and digital acceleration, and is redesigning its wealth management business without any preconceptions.

Shift into Customer-centered Asset Management We will ensure customer-centered wealth management by upgrading internal processes by redesigning our KPIs, adopting new processes for portfolio diagnosis and managing rates of return, and improving our customer wealth risk management systems. We will also strengthen our compliance systems to ensure the complete protection of financial consumers.

Digital Innovation in Wealth Management We will adopt a wealth management platform that incorporates state-of-the-art digital technology to take the lead in wealth management in the upcoming digital era. We will also strive to deliver differentiated experiences to our clients by, for example, providing hyper-personalized wealth management that uses MyData and AI.

Expanding New Businesses by Strengthening Fundamentals

The Division will strengthen its fundamental competitiveness in wealth management by upgrading its development of professional PBs, offering advanced PIB solutions in new businesses, and expanding its line-up of strategic real estate products. We will also lead the new culture of ESG investment, and expand our market coverage.

Global Markets & Securities



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As a matrix organization integrating proprietary asset management parts of the Group subsidiaries, the GMS Business Division is performing a central role in enabling the Group to maximize expertise and efficiency in managing proprietary assets.

Key Performances in 2020

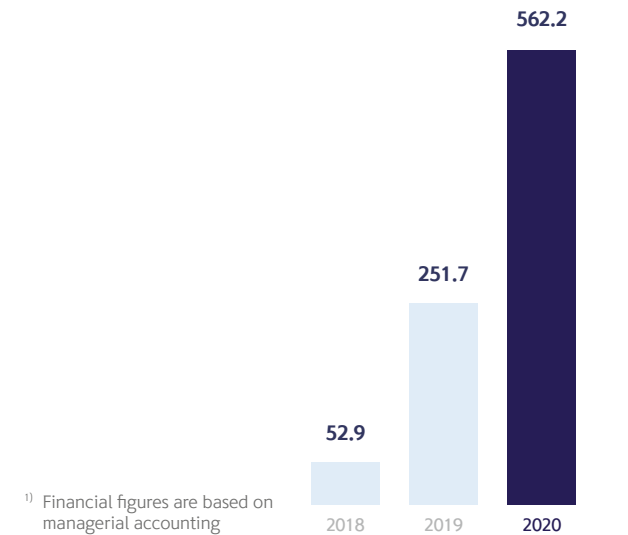
In 2020, the GMS Business Division strived for stable profitability and effective risk management, as its strategic goals, by increasing the breadth of investments and through asset diversification. The Division followed three major strategic directions – the pursuit of absolute profitability in stock investments, a stable increase in bond profitability, and improving business and risk management. As a result of these efforts, in 2020 the GMS Business Division recorded an operating income of KRW 562.2 billion (before deducting expenses), more than 220% increase on year-on-year basis.

GMS Operating Income in 2020

562.2 KRW billion

* Before deducting expenses

GMS Operating Income¹⁾
(Unit: KRW billion)



¹⁾ Financial figures are based on managerial accounting

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Focused on a Strategy of Pursuing Absolute Profit In response to severe market volatility, the Division focused on a strategy of pursuing absolute profitability rather than directional investment. We invested in new targets, including domestic and overseas mezzanine and project funds, built a diversified global portfolio, and identified new strategies for trading, including event-based spread trading and IPOs. We also expanded into the fund management of publicly-traded and open-ended overseas alternative investments.

Achieved a Stable Increase in Bond Profitability We achieved a high interest margin by increasing our management of foreign currency bonds, and by expanding investments to include highly-rated overseas corporate bonds. We diversified investment targets, through which we expanded the stable profit base of trading bonds, while also ensuring that we strictly observed investment bond ratio regulations and undertook sales as appropriate. As a result, we were able to exceed by 100% the target for securities profits set early in 2020, despite the increased volatility caused by COVID-19. In particular, investments in foreign currency bonds, which had not previously been targets for investment, were expanded significantly in size and scope, making a considerable contribution to profitability.

Strengthened Management Capabilities and Risk Management

The Division strived to improve its management by nurturing internal personnel and actively recruiting outstanding talent from outside the Group. Furthermore, we established a proprietary GMS risk management system through in-depth analyses of trends in markets and products, in addition to maintaining our focus on early alert and risk indices. Throughout the year, a Proprietary Asset Management Committee meeting was held every month in order to preemptively identify any potential market risks, with these assessments being further strengthened by extensive discussions with outside market experts.

Plans for 2021

The strategy for absolute profitability implemented since the launch of the GMS Business Division in 2018 will continue into 2021, with an additional focus on achieving "Excellence in Capital Markets". To this end, the Division will continue to identify new targets for investment, and widen the range of its bond investments.

Efficient Growth, Sustainable Outcomes Given the low interest rate environment, we will increase income by expanding our range of investment products, and will strengthen profitability in proprietary asset management by diversifying our portfolio. In addition, we will ensure that customer value is given top priority by strengthening sales capabilities through "Dynamic ELS Sales", and will overhaul the supply system for alternative asset investment products.

Global Connections and Portfolio Expansion The Division will establish a GMS global desk, while continuing to focus on strengthening its skills in global securities management. We will also maintain a strong focus on increasing profitability. In addition, we will expand our global portfolio by increasing the management of high-quality overseas assets, and by continuing to discover new markets and assets in which we can invest.

Innovative/Open Digital Transformation We will build our own GMS archive by collecting information and data from each department, develop the digital skills of all employees, and build a digital trading infrastructure by conducting research on digital management cases and reviewing the way to use them. In addition, we will enhance efficiency by digitalizing major transactions and upgrading our ICT.

Market Responses and Risk Management The Division will establish an effective response system to complex crises such as COVID-19, and will strengthen its risk management for both marketable and non-marketable products. We will also improve our ability to respond to changes required in capital management, and increase responsible investments in alignment with the Group's ESG principles.

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Development of Multi-Faceted Talent Human resources development is essential in growing into a leading trading group, which is why the Division is constantly striving to improve its overall management capabilities. To this end, we are setting up a fair, transparent performance-based compensation system which will motivate employees and enhance the overall corporate value. We are also offering employees more opportunities for professional growth, and upgrading the work environment. We will further sophisticate human capital management with more efficient human resources allocation within the Division.

Establishing a Dynamic Organization The Division is creating an agile organization which can engage in effective decision-making relating to changes in regulations, systems and the business environment. We are also strengthening the work of the Proprietary Asset Management Committee by gaining insights from outside market experts. In addition, we will continue to increase cooperation with other Group Divisions from the perspective of One Shinhan.

Strategies for 2021

STRATEGIC GOAL

**Excellence
in Capital Markets**

STRATEGIC DIRECTIONS

- | | | |
|---|---|---|
| <p>01
Efficient growth, sustainable outcomes</p> | <p>02
Global connections and portfolio expansion</p> | <p>03
Innovative/open digital transformation</p> |
| <p>04
Market responses and risk management</p> | <p>05
Development of multi-faceted talent</p> | <p>06
Establishing a dynamic organization</p> |

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The Pension Division is a matrix organization bringing together capabilities in retirement pension of the Group subsidiaries, with the aim of offering comprehensive pension services and achieving top rates of return for customers.

Key Performances in 2020

In 2020, the Pension Division attracted reserves totaling KRW 30.5 trillion, a year-on-year increase of KRW 4.3 trillion, or 16.4%. This equates to an 11.9% share of the overall retirement pensions market, showing that Shinhan Financial Group is maintaining a strong No. 1 position among financial holding companies in Korea. In March 2020, the Division launched "Smart Pension Madang" to become the first organization in Korea to open an integrated pension platform across the Group subsidiaries. This platform will be the foundation of Shinhan Financial Group's contactless pension channels of the future.

Retirement Pension Reserves in 2020

30.5 (M/S 11.9%)
KRW trillion

Newly Launched Services in 2020

- MARCH** — Opened "Smart Pension Madang", an integrated pension platform across the Group subsidiaries
- JULY** — Shinhan Bank adopted a virtual retirement advisory system
- Shinhan Investment unveiled an "Easy IRP Account" service
- AUGUST** — Shinhan Bank opened "My Retirement Pension"

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Customers can use Smart Pension Madang to check all their pension assets at Shinhan Financial Group, and conveniently manage pension assets throughout their entire lifecycle, including making bank deposits, rebalancing their portfolio, and retirement self-diagnosis. Smart Pension Madang is contained within the mobile apps of four major subsidiaries, including Shinhan Bank SOL and Shinhan Card Pay^{FAN}. Around 290,000 customers have made pension transactions through this platform thus far.

Expanded Sales of Personal Pensions 2020 saw substantial customer interest in personal pension assets, mainly attributable to a stock market boom and a greater overall commitment to personal investments. The Pension Division therefore targeted retail customers through a focus on defined contribution (DC) and IRP products. In particular, its marketing activities was focused on IRP accounts that auto-transfer co-payments and products with year-end tax credit benefits. As a result, the Group saw an increase in the IRP sector of KRW 1.76 trillion compared to the previous year, a growth rate of 39%, the largest net increase in the entire Korean retirement pension industry.

Accelerated Digital Transformation The Division continued with its digital transformation in 2020, with the aim of providing convenient, innovative services for customers. Beginning with “Smart Pension Madang”, Shinhan Bank has set up a virtual retirement advisory system and increased efficiency through the automation of call centers, resulting in a nine-fold increase in coverage for customer advice. In addition, it responded to the contactless environment by operating a DC mobile booth in SOL, and opened “My Retirement Pension” to enable the easy, convenient, and comprehensive management of retirement pension accounts. Shinhan Investment unveiled an “IRP Convenient Account” service, with improved accessibility and convenience, and expanded its customer-centered digital platforms.

Plans for 2021

No. 1 in Customer Rates of Return The Division aims to satisfy customers’ diverse needs regarding rates of return by implementing a customer-tailored rate-of-return strategy. Shinhan Bank has a wide customer coverage, which inevitably results in differing requirements on rates of return. It will therefore ensure product stability and diversify its portfolio so that it can maintain its leadership of the bank industry. For retail customers looking for higher rates of return, Shinhan Investment will increase rates of return for DC/IRP products without guarantees of principal and interest. For corporate clients looking for more stable rates of return and higher credit ratings, Shinhan Life Insurance will increase its market share in DB products

Establishing a Digilog Strategy The Division is enhancing customer satisfaction through the implementation of a phased DT, while also utilizing a “Digilog” strategy, combining analog and digital, and based on a foundation of face-to-face sales channels. It will therefore increase the efficiency of its record keeping by expanding RPA and AI-based processes in digital work support. It will also rapidly update Smart Pension Madang and each subsidiary’s pension platform in response to customer requirements and market changes. In face-to-face channels, the Division will expand the Headquarters direct site support team to cover customers who prefer analog methods, and in general will ensure the right balance between face-to-face and non-face-to-face channels.

Building a Customer Value System The Division will innovate the customer experience by building a data-driven customer management system. The first step will be to build a big data system based on customer information (age/income/subscribed products, etc.), and then use this to offer tailored products and regular portfolio reviews. In addition, it will provide targeted financial information in line with an individual analysis/diagnosis of each customer. The end result will be a comprehensive pension asset management system which covers the entire retirement lifecycle, from personalized pension asset management to distinctive pension services.

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Real Estate



As a shadow matrix organization and the control tower for the real estate business of the Group, the Real Estate Business Division sets out a vision for the Group's real estate business, establishes strategies, and ensures cooperation within the Group.

Key Performances in 2020

The Group Real Estate Business Division was formed in October 2019 as a shadow matrix organization to be a control tower for the Group's real estate business. In 2020, the Real Estate Finance Council strived to strengthen three key areas – business, networks, and capabilities – based on a vision of “advancing business and pioneering new areas”, leveraging the Group's real estate finance platform. Thanks to increased cooperation between the Group subsidiaries, the Division strengthened the competitiveness of its existing businesses (development projects, businesses in connection with corporate banking) in order to improve their performance, and also pioneered a new market in large-scale public offerings. It leveraged its track record to set up a new real estate development fund and expanded its external networks, including by signing MOUs with market-leading companies.

No. of collaboration projects handled by using the Group's real estate platform in 2020

33 Projects

Commission income generated from the Group's real estate finance platform in 2020

72.4 KRW billion

KEY FIGURES

Based on the Group's real estate finance platform, the Division jointly handled 33 projects, and generated around KRW 72.4 billion in fees and commissions income. It maximized revenues through the cooperation between the Group subsidiaries, and ensured economies of scale, thus increasing market share and ranking the first place in the domestic arrangement performance league table of Bloomberg.

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Despite the stagnation of the real estate finance market in the first half of the year due to COVID-19, the Division achieved a strong performance by maximizing synergy and helping the Group to keep revenues in-house. This has given the market a firm belief in Shinhan Financial Group's capabilities as a business partner in real estate finance, based on which the Division can move beyond straightforward real estate finance services, and accomplish its goal of re-imagining the entire business of real estate finance.

Plans for 2021

Through the real estate finance platform, the Division will implement detailed strategies for improving business at every existing unit, and for pioneering new areas.

Business Areas The Real Estate Business Division will diversify its channels for sourcing deals by using the full breadth of the Group's sales channels in order to strengthen existing businesses and increase their market share. In addition, given the considerable potential growth in deals connected to corporate banking, we will actively implement Group-level projects which will simultaneously secure real estate deals and generate corporate banking business. In particular, considering that abundant liquidity and low interest rates are creating a highly positive environment for REITs and funds, we will leverage various channels within the Group in order to execute major transactions in these areas, thus maximizing Group revenues and ensuring the stable supply of investment products.

