

Business Review 2017

# Redefine Finance Business through Innovation



# We redefine financial business through innovation

Shinhan has been pioneering the future of finance in Korea as the "First Mover" leading the market, rather than being one of "Fast Followers" that struggle to catch up with new products and technologies.

We will never be satisfied with the current financial businesses in which FinTech is tearing down conventional boundaries. Instead, we will continue to realize innovations as we rise up to challenges to offer new and futuristic services.

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# "Be the NEXT"

Shinhan will be the "Future of Finance," becoming the standard in the digital age through 24-hour connectivity with the lives of our customers and providing differentiated solutions beyond finance.

We are going forward as the dominant leader in the market as we shape the future of business.



In 2017, Shinhan Bank retained its status as a leading bank in South Korea. This was accomplished through notable achievements in its overall management despite prolonged economic slowdowns and political and social uncertainty at home.

We recorded the highest profitability in the industry for the seventh consecutive year by increasing interest and non-interest income through the stabilization of margins and optimal levels of asset growth, despite declining benchmark interest rates. We also ranked first in asset quality for three years in a row. This was possible because of our preemptive and comprehensive risk management, which led to balanced development in terms of both profitability and soundness—the main pillars of bank management.

On the global front, Shinhan Bank was the first in the domestic banking industry to enter Mexico, and we built 158 overseas networks in twenty countries while at the same time acquiring the Vietnam ANZ Retail sector. We also realized notable growth in both qualitative and quantitative terms, reaping more than 13% of our total profits from global business operations through exhaustive localization efforts.

In addition, we reinforced our differentiated digital platforms to improve the ease and convenience for our customers. We also introduced innovative services such as the industry's first Super Platform named "SOL" and the "SOL Loan," the first home lease fund.

Externally, we were recognized as the best bank in overall management evaluations in terms of brand, social contribution, and workplace environment. In particular, we were named the Best Bank at the Small Loan Finance Awards by the Financial Supervisory Service for the fifth consecutive year in recognition of our commitment to compassionate finance.

Recently, Shinhan Bank was ranked first in South Korea (68th globally) in the Top 500 Banking Brands list compiled by *The Banker* magazine for six years in a row and included in the Dow Jones Sustainability Index World Sector for the fifth consecutive year, enhancing our profile as the nation's best financial brand.

We were also ranked first in all five categories in the domestic customer satisfaction index surveys in 2015, ranked first in four categories in 2016, and earned First Place in five categories again in 2017.

In order to bring about even greater progress and improvement, Shinhan Bank set "Redefine Shinhan, Be the NEXT" as its strategic goal for 2018, and we will continue to create value for our society to provide a better future.

We have consolidated our position as a leading bank in South Korea in the short period of thirty-plus years since our inception, growing into a global bank despite our start as a small latecomer. At Shinhan Bank, all of our employees will remain dedicated to practicing "compassionate finance, creating a happier future" with the unwavering and deeply appreciated support and patronage of our customers, shareholders, and community members.



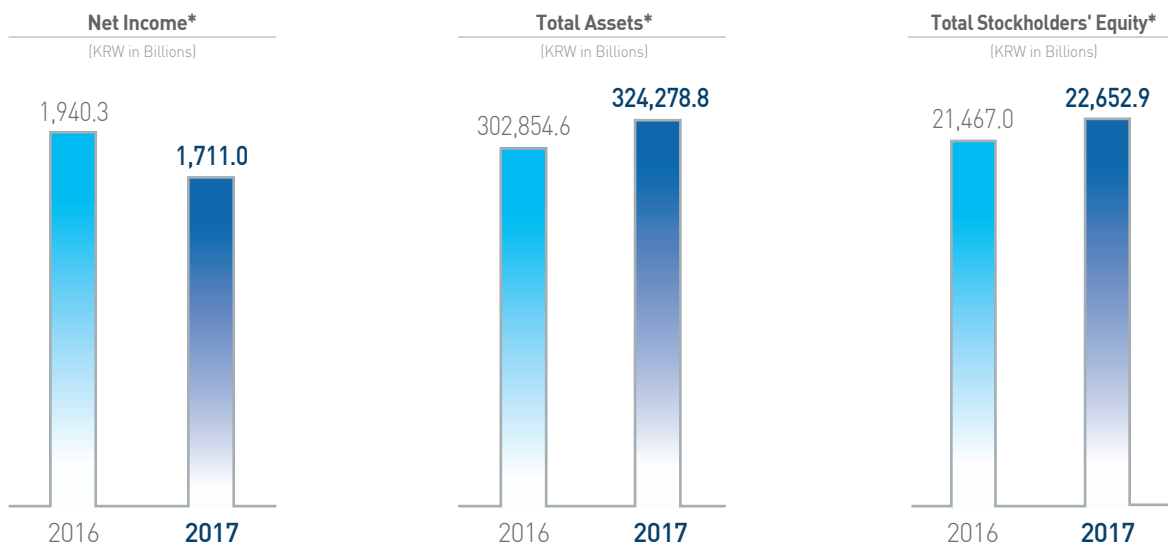


# FINANCIAL HIGHLIGHTS

	KRW in Billions		USD in Millions <sup>1)</sup>	
	2017	2016	2017	2016
<b>Bank Account</b>				
For the Year				
Total Operating Income	5,782.8	5,537.3	5,397.4	4,581.9
Operating income	2,664.7	2,647.4	2,487.1	2,190.6
Net Income	1,711.0	1,940.3	1,596.9	1,605.5
At Year-End				
Total Assets	324,278.8	302,854.6	302,668.3	250,603.7
Total Loans	231,732.2	219,438.7	216,289.2	181,579.4
Total Deposits	242,653.7	228,910.1	226,482.8	189,416.7
Total Stockholders' Equity	22,652.9	21,467.0	21,143.3	17,763.3
<b>Financial Ratios <sup>2)</sup></b>				
Return on Average Assets	0.55	0.64		
Return on Average Equity	7.39	8.58		
NPL Ratio by FSS	0.55	0.65		
Net Interest Margin	1.56	1.49		
BIS Capital Adequacy Ratio	15.4%	15.7%		
( CET 1 Ratio )	12.7%	12.9%		
( Tier 1 Capital Ratio )	13.1%	13.1%		
( Tier 2 Capital Ratio )	2.3%	2.6%		

Note1) Translated into US dollars at the rates of KRW 1208.5/USD 1 and KRW 1071.4 /USD 1 respectively--those prevailing on December 31, 2016 and December 31, 2017

Note2) Based on separate financial statements.



\* Bank account only

# 2017 AT A GLANCE



## February: Opened Global Foreign Exchange (FX) Center

SHB opened a Global FX Centers to support ONE-STOP financial services for overseas students, emigrants, and foreign residents. To provide a wide range of FX services such as non-direct remote transactions through a global network, the Global FX Centers were established by integrating the branches dedicated to overseas residents and finance service centers for overseas students and residents.

## February: Selected as Most Admired Company in 2017 for 14<sup>th</sup> consecutive year by the Korea Management Association Consulting (KMAC)

SHB was selected in the Most Admired Company Survey's "All Star (one of the top 30 companies)" category by KMAC for 12<sup>th</sup> consecutive year and ranked first in the banking industry sector for the 14<sup>th</sup> consecutive year. All these achievements were made possible because of our efforts to realize differentiated social responsibility management in various fields such as consumer protection and small finance loans, as well as shared growth with our partner companies.



## March: Completed introduction of digital kiosk

SHB introduced the digital kiosk to all branches to support optimized processes at each branch by maximizing customer convenience with various electronic customer formats. We realized customer-oriented digitalization befitting SHB's philosophy that our services should be all about customers all the time. In addition, we realized digitalization of the direct channel beyond the existing non-direct channel.

## March: Named The Best Retail Bank in Asia Pacific by *Asian Banker* magazine for the first time in Korea

SHB achieved three of the Asian Banker's top awards (2017 The Best Retail Bank in Asia Pacific, 2017 Best Retail Bank in Korea, and 2017 The Best Digital Bank). SHB was recognized by "The Best Retail Bank in Asia Pacific" due to its outstanding results in innovative products and services in a rapidly changing financial environment.



## September: Selected by *The Asset* Magazine Korea 'Best PB and Asset Management Bank'

SHB was selected as both the "Best Private Bank (PB)" and "Best Wealth Manager" in Korea at the "Triple A Awards 2017" sponsored by *The Asset*, a renowned global financial magazine. This award speaks to the quality service of Shinhan PWM, which is leading the market with customized products based on a differentiated PWM asset management platform.

## September: Promoted "Do Dream Project" with KRW 9 trillion

SHB is pursuing the "Do Dream Project" to lead productive and inclusive finance and become a social enterprise that contributes even more to society. The "Do Dream Project" includes 15 projects worth KRW 9 trillion, including job creation to help youth employment, investment and funding for innovative companies, and direct support to vulnerable groups.



## November: Recognized as the Best Workplace Environment in Korea for 10<sup>th</sup> consecutive year and entered the Hall of Fame

SHB was selected as one of the "16<sup>th</sup> 100 Best Workplace Environment" in Korea. It entered the Hall of Fame by posting high marks in communicative corporate culture and working conditions, which promote a healthy work-life balance.

## December: Awarded "Best Global Innovation Bank of the 2018 Foreign Exchange (FX) Division" by *Global Finance*

SHB was selected as the "Most Innovative Bank Platform" by the "Best Foreign Exchange Provider of 2018" hosted by *Global Finance* magazine. Based on various FX products and services, SHB became the only Asian bank to be selected in this sector.



## December: Acquired a business license in Mexico, a first for Korean banks

SHB acquired a license to start a banking business in Mexico, a first for a domestic bank. We will gradually expand financial services to provide retail banking that is optimized for the local market in the long term by consolidating our market position focused on Korean companies and local companies operated by Koreans in the market.