Networks The Real Estate Business Division will expand its market networks in order to move beyond being just a financial service provider to become a broad business partner. We will continue to expand by setting up funds and signing MOUs for real estate development, including through collaboration with developers and construction companies. We will also reinforce our leading position in financial arrangement by setting up joint blind funds with a wide range of partners, including asset management companies. This will enable us to further expand business participation and know-how, and thus to become a comprehensive real estate finance platform covering the entire real estate lifecycle.

Strengthening Capabilities Recent projects in real estate development have become very large in size, and many of them are based on public offerings. The Real Estate Business Division will therefore actively leverage the Group's dominant position in the market and its own capabilities to lead this market, thus creating new sources of future revenues. In particular, Korea is currently focused on public offerings in support of the implementation of smart city projects. The Business Line has already partnered with a technology company to form a consortium for one such project, and succeeded in winning a contract for the Sejong Smart City project. We will now leverage this success to win and execute additional such projects. In addition, by applying the expertise accumulated to Group-led public offering projects, we will expand our markets and build a strong track record based on the distinctive Shinhan real estate finance platform.

Strategies for 2021

STRATEGIC GOAL

Strengthening Existing Businesses and Exploring New Businesses

STRATEGIC DIRECTIONS

- | | | |
|--|--|---|
| <p>01
Increasing market share by strengthening competitiveness of existing businesses</p> | <p>02
Exploring new business areas by widening external network</p> | <p>03
Strengthening internal competitiveness with an upgraded platform</p> |
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2020 in Review

Group Overview

The global economy is expected to have shrunk by 3-4% in 2020, mainly due to the COVID-19 pandemic. This is the lowest level of economic growth since the end of the Second World War, and is the first negative growth since the global financial crisis in 2009. In response to this unprecedented shock to both production and consumption, countries around the world have imposed strict quarantine and lockdown measures, alongside major stimulus packages to achieve economic normalization.

The Korean economy saw negative growth in the first two quarters of the year, with growth of -1.3% and -3.2% in the first and second quarters, respectively, mainly attributable to the economic downturn caused by the spread of COVID-19 in the first half of the year. However, GDP grew by 2.1% in the third quarter and 1.2% in the fourth quarter, mostly thanks to an increase in exports. Despite the rebound in the second half, however, annual GDP fell by 1.0% in 2020, the first time the Korean economy has contracted on an annual basis for 22 years, since the foreign exchange crisis of 1998.

Despite the difficult business environment at home and abroad, Shinhan Financial Group continued to strive towards "Excellence, Shinhan" through resilience-based distinctive growth. As a result, in 2020 we generated KRW 3,414.6 billion in consolidated net income attributable to controlling interest. This was an increase of 0.3% over the previous year's figure of KRW 3,403.5 billion, and thus we have maintained our growth pace in net income for seven consecutive years. We continued to faithfully fulfil our role as an important supplier of retail/corporate finance, despite the spread of COVID-19, which led to strong asset growth, with Shinhan Bank's loans increasing by 10.6%. In addition, we were able to achieve balanced, qualitative growth in an era of ultra-low interest rates by substantially strengthening our non-interest income business.

In particular, the proportion of income from our non-banking businesses grew by 7.3%p year-on-year to 41.3%, on the back of diversified business portfolio, driving a net income of more than KRW 3 trillion for three consecutive years. In addition, we are now seeing material results from our efforts to increase mid- to long-term growth by strengthening the matrix organization within sales channels and the Group subsidiaries. GIB Division, GMS Business Division, and global operations recorded year-on-year growth in operating income of 33%, 125%, and 9% respectively, demonstrating a marked upgrade in our ability to generate operating income.

2021 is expected to be a year of complex and multiple uncertainties. COVID-19 has completely changed business and society from being centered on face-to-face interactions to being contactless. Shinhan Financial Group has established seven major detailed strategic tasks in order to actively respond to this change. Based on the distinctive "F.R.E.S.H 2020s" growth strategy, everyone at Shinhan will solidify the foundations for "Excellence" and rapidly execute the changes required. We will further improve our strengths while quickly address our weaknesses, all the time adhering strictly to the principle of customer first, and ensuring that we generate maximum value for shareholders and all other stakeholders.



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Key Figures of the Group

		FY20	FY19	YoY	YoY %
Profit (KRW billion)	Pre-Provision Income	6,144.5	5,862.3	282.2	4.8
	Provision for Credit Losses	1,390.6	950.8	439.8	46.3
	Consolidated Net Income	3,414.6	3,403.5	11.1	0.3
Size (KRW trillion)	Group Assets (Consolidated)	605.3	552.4	52.9	9.6
	Loans in KRW (Shihan Bank)	248.8	225.0	23.8	10.6
	Earning Assets (Shinhan Card)	32.0	30.2	1.8	5.9
Profitability Indicators	ROA	0.60%	0.70%	-0.1%p	-
	ROE	8.4%	9.4%	-1.0%p	-
	NIM (Shihan Bank + Shinhan Card)	1.80%	2.00%	-0.2%p	-
	Cost to Income Ratio	45.2%	46.1%	-0.9%p	-
	Net Income Contribution by Non-Bank Subsidiaries	41.3%	34.0%	7.3%p	-
	NPL Ratio	0.56%	0.52%	0.03%p	-
Other Indicators	Coverage Ratio	149%	152%	-3%p	-
	BIS Ratio (SFG)	15.7%	13.9%	1.9%p	-
	BIS Ratio (SHB)	18.5%	15.9%	2.6%p	-

Note 1) ROA, ROE, NPL ratio, and coverage ratio are based on business report of financial holding company submitted to Financial Supervisory Service

Note 2) NIM (Shihan Bank + Shinhan Card) excludes merchant service fee of Shinhan Card

Note 3) Coverage ratio excludes provision for credit loss



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Income

Group Income

Shinhan Financial Group generated KRW 3,414.6 billion in consolidated net income attributable to equity shareholders in 2020. This is an increase of 0.3% compared to the previous year's KRW 3,403.5 billion, and is the seventh consecutive year that we have increased our net income. The major factors in enabling us to generate stable revenues despite the difficult economic environment are as follows: (1) solid asset growth since the beginning of the year, which in turn generated reliable interest income; (2) portfolio diversification as a proactive response to ultra-low interest rates, leading to increased non-banking income; (3) increased non-interest income from matrix organizations, a key driver of our mid- to long-term growth; (4) highly effective risk management in response to the effects of COVID-19 and issues related to certain private equity funds, including Lime Asset Management.

The Group interest income increased 1.9% year-on-year, the result of solid growth in loans, mainly at the Bank, Card, and Capital, and despite decreased net interest margins as a result of declining market interest rates. Our cumulative net interest margin (Bank + Card) fell by 20bp year-on-year due to the base rate cuts of 50bp and 25bp in March and May, respectively. From the fourth quarter, however, margin decreases eased as market interest rates stabilized. Going forward, we will actively pursue profitability in our asset and liability management (ALM) by improving our net interest margin and reducing cost of funds.

Shinhan Bank's loans in KRW saw annual growth of 10.6%, spread evenly across the retail and corporate loan sectors. Retail loans grew by 9.0%, and corporate loans rose 12.3%. The strongest growth was in SME loans, which grew at an annual 14.1% and loans to individual businesses, which increased by 16.3%. The strong growth was partly due to our commitment to funding for SMEs and small businesses which have been experiencing difficulties due to COVID-19. We will continue our stable growth in 2021 through the selective supply of loans and the detailed monitoring of risk.

The Group's non-interest sector has performed a vital role in generating net income, especially at a time when the domestic and overseas business environment is particularly challenging as a result of COVID-19, increased competition and ultra-low interest rates. We have therefore diversified our portfolio in order to enhance non-interest earnings. As a result, non-interest income grew by 7.9% year-on-year thanks to increases in fees and commissions income (+11.3%) and securities-related income (+24.8%). In particular, brokerage fees increased by 125% thanks to increased trading volume in the Korean stock market.

Performance of GMS Division and global operations continued to be strong in key markets. Operating income at the GMS Business Division, which manages the Group's proprietary assets, increased by 125% as a result of its active responses to changes in markets. Operating income of our global operations grew by 9.4%, mainly attributable to positive earnings generated in Vietnam. Going forward, we will further subdivide the capital market for future sustainable growth, and expand market leadership in key non-interest areas, thereby concentrating our capabilities on discovering new growth drivers.

The Group's G&A expenses remained within the planned range marking a modest increase of 1.5% year-on-year to KRW 5,212.5 billion. An early retirement program in the fourth quarter created costs of around KRW 92 billion before tax. We expect our recent efforts to improve the high-cost structure to result in significant increases in cost efficiency and profitability in the near future. The Group's cost-to-income ratio (CIR) continues to record historical lows at 45.2%, a year-on-year improvement of 0.9%p, thanks to an increase in operating income, more efficient work processes and better cost management, including the growing digital customer base.

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The Group's credit costs rose by KRW 439.8 billion year-on-year, or 46.3%, to KRW 1,390.6 billion. This was the result of additional provisions set aside against the possibility of companies becoming insolvent due to the continuing COVID-19 pandemic and the downturn in private consumption in Korea. By setting aside COVID-related provisions of KRW 184.7 billion in the first half of 2020 and KRW 209.7 billion in the second half, we have prepared preemptively for greater market uncertainties. As a result, the Group's credit loss ratio rose by 11bp year-on-year to 41bp at the end of December, but if one-time non-recurring factors are excluded, the ratio was 29bp, around the same level as the previous year. We will continue to actively manage risks through the detailed monitoring of the COVID-19 situation, and any other factors which impact our business.

Group Income

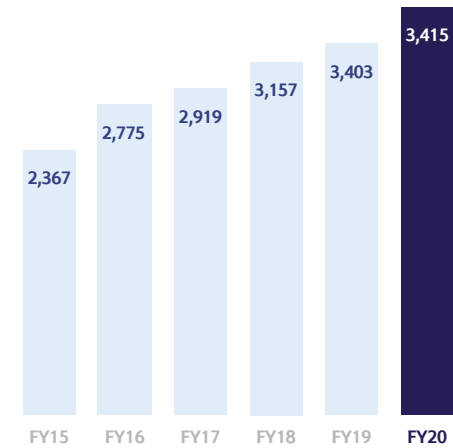
(KRW billion)

	FY20	FY19	YoY %
Operating Income before Expenses	11,532.9	11,131.7	3.6
Interest Income	8,155.1	8,001.0	1.9
Non-interest Income	3,377.8	3,130.7	7.9
G&A Expenses	5,212.5	5,134.7	1.5
Operating Income	6,320.4	5,997.0	5.4
Non-Operating Income	-175.9	-134.7	n.a.
Pre-Provision Income	6,144.5	5,862.3	4.8
Provision for Credit Losses	1,390.6	950.8	46.3
Earnings before Income Tax	4,753.9	4,911.5	-3.2
Income Tax	1,255.8	1,269.1	-1.1
Consolidated Net Income ¹⁾	3,414.6	3,403.5	0.3

Note 1) Net income in controlling interest

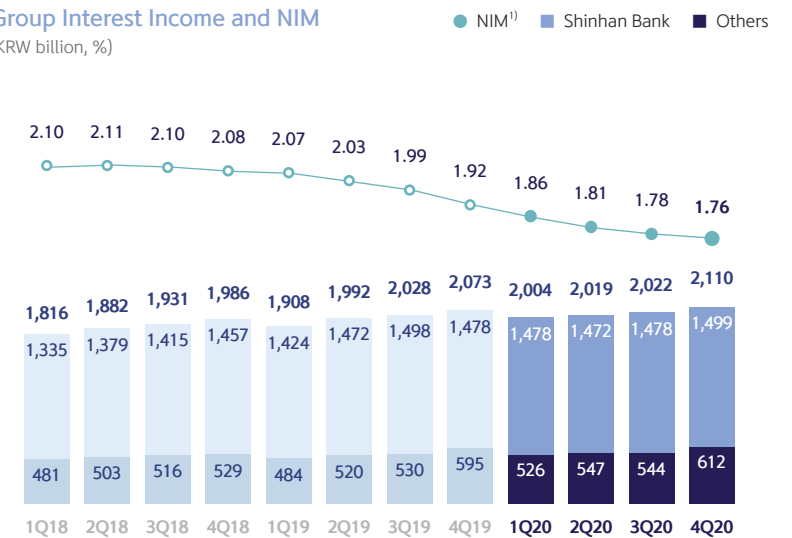
Group Net Income

(KRW billion)



Group Interest Income and NIM

(KRW billion, %)



Note 1) Quarterly NIM excluding merchant fees in credit card



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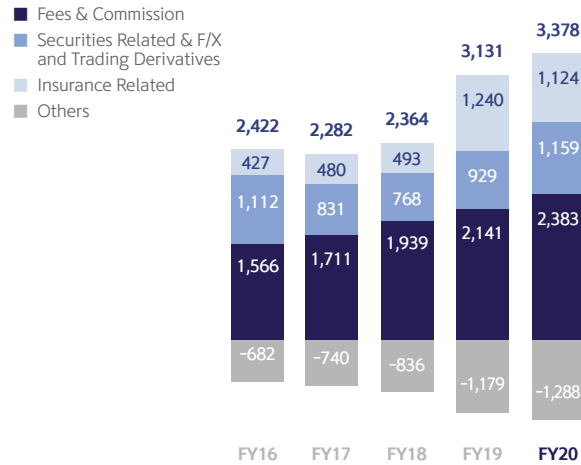
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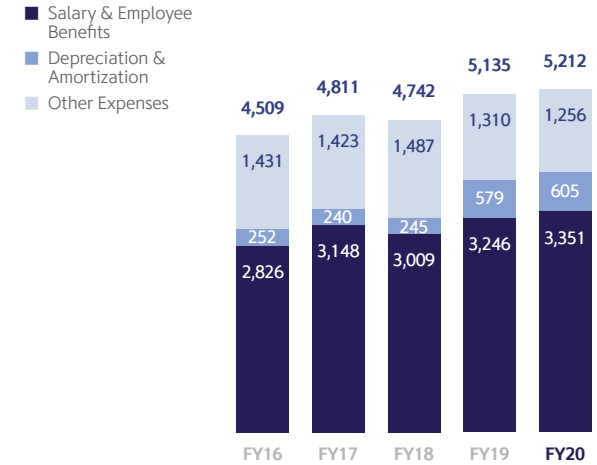
Group Non-interest Income

(KRW billion)



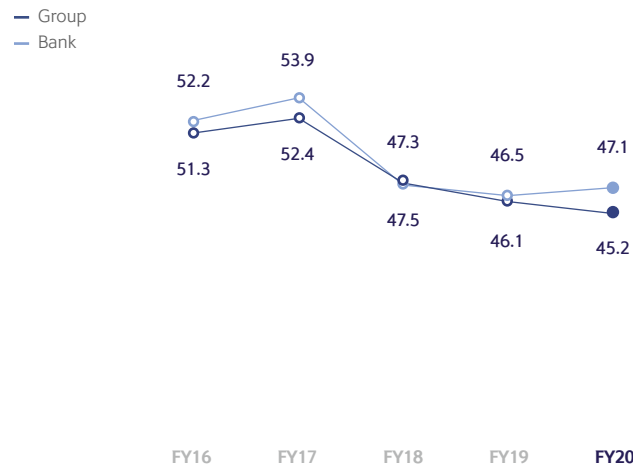
Group G&A Expenses

(KRW billion)



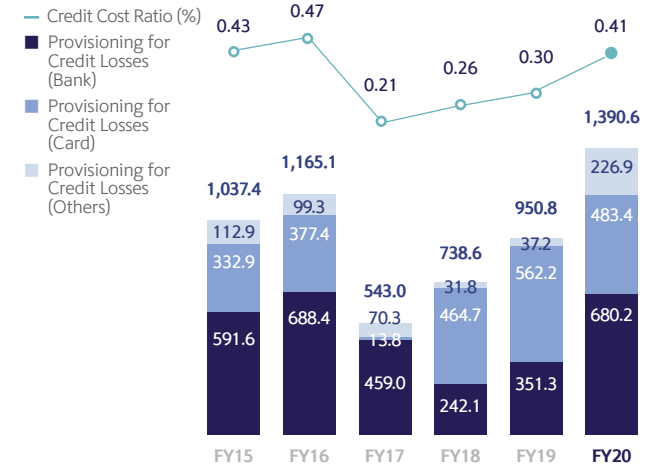
Group and Shinhan Bank's Cost Income Ratio

(%)



Group Credit Costs

(KRW billion)



Note) Accumulated figure of the year



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Group Subsidiaries Income**Group Subsidiaries Income**

(KRW billion; and reflecting SFG ownership)

		FY20	FY19	YoY%	Ownership
Bank (a)		2,091.0	2,350.2	-11.0	
	Shinhan Bank	2,077.8	2,329.2	-10.8	100.0%
	Jeju Bank	13.2	21.0	-37.3	75.3%
Non-Bank (b)		1,473.4	1,211.2	21.6	
	Shinhan Card	606.5	508.8	19.2	100.0%
Consumer Finance	Shinhan Capital	160.6	126.0	27.4	100.0%
	Shinhan Savings Bank	27.0	23.1	16.6	100.0%
Insurance	Shinhan Life Insurance	177.8	123.9	43.6	100.0%
	OrangeLife Insurance	279.3	160.6	73.9	100.0%
	Shinhan Investment	154.8	220.9	-29.9	100.0%
	Shinhan Asset Management ¹⁾	17.3	15.0	15.5	65.0% ¹⁾
	Shinhan Alternative Investment	3.4	2.1	60.1	100.0%
Capital Markets	Shinhan REITs Management	3.8	7.4	-49.2	100.0%
	Asia Trust	27.5	10.9	153.0	60.0%
	Shinhan AI ²⁾	0.3	-0.7	n.a.	100.0%
	Shinhan Venture Investment ³⁾	-1.1	-	n.a.	100.0%
	Shinhan DS	1.9	2.1	-10.2	100.0%
Others	Shinhan AITAS	13.0	10.8	20.3	99.8%
	Shinhan Credit Information	1.5	0.5	194.3	100.0%
Total (a+b)		3,564.4	3,561.5	0.1	
Consolidated Net Income		3,414.6	3,403.5	0.3	

Note 1) Ownership of Shinhan Asset Management is 100.0% as of Jan. 2021; and was renamed to Shinhan Asset Management from Shinhan BNP Paribas Asset Management

Note 2) Shinhan AI was newly established in Sep. 2019

Note 3) Neoplux was newly acquired on Sep. 29, 2020; and was renamed to Shinhan Venture Investment on Jan. 11, 2021

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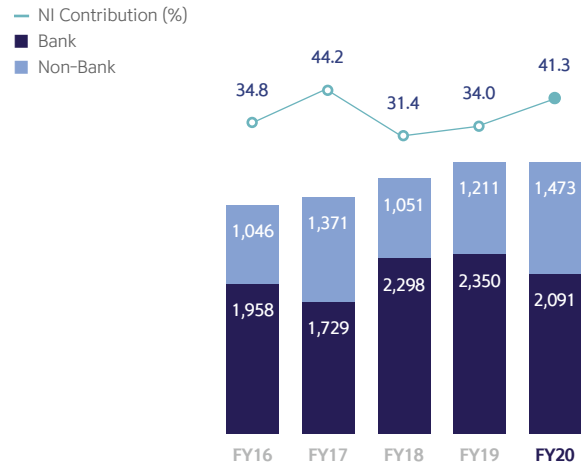
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Net Income Contribution by Non-Bank Subsidiaries

(KRW billion)



Note) After reflecting ownership by SFG

Shinhan Bank

In 2020, Shinhan Bank's net income declined by 10.8% year-on-year, mainly attributable to lower non-interest income as a result of a decline in fees and commissions from sales of financial products, which in turn was the result of downward pressure in the wealth management market and the impact of COVID-19. Interest income, however, rose by 1.0% year-on-year thanks to growth in loans in KRW throughout the year, and despite a fall in the net interest margin.

Loans in KRW grew by 10.6% year-on-year in 2020. Retail loans increased by 9.0%, and corporate loans went up 12.3%, driven by loans to SMEs which were up by 14.1%. We continued stable growth throughout the year as the result of a steady increase in market demand for loans. Deposits in KRW increased by 11.7% year-on-year thanks to a focus on core deposits, in parallel with the growth in loan assets. Core deposits grew by 29.0%, which helped to offset the decline in the net interest margin.

Shinhan Bank Income

(KRW billion)

	FY20	FY19	YoY %
Operating Income (a=b+c)	6,796.8	6,757.0	0.6
Interest Income (b)	5,927.6	5,871.7	1.0
Non-Interest Income (c)	869.3	885.3	-1.8
G&A Expenses (d)	3,202.9	3,142.4	1.9
Pre-Provision Operating Income (e=a-d)	3,593.9	3,614.6	-0.6
Non-Operating Income (f)	-130.2	-186.4	n.a.
Pre-Provision Income (g=e+f)	3,463.7	3,428.2	1.0
Provision for Credit Losses (h)	680.2	351.3	93.6
Earnings Before Income Tax (i=g-h)	2,783.4	3,076.9	-9.5
Income Tax	705.2	747.6	-5.7
Net Profit ¹⁾	2,077.8	2,329.2	-10.8

Note 1) Net income in controlling interest

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Gains on valuations of securities, a major component of non-interest income, rose by 16.3% year-on-year thanks to an increase in bond-related income. Income from fees and commissions, however, fell by 1.8%, as on-going dispute over sales of certain private equity funds affected fund and trust fees and commissions.

G&A expenses increased 1.9% year-on-year as a result of programs to reduce costs over the mid- to long-term, and remained within the planned range. The digital transformation under way at Shinhan Bank is expected to enable more efficient management of G&A expenses. The CIR stood at 47.1% as a result of improvements in efficiency and higher pre-provision operating income. The credit cost ratio was stable at 24bp, thanks to qualitative asset growth and better credit risk management, and despite increases in provisions as a result of the economic downturn.

Shinhan Card

Net income at Shinhan Card in 2020 was KRW 606.5 billion, up 19.2% compared to the previous year. This success was thanks to the efforts made to expand the digital payments market in response to the contactless trend. It was also the result of our efforts to generate revenue across a range of businesses, including lease and installment finance, in order to overcome the negative impact on credit card revenues caused by lower merchant service fees. As a result, operating revenues from credit cards were up by 2.9%, while operating revenues in leases and installment finance rose by 44.5% and 9.4%, respectively.

We will strive to maintain strong revenues by lowering our G&A expenses, including in marketing, and by developing new growth businesses. The one month or longer delinquency ratio was 1.04% at the end of December 2020, 22bp lower than a year before. The NPL ratio recorded 1.06%, and the NPL coverage ratio was 289%, indicating continued soundness in asset quality. The capital adequacy ratio remained strong at 19.9%.

Shinhan Card Income

(KRW billion)

	FY20	FY19	YoY %
Operating Revenue (a)	4,102.3	3,894.6	5.3
Card Business	3,039.2	2,953.5	2.9
Installment Finance	147.5	134.8	9.4
Lease	270.9	187.4	44.5
Others	644.8	619.0	4.2
Interest Expense (b)	507.5	499.5	1.6
G&A Expenses (c)	650.6	702.2	-7.4
Commissions & Other Expenses (d)	1,638.7	1,445.5	13.4
Pre-Provision Income (e=a-b-c-d)	1,304.6	1,239.0	5.3
Provision for Credit Losses (f)	483.4	562.2	-14.0
Earnings Before Income Tax (g=e-f)	821.2	676.8	21.3
Income Tax	214.7	167.7	28.0
Net Income¹⁾	606.5	508.8	19.2

Note 1) Net income in controlling interest



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Shinhan Investment

Shinhan Investment recorded net income of KRW 154.8 billion, down 29.9% compared to the previous year. Although proprietary trading, stock brokerage, and the IB sector made strong performance, losses from product valuations, higher provisions and reduced income from sales of financial products resulted in a decline in company-wide income.

Fees and commissions income increased by 45.6% compared to the previous year, to KRW 740.6 billion. Although stock brokerage fees and commissions rose, sales of financial products were relatively weak. Proprietary trading income increased by 20.6% on the back of performance improvements right across the equity, as well as fixed income, currency, and commodity (FICC) markets. G&A expenses rose by 13.6% year-on-year to KRW 592.4 billion as a result of increased incentive payments triggered by improvements in performance at trading departments.

Shinhan Life Insurance

Net income at Shinhan Life Insurance increased by 43.6% year-on-year, to KRW 177.8 billion. The insurance operating margins fell by 9.7% compared to the previous year as the result of an increase in claims paid and a reduction in the general expenses margin. Investment margins, however, rose by KRW 64.9 billion thanks to increases in dividends and gains on sales related to beneficiary certificates. Income from premiums fell by 5.0% to KRW 4,085.2 billion. As of the end of December 2020, risk-based capital (RBC) ratio stood at 249.5% well above the regulatory requirement of 150%.

Shinhan Investment Income

(KRW billion)

	FY20	FY19	YoY %
Operating Revenue	1,220.0	882.9	38.2
Fee & Commission	740.6	508.8	45.6
Brokerage Fees	459.5	200.3	129.3
Financial Product Fees	87.0	126.7	-31.4
Investment Banking	158.6	117.7	34.7
Others	35.5	63.9	-44.4
Proprietary Trading	574.3	476.0	20.6
Others	-94.9	-102.0	n.a.
Operating Expenses	840.3	643.4	30.6
G&A Expenses	592.4	521.6	13.6
Commission Expenses	142.1	123.2	15.3
Provisioning for Credit Losses	105.8	-1.3	n.a.
Operating Income	379.8	239.4	58.6
Net Income	154.8	220.9	-29.9

Shinhan Life Insurance Income

(KRW billion)

	FY20	FY19	YoY %
Insurance Operating Margins	201.6	223.4	-9.7
Expenses Margins	146.3	177.0	-17.4
Mortality & Morbidity Margins	55.4	46.4	19.4
Investment Margins	55.3	-9.6	n.a.
Other Margins	-19.1	-15.9	n.a.
Earnings before Income Tax	237.8	197.9	20.2
Income Tax	60.0	74.0	-18.9
Net Income	177.8	123.9	43.6

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OrangeLife Insurance

OrangeLife became a subsidiary of Shinhan Financial Group in 2019, and generated a net income of KRW 279.3 billion in 2020, year-on-year growth of 2.9%. The expenses margins rose as a result of reductions in annualized premium equivalent (APE) and retention expenses. Investment margins fell as lower market interest rates resulted in declining rates of return on reinvestments.