## Awards & Accolades

### January 2017

- Named the Consumer Selection Best Brand Award in retirement plan in 2016 by *JoongAng Daily* & *Forbes* for the second consecutive year

### February 2017

- Certified as Korea's Most Admired Company in 2017 by the Korea Management Association Consulting for the 14<sup>th</sup> consecutive year

### March 2017

- Named the Asia & Pacific Best Retail Bank in 2017 by *The Asian Banker*
- Named the Asia & Pacific Best Digital Bank in 2017 by *The Asian Banker*
- Named the Korea's Most Beloved Brand (mobile sector) by *Chosun Biz*

### July 2017

- Ranked first in the Korea Service Quality Index (KS-SQI) survey by the Korean Standards Association for the fourth consecutive year
- Selected as the Most Powerful Financial Product in 1H 2017 by *Economy Review*

### October 2017

- Recognized in 2017 Best Finance Awards by *Asia Today*

### November 2017

- Ranked 1st in the Korea Sustainability Contest (Banking Sector) hosted by the Korea Standards Association for the sixth consecutive year
- Named the Best Company to Work For in Korea 2017 by Korean Standards Association for the fourth consecutive year
- Named the Best Private Bank in Korea in 2017 by *The Asian Banker*

### December 2017

- Named the Most Innovative Global Bank in FX sector in 2018 by *Global Finance*
- Named the Best Bank at the Small Loan Finance Awards 2017 by the Financial Supervisory Service for the fifth consecutive year

## MESSAGE FROM THE CEO



Sung Ho Wi \_ President & Chief Executive Officer

### **Dear Valued Customers:**

In 2017, the economy suffered various difficulties such as global economic uncertainties and the economic downturn in Korea. On the domestic front, internet banks were launched while competition among commercial banks grew even more intense. Nonetheless, Shinhan Bank has achieved good results in overall management as a result of its arduous efforts to live up to our customers' trust.

Shinhan Bank ranked first in terms of cumulative amount of small loan finance. We operate as many as 50



small loan branches, the largest number among commercial banks. We also introduced a dedicated call center and the 119 credit adjustment program as we led the efforts to support small loan finance.

In the global market, we succeeded in generating our biggest profits ever, showing steady growth based on 159 overseas networks in 20 countries. Among Korean banks, Shinhan Bank has the largest overseas network. We acquired ANZ's retail banking sector in Vietnam, establishing the leading position in Vietnam's foreign-based banking field. In Mexico, we have become the first Korean bank to obtain a business license.

All management and employees at Shinhan work together to truly realize "compassionate finance" through business by contributing their wisdom and effort. We began practicing productive and inclusive financing with the "Shinhan Do Dream Project," which covers a variety of investment and support projects. As part of this initiative, we opened the "Do Dream Space" to support youth employment.

Our efforts in this area have been positively recognized, and we've been selected as the company with the best brand awareness, as well as the best company to work for. Shinhan Bank has been recognized with the Best Financial Institution Award in three categories of small loan finance, SME support, and protection of finance customers by the Financial Supervisory Service. We've also posted the best records for customer satisfaction surveys conducted by five major agencies.

In 2018, the domestic economy is expected to grow moderately as exports improve due to the global economic recovery, income-driven growth policies, and fiscal spending increase. However, digitization of the entire industrial sector triggered by the Fourth Industrial Revolution is expected to tear down the boundaries of business and aggravate competition in the financial sector.

Shinhan Bank has set its strategic goals in 2018 as "Redefine Shinhan, Be the NEXT in 2018, with Communication, Swift Decision Making, and Teamwork" to respond to the paradigm shifts of this era and to create new growth opportunities. In our slogan, "Communication" means thorough communication across companies, between the Bank and branches, and between the Bank and customers. We realize "Swift Decision Making" after quickly attaining a correct understanding of products and services so that we can reflect them in our sales strategy. Lastly, "Teamwork" is important among all staff members to press ahead with our business goals.

Amid the accelerating changes in the market, it is difficult to continue growth if you allow yourself to be limited by conventional ways. You must redefine your business across your organization, considering your response to the competitive environment, sales process, and organizational capabilities. We initiated our efforts to overhaul the conventional framework at headquarters as well as business fields last year. This year, we can expect these efforts to produce results.

Through our "Redefining" efforts, Shinhan will realize representative finance service, the ideal bank that customers think of when they are in need of finance services. We will provide a differentiated solution that transcends finance and connects to customers' lives. Shinhan Bank intends to become the "future of finance" itself to serve as the standard in this new digital age.

This year, we will focus on the Digital and Global areas. Big data-based marketing and new super-apps will make it easier for anyone to experience digital finance. In line with that, we will sustain our efforts to build a “Global Shinhan.” In the core business market, we will secure a dominant position based on our confidence and outstanding performance. As for promising markets, our position of “Global Shinhan” will be further consolidated through bold investment.

In the business fields, Shinhan will maintain its dominant sales force in the banking sector. The center of our success has been always dependent on our strength in the field. During 2018, we will further reinforce our strengths through “Communication, Swift Decision Making, and Teamwork.”

Above all, we will realize a unified Shinhan Bank through close communication. We will maximize the energy of our organization through seamless communication between staff members of all levels, headquarters and the field, and the community branches. Shinhan Bank’s market leadership will be further reinforced through effective marketing based on close cooperation.

Next, Shinhan Bank will keep up with the changes in the market. In the era of the Fourth Industrial Revolution, every decision made in the moment may dictate a company’s destiny. We will accurately understand changes in society and customers, and immediately reflect this understanding in our products, services, and sales strategies.

Lastly, we will press ahead with our goals with firm dedication. Good strategies are completed through ongoing dedication and practice. We will enact our strategies and plans with determined resolve so that we will achieve the goals we set regardless of any obstacles.

Shinhan Bank was a small latecomer in the market more than 30 years ago. Now, we are the leading bank in Korea and are moving forward to become a global bank. All of our management and employees will make every effort to practice “compassionate finance, creating a happier future” with the warm support of our customers, shareholders, and community members. We look forward to your encouragement as we step toward creating the future of Korea’s financial industry with firm conviction.

Thank you.



**Sung Ho Wi**  
President & Chief Executive Officer  
Shinhan Bank

# Redefine Shinhan: We redefine the sales

By utilizing the digital platform named "SOL" and the offline platform community, Shinhan provides differentiated solutions and pursues a creative online-offline convergence based on big data analysis. Through these efforts, we are able to enhance work efficiency in all of our segments.



## Vision

**Shinhan Bank's vision is to become a premier financial institution that grows with its customers to create a better future.**

**Customers:** Seeking to become a premier financial institution that grows with its customers to create a better future.

**The Market:** Leading future trends in the finance industry through change and innovation.

**Employees:** Developing a great workplace, in which our employees work with pride as members of the country's No. 1 bank.

## Shinhan Way

"Shinhan Way" is the value system and guiding principle for all Shinhan employees' thoughts and actions. It consists of our mission, core value, and vision.





## Mission

### Compassionate Finance: Benefiting society through the finance business

#### What Compassionate Finance Means

##### - Benefiting society through the finance business

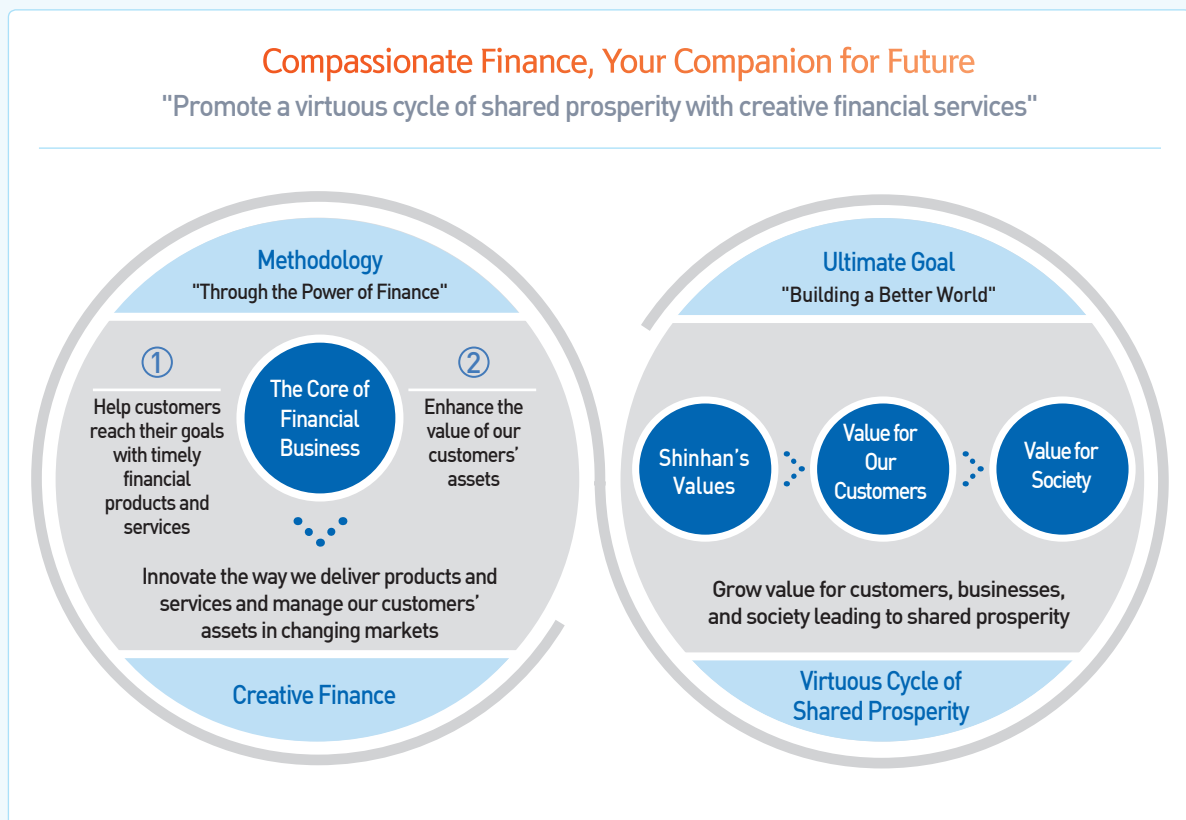
This means that Shinhan Financial Group views its business operations and its social contribution activities as contributing factors to its success and offers continuing benefits and values to our customers and society at large.

##### - Protecting and creating value for our customers

We analyze all our products and services to ensure that they benefit our customers and meet their needs. We also offer them guidance and advice on how to protect themselves financially and their assets. All of these practices demonstrate our commitment to customer value and protection. We only pursue profits when we are sure that we have the optimal risk management policies and processes in place.