Shinhan Capital

In 2020, net income of Shinhan Capital rose by 27.4% year-on-year to KRW 160.6 billion. This was mainly attributable to a 37.6% increase in operating revenue, which in turn was the outcome of higher interest income driven by increases in loan assets, and stronger income from investment securities. Provisioning for credit losses rose by KRW 62.6 billion year-on-year, in line with the increase in assets, and is preemptively managed by strengthened risk monitoring systems. As of the end of 2020, total assets stood at KRW 8.9 trillion, year-on-year increase of 17.6%.

OrangeLife Insurance Income

(KRW billion)

	FY20	FY19	YoY %
Insurance Operating Margins	391.7	372.8	5.1
Expenses Margins	239.7	222.2	7.9
Mortality & Morbidity Margins	152.1	150.7	0.9
Investment Margins	17.6	42.6	-58.6
Other Margins	-33.4	-30.4	n/a
Earnings before Income Tax	376.0	385.1	-2.4
Income Tax	96.7	113.6	-14.9
Net Income	279.3	271.5	2.9

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Asset Growth

Group Asset Growth

Based on consolidated financial statements as of the end of 2020, the Group's total consolidated assets stood at KRW 605.3 trillion, up KRW 52.9 trillion or 9.6% compared to the previous year. This balanced growth was driven by increases across the Group's major subsidiaries. Banking assets grew by 8.3% year-on-year to KRW 523.7 trillion, while non-banking assets grew by 11.2% to KRW 309.6 trillion.

Shinhan Bank recorded a year-on-year increase in assets of KRW 39.8 trillion, led mainly by growth of loans in KRW. In the non-banking business, Asia Trust and Shinhan Asset Management achieved year-on-year increases of KRW 13.2 trillion and KRW 8.4 trillion, respectively, mainly driven by trust accounts and beneficiary certificates.

Group Asset¹⁾ Growth

		(KRW billion)		
		Dec. 2020	Dec. 2019	YoY%
Bank (a)		523,700.1	483,644.9	8.3
Shinhan Bank		517,111.1	477,289.6	8.3
Jeju Bank		6,589.0	6,355.3	3.7
Non-Bank (b)		309,638.6	278,401.9	11.2
Shinhan Card		34,885.2	32,917.9	6.0
Consumer Finance	Shinhan Capital	8,901.3	7,566.4	17.6
	Shinhan Savings Bank	1,842.2	1,602.9	14.9
Insurance	Shinhan Life Insurance	36,777.5	34,133.6	7.7
	OrangeLife Insurance	33,813.6	32,841.4	3.0
Capital Markets	Shinhan Investment Corp	71,874.1	73,589.7	-2.3
	Shinhan Asset Management ²⁾	58,869.2	50,466.9	16.6
	Shinhan Alternative Investment	5,499.5	4,114.3	33.7
	Shinhan REITs Management	2,270.8	1,071.6	111.9
	Asia Trust	49,717.1	36,560.7	36.0
	Shinhan AI	42.9	42.4	1.2
	Shinhan Venture Investment ³⁾	527.3	-	n.a
Others	Shinhan DS	95.1	89.1	6.7
	Shinhan AITAS	87.4	77.1	13.4
	Shinhan AITAS	27.8	25.3	9.9
	Shinhan Credit Information	4,407.4	3,302.6	33.5

Note 1) Trust A/C of Shinhan, Jeju Bank, Shinhan Investment Corp., Asia Trust and AUM (including ordinary discretionary assets) of Shinhan Asset Management, Shinhan Alternative Investment, Shinhan REITs Management, Shinhan Venture Investment are included

Note 2) Shinhan BNP Paribas Asset Management was renamed to Shinhan Asset Management on Jan. 15, 2021

Note 3) Neoplux was newly acquired on Sep. 29, 2020; and was renamed to Shinhan Venture Investment on Jan. 11, 2021

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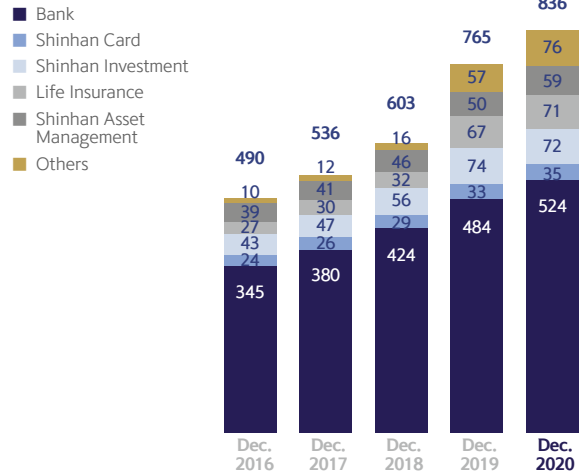
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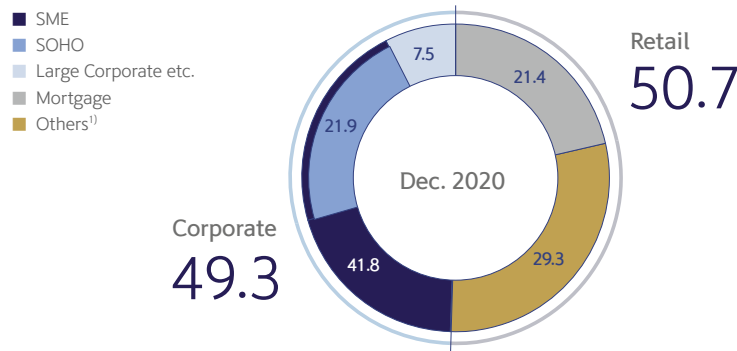
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Group Asset¹⁾ Growth
(KRW trillion)



Note 1) Trust A/C of Shinhan, Jeju Bank, Shinhan Investment Corp., Asia Trust and AUM (including ordinary discretionary assets) of Shinhan Asset Management, Shinhan Alternative Investment, Shinhan REITs Management are included

Shinhan Bank Loan Composition
(%)



Group Subsidiaries Asset Growth

Shinhan Bank

Loans Total value of Shinhan Bank's loans in KRW at the end of 2020 stood at KRW 248.8 trillion, year-on-year increase of 10.6%. The Bank has contributed substantially to interest income of the Group by maintaining strong growth in its profitability-oriented assets, balanced across its retail and corporate sectors.

Retail loan assets in KRW rose by 9.0% year-on-year to KRW 126.3 trillion. Although mortgage loans decreased by 2.3% due to tighter government regulations on the real estate industry, increases in *jeonse* loans and high credit unsecured personal loans of 27.7% and 43.6%, respectively, showed that retail loans overall grew strongly. As of the end of 2020, secured loans accounted for 71% of total retail loans, and the loan to value (LTV) of mortgage loans stood at 45.6%.

Corporate loan assets in KRW increased by 12.3% year-on-year to KRW 122.5 trillion. Growth was led by loans to SMEs and to individual businesses, which rose by 14.1% and 16.3%, respectively as the government and the financial sector worked together to ensure the continued supply of funds to SMEs and small businesses experiencing difficulties due to COVID-19. Secured loans accounted for 77% of Shinhan Bank's total SME loans as of the end of 2020, and 84% of SOHO loans.

Shinhan Bank Loans

(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Loans in KRW	248,808	225,002	10.6
Retail	126,262	115,875	9.0
Mortgage	53,355	54,605	-2.3
Others ¹⁾	72,907	61,270	19.0
Corporate	122,546	109,127	12.3
SME	103,974	91,162	14.1
SOHO	54,387	46,785	16.3
Large Corporate etc.	18,572	17,965	3.4
Loans in FX	13,320	10,779	23.6

Note 1) Including unsecured personal loans, secured loans, *jeonse* loans, etc.

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Deposits Shinhan Bank's deposits in KRW stood at KRW 260.2 trillion at the end of 2020, up 11.7% year-on-year. Lower market interest rates were the main factor in a year-on-year decrease of 1.8% in time savings, however low cost deposits grew by 29.0%.

Shinhan Card

Assets Shinhan Card's earning assets totaled KRW 32.0 trillion at the end of 2020, up 5.9% year-on-year. The total for lease assets rose considerably with the acquisition of Hyundai Capital's long-term car rental assets in March 2020. The increase was also attributable to the transfer of retail loan assets from Shinhan Capital in October 2020. The number of active cardholders of Shinhan Card was 12.8 million at the end of 2020, with the number of merchants standing at 2.7 million, signifying our strong position as Korea's leading credit card provider.

Funding Shinhan Card's total funding was valued at KRW 24.0 trillion at the end of 2020, up 10.8% compared to the previous year. The company continues to diversify its funding portfolio according to market conditions, including by issuing debentures, ABS and CPs. It also manages liquidity risk by diversifying the maturity dates of its funding.

Shinhan Card Earning Assets (KRW billion)

	Dec. 2020	Dec. 2019	YTD %	Dec. 2020 Portion %
Earning Assets	31,963.9	30,180.3	5.9	100.0
Credit Purchase	14,602.3	15,184.4	-3.8	45.7
Cash Advances	1,571.0	1,864.1	-15.7	4.9
Card Loan	7,371.7	6,760.9	9.0	23.1
(Re-aged Loan)	307.1	269.2	14.1	1.0
Installment Finance	3,591.5	3,211.8	11.8	11.2
Lease etc.	4,827.3	3,159.1	52.8	15.1

Shinhan Bank Deposits (KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Total Deposits	260,212	232,997	11.7
Low-Cost Deposits	131,223	101,700	29.0
Demand	40,743	30,455	33.8
Savings	90,481	71,245	27.0
Time Savings	128,989	131,297	-1.8
Time Deposits	120,018	122,073	-1.7
Accumulative etc.	8,971	9,225	-2.7
Certificate of Deposits	4,870	8,602	-43.4
Debentures in KRW	25,507	28,813	-11.5

Shinhan Bank Funding Composition (%)

	Time Savings	Low-Cost Deposits	CDs	Debentures
Funding Composition	44.4	45.2	1.7	8.8

Shinhan Card Funding (KRW billion)

	Dec. 2020	Dec. 2019	YTD %	Dec. 2020 Portion %
Funding	24,011.4	21,670.2	10.8	100.0
Debentures	16,700.2	14,945.0	11.7	69.6
ABS	2,936.0	3,357.0	-12.5	12.2
CP	2,340.0	1,850.0	26.5	9.7
Others	2,035.2	1,518.1	34.1	8.5



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Shinhan Investment

The value of Shinhan Investment's total assets at the end of 2020 recorded KRW 46.6 trillion, year-on-year growth of 24.8%. Securities assets rose mainly as the result of increased holdings of debt securities, while loans rose mainly due to an increase in loans secured against stocks.

Shinhan Life Insurance

Operating assets of Shinhan Life Insurance stood at KRW 31.2 trillion at the end of 2020, up 5.5% compared to the previous year. We continue to expand our holdings of long-term bonds in line with an ALM strategy, and are also focusing on profitability by increasing the value of our loan assets. As a result, fixed income assets rose by 9.6% to KRW 16.2 trillion, while loans increased by 6.0% to reach KRW 6.6 trillion.

OrangeLife Insurance

OrangeLife's operating assets stood at KRW 27 trillion at the end of 2020. We implement an ALM strategy which balances long-term liabilities with long-term assets. Because insurance liabilities are inherently long-term, we have substantially increased the holdings of long-term assets such as fixed income bonds and policy loans. We are also striving to enhance rates of return by increasing the proportion of our portfolio which is comprised of alternative investments such as real estate, infrastructure, and private equity funds.

Shinhan Investment Total Asset

(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Total Assets	46,632.4	37,375.5	24.8
Cash and Cash Equivalents	1,412.5	709.0	99.2
Deposit	2,006.3	1,911.7	5.0
Securities	29,304.7	26,670.0	9.9
Derivatives	895.5	677.7	32.2
Loans	4,738.1	4,583.1	3.4
Tangible Fixed Assets	156.2	139.3	12.1
Others	8,119.1	2,685.0	202.4

Shinhan Life Insurance Operating Assets Growth

(KRW billion)

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Operating Assets	20,545.0	23,316.3	25,156.9	27,705.7	29,585.7	31,204.0
Cash & Deposits	1,831.6	1,457.8	1,170.6	619.7	490.1	1,040.6
Fixed Income	10,505.2	11,281.7	12,344.2	13,636.9	14,787.0	16,209.1
Loans	5,372.1	5,404.7	5,643.3	6,136.6	6,203.0	6,575.0
Equities	80.7	72.7	66.0	132.0	109.0	151.8
Others	2,755.4	5,099.4	5,932.9	7,180.5	7,996.6	7,227.5

OrangeLife Insurance Operating Assets Growth

(KRW billion)

	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020
Operating Assets	22,738.2	23,984.1	24,558.2	26,319.3	26,243.5	27,011.1
Cash & Deposits	596.7	565.4	560.1	539.3	472.3	661.1
Fixed Income	19,692.0	20,782.4	21,073.7	21,401.5	21,315.8	21,875.7
Loans	2,018.2	2,089.4	2,133.9	2,588.6	2,355.3	2,446.0
Equities	131.8	98.1	117.0	135.1	124.9	22.2
Others	299.5	448.7	673.5	1,654.9	1,975.3	2,006.1

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Group Asset Quality

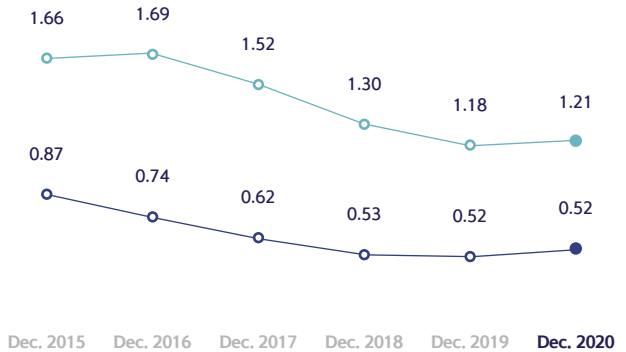
The Group's non-performing loan (NPL) ratio was 0.56% as of the end of 2020, up slightly compared to the previous year. Shinhan Financial Group has maintained a good level of asset soundness by steadily reducing its high-risk loans through preemptive risk management. NPL coverage ratio at the end of 2020 stood at 149%. Although this was a slight decrease compared to the previous year, the ratio still remains high, and sufficient to cover any potential losses in the foreseeable future.