##### - Fulfilling our social responsibilities to create a better and happier world

This means sharing the fruits of our success with all the members of society. We help the underprivileged to become fully contributing members of society.



# Redefine Shinhan: We redefine the market environment

Shinhan has adopted a fresh approach regarding customers, market, and business strategies amid the fundamental changes in the paradigm of competitiveness. In our activities, we stay true to our slogan, "Compassionate Finance, Creating a Happier Future." We are creating a positive cycle for coexistence to create more value for our customers, Shinhan, and society.



## Compassionate Finance, Creating a Happier Future

Shinhan Bank has been promoting "compassionate finance" through business. This is aimed at fulfilling our social responsibilities as a financial institution. Our mission is to "create a better world through the power of finance" through our vision to be "a respected and favored premier bank that is creating a better tomorrow."

We continue to do our best to create customer value, protect our customers, and treat them as our partners. We also actively carry out social contribution activities in many different areas, including consumer protection, small loan finance, and shared growth with our partner companies to fulfill our corporate social responsibilities.

### Strategic Direction of Social Contribution for Sustainable Management

Shinhan is committed to fulfilling its corporate responsibilities under the goal of "compassionate finance, creating a happier future." To this end, we have executed three strategies: "Coexistence (Improvement of Welfare and Education)," "Culture (Sharing of Culture)," and "Symbiosis (Environmental Preservation)." These strategies are aimed at investing our profits in society and sharing our achievements and values with our communities. This leads to creating a circle of mutual prosperity where our values, and the values of our customers and society, can grow together.



### Framework and Organization for Social Contribution

Ever since establishing the SHB Volunteer Group in July 2004, we have made efforts to fulfill our role as a model corporate citizen. In 2007, we also established the Corporate Social Responsibility Department for the management of social responsibility initiatives.

### Job Creation and Welfare of the Elderly

Shinhan Bank has been operating the "Shinhan Do Dream Space" project as a part of the "Shinhan Do Dream Project" designed to vitalize engaged and productive finance. "Shinhan Do Dream Space" is a comprehensive platform, converging Shinhan's digital infrastructure with external infrastructure, and helps the youth to start their own businesses or find a stable job. Based on this platform, we are at the forefront of job creation in Korea as a financial institution. In line with these efforts, Shinhan Bank has also been offering direct programs for the underprivileged. One of the programs include the "Shinhan the Dream Sarangbang" project, which supports the silver generation by replacing old facilities for the elderly, creating a venue for cultural experience and rest through digitalization, and offering financial education for them.

## Social Contribution, Power of Our Business

We carry out financial education as one of the key projects for our CSR activities, making the best of our business. Specifically, we provide children and teenagers with a broad range of financial education at Gwanghwamun and Busan Campuses of the Youth Financial Education Center. In addition, we offer hands-on financial education to students from elementary, middle, and high schools across the country by participating in the "one company-one school financial education" program promoted by the Financial Supervisory Service.

Our differentiated financial education initiatives help our future generations to properly understand the financial system and give middle and high school students an opportunity to explore their career. We have also offered various custom-tailored financial education initiatives for the financially underprivileged, including senior citizens, developmentally-challenged youth who may have difficulty using banks, and North Korean defectors, so as to prevent and solve financial problems.

## Sponsoring the Arts and Culture

We created the Shinhan Music Awards in 2008 to discover musically gifted individuals; this was a first in the financial industry. Since then, we have discovered and sponsored promising talent for classical music while providing continued support and patronage in diverse areas in order to invigorate the arts and culture. We also take the lead in various mecenat programs.

Since the establishment of the Shinhan Museum, the nation's first specialized museum of financial history, we have been committed to the collection, management, research, and exhibition of historical relics. In addition, by opening Shinhan Gallery at Gwanghwamun and Yeoksam in Seoul, we increase opportunities for the general public to enjoy culture and contribute to the development of the exhibition culture.

Since 2005, Shinhan has carried out cultural properties protection activities after concluding a "one cultural asset-one keeper" agreement with the Cultural Heritage Administration. In 2015, we created a "Volunteer Service Group for Cultural Properties Protection" for the systematic management of important cultural properties, actively engaging in protecting traditional culture. In recognition of these efforts, we received the Presidential Citation for our service to the protection of cultural heritage from the Cultural Heritage Administration.

## Leading the way to new social values through environmental management

Since 1994, we have hosted the annual Shinhan Natural Environmental Photography Contest to promote environmental awareness through art. In addition, we carry out environmental improvement projects to communicate with local communities in approximately 35 locations, by developing "Hanpyeong (tiny) Parks" using pieces of land in downtown metropolitan areas. We are also spreading green welfare, which assists the disadvantaged across the country, through solar power generation systems and the development of rooftop gardens and forests at social assistance facilities.

In addition, we have engaged in a broad array of environmental preservation projects to create a beautiful world. For example, we carry out an old cell phone collection campaign and host the achieving carbon neutrality convention. We also follow global standards by observing and participating in environment-related international agreements such as the UNEP Finance Initiative (UNEP-FI) and the Carbon Disclosure Project (CDP), while actively taking part in relevant public campaigns. For example, we joined the Climate Change Center, built carbon inventories, conducted energy saving campaigns, and developed a variety of environment-related products and services.

## New goals for global social contributions

We continue to develop and expand social contribution projects that befit the local conditions of our overseas branches, with an aim to fulfilling our global corporate social responsibilities. These efforts include overseas medical volunteer activities in places such as Cambodia, Uzbekistan, and Myanmar with Seoul National University Hospital and Seoul National University Dental Hospital since 2008. Since 2013, we have visited Vietnam, Cambodia, and Mongolia with the National Pension Service, helping multicultural families to visit home while supporting school facilities in rural regions.

The "CSR Guide for Global Shinhan" was published and distributed to our 150 global networks in 20 countries to fulfill our social contribution throughout the world. The book starts with an introduction of the history of social contribution and introduces CSR policies and distinctive features in each nation according to their cultural characteristics. It presents good examples of social contribution to enable the people in charge to develop and offer projects tailored to the country and culture where they work.





# ETHICAL MANAGEMENT

Shinhan Bank is committed to transparency in all its operations. To achieve this goal, we have developed ethical standards with which all of our employees must comply.

We are constantly revamping our ethical management systems. Our Compliance Officer, who is responsible for pursuing operations related to ethical management company-wide, leads this task. He is assisted by our Compliance Department.

Every employee is required to sign a "Pledge of Ethical Practices" and must participate in a monthly employee compliance checkup program. In addition, we are strengthening our online and offline training in ethics to ensure that all our employees are familiar with our Code of Ethics.

In 2017, we revised our Code of Ethics by adding matters relating to the observance of anti-graft and anti-money laundering and strengthening content relating to the prevention of harassment and sexual harassment in the workplace. We also reinforced online and offline education on ethics observance to ensure the internal stability of the Code of Ethics. We have implemented education on communication since 2017 by having compliance officers visit with employees to offer education, targeting branch managers to internalize ethics in our employees. Through these efforts, we have reemphasized the observance of basic principles.

In a bid to strengthen the awareness of ethics observance in our employees, we have implemented annual online training on ethics observance with our holding company. We have been operating a monthly pop-up education program by producing one-minute animation videos for the SFG's Code of Ethics examples. In 2018, we plan to expand the program to also cover work ethics.

With regard to increasingly expanding global operations, we have strengthened education in anti-money laundering, illicit stock trading, and Today's Shinhan Employee Minds for the local employees of all of our overseas subsidiaries and branches, including in the U.S., Japan, and Vietnam, by producing and distributing educational videos on ethics observance in English.

## Ethical Management Programs

### Reporting on and carrying out inspections of securities accounts and trading

We observe all of Korea's laws and regulations related to securities and are committed to the prevention of all illicit transactions, such as the use of classified information. We limit the possibility of having such transactions occur by monitoring the securities accounts and trading practices of employees on a regular basis.

### Integrity Pact

We ensure the honesty and fairness of all our contracts by outlining the procedures that employees in charge of contracting must follow during the bidding process, when a contract is signed, and when its contents are being delivered. This applies to areas such as construction, services, outsourcing, and purchasing. We also monitor the performance of every division at our head office on a yearly basis.

### Pledge of Ethical Practices

Every employee signs a Pledge of Ethical Practices every year as a means of strengthening his or her resolve to carry out ethical management.

### Compliance

Our compliance program helps our employees understand our rules and regulations relating to fair trade. It includes information on how the program works, handbooks, a Code of Conduct, and training and monitoring systems. We also keep a sharp eye on high-risk divisions and departments and offer them specialized training. In addition, we scrutinize internal trading among SFG affiliates.

### Ethical Management

We have put a number of programs in place to increase our employees' awareness of the need for ethical behavior. They include the Pledge of Ethical Practices, employee compliance checkups, and a securities transaction reporting system. On our intranet, we are also setting up a legal advice system called Judicial and Ethical Affairs, which is about ethical management.

## Anti-Money Laundering (ALM) Department

The AML Department was established as an independent department on January 1, 2017 through reorganization of the Anti-Money Laundering Team under the Compliance and Monitoring Department (formerly the Compliance Department) to expand and strengthen anti-money laundering work in the company.

In 2017, the AML Department responded to the strengthened financial supervision regulations by promptly introducing changes in the anti-money laundering and monitoring regulations on internal controls and compliance operations. In addition, we held an internal control committee led by our President and CEO to raise management's interest in preventing money laundering.

Related internal regulations and forms have been revised, and a real-time real owner verification system has been established. This was done to strengthen the confirmation system following mandatory owner verification, which was implemented in July 2016. We further enhanced the verification functions through on-site inspections and the introduction of a Field Inspection Team and inspection team for each branch under the Audit Department.

Group education was conducted for the people in charge at branch offices to help consolidate the anti-money laundering system in the field. We continue to attract attention for our anti-money laundering efforts and system. Shinhan Bank encourages employees to use this system through various efforts, such as providing training and video lectures for all employees and issuing monthly compliance letters.

Recently, our overseas branches have recognized the need to establish and strengthen the support system in accordance with the local trend of strengthening the supervision and penalties related to money laundering. As a result, the Anti-Money Laundering Department introduced a new AML Relationship Manager (RM) institution for overseas branches in 2017 to create a rapid communication and collaboration network between the Bank (headquarters) and overseas branches.

As part of this effort, we held a seminar in June 2017, inviting AML representatives from overseas branches to the Bank. This gathering offered a venue to raise awareness of the importance of anti-money laundering efforts at the overseas branches, to spread anti-money laundering prevention policies, and to share examples of anti-money laundering prevention institutions and penalties by country. AML staff members from home and abroad also took this opportunity to strengthen exchange between them.

The AML Department conducted diagnostic consulting from outside the company to improve the anti-money laundering system at the Bank from the end of 2017 to April 2018. We identified the status of our current anti-money laundering prevention efforts. Measures were then proposed to streamline existing work processes, such as the RBA (Risk Based Approach) system and upgrading anti-money laundering risk assessment procedure for new products and service development. The introduction of new systems such as Sanction and Trade Based Money Laundering (TBML) were also reviewed.

In 2018, we are continuing our efforts in this sector by conducting diagnosis consultations for money laundering prevention in all 10 overseas branches. This is expected to strengthen the internal control system for anti-money laundering and provide a basis for a preemptive response to inspections in and out of Korea.

The AML Department will continue to improve the anti-money laundering practices at the Bank and overseas branches, as well as build and maintain a high-level anti-money laundering system.

The Board of Directors (BOD) consists of one executive director, two non-executive director and six independent outside directors. It operates a number of committees to ensure greater expertise in their respective fields. These include the Audit Committee, Risk Management Committee, Remuneration Committee, Outside Director Recommendation Committee, and Audit Committee Member Recommendation Committee.

The BOD is the Bank's highest decision-making body and is ultimately responsible for setting operational strategies and business targets, implementing such strategies and targets as well as supervising and monitoring the activities of the Bank. It has the powers and the budgetary authority to hire independent third-party advisors at its discretion.

## Executive Director & Non-executive Directors

### **Sung Ho Wi**

President &  
Chief Executive Officer

### **Young Woong Woo**

Non-executive Director

### **Chang Eon Heo**

Director &  
Standing Auditor

## Outside Directors

### **Sun Tae Hwang**

Outside Director

### **Kook Jae Hwang**

Outside Director

### **Hoh Peter In**

Outside Director

### **Seong Woo Lee**

Outside Director

### **Won Sik Park**

Outside Director

### **Fukuda Hiroshi**

Outside Director

## Executive Officers

### **Dong Hwan Lee**

Deputy President,  
Group & Global Investment Banking Group

### **Byeong Wha Choi**

Deputy President,  
Corporate Banking Group

### **Ki Jun Lee**

Deputy President,  
Credit Analysis & Assessment Group

### **Young Taeg Heo**

Deputy President,  
Global Business Group

### **Choon Seok Seo**

Deputy President,  
Digital Group

### **Chang Goo Lee**

Deputy President,  
Wealth Management Group

### **Byeong Cheol Kim**

Deputy President,  
Global Markets & Securities Group

### **Soon Seog Huh**

Executive Vice President,  
Chief Compliance Officer

### **Woo Hyuk Park**

Executive Vice President,  
Management Support Group

### **Cheol Soo Joo**

Executive Vice President,  
Institutional Banking Group

### **Yun Ju Ko**

Executive Vice President,  
Sales Promotion Group I

### **Chang Seong Kim**

Executive Vice President,  
Sales Promotion Group II

### **Myoung Goo Lee**

Executive Vice President,  
ICT Group

### **Sung Woo Kim**

Executive Vice President,  
Consumer Brand Group

### **Woon Jin Jeong**

Executive Vice President,  
Management Planning Group

### **Nae Hoon Lee**

Executive Vice President,  
Trust & Pension Group

### **Jae Hee Cho**

Managing Director,  
Risk Management Group

### **In Gi Kim**

Managing Director,  
Sales Channel Planning Group

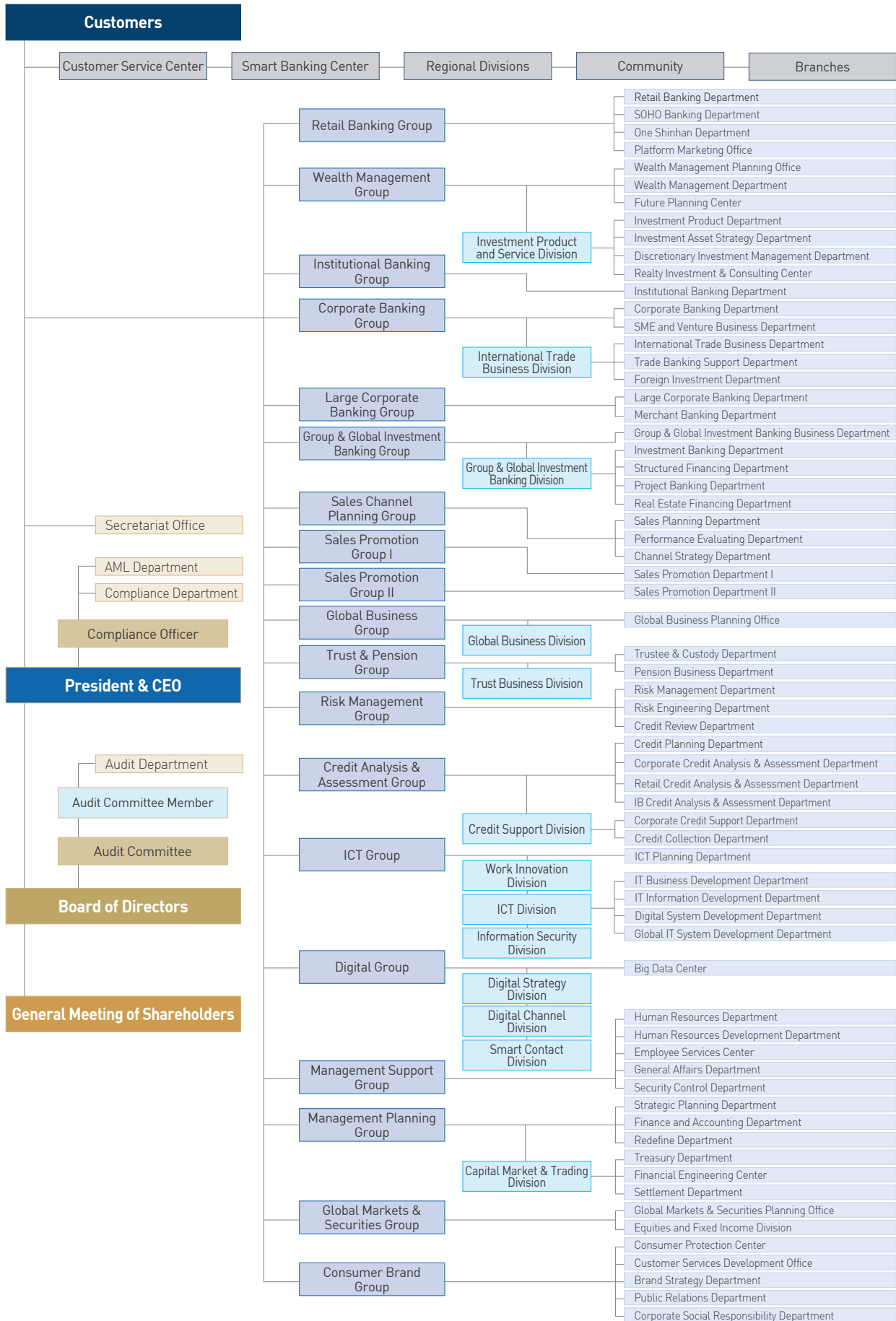
### **Hyo Ryul An**

Managing Director,  
Retail Banking Group

### **Ho Wan Seo**

Managing Director,  
Information Security Division

# ORGANIZATION (As of January 2018)





# Review of Operations

## Redefine Shinhan: We redefine the working process

Shinhan has been seeking measures to work more productively and efficiently with the latest ICT technologies and devices. We are building the digital capabilities to become an indispensable service in the 4<sup>th</sup> industrial revolution, as well as continuously fostering our global competitiveness for the global market.



In 2017, the Retail Banking Group achieved a dominant business result befitting our No. 1 position in the market in line with our slogan of “Better Value to Customers and Excelling Solution to Field with Innovation.”

We have been successfully responding to the government regulations introduced in 2017 to reduce the overall volume of household loans. However, the Retail Banking Group efficiently maintained its overall business scale by focusing on collateralized loans. We realized risk management and profitability, thanks to our efforts to control Net Interest Margin (NIM) by securing high-margin installment loans such as auto loans and loans for home lease funds. A non-direct loan program for workers with sound credibility, the “S dream Credit Loan,” was launched to be provided 24/7 and digitalize the sales process.

As of 2017, the Retail Banking Group consists of 3 divisions and 11 departments under two groups of WM Group which manages Retail Banking Department for individuals, self-employed customers, and institutional customers. The WM division for affluent customers and 22 regional divisions support the operating branches in an optimized way. We reorganized the local branches by closing and integrating branches (55 branches) and converting them into semi-branch offices (17 branches), which resulted in the efficient operation of 518 retail branches (653 when including financial centers).

### Business Performance in 2017

In retrospect, the year 2017 presented more difficult challenges than our company has never witnessed before. There was the launch of new real-estate market policies, increases in strategic interest rate, and the introduction of online banks. Despite numerous difficulties, Shinhan closed the year with excellent business performance.

First, we achieved 120% of our profit objective, thanks to healthy assets and asset quality management. Shinhan’s differentiated growth during 2017 was driven by the Retail Banking Group with key liquid deposits, household loans, and loans to SMEs. The total value of key liquid deposits rose to KRW 6.5 trillion compared to the same period of the previous year. This was achieved thanks to more active customers, an increase in credit card and credit card-affiliated merchant store settlement accounts, and inflow of stable capital that mostly came from public institutions.

As for household loans, we introduced a non-direct loan service for home lease funds in the market for the first time. The service is a pure non-direct one, presenting a differentiated business strategy by Shinhan. “S Dream Credit Loan,” another type of non-direct loan service for company workers with sound credibility, succeeded in accumulating KRW 176 billion after only 6 months since its launch. The structure is in the process of ongoing development focused on bullet payment with the condition of floating rate as the ratio of fixed rate and deferred loan with floating rate climbing steadily.