Group NPL Coverage Ratio (%)



Group NPL Ratio (%)

— NPL Ratio
— Precautionary & Below Ratio



Group Asset Quality

(KRW billion)

	Total Loans ¹⁾						Substandard & Below	NPL Ratio	Loan Loss Allowance	NPL Coverage Ratio
		Normal	Precautionary	Substandard	Doubtful	Estimated Loss				
Dec. 2020	341,897	337,753	2,238	906	367	633	1,906	0.56%	2,833	149%
Dec. 2019	312,243	308,565	2,040	621	404	613	1,638	0.52%	2,488	152%
YTD %	9.5	9.5	9.7	45.9	-9.1	3.2	16.4	0.03%p	13.9%	-3%p

Note 1) Sum of Shinhan Bank, Jeju Bank, Shinhan Card, Shinhan Investment Corp. Shinhan Life Insurance, OrangeLife Insurance, Shinhan Capital, Shinhan Savings Bank, and Asia Trust

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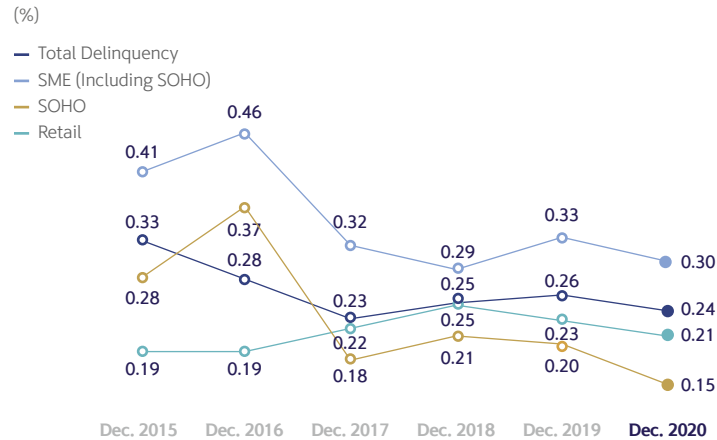
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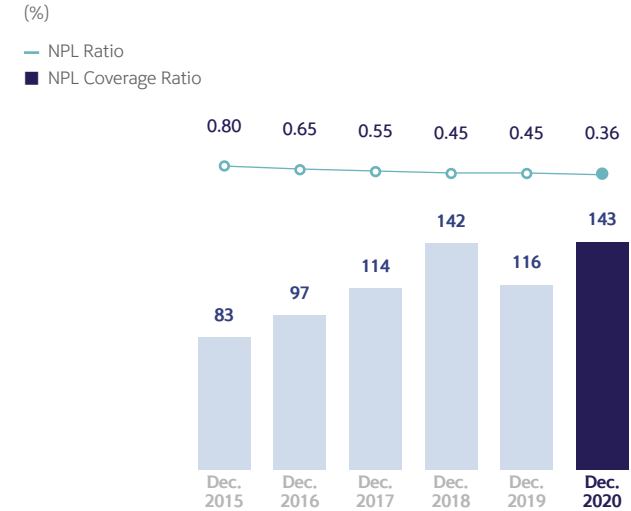
Shinhan Bank

Shinhan Bank's NPL ratio stood at 0.36% at the end of 2020, and delinquency ratio was 0.24%, both improved slightly year-on-year. Delinquency ratios for SME loans and retail loans remained stable, at 0.30% and 0.21%, respectively. We remain profitable and financially sound thanks to a growth strategy which focuses on assets that are both profitable and also relatively low risk, such as jeonse loans and high credit unsecured personal loans. In addition, we have strengthened the monitoring of our loan assets in order to be able to respond preemptively to the prolonged impact of the COVID-19 pandemic.

Shinhan Bank Delinquency Ratio (%)



Shinhan Bank NPL Coverage Ratio & NPL Ratio (%)



Shinhan Bank Asset Quality

(KRW billion)

	Total Loans	Loan Quality					Substandard & Below	NPL Ratio	Loan Loss Allowance	NPL Coverage Ratio
		Normal	Precautionary	Substandard	Doubtful	Estimated Loss				
Dec. 2020	279,487	277,541	936	531	203	277	1,010	0.36%	1,444	143%
Dec. 2019	254,065	251,969	960	566	217	353	1,136	0.45%	1,317	116%
YTD %	10.0	10.1	-2.5	-6.1	-6.8	-21.6	-11.1	-0.09%p	9.7	27%p

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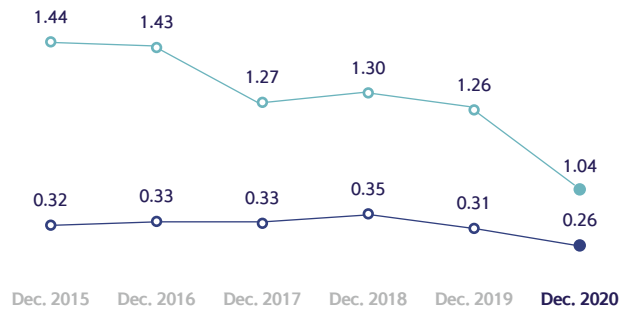
Shinhan Card

Shinhan Card's NPL ratio decreased slightly in 2020, recording a figure of 1.06% at the end of the year. Delinquency ratio and the two-month delinquency roll rate remain low, declining to 1.04% and 0.26%, respectively. Despite these high levels of asset soundness, however, we continue to be proactive in our risk management in order to counteract the uncertainties caused by COVID-19.

Shinhan Card Delinquency Ratio

(%)

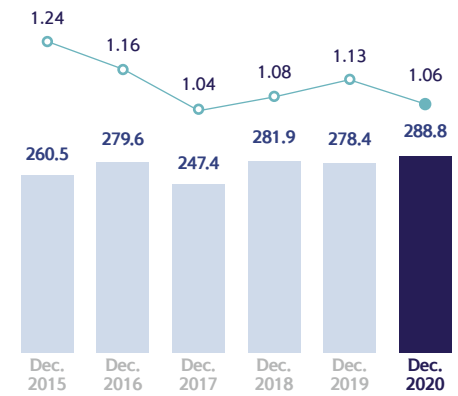
— Delinquency Ratio
— 2-month delinquency migration ratio



Shinhan Card NPL Coverage Ratio & NPL Ratio

(%)

— NPL Ratio
■ NPL Coverage Ratio



Shinhan Card Asset Quality

(KRW billion)

	Total Loans						Substandard & Below	NPL Ratio	Loan Loss Allowance	NPL Coverage Ratio
		Normal	Precautionary	Substandard	Doubtful	Estimated Loss				
Dec. 2020	32,812	31,551	911	-	133	216	349	1.06%	1,009	289%
Dec. 2019	30,597	29,414	838		146	199	345	1.13%	961	278%
YTD %	7.2	7.3	8.8	n.a	-9.0	8.8	1.2	-0.06%p	5.0	10%p

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Capital Adequacy

Group Capital Adequacy

In 2020, Shinhan Financial Group's BIS ratio was 15.7%, 1.8%p increase compared to the end of the previous year. CET 1 ratio stood at 12.9%, year-on-year increase of 1.8%p. These figures are mainly attributable to a stable net income, the early adoption of the revised Basel III credit risk framework, and the capital raising which took place in September. We will continue to observe and exceed the capital ratios required by financial authorities, and will enhance corporate value through flexible capital policies.

For reference, Basel III recommended minimum CET 1 ratio for financial institutions at 8%, or 10.5% including the counter-cyclical buffer ratio of 2.5%. Even without taking into the account the effect on Shinhan Financial Group of its early adoption of Basel III credit risk framework, the Group's CET 1 ratio is 11.8%, and is being maintained at a stable level comfortably above the required minimum.

Paid-in capital increase in September 2020 took place using the third-party allocation method. 39,130,000 common shares were issued at KRW 29,600 per share, resulting in an increase in the Group capital of KRW 195,650 million on September 29, 2020. The new shares were listed on October 20, 2020.

We have decided to pay a dividend of KRW 1,500 per common share for the 2020 fiscal year, implying a dividend payout ratio of 22.7% and a dividend yield of 4.52%. There is no change in our commitment to improving shareholder value by gradually increasing our dividend payout ratio. We made our decision on dividends after carefully considering various factors, including the Korean financial authorities' recommendation for temporary dividend restraint from financial institutions so that they have sufficient capacity to absorb losses throughout the prolonged COVID-19 pandemic in Korea and overseas. In the future, we will increase shareholder returns through various means, including a higher dividend payout ratio, a different dividend payment cycle, and share buybacks. We will also enhance shareholder value by improving our ROE through the more efficient utilization of our capital, including M&As in the non-banking sector and expansion of our global business.

Group BIS Ratio

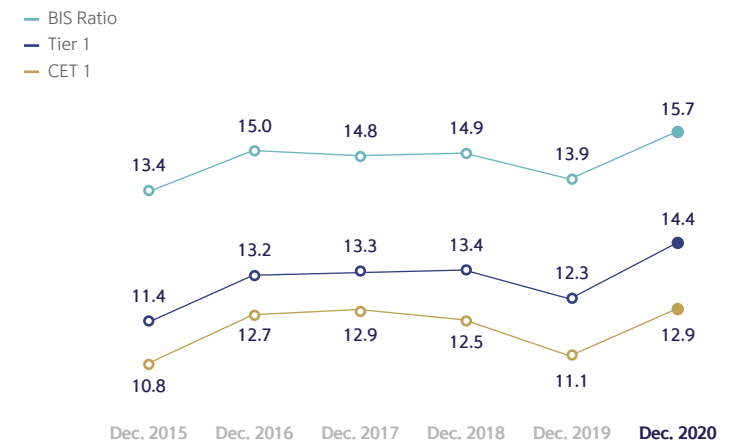
(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Risk-Weighted Assets	252,321	256,892	-1.8
Capital	39,709	35,715	11.2
CET 1	32,462	28,562	13.7
Tier 1	36,267	31,700	14.4
BIS Ratio	15.7%	13.9%	1.8%p
CET 1 ¹⁾	12.9%	11.1%	1.8%p
CET 1 (former standard)	11.8%	11.1%	0.7%p
Tier 1	14.4%	12.3%	1.8%p

Note 1) After reflecting early adoption of the revised Basel III credit risk framework in Sep. 2020

Group BIS Ratio Trend

(%)





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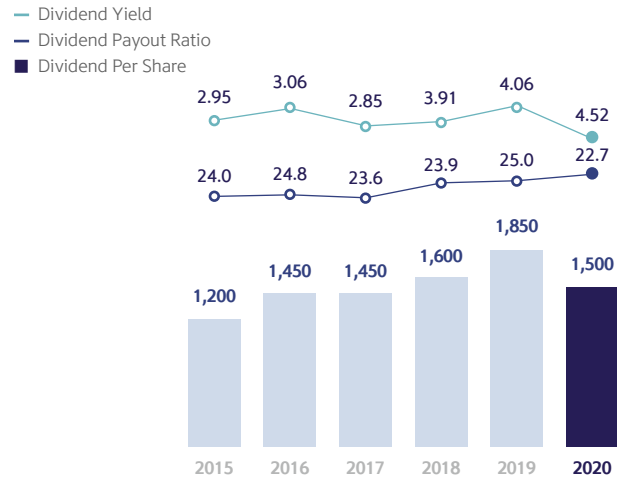
Asset Quality

- Capital Adequacy

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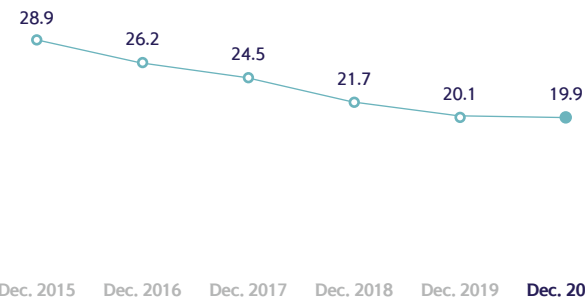
Group Dividend

(KRW, %)



Shinhan Card Capital Adequacy Ratio

(%)



Group Subsidiaries Capital Adequacy

Shinhan Bank

Shinhan Bank's CET 1 ratio at the end of 2020 stood at 14.9%, and its Tier 1 ratio was 15.9%, both well above regulatory requirements. Even without taking into the account the effect of early adoption of the revised Basel III credit risk framework, Shinhan Bank's CET 1 ratio remains strong and stable, at 12.1%.