In the area of asset quality (based on after depreciation), we also achieved a 0.26% delinquency ratio (0.28% for household loans and 0.38% for self-employed customers), which is directly linked to profit and loss. In 2017, Shinhan not only realized top-line growth, but also maintained exceptional asset quality.

Second, Shinhan consolidated our customer base for a better future, and diversified income sources through non-interest income increase. During this year, we added 230,000 active users to our existing 9.76 million to lay a foundation to open a new age of 10 million active users. Our customers are the firm foundation for our sustainable growth, even in this rapidly-changing environment, and the most valuable assets for our future.

Our income source has been diversified into non-interest income with installment fund, credit card business, and Bancassurance. Increases in accounts for credit card holders set a record with the addition of 350,000, which



significantly contributed to non-interest income.

Third, under the Group's mission, "compassionate finance, creating a happier future," we improved finance for Small Loan and realized their satisfaction in our service. Shinhan Financial Group (SFG) has been dedicated to creating wealth for customers and social value as part of our mission, benefiting society through our finance business. We stepped up our support of small loan finance including New Hope Spore Loans and were recognized in the Small Loan Finance Awards by the Financial Supervisory Service for the fifth consecutive year.

### Business Plan for 2018

During 2018, our goal is to rise as a retail group leading the banking sector by building on our successes in 2017 and overcoming the tough business environments in and out of Korea. Shinhan set the strategic direction to enlarge our customer base, increase smart income, and enhance ONE Shinhan brand value under the slogan, "Be the NEXT retail, to excellence beyond growth."

Our first business goal is to enlarge our customer base. We are pursuing integrated marketing by strengthening direct and non-direct services via online and offline channels. Meanwhile, our digital customer base is being developed by perfecting our non-direct service. On top of that, Shinhan has been pressing ahead with many new business projects such as setting up an alliance with Korea Post, hiring IT experts for management and employee jobs, and attracting high schoolers as customers since the beginning of the year.

Our second goal is to increase SMART profit. We strive to generate non-interest income by increasing key liquid deposits with new business projects focused on three key customer groups—company workers, self-employed customers and wealthy people—and pursuing differentiated marketing related to credit cards, apartment applications, and fund loans. We are also strategically reducing business costs by expanding our low-cost notification channel to optimize profit.

Our third business goal is centered on ONE Shinhan brand value. We are creating ONE Shinhan brand value through cooperative group marketing and the Total Marketing Platform (TMP) integrating the company, management and employees, and customers. The cooperative platform with other industries is being extended to provide customers with excellent marketing programs in partnership with communication service providers and distributors. Group marketing is also being improved by delivering group products/services benefits to bank customers and encouraging customers that we attract through the group channel to open bank accounts.

Lastly, we will utilize our "Baseball Platform," as the official sponsor of KBO for three years, to extend our customer base. KBO Lab was established within the group to generate a synergetic effect through cooperation throughout the bank, beyond one individual department. The "Baseball Platform" has the capability to reach an audience of 8.5 million, as well as 125 million viewers for marketing. This asset will be fully utilized to expand our customer base, along with various other methods to realize marketing expandability.

Shinhan Bank has been continually producing stabilized results by creating a virtuous cycle of coexistence. We are realizing creative finance under the mission of "Compassionate Finance: Benefiting society through finance business" and pursuing "compassionate finance, creating a happier future." Shinhan always rises up to challenges with creative innovation and a customer-oriented mindset, which is our strength and part of our DNA.

The Retail Banking will maintain its dominant market position through our consolidated customer base, increases in SMART profit, and enhanced ONE Shinhan brand value, based on our solid business plans for 2018.



## GROUP & GLOBAL INVESTMENT BANKING

Shinhan Financial Group (SFG) established Corporate & Investment Banking (CIB), a matrix organization of banking, finance, and investment, in January 2012. Since then, we have been offering a differentiated solution integrating direct and indirect financial services to corporate customers. In July 2017, the Group & Global Investment Banking (GIB) business, which includes Life Insurance and Capital IB, was launched. We have consolidated our footing to strengthen the competitiveness of IB amid the rapidly-changing environment in the capital market.

Newly-introduced GIB business aims to maximize customer value by strengthening our market leadership in the capital market by pooling the capital and capabilities of the IB of affiliates in four areas: Banking, Finance and Investment, Life Insurance, and Capital. In order to accomplish this, we have continued to streamline the operating system by implementing co-location of all departments of GIB and establishing an integrated risk management system. We also developed an HR management plan to foster capital market experts.

GIB of Shinhan bank is composed of GIB Division and Shinhan Asia Pacific Investment Limited (Hong Kong IB center hereafter). GIB Division comprises four departments of Investment Banking, Structured Financing, Project Banking, and Real Estate Financing. GIB handles various investment and financing work together with Hong Kong IB center, offering a "One Stop Total Solution" covering direct and indirect finance.

We are making efforts to create synergies among subsidiaries under GIB by utilizing the "GIB Community" system, which was created to promote collaboration between departments within the same business area. This collaboration has resulted in substantial achievements in M&A financing, realty project financing, and fund business. We expect to achieve even more in 2018 as we lead the capital market.

### Business Performance in 2017

The Shinhan Bank GIB Group, an integral part in the GIB business, achieved a pre-tax profit of KRW 133.8 billion (increased KRW 1.7 billion YoY) as it struck a balance between risk management and profitability in 2017 despite difficult conditions. This success was possible thanks to steady investment at home and abroad, investment characteristic analysis, risk appetite, and the unique functions of each affiliate based on the GIB platform.

To refinance for the acquisition of H in September 2017, all affiliates were involved in arranging large-scale deals worth KRW 2.2 trillion, encompassing banking and financial investment, middle and upper-tier bidding process, and life insurance and capital investment. This proves the strength of GIB's capabilities in designing a financial structure through a collaborative model and making quick decisions to complete the acquisition successfully. In late 2017, we became a priority negotiator of the Pangyo Alpha Dome 6-4 office construction project (whose cost is worth KRW 540 billion). All affiliates of GIB and Shinhan Ritz provided differentiated solutions, resulting in beneficial collaboration. By focusing on GIB's assets and competence, the real estate PF, SOC, and finance for acquisition sector obtained 25 projects worth KRW 3.9 trillion.

Meanwhile, the GIB Division achieved exceptional results in corporate banking for small and medium-sized enterprises. We introduced various products of difference mezzanines through "Shinhan Creative Finance Plaza," our cooperative sales organization between banks and finance and investment departments. Various IB also provided solutions to small and medium-sized companies with TCB technology-based investment, structured products, and realty project financing. Cooperative projects between "Shinhan Creative Finance Plaza" and the bank branches stood at 115 in 2017. These case totaled KRW 158 billion and marked an increase from 24 cases and KRW



37 million compared to the same period in the previous year.

The number of Global IB deals for Glocalization, the main strategic objective of Shinhan Financial Group, totals 58 cases and USD 1,276 million, an increase from 34 cases and USD 991 million. Hong Kong IB, which is Shinhan Bank's most exemplary overseas IB channels, issued USD 396 million of FRN guaranteed by the bank, increasing as much as USD 314 million from the previous year. Investment in corporate banking in Asia rose to USD 224 million, which is USD 165 million more compared to last year. Domestic GIB headquarters also actively participates in Global Biz through 10 investment projects (USD 277 million) in various overseas infrastructure markets such as the UK, Australia, and the Philippines, and 7 (USD 185 million) in advanced real estate market such as the United States.

The major global contracts in which the GIB division is involved include managing loans for offices in Chicago by Whole Loan (USD 175 million) and the 1-GW combined-cycle Hickory Run Energy Center (USD 60 million). The acquisition of Worldwide Plaza, the office building in New York Manhattan Office Building (USD 190 million), is the first overseas deal made by GIB. Shinhan Life Insurance, based on its wide international network, has sourced the contract together with Goldman Sachs and Deutsche Bank, the leading underwriters. Shinhan Investment served the deal as the co-underwriter. In this process, Shinhan Alternative Investment Management is establishing a re-indirect fund for this issue and re-selling it to domestic institutional investors to generate additional profits. We are also expanding into various global businesses by utilizing synergies and generating additional profits.

The GIB Division is also taking the lead in improving customer yields through offering in-house IB products. Using the assets sourced from the Structured Financing Department and Hong Kong IB Center in 2017, we worked together with PWM, Pension Business, and Trust Business Development Departments to provide high-value IB products worth KRW 14,266 billion, including KRW 1,225 billion of retirement pension and KRW 95.8 billion of trust products.

Another achievement of the GIB Group in 2017 is the establishment of a variety of funds to realize a creative asset management, building a mid to long-term growth base. A total of 14 Blind Funds was invested or created during 2017, totaling KRW 298.8 billion. We had 7 cases of strategic fund investments to secure management rights through investment in high-quality PEFs (KRW 140 billion). Other investments include 3 global funds (USD 80 million) aimed at stable dividend yields such as used aircraft investment funds, as well as 4 blind funds investing in future energy and the 4th industry (KRW 62 billion).

In addition to the above-mentioned achievements, the GIB Division expanded its collaboration models to produce substantial results as an "IB Total Solution Provider" in Shinhan Financial Group.

### Business Plan for 2018

The keywords for 2018 are "Redefining GIB, establishing a dominant No. 1 IB House." The GIB Group will build the infrastructure for future growth based on "One Shinhan" and accelerate its entry into the global market as it grows into a capital market leader.

First, we will promote global IB sales customized for each region and strengthen our alliance with global strategic partners to expand our global business.

We will expand the GIB (Global IB) Desk, which is currently operating in New York and Shanghai, to pioneer



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promising markets while expanding IB in the current key markets. The Hong Kong IB Center will become the "Asia IB Solution Center" to serve as our headquarters in Asia. The purpose of the organization is to strengthen innate revenue generating capability and increase IB collaboration with overseas branches. Through this, our global coverage will be expanded, thanks to the growth of PF areas linked to local businesses and strengthened corporate finance linked to global PE.

Second, we will demonstrate differentiated capabilities in the capital market. We will actively explore the future Cash Cow Biz by challenging new areas, new business methods, and new products. Based on the GIB platform across IB, we will secure competitiveness against the super large IB by providing Total Solution involving all affiliates under the leadership of the bank. We will actively develop GIB-led funds in key markets and diversify our investment in new business areas to vitalize our fund platform business.

Third, One Shinhan will raise its value through GIB collaboration. We will secure more GIB contracts than others with capital leverage and provide package financing throughout the contract process. We will also strengthen our collaboration with bank branches to contribute to the growth of more companies with potential and decent companies backed by capital market products. Online IB products of the bank are currently being vitalized, and we will place stronger focus on enhancing the investment return on customer assets and securing the Group's profits. In order to enhance efficiency, we will continue to advance the collaboration system with related departments.

Lastly, we will strive to achieve more stable growth in the future through our advanced GIB operating system. By upgrading the current GIB community system, we will strengthen the foundation for cooperation and establish an integrated management system of investment assets to offer optimal asset management with balanced risk management and profit seeking. To foster next-generation GIB manpower with capital market DNA, we will conduct an integrated IB training program. We will also establish a creative and innovative organization culture with the unique features of GIB.

So far, we have secured capital market leadership through our creative thinking. Likewise, the GIB division will continue its new trials in 2018 to secure its status as the No. 1 IB House with a dominant position in the market.

## • International Trade Business Department

### Business Performance in 2017

The International Trade Business Department has made steady efforts to increase non-interest income across the bank by strengthening FX capacity and to find new growth engines for the future. We encouraged our employees to develop a deeper understanding of FX gains and losses, as well as building new FX products and platforms. All these efforts led to remarkable results compared to the previous year.

### Foreign Exchange (FX) Income and Non-interest Income

In 2017, FX Income grew 16.2% YoY to KRW 443.1 billion, while FX non-interest income grew 10.4% YoY to KRW 252.3 billion, marking double-digit growth for the second consecutive year. Income diversification was achieved with revenues from derivative transactions such as future and spot transactions. Revenue from import and export transactions presented remarkable growth compared to the previous year. In addition, the "Making a Huge Mountain



with Tokens” campaign was conducted to encourage our employees to pay keen attention on profit and loss.

On top of that, we pursued a niche market for FX with the launch of a variety of steady FX products and services. Shinhan Bank’s FX Hedge is a combination of import L/C and derivative products, meeting the hedging needs of importers while also discounting overseas banking commission fees. Thanks to this innovation, it was recognized as the Most Innovative Bank Platform by the world renowned Global Finance magazine. In addition, we continued to enhance our competitiveness by developing products and services in the field of currency exchange and remittance.

### Import and Export Customer Increase

In order to increase import and export customers, which is the foundation of long-term growth for FX, we offered various sales supports such as FX platform upgrades, provision of target list, and new product launches. In addition, we have been committed to expanding our import and export-based customers through various campaigns, promotions, and events. Thankfully, our efforts produced positive results as we secured 1,597 company customers in that area. New import and export customers will become future growth engines of FX for continuous income generation.

### Digital Transformation in the Foreign Exchange (FX) Business

In 2017, the wave of Digital Transformation strongly influenced all banking areas. The International Trade Business Division has been leading digitalization in relation to FX business, and it is also working to expand the scope of non-direct channels. This is evident in the first paperless trade remittance, e-trade online application, and adoption of OPEN API-based FX trading to the non-direct channels of affiliates.

### Strengthened Foreign Exchange (FX) Competencies

The year 2017 was also a period when our FX competencies made a step forward. We produced 1,272 FX specialists by supporting them to acquire FX specialist licenses through operating a Community of Practice (CoP) and supporting anticipated examination questions. For FX, knowledge is the key to income generation. It was a meaningful year in that not only competitive products but also the strengthening of employees’ FX capacity created a basis for long-term FX earnings.

### Creation of New Income Source through Global Transactions

We are the first domestic institution to launch a Global Transaction Banking (GTB) business, and it has achieved remarkable results in its first year. Shinhan expanded the scope of business in FI sales, R/P, and B/A finance, formerly led by foreign banks to create new revenue sources in FX and banking. In addition, we have laid the groundwork for future GTB business through the establishment of related regulations, product development, and FI expansion.

### Business Plan for 2018

We will focus our efforts to respond to increasingly intensifying competition among banks, promote qualitative growth by increasing non-interest income, expand FX revenue base, expand our import and export-based consumers, and enhance the brand value of FX brands.



### Expansion of Global Transaction Banking

Based on the foundation for GTB sales that we laid in 2017, we will progressively expand our scope of activity throughout 2018. We plan to expand our business areas from Vietnam and other Asian region, where risks are low and local market research was completed, to Latin America and the Middle East. By developing new BIZ models and new products, we will steadily exploit and expand new revenue sources in the global market beyond the saturated domestic market.

### Expansion of Foreign Exchange (FX) Revenue Base

To operate FX business successfully this year, we will concentrate on selecting the core target market through stringent market segmentation. We will do our best to develop a variety of customized FX products and platforms through business alliances with external organizations to do business throughout our dense sales network. Our focus will be on launching new revenue businesses such as expanding global transaction banking and opening new markets in addition to our primary FX earnings, such as imports and exports and currency exchanges. In addition, we will strive to tap newly emerging foreign customer market and raise our brand value in the fast-growing foreign remittance market.

### Expansion of Import and Export Based Customers

We will continue to promote this year's efforts to increase import and export-based customers, which are long-term FX growth engines. We will increase the number of our import and export-based customers by developing derivative products, developing FX strategic products and enhancing our marketing skills. By providing refined target lists, we will help customers to access businesses at our frontline offices. By activating cross operations for import and export-based customers, we will encourage customers to choose us their main bank and diversify and stabilize our revenue structure.

### Heightened Foreign Exchange (FX) Brand Value

Last year, the company received the Most Innovative Bank platform award from Global Finance magazine. In 2018, we will continue our efforts to strengthen our status in the FX market by securing our differentiating competitive advantage while developing our image as a bank specialized in FX by earning recognition from external institutions. We will make a leap forward to become a global professional FX bank through continuous innovation and development of new products and services in this area. We also intend to strengthen the brand of Shinhan through pursuing the harmonized development of partners and reinforcing our social responsibility. For that purpose, training programs will be conducted for employees of import and export business partners, and we will provide FX consultation programs tailored to their needs.

### Business Performance in 2017

On the global front, Shinhan Bank was the first among banks in Korea to obtain a business license in Mexico. We built 158 overseas networks in twenty countries while acquiring the ANZ Retail sector in Vietnam. We also experienced notable growth in both qualitative and quantitative terms, achieving more than 14% of our total profits from global operations through exhaustive localization efforts.

In 2017, the Global Business Group posted a net income of KRW 235.0 billion, recording an annualized average growth of 26% from KRW 111 billion in 2010. Such growth was significantly attributed to the roles of key markets in the world. The contribution of key markets to total income surged from 33% in 2010 to 70% in 2017. This resulted from the Group's strong pursuit of glocalization, striving to meet the needs of local customers before anything else.

### Business Plan for 2018

In 2018, the pace of changes will accelerate and the amplitude of uncertainties is also expected to grow. The market will be reshaped significantly with the appearance of new competitors, including FinTech and Internet banks, in addition to endless competition in the existing banking industry. In order to overcome such chaos and change and achieve greater growth, we need to excel in all areas, ranging from individual and organizational competencies and systems and processes to our corporate culture. Accordingly, we set "Global Quantum Leap for 2020!" as our 2018 strategic goal and plan to actively pursue the following tasks.

First, we will blaze a new trail toward balanced growth.

To balance the growth across the entire network, we will build a strategy roadmap to create balance among markets and portfolios in the market and strengthen our specialized Biz model. The existing Biz model will be expanded in each country while new Biz models will be developed to match the situation of overseas branches. At the same time, we will promote inorganic growth by promoting various methods such as M&A, JV, and equity investment.

Next, we will pursue efficient growth.

To realize this, we will continue to pursue ROA-oriented asset growth in consideration of market characteristics. We will also increase our strategic capital to strengthen our procurement competitiveness and secure sales engines. In addition, we will proceed with digital businesses that satisfy our customers with customer-oriented and digitalized products and services.

Third, we will accelerate globalization.

We will expand the use of global official languages, implement a frontline-centered support system, and decentralize the management systems to local subsidiaries and branches. In order to enhance human capabilities, we will present our company vision to our local employees, foster the development of global leaders, and nurture human resources with expertise.

Finally, we will build infrastructures for sustainable growth.

We will construct a system for collaborative sales structure and enhanced responsibility to bolster the execution of collaboration systems using global matrix organizations, while striving to expand collaboration achievements by nation with other SFG affiliates. We will stabilize new channels early to implement optimized channel strategies and pursue organic and inorganic growth simultaneously. Furthermore, we will preemptively manage risks that are

Shinhan Bank will secure differentiated strategies and execution abilities that will capture the attention of the global community. These efforts cover our products, services, and systems and will focus on improving our processes and human capabilities. We will continue to raise the portion of global profits with business models and growth roadmaps that befit the circumstances of each nation.

likely to expand after the growth of our business scales. This will include advancing our business management and systematizing our compliance activities. We will also remain committed to internalizing and practicing the Shinhan Financial Group's mission of "compassionate finance."

By executing such strategies, we will lead the charge toward Global Shinhan in 2018. The global market is the perfect venue to create new growth momentums in an era of low growth and low interest rates. Shinhan Bank will secure differentiated strategies and execution abilities that will capture the attention of the global community. These efforts cover our products, services, and systems and will focus on improving our processes and human capabilities. We will continue to raise the portion of global profits with business models and growth roadmaps that befit the circumstances of each nation.

#### • Treasury Department

In 2017, the global economy moderately recovered, driven by the economic growth of developed and emerging economies. This growth was also made possible by economic stimulus policies and increased global trade by major developed countries such as the U.S. The U.S. economy presented solid growth, as domestic demands increased on the back of robust employment and expectations for tax reform, which led to three policy rate hikes. The Euro Zone also showed stable recovery in response to the resolution to the political crisis and recovery in the manufacturing industry. China posted steady growth thanks to export increases despite the high risk posed by growing debt.

The Korean economy suffered widened volatility for a while as a result of North Korea's ongoing geopolitical risks. However, exports and facility investment improved, thanks in part to the global economic recovery, restoring a 3% growth rate.