Shinhan Card

Shinhan Card's capital adequacy ratio at the end of 2020 was 19.9%, a figure which is both stable and well above the minimum regulatory ratio of 8%. Our capital adequacy ratio has remained at around 20% since 2007, the outcome of our commitment to reducing credit losses through preemptive risk management and our continuing efforts to generate stable net income.

Shinhan Bank BIS Ratio

(KRW billion)

	Dec. 2020	Dec. 2019	YTD %
Risk-Weighted Assets	165,264	181,637	-10.0
Capital	30,525	28,905	5.3
CET 1	24,662	23,159	6.1
Tier 1	26,249	24,157	8.0
BIS Ratio	18.5%	15.9%	2.6%p
CET 1 ¹⁾	14.9%	12.8%	2.1%p
CET 1 (former standard)	12.1%	12.8%	-0.7%p
Tier 1	15.9%	13.3%	2.6%p

Note 1) After reflecting early adoption of the revised Basel III credit risk framework in Sep. 2020



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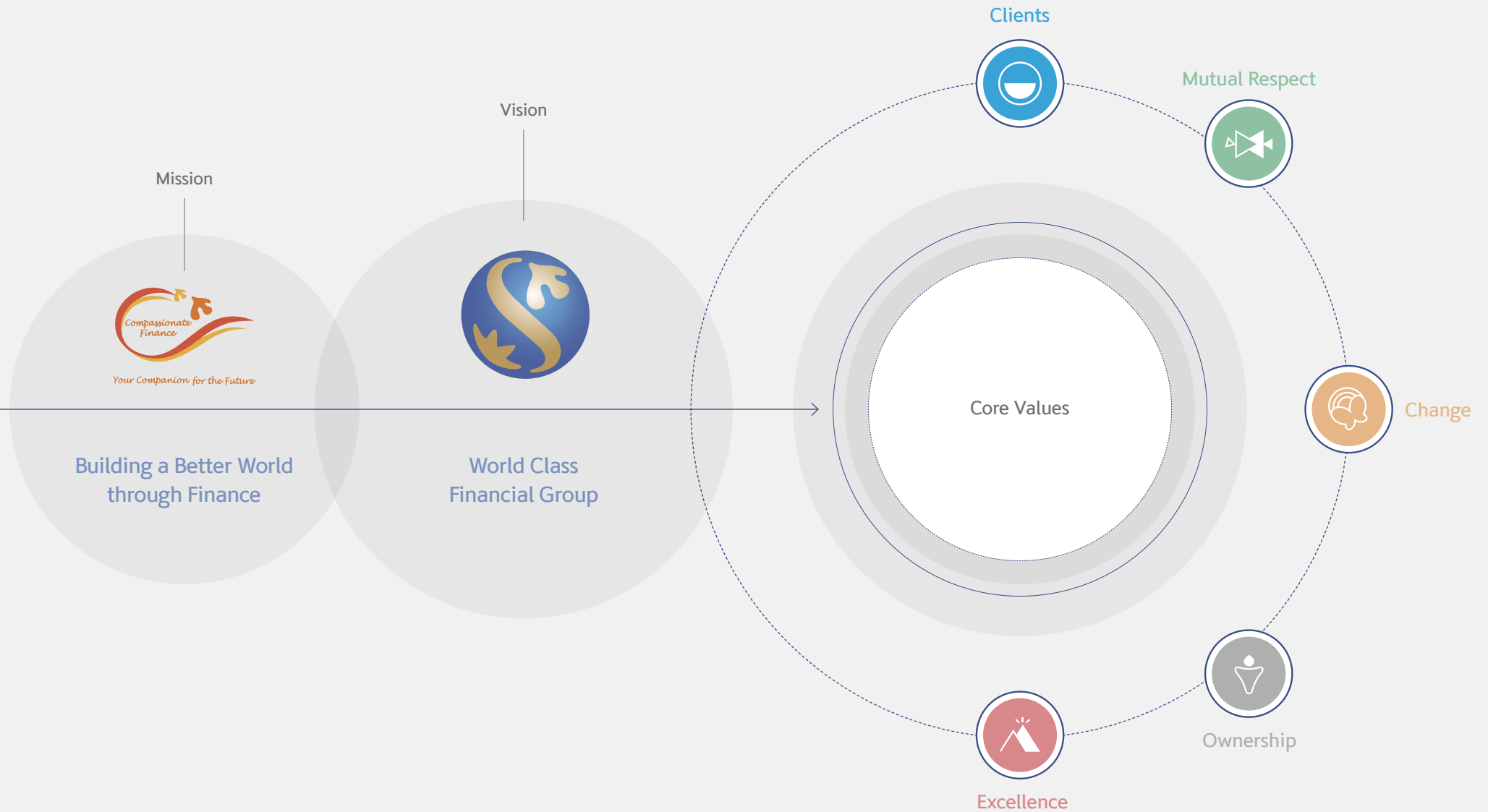
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Appendix



Shinhan WAY

The “Shinhan WAY”, comprised of the Group’s mission, core values and vision, represents a value system that guides the thoughts and actions of all of us at Shinhan Financial Group.





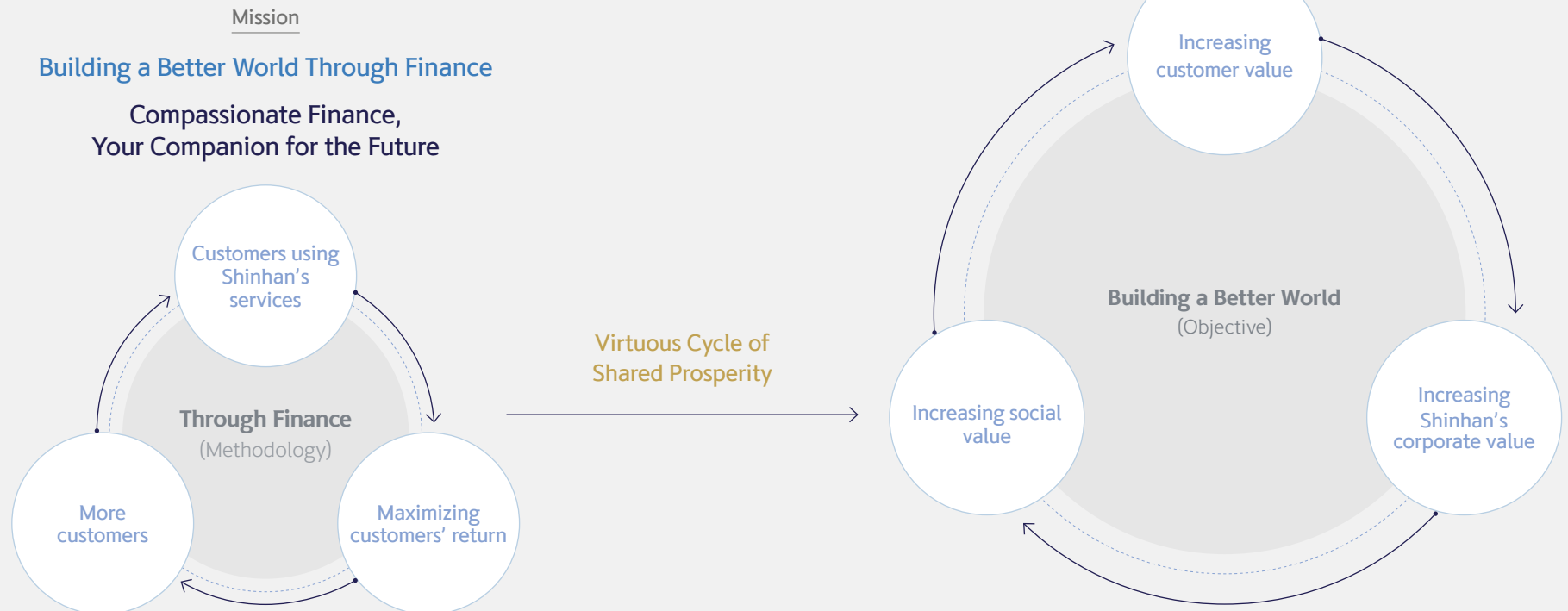
Group Mission

Our corporate mission, which defines the purpose of our Group, is "Compassionate Finance, Your Companion for the Future". Under this mission, we strive to contribute to building "A Better World through Finance" by upholding a virtuous cycle of shared prosperity to create greater value for our clients and society as a whole. To this end, we are continuing to evolve and innovate ourselves to offer products and services befitting newly changing environment, trends, and needs.

We help clients achieve their goals by providing financial products and services that are in line with the latest trends, and delivering high returns on the funds entrusted to us. This is made possible by fully acknowledging the fact that financial products and services must evolve along with the changing times and business environment, and by departing from past conventions to seek innovative new solutions using a methodology we call "Creative Finance".

As we help more clients succeed and fulfill 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.





Core Values

The Core Values give a clear and consistent guidance to all members belonging to different corporate entities under Shinhan Financial Group. They also comprise the solid foundation of the ideas, decisions, and actions of all Shinhan members.

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 the 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.

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

CHANGE



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

MUTUAL RESPECT



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

EXCELLENCE



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.

CLIENTS

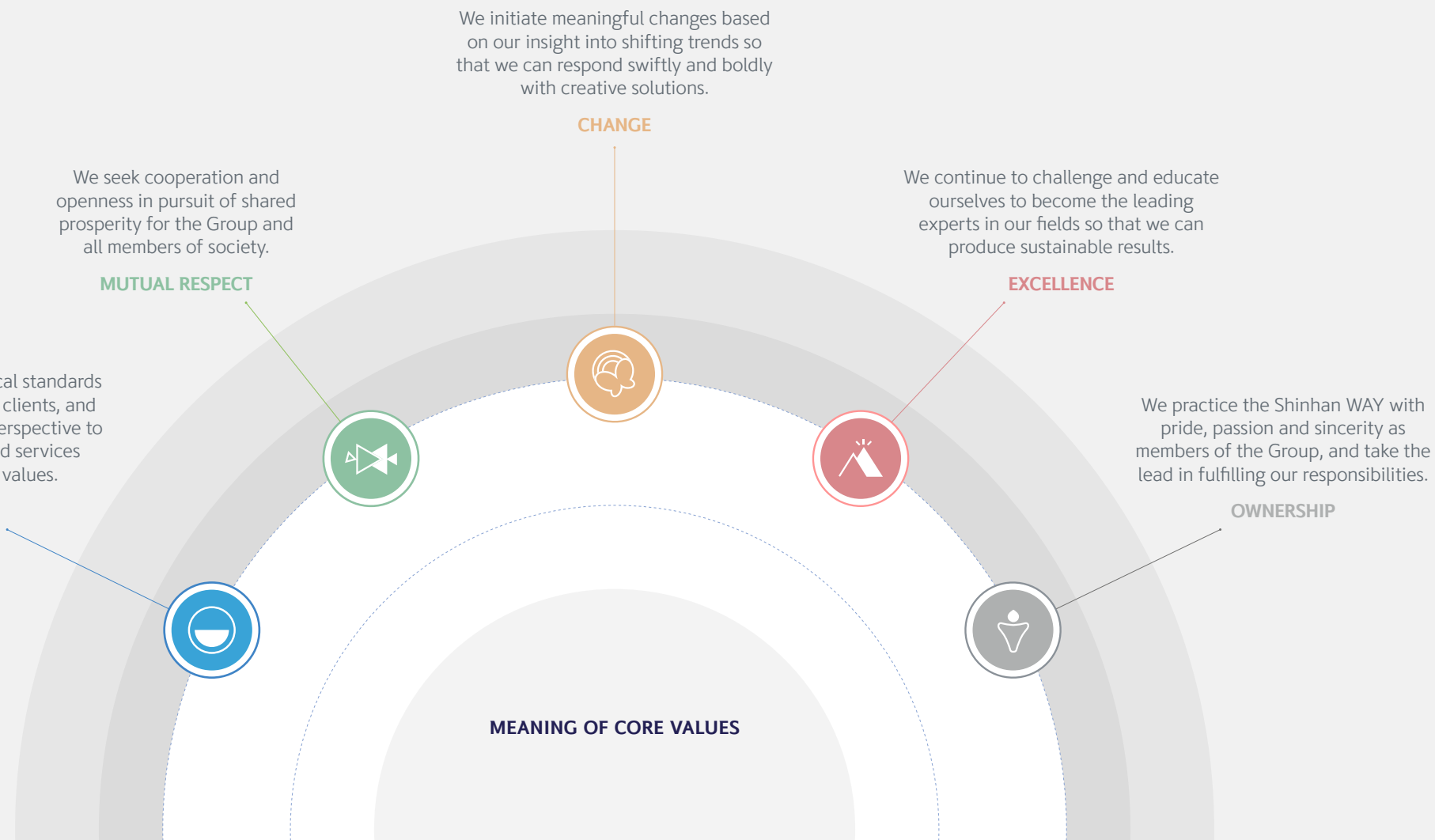


We practice the Shinhan WAY with pride, passion and sincerity as members of the Group, and take the lead in fulfilling our responsibilities.