Since the global financial crisis, the world has raised calls for regulations to prevent the recurrence of a financial crisis. The Basel Committee on Banking Supervision (BCBS) outlined its policies regarding capital and liquidity controls in the second half of 2010. It did so following the announcement of its basic plan to reorganize financial regulations in 2009.

In this landscape, the Treasury Department established a number of liquidity management strategies to help the bank preemptively cope with the Liquidity Coverage Ratio (LCR) that began to be enforced and will continue until 2019, reflecting its existing liquidity ratio management and the requirements of financial regulators (the Basel Committee and Korea's Financial Supervisory Service).

In the won-denominated funds sector, we aim for the balanced growth of deposits through several items such as Net Stable Funding Ratio (NSFR), which refers to mid and long-term liquidity ratio, Loan to Deposit Ratio, and LCR and loans, based on our customer base. We maintain a stable balance in capital supply and demand and proper liquidity by securing medium to long-term funds through the issuance of financial bonds.

In order to reduce profit and loss volatility following interest rate changes, we are committed to establishing and executing Asset and Liability Management (ALM) policies to secure stable interest income. For example, we continue to push for interest rate risk management, such as interest rate gap analysis and duration gap analysis.

We dealt appropriately with the excess and/or deficiency of funds for ALM purposes, while managing our investment funds. We continued to improve our rates of return despite ongoing benchmark interest rate cuts by the Bank of





Korea through carrying out differentiated management strategies, which were based on various plausible scenarios for interest rates. We managed to achieve all of these goals while still securing sufficient collateral through purchasing maturing bonds.

In the foreign currency sector, we established annual foreign-currency ALM plans, and developed optimal annual target portfolios for each asset and business division. This allowed us to manage our foreign-currency liquidity operations in a stable manner, despite increased uncertainties such as the interest rate hike by the U.S. Federal Reserve, normalization of monetary policy of major countries, and geopolitical risks associated with North Korea.

In addition, we stabilized foreign currency liquidity and preemptively responded to the recent trend of tightening of global bank capital regulations in the midst of the volatility of the FX market caused by interest rate hikes, impeachment of the incumbent president, and North Korean geopolitical risks. To meet this goal, we issued four total public offerings AUD 400 million in Kangaroo Bond (March), USD 500 million in global bond (March), USD 3.5 billion in foreign currency subordinated debt (September), and JPY 26.3 billion yen in samurai bond (November).

In the meantime, Shinhan Bank is seeking to diversify its funding sources by utilizing the US, Euro Commercial Paper (CP), and global Medium-Term Note (MTN) programs. The bank is also focused on maintaining its foreign-currency liquidity operations at a stable level by continuously strengthening its relationships with overseas financial institutions.

To effectively manage the risk of foreign currency liquidity at overseas subsidiaries and corporations, which is on rise, we established the Global Treasury Team and have been operating a Relationship Manager (RM) for each branch. We conduct preliminary risk management through continuous monitoring of the local liquidity situation and regulatory ratios and through regular meetings on particular issues at each branch. A systematic process is also in place to provide immediate and substantial overseas branch support.

Although advanced economies continue to normalize monetary policy, the global economy is expected to continue its recovery due to increased investment by companies and increased global trade this year. However, global economic uncertainties will continue to exist in the market, such as the volatility dependent on the speed of the Fed's rate hikes, the expansion of trade friction due to Trump Protectionism, and geopolitical risks in North Korea and the Middle East. In Korea, the reversal of the U.S.-Korea benchmark interest rate due to the normalization of the U.S. monetary policy is likely to heighten concern about capital inflows because the base rate hikes are constrained by low inflation and household debt.

Accordingly, the Treasury Department will work to establish liquidity risk management systems that meet any and all international standards. We will also develop systematic and well-thought-out ALM strategies, based on our upgraded liquidity management capabilities. We plan to concentrate our energies on stabilizing our revenue structure, based on our ALM strategies.

In addition, we will institute new risk management paradigms that are grounded in BASEL III, and we will enhance our funding structure through the further diversification of our financing vehicles.

Shinhan Bank's Wealth Management (WM) Group is a model created in 2011 to provide a comprehensive customer-focused financial service. Its banking and financial investment personnel all cooperate as one company, offering more beyond the existing products and services.

The WM Group provides a comprehensive solution for affluent customers through 27 Private Wealth Management (PWM) Centers across the country. It is composed of the Wealth Management Planning Office, Wealth Management Department, and Future Planning Center, as well as the Investment Product Department, Wealth Management Strategy, Discretionary Investment Management, and Realty Investment & Consulting Center under the Investment Product and Service Division.

To secure the leading position in the asset management market in 2018, WM Group is focusing on the following.

#### First, Strengthened Corporate Customer Assets

Shinhan WM Group is pursuing corporate asset management business to secure future growth engines. To achieve that goal, we selected a Corporate Private Banker with 17 years of dedicated experience on corporate asset management. We are also trying to attract corporate customers and assets through collaboration with corporate RM.

#### Second, Expansion of Customer Base

We will continue to expand the number of PWM Lounges for affluent customers with more than KRW 100 million and establish a collaborative system among the branches in the community to consolidate our dominance in the WM market. In addition, we will strengthen non-direct asset management services such as Robo-Advisor and Chatbot for mass customers to provide tailor-made asset management services for retail customers, thus encouraging them to upgrade and become high-value customers over the long term.

#### Third, Differentiated Privilege Service for Mass Affluent Customers

We plan to enhance the competitiveness of the Shinhan Privilege Center, focusing on customers with financial assets of over KRW 5 billion. To achieve this, we will provide a variety of foreign products apart from our domestic market oriented-products. In addition, experts in each field such as inheritance, bestowal, law, and tax will be organized for even more sophisticated consulting. We will differentiate ourselves as a family office specialist center that helps the succession of family businesses.

#### Forth, Best Specialist in the Field

In 2018, we will promote WM Transformation to enhance asset management competitiveness. WM core personnel will be fostered through a systematic WM manpower development program. We also plan to create an environment where we can offer the best experts to manage customers' assets by securing excellent human resources.

#### Fifth, Promotion of New Businesses

In 2017, Shinhan WM opened a Realty Investment & Consulting Center dedicated to real estate consulting. During



this year, we will expand contact points with customers by building a mobile-based online real estate platform. Our belief is that real estate consulting services will help increase loans for real estate purchase. In addition, consulting on inheritance issues in relation to real estate will boost customer loyalty. On top of that, we will also bring together the strengths of our group companies to provide customized retirement products and integrated solutions. We will provide differentiated asset management services by strengthening the ability of employees in charge of designing retirement plans.

- **Wealth Management Planning Office**

The Wealth Management Planning Office is tasked with SFG-wide WM business strategies. In order to boost WM business-related synergies, the Office establishes new WM business strategies and supports their execution.

- **Wealth Management Department**

At the end of 2011, the WM Department launched the Shinhan PWM Center, the first financial complex in Korea, by combining the operations of Shinhan Bank and Shinhan Investment in the form of a Branch with Branch (BWB). Based on the PWM model, Shinhan Bank is able to provide customers with one-stop bank and securities products and services.

The WM Department operates 27 PWM Centers and 24 PWM Lounges nationwide. PWM Lounge opened for the first time in 2015 to provide PWM asset management services for affluent customers with over KRW 100 million in assets.

This innovative initiative is based on Shinhan Bank's unique philosophy of "customer-centered asset management", which has the goal of meeting the different financial needs of customers and delivering differentiated, highest-level premium services.

In 2017, Shinhan Bank was internationally recognized by being selected as the Best WM of "Triple A Investment Awards" by *The Asset* magazine for six consecutive years, "Best Private Bank" for three consecutive years, and "Best Private Bank in Korea" by *The Asian Banker* magazine for three consecutive years. Based on our success, we've received favorable reviews from overseas rating agencies. We are highly recognized for our performance and value in Korea by ranking first in the field of PB of Premium Brand Index (KS-PBI) by the Korea Standard Association for ten consecutive years. Shinhan Bank was also counted among the PROUD by the Korea Management Association Consulting for eight consecutive years.

In terms of financial performance, we have achieved remarkable growth in all areas including assets, profits, and customers. The WM Department received KRW 77.8 trillion, an increase by KRW 5.5 trillion YoY. During the same period, net asset under the management of 27 PWM Centers continued to grow steadily, with an increase of KRW 1.3 trillion YoY to KRW 20.7 trillion as of the end of 2017. The number of customers with more than KRW 100 million increased 7.7% YoY to 270,000. Customers with KRW 1 billion or more climbed to 11,369 people, up 16.1% YoY.

Now, in 2018, we are working to discover profitable new businesses and expand our customer base under the goal of "Leading the WM market by expanding asset management coverage."



First, we are pursuing corporate asset management business since 2017 to expand revenue-generating business areas. We selected a Corporate Private Banker dedicated to corporate asset management and are working closely with corporate RM. In particular, we plan to cultivate the Privilege Center for customers with KRW 5 billion in assets as a sales hub specialized for corporate customers.

Second, we are expanding our customer base to increase high-value customers. We will develop a "KRW 100 million customer management system" based on Big Data and progressively expand our high-added value customers. We are diversifying channels to attract an inflow of new customers through sports star marketing and marketing with other businesses (Shinsegae Department Store, LG Electronics, etc.).

In a bid to increase customer assets, which can be considered the basics of WM operations, the WM Department will retain its leadership in the AM market through constant innovations.

#### • Future Planning Center

The Future Planning Center, which is in charge of our retirement business, was created in January 2014 to preemptively respond to changes that occur in the financial markets due to the protracted low growth trend and other changes in society such as a rapidly aging population. It also works to secure differentiated competitive advantages. The Center has played the role of planning the bank's entire retirement business and in building infrastructures, while also working to promote the development of retirement solutions and other relevant marketing efforts.

In 2017, the Center expanded its retirement business platforms following its successful entry into the retirement planning market in 2014. It also gave substance to retirement consulting by differentially strengthening the capabilities of future planning consultants.

As a result, we have accumulated 2 million Future Planning Bankbooks and designed 160,000 retirement plans. In addition, 780 customers participated in our Retirement Classroom for Married Couples Program (3 times), and 3,496 customers attended the Future Design Camp (57 times).