OWNERSHIP








MEANING OF CORE VALUES



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	Client-oriented thinking	Provide products and services based on in-depth understanding of clients' needs and their perspectives
	Client value	Make every effort to increase client value as the client's companion for the future
	Trust	Build trust with clients by adhering to strict ethical standards and principles
 Mutual Respect	Coordination and integration	Have respect and consideration of the others, while actively achieving teamwork under "One Shinhan" collaborative system
	Openness	Form a broad and diverse network of stakeholders beyond financial businesses with emphasis on open communication
	Shared prosperity	Make judgments and take action to raise the value of Shinhan and society at large
 Change	Insight	Predict the direction and implication of changes from a broad and comprehensive standpoint
	Creativity	Think outside the box to discover new solutions and implement new approaches
	Innovation	Take bold and swift action to introduce meaningful changes without being afraid of failure
 Excellence	Challenge and execution	Set challenging goals and follow through with specific plans and perseverance
	Sustainable performance	Strive to produce results that can be sustained over the long term
	Self-development	Continue learning to gain the highest level of expertise and constantly explore new pursuits
 Ownership	Role model for the Shinhan WAY	Set an example through actions based on a deep and sincere understanding of the Shinhan WAY
	Pride	Take pride and satisfaction in doing good work as a member of Shinhan
	Self-motivation	Harness one's passion to inspire passion in others and take the initiative in fulfilling one's responsibilities

Shinhan Leader

Shinhan Financial Group has defined what an ideal “Shinhan Leader” should be like by listing leadership qualities that a “Shinhan Leader” should possess. “Shinhan Leader” reflects not only our corporate culture, mission, core values, and the opinions of our management and employees, but also external factors affecting the Group, including the values required by the industry and our stakeholders.





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.



Ownership

Ambassador for Shinhan culture

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

Role model for the Shinhan WAY

Promote the Shinhan WAY and foster an organizational culture where employees are recognized for following its principles

Innovator Find solutions by taking an interest in cultural issues and continue developing Shinhan’s culture in step with changes in the business environment



Mutual Respect

Partner with open and cooperative mindset

Combine resources and capabilities for optimal Group-wide performance and cultivate strategic partnerships through cooperation

Cooperation/integration 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

Openness Develop a broad and diverse network of stakeholders beyond financial businesses, and enter into strategic partnerships to create new value



Excellence

Entrepreneur producing sustainable results

Discover new business opportunities from a comprehensive standpoint, and deliver sustainable results through preemptive risk management

Business leading Embrace an integrated view to discover business opportunities, strive for sustainable performance, and take responsibility for the outcome

Risk management Embrace an expansive view to identify risk factors in an evolving business environment and take preemptive action to manage the risks



Clients

Creator of client value

Think from the client’s perspective when making judgments and decisions, and build a relationship of trust by observing high ethical standards

Client-oriented thinking Gain a thorough understanding of the client’s needs and ensure delivery of products and services from the client’s perspective

Trust Foster trust by following strict ethical guidelines and aspire to increasing value for the client, Shinhan and society



Change

Trailblazer for progress

Predict the future based on knowledge and insight, and make changes through honest communication and cooperation

Insight Anticipate changes based on in-depth expertise with a broad and comprehensive perspective

Creativity/change (communication) Foster an atmosphere that encourages creative thinking, and reach consensus by sharing concrete visions about change

Global outlook Evaluate and respond to the consequences of changes in the world, and satisfy global standards in communication and other aspects

Digital capability Help employees adapt to changing times by presenting a vision for the digital future and reflect their input in setting the strategic direction

Advocate for personal development

Make a long-term commitment to nurturing talented employees, create an open corporate culture, and continue to acquire new skills and knowledge

Nurturing talent Strengthen the Group by helping employees grow capabilities in preparation for the future and by creating an open culture receptive to talented outsiders

Self-development Continue education to become the top expert in a specific field and keep exploring new areas of interest



Board of Directors & Management

Executive Director

Cho Yong-byoung

Date of Birth June 30, 1957

Current Position CEO, Shinhan Financial Group

Education B.A. in Law, Korea University

Main Work Experience

2017–Current 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

2019–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 Ansoon

Date of Birth January 24, 1945

Current Position Chairman, Taisei Group Co., Ltd.

Education B.A. in Philosophy, Waseda University

Main Work Experience

2010–Current Chairman, Taisei Group Co., Ltd.

2018–Current Chairman, the Korean Residents Union in Japan

2012–2018 Vice Chairman, the Korean Residents Union in Japan

Bae Hoon

Date of Birth March 30, 1953

Current Position Representative Attorney,
Orbis Legal Profession Corporation

Education MBA, Kobe University Graduate School
B.A in Economics, Kyoto University

Main Work Experience

2003–Current Representative Attorney,
Orbis Legal Profession Corporation

2006–2012 Director, LAZAK
(Lawyers Association of Zainichi Korea)

2002–2006 Co-representative Attorney,
LAZAK (Lawyers Association of Zainichi Korea)



Independent Directors (continued)

Lee Yong Guk

Date of Birth May 11, 1964

Current Position Clinical Professor, Seoul National University, School of Law

Education J.D., Harvard University Law School
B.A. Princeton University, Woodrow Wilson School of Public and International Affairs

Main Work Experience

2020–Current Clinical Professor, Seoul National University, School of Law

1992–2019 Attorney, Cleary Gottlieb Steen & Hamilton LLP.

2014–2019 Director, Foreign Law Firm Association

Byeon Yang-ho

Date of Birth July 30, 1954

Current Position Company Advisor, VIG Partners

Education Ph.D. in Economics, Northern Illinois University
M.A in Economics, Northern Illinois University
B.A in International Trade, Seoul National 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

Yoon Jaewon

Date of Birth August 29, 1970

Current Position Professor, College of Business Administration, Hongik University

Education Ph.D. in Accounting, Korea University

Main Work Experience

2004–Current Professor, College of Business Administration, Hongik University

2017–Current Member, Committee on Development Tax System, Ministry of Economy and Finance

2017–Current Member, Committee on National Accounting Policy, Ministry of Economy and Finance

2013–2019 Non-executive Judge, Tax Tribunal

Choi Jae Boong

Date of Birth February 18, 1965

Current Position Professor, Sung Kyun Kwan University, College of Engineering

Education Ph.D. in Mechanical Engineering, University of Waterloo

M.A. in Mechanical Engineering, University of Waterloo

B.A. in Mechanical Engineering, Sung Kyun Kwan University

Main Work Experience

2009–Current Professor, Sung Kyun Kwan University, College of Engineering

2019–Current Director, Sung Kyun Kwan University, Human-centered Convergence Design Project (BK21+)

2018–2019 Policy Advisor, Innovative Growth Committee, Ministry of Strategy and Finance

2014–2021 Independent Director, E-mart

Sung Jae-ho

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

LL.M., Sung Kyun Kwan University

LL.B., Sung Kyun Kwan University

Main Work Experience

1994–Current Professor, Sung Kyun Kwan University School of Law

2018–2019 Independent Director, NICE Holdings

2015–2019 Independent Director, Shinhan Card

2015 Chairman, Korea Council of International Law

Lee Yoon-jae

Date of Birth November 3, 1950

Current Position Retired CEO, KorEI

Education AMP, Harvard Business School

MBA, Stanford Graduate School of Business

Main Work Experience

2015–2018 Independent Director, CJ Freshway

2012–2016 Independent Director, Busan Bank

2009–2014 Independent Director, LG

2001–2010 CEO, KorEI

Independent Directors (continued)

Jin Hyun-duk

Date of Birth September 10, 1955
Current Position CEO, PHOEDRA Co., Ltd.
Education MBA, Keio Business School
Main Work Experience
 1988–Current CEO, PHOEDRA Co., Ltd.
 Current Councilor, The Korea Educational Foundation
 2014–Current Visiting Professor, Business administration, Sakushin-gakuin University, Japan
 2014–Current Visiting Professor, Engineering, Utsunomiya University, Graduate School, Japan

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
 2002–Current CEO, CYS Corporation
 2010–2015 Independent Director, Shinhan Life Insurance
 2001–2004 Deputy President, CYS Corporation
 1999–2000 Research Associate, Information Technology Center at Keio University

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

Kwak Su Keun

Date of Birth August 16, 1953
Current Position Honorary Professor of Accounting, Seoul National University, Business School
Education Ph.D. in Business Administration, University of North Carolina Chapel Hill
 M.A in Business Administration, Seoul National University
 B.B.A, Seoul National University
Main Work Experience
 2018–Current Honorary Professor of Accounting, Seoul National University, Business School
 2019–Current Chair of Corporate Governance Advisory Board, Korea Listed Companies Association
 2012–2014 Chair of Financial Supervisory Advisory Committee, Financial Supervisory Service
 2011–2020 Independent Director, LS
 2004–2012 Non-executive member, Securities and Futures Commission

Deputy Presidents and Executive Directors

Heo Young Taeg

Date of Birth August 13, 1961
Current Position Deputy President & Chief Management Officer (CMO), Shinhan Financial Group
Education B.A. in Business Administration, Korea University
Main Work Experience
 2021–Current Deputy President & CMO, Shinhan Financial Group
 2019–2020 CEO, Shinhan Capital
 2016–2018 Head of Global Business, Shinhan Bank

Sunny Yi

Date of Birth March 25, 1962
Current Position Chief Digital Officer (CDO), Shinhan Financial Group
 CEO of Shinhan DS
Education Ph.D. Seoul Integrated Science and Business School, Korea, Service Management
 DBA, Lausanne Business School, Switzerland, Data Marketing
 MBA, Harvard Business School, USA, General Management
 MS, University of Southern California, USA, Information Technology
 BS, US Military Academy, West Point, USA, Aerospace Engineering
Main Work Experience
 2019–Current CDO of Shinhan Financial Group, CEO of Shinhan DS
 2000–2017 Global Director & Managing Partner (Korea), Bain & Company
 1991–2000 Managing Partner (Asia), AT Kearney



Deputy Presidents and Executive Directors (continued)

Jang Dong-ki

Date of Birth January 2, 1964

Current Position Deputy President & Head of Global Markets and Securities (GMS), Shinhan Financial Group

Education B.A. in Economics, Seoul National University

Main Work Experience

2019–Current Deputy President & Head of GMS, Shinhan Financial Group

2018–2019 Deputy President & CFO, Shinhan Financial Group

Lee Byeong Cheol

Date of Birth January 22, 1963

Current Position Deputy President & Head of Pension, Shinhan Financial Group

Education M.S. in Law, Soongsil University

Main Work Experience

2019–Current Deputy President & Head of Pension, Shinhan Financial Group

2017–2019 Managing Director, Shinhan Financial Group

Roh Yong-hoon

Date of Birth March 16, 1964

Current Position Deputy President & Chief Financial Officer (CFO), Shinhan Financial Group

Education B.A. in Business Administration, Yonsei University

Main Work Experience

2020–Current Deputy President & CFO, Shinhan Financial Group

2017–2020 Head of Global Business Division, Shinhan Bank

An Hyo Ryul

Date of Birth May 26, 1965

Current Position Deputy President & Head of Wealth Management (WM), Shinhan Financial Group

Education B.A. in Business Administration, Korea University

Main Work Experience

2021–Current Deputy President & Head of WM, Shinhan Financial Group

2020–2021 Executive Director & Head of Pension, Shinhan Financial Group

2018–2020 Head of Management Planning and Consumer Protection, Shinhan Bank

Wang Ho-min

Date of Birth March 4, 1964

Current Position Deputy President & Chief Compliance Officer (CCO), Shinhan Financial Group

Education B.A. in Law, Hankuk University of Foreign Studies

Main Work Experience

2019–Current Executive Director & CCO, Shinhan Financial Group

2017–2019 General Manager of Jamsil-nam Branch, Shinhan Bank

Lee Een-Kyoon

Date of Birth April 1, 1967

Current Position Deputy President & Chief Operation Officer (COO), Shinhan Financial Group

Education B.A. in English Literature, Hanyang University

Main Work Experience

2019–Current Executive Director & COO, Shinhan Financial Group

2017–2019 Head of Management Support Team, Shinhan Financial Group

Park Sung-Hyun

Date of Birth November 8, 1965

Current Position Deputy President & Chief Strategy and Sustainability Officer (CSSO), Shinhan Financial Group

Education M.A. in Law, Northwestern University
M.A. in Business Administration, Seoul National University
B.A. in Economics, Seoul National University

Main Work Experience

2020–Current Deputy President & CSSO, Shinhan Financial Group

2018–2020 Head of Strategic Planning Team, Shinhan Financial Group



Deputy Presidents and Executive Directors (continued)

Ahn Jun Sik

Date of Birth May 1, 1965

Current Position Deputy President & Chief Public Relation Officer (CPRO), Shinhan Financial Group

Education B.A. in Economics, Pusan National University

Main Work Experience

2021–Current Deputy President & CPRO, Shinhan Financial Group

2019–2020 Head of Seocho Division, Shinhan Bank

Jung Keun Soo

Date of Birth April 11, 1966

Current Position Deputy President & Head of Group and Global Investment Banking (GIB), Shinhan Financial Group

Education B.A. in Chinese Language & Literature, Korea University

Main Work Experience

2021–Current Deputy President & Head of GIB, Shinhan Financial Group

2019–2020 Managing Director, Investment & Finance Division, Shinhan Bank

Kim Soung Jo

Date of Birth January 18, 1967

Current Position Deputy President, Shinhan Financial Group

Education B.A. in Economics, Seoul National University

Main Work Experience

2021–Current Deputy President and Head of Audit, Shinhan Financial Group

2018–2020 Head of Audit Team, Shinhan Financial Group

Kang Shin-tae

Date of Birth April 5, 1965

Current Position Deputy President, Head of Global Business, Shinhan Financial Group

Education B.A. in Economics, Seoul National University

Main Work Experience

2021–Current Deputy President & Head of Global Business, Shinhan Financial Group

2017–2020 Head of Large Corporate Banking Group, Shinhan Bank

Bang Dong Kwon

Date of Birth February 10, 1966

Current Position Executive Director & Chief Risk Officer (CRO), Shinhan Financial Group

Education B.A. in Statistics, Korea University

Main Work Experience

2020–Current Executive Director & CRO, Shinhan Financial Group

2019–2020 General Manager, Risk Management Department, Shinhan Bank

Kim Hye joo

Date of Birth May 31, 1970

Current Position Executive Director & Chief Bigdata Officer (CBO), Shinhan Financial Group

Education Ph. D. in Statistics, Seoul National University

M.S. in Statistics, Seoul National University

B.S. in Statistics, Ewha Womans University

Main Work Experience

2021–Current Executive Director & CBO, Shinhan Financial Group, Head of Mydata Unit, Shinhan Bank

2015–2020 Head of AI & Bigdata Convergence, KT

2013–2015 Head of CRM, Samsung Electronics

Lee Keon Hyok

Date of Birth July 17, 1963

Current Position Head of Future Strategy Research Institute, Shinhan Financial Group

Education M.A. and Ph. D. in Economics, London School of Economics (LSE)

Main Work Experience

2020–Current Head of Future Strategy Research Institute, Shinhan Financial Group

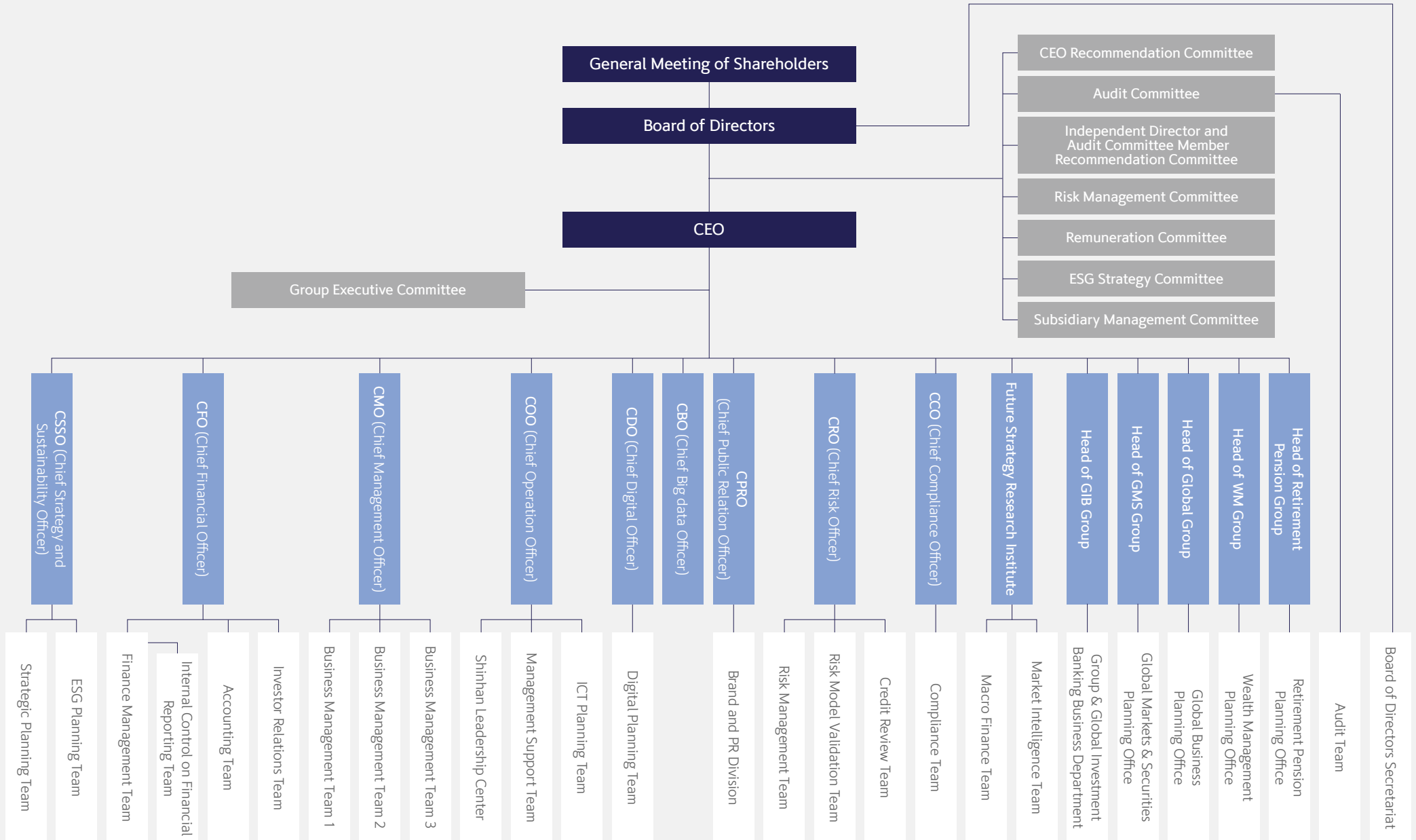
2018–2019 Senior Advisor, Kim & Chang Law Firm

2016–2017 Vice President, Samsung Economic Research Institute



Organization

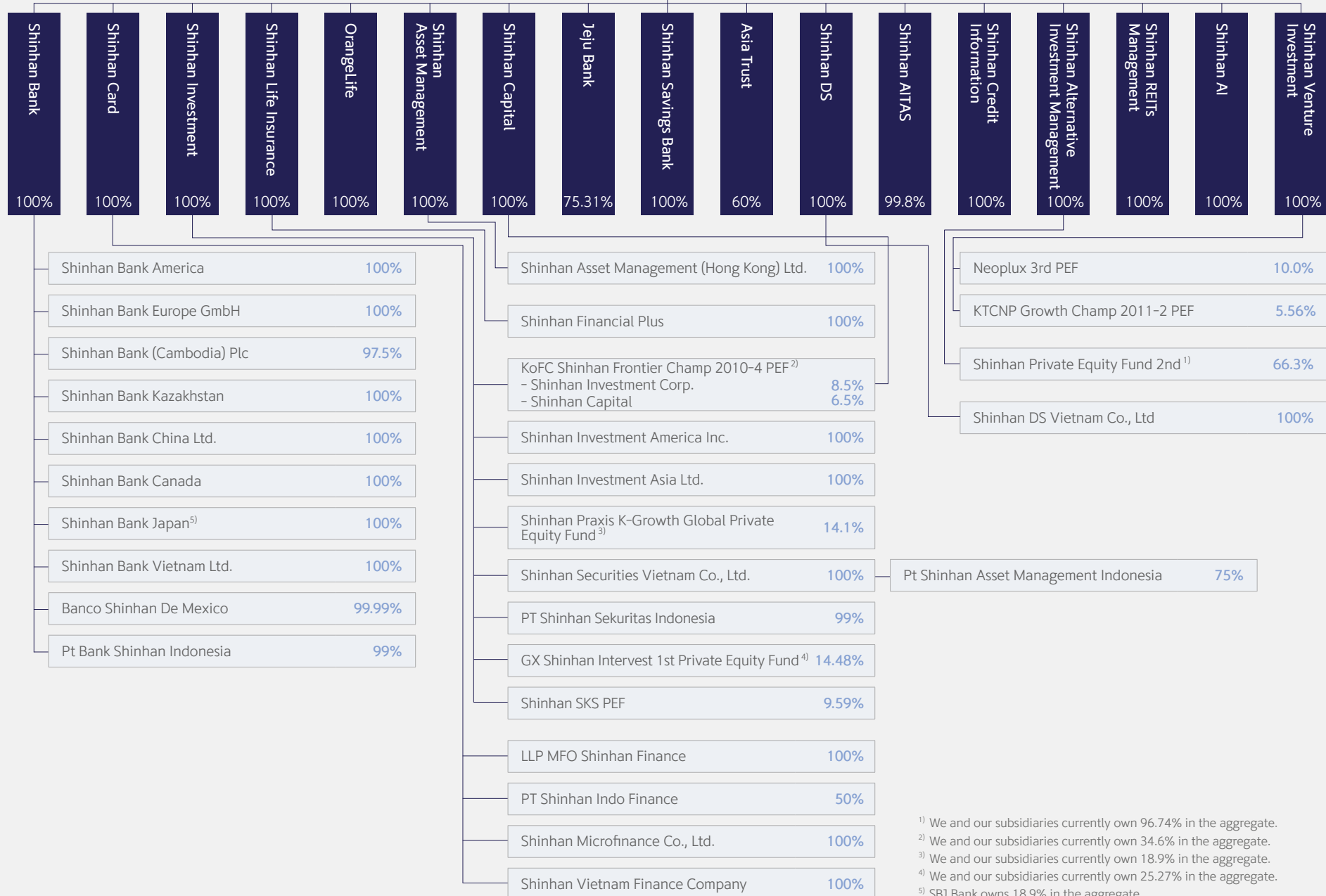
Shinhan Financial Group





Business Portfolio

Shinhan Financial Group



¹⁾ We and our subsidiaries currently own 96.74% in the aggregate.

²⁾ We and our subsidiaries currently own 34.6% in the aggregate.

³⁾ We and our subsidiaries currently own 18.9% in the aggregate.

⁴⁾ We and our subsidiaries currently own 25.27% in the aggregate.

⁵⁾ SBJ Bank owns 18.9% 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	475 Park Ave South 4th(5th) FL New York, NY 10016, 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	An der Welle 7, 60322 Frankfurt am Main, Germany
Canada	Shinhan Bank Canada	+1-416-250-3500	5140 Yonge Street Suite 2300 Toronto, Ontario, M2N6L7, Canada
Cambodia	Shinhan Bank (Cambodia) Plc	+855-23-971-100	No.79 Kampuchea Krom, Sangkat Mororom, Khan 7 Makara, Phnom Penh, Cambodia
Kazakhstan	Shinhan Bank Kazakhstan	+7-727-356-9620	38 Dostyk ave. Almaty, 050010, 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	Hong Kong Branch	+852-2867-0100	Unit 7703, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
USA	New York Branch	+1-212-371-8000	600 3rd Ave, 17th Floor, New York, NY10016, USA
UK	London Branch	+44-207-600-0606	6th Floor, 77 Gracechurch Street, London, EC3V 0AS. UK
Singapore	Singapore Branch	+65-6536-1144	1 George St. #15-03, Singapore 049145
India	Mumbai Branch	+91-22-6199-2000	Unit no 1, Peninsula Tower 1, Peninsula Corporate Park, G K Marg, Lower Parel, Mumbai, 400013, India
India	New Delhi Branch	+91-11-4500-4800	2nd & 3rd Floor, D-5, South Extension, Part-2, New Delhi, India
India	Kancheepuram Branch	+91-44-2714-3500	Survey No:69/4A1 B No.101A, Bangalore Highway Road, Thandalam Village, Kancheepuram, Tamildadu, 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, UAE
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	+7-727-355-2550	2nd Floor, 48 Auezov street, Almaty, Kazakhstan
Myanmar	Shinhan Microfinance Co., Ltd.	+95-94-5296-7837	No.206, Thiri Mingalar Street, East Ywama, Insein Township, Yangon, Myanmar
Vietnam	Shinhan Vietnam Finance Limited (SVFC)	+84 1900 5454 49	Units 2301-06 & 2311 23F, Saigon Trade Center, No. 37 Ton Duc Thang Street, Ben Nghe, District 1, Ho Chi Minh City, Vietnam
Myanmar	Shinhancard Co., LTD (Representative Office)	+95-9251890332	Level 3, Business Suite 03-08, No.1, Kaba Aye Pagoda Road Ward, Yankin Township, Yangon, Myanmar

Shinhan Investment

Country	Name	Telephone	Address
Indonesia	PT. 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 Ltd.	+852-3713-5301	Units 7705A, Level 77 International Commerce Center (ICC), 1 Austin Road West, Kowloon, Hong Kong
Vietnam	Shinhan Securities Vietnam Co., Ltd.	+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 America Inc.	+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	#2262, 22/F, One Lujiazui, 68 Yin Cheng Road, Pudong, Shanghai, 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
UK	Shinhan Life London Office	+44-7494-712945	Level 30, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB, UK

Shinhan Asset Management

Country	Name	Telephone	Address
Hong Kong	Shinhan Asset Management (HK) Ltd.	+852-2525-9110	Unit 7702B, Level 77, International Commerce Centre, 1 Austin Road West Kowloon, Hong Kong

Shinhan DS

Country	Name	Telephone	Address
Vietnam	Shinhan DS Vietnam Company Limited	+84-28-3823-7255	Room 201, 2nd Floor, Center Tower, 72-74 Nguyen Thi Minh Khai, Ward 6, District 3, Ho Chi Minh City, Vietnam
Indonesia	Shinhan DS Indonesia Office	+62-813-8604-2138	COHIVE 101, 12th Floor, Jl. Mega Kuningan Barat Blok E.4.7 No.1, Kawasan Mega Kuningan, Jakarta Selatan 12950, Indonesia