The Center's key strategic goal for 2017 was to "Preempt future planning customers through qualitative platform differentiation." Its strategic directions were to "Build up" hands-on future planning platforms, "Level up" employee-centered consultation on preretirement planning, and "Create up" customer-centered future planning solutions.

First, we developed our own digital mobile platform (App). Shinhan opened "Future Planning for You" the first digital retirement portal application released by a bank. Through this platform, we are providing various retirement content and discount benefits to customers before and after retirement. In addition, we strengthened non-financial content and services within the mobile platform, as well as expanded the operation and support of online communities in which customers can participate. We plan to further promote the mobile platform with various events in the future.

Second, we strengthened the competence of future planning consultants to improve the competitiveness of our retirement consulting service. The training for consultants was reorganized into practice and discussion courses, and quantitative and qualitative improvements were added for computer practice. Group discussion courses

In 2017, Shinhan WM opened a Real Estate Investment Advisory Center dedicated to real estate consulting. During this year, we will expand contact points with customers by building a mobile-based online real estate platform.

including case sharing were also added.

Third, we improved customer satisfaction by offering differentiated retirement education programs to customers. We elaborated the retirement classroom program for couples to provide a specialized curriculum. We also conducted a collaborative program with the National Pension Corporation and group companies to provide education programs focused on customer experience. Through collaborative marketing with institutional and corporate groups, we expanded future planning training to secure retirement market customers.

Moving forward, the Future Planning Center will help our customers to prepare for their future. We will lead the retirement market to become the nation's best retirement brand by providing them with practical, customized solutions.

#### • Investment Product and Service (IPS) Division

The IPS Division is staffed with investment managers and product managers. Together, they make up an unrivalled team of specialists who are dedicated to meeting the diversifying needs of customers and offering them integrated professional asset management solutions. The Division also provides timely house views from the Shinhan Financial Group level to swiftly respond to the rapidly changing domestic and overseas investment environment.

#### Realty Investment & Consulting Center

Shinhan Bank is the first bank to acquire the license for investment advisory business from the Financial Services Commission in November 2014. In March 2017, we became the first bank to establish a Realty Investment & Consulting Center. Through this center, we provide real estate investment solutions to customers and promote new businesses related to the real estate market. The Realty Investment & Consulting Center is engaged in investment consulting on the purchase and sale of profitable shopping malls and general real estate, and operates the "Asset Management Mentor School," which provides real estate-related education.

In addition, we are developing a non-direct auction platform named "Shinhan Auction SA" that provides nationwide real estate auction information. Based on our extensive know-how, we achieved 18 contracts to offer real estate solutions (KRW 1.79 billion in commission) in 2017 and helped customers who are having difficulty in real estate investment.

One of the new businesses, "Asset Management Mentor School," is a real estate education program developed for customers. By sharing our expertise in taxation, law, and construction methods, we serve as mentors for real estate asset management. Through this training, we succeeded in securing loyal customers, attracting 86 highly affluent customers in 2017.

"Shinhan Auction SA," which is under development, is a non-direct platform that provides real estate auction information nationwide. The program is expected to secure a leading position in the auction platform market through differentiating strategies, such as intuitive rights analysis and offering recommendation items in a professional way. We will introduce auction products related to the platform to secure interest income and attract more active customers.



The Investment Product and Service Division is staffed with investment managers and product managers. Together, they make up an unrivalled team of specialists who are dedicated to meeting the diversifying needs of customers and offering them integrated professional asset management solutions.

This year, we plan to diversify our real estate business line-up, which was already focused on investment advice, into real estate auctions, asset management mentoring, and others to provide differentiated real estate and financial services.

### Investment Product Department

The Investment Products Department (IPD) consists of the Structured Product Team that releases and manages private equity funds and structured products only for PWM, the Bancassurance Team, and the Gold Team that operates the gold banking and VAT purchase system (gold, copper, and iron trading accounts).

The Structured product Team upgraded the customized product support system (order-made product platform) for PWM customers to develop and supply investment products backed by various assets such as stocks, bonds, exchange rates, and real estate in domestic and major countries. Despite the volatility in the domestic fund market, the Investment Product Department has been providing customized products to customers, reflecting their needs with a mid-range risk and profit strategy based on mixed and bond-type investment. In 2017, we achieved KRW 2.9 trillion in the new inflow of private equity fund and structured products.

The Bancassurance Team continues to enjoy qualitative growth by promoting sales activation through training programs and a wide array of differentiated support programs. In addition, we are committed to launching competitive pension products, thus invigorating the retirement market, and strengthening our product lineups, which are tailored to meet various customer needs.

Despite the difficult market environment, the Gold Team was also able to fortify its leading position in gold banking in 2017. In addition, we contributed to implementing a national policy for the legalization of tax revenue sources by leveraging our operational expertise following the expansion of VAT reverse charge accounts in the banking industry.

The Investment Products Department has set its strategic goals in 2018 to achieve a higher market position using ultra-diversified investment products that are focused on customer value. The division has selected the following three key tasks to achieve this goal.

First, we will expand creative financial products detecting market changes, and lead the investment market by preemptively supporting differentiated products. We will strengthen our market position with differentiated structured products and timely product launches through market sensing and collaboration with IB. We will also introduce a Bancassurance portfolio strategy and diversify our products to fit the market changes. In terms of revenue banking and VAT accounts, leading new services will be introduced to enhance competitiveness.

Second, we will strengthen our investment product platform for long-term growth in line by expanding our network of investment products to strengthen product sourcing functions. We will activate corporate and retail sales in accordance with the new community model in the field. We also plan to expand our online product line-up and strengthen product competitiveness by shifting to a digital-based product platform.

Lastly, we will establish a sales culture to maximize customer value. We will expand the field-oriented solution support system, such as the Bancassurance salesman competency program and private-fund custom clinic, as well as upgrade our product portal. We will also take the lead in realizing compassionate finance services by fully



consolidating financial consumer protection through strengthening our protections for vulnerable investors.

### Investment Asset Strategy Department

Shinhan Bank has a group of experts who are projecting financial markets and analyzing key assets. The Investment Asset Strategy Department is responsible for conducting a global financial market research and developing a group investment strategy (house view) under the Investment Products and Service (IPS) Division. The Investment Asset Strategy Department consists of 16 global financial market experts and presents monthly investment opinions and an outlook on the rapidly changing financial market of 16 assets including stocks, bonds, and commodities.

The house view of Shinhan Bank is created through a group collaboration process. Shinhan Bank, Shinhan Investment, and Shinhan BNP Paribas Asset Management conduct a preliminary survey on the prospects of the experts, hold the meeting for strategy development, and establish the final house view for investment assets. The established house view is utilized to recommend fund products, build asset management portfolio on the mobile platform, and suggest retirement pension asset allocation. It is then delivered to retail branches and PWM centers through a weekly video conference call.

The Investment Asset Strategy Department is expanding Shinhan Bank's new territories by expanding global research. It provides weekly research on global financial market trends and economic issues to local customers of local affiliates in Vietnam, China, India, and Indonesia, and holds regular seminars covering various sectors such as stocks, interest rates, and exchange rates. In December 2016, the Vietnam banking seminar was held in cooperation with the Vietnamese state-run institute for the first time in the banking sector, attracting huge attention from the local customers.

The Investment Asset Management Department's strategic objective for 2018 is to build "a foundation for portfolio asset management based on in-house view." Shinhan Bank's house view for investment assets is aimed not only at delivering outlook but also in-house research that encompasses execution and follow-up management. Demand for investment assets is diversifying as low interest rates become the new norm. Increasing overseas investment and diversified product structure only highlight the importance in selecting overseas assets. To keep up with these trends, we will focus our efforts on protecting and enhancing customer assets by presenting an optimal portfolio based on "In-House View" and strengthening preemptive risk management.

### Discretionary Investment Management Department

The Discretionary Investment Management Department consists of the Customer Yield Team, the Fund Product Team, the Fund System Team, which is responsible for the complete sales and post management system, and the ISA Operations and Support Team, which is responsible for the portfolio management and customized investment system of dedicated ISA.

The Customer Yield Team improves the efficiency of customer yield management by establishing and executing customer yield management principles while launching preemptive products and proposing portfolio strategies. The team strives to stabilize their portfolios through rebalancing for the improvement of yields by using online and offline channels. In addition, on-site support is being expanded through employee training and other efforts to enhance

We will take the lead in realizing a compassionate financial system by establishing a complete sales culture based on financial consumer protection. In this regard, the protection process will be strengthened for vulnerable investors.

profitability management capabilities.

The Fund Product Team is pursuing the launch of a variety of competitive products based on the financial market analysis of the Investment Asset Strategy Department, which is responsible for developing the IPS Division's investment strategy. We discover promising products and provide them in a timely manner, nurture and discover representative funds, and operate investment product education programs for employees. In 2017, a new product named Covered Call Fund was independently developed to meet the investment propensity of each customer through its own product R&D. Up until now, it has secured KRW 1.80 trillion on investment and became the representative fund of Shinhan Bank. The Cover Call Fund led the Korean fund market in 2017 and greatly contributed to improving customer's rate of return to investment.

The Discretionary Investment Management Department aims to enhance investment value for customers through innovation of the investment product platform, which is the strategic goal for 2018. The following three key tasks were selected to achieve this goal.

First, we will lead the investment product market by increasing competitive financial products. We will strengthen product competitiveness through various market sensing and introduce timely investment products.

Second, we will innovate the way we sell products to improve customer yields. We will pursue a product strategy, establish a portfolio sales culture, and build a systematic management system, all of which will be centered on competitive funds. We will enact efforts to raise customer yields by promoting rebalancing for each investment customer in a preemptive manner.

Finally, we will strengthen the foundation for selling investment products. The infrastructure for Investment product sales will be digitalized. Customer and employee accessibility will be enhanced for the efficient provision of useful fund information. In addition, we will take the lead in realizing a compassionate financial system by establishing a complete sales culture based on financial consumer protection. In this regard, the protection process will be strengthened for vulnerable investors.

Digital Banking plays a key role as the driving force of digital innovation at Shinhan as we pursue the goal of becoming the dominant bank in the digital financial market.

The Digital Group consists of one team and four divisions: the Digital Planning Team, Digital Strategy Division, the Digital Channel Division, the Big Data Center, and the Smart Contact Division. Each division strives to strengthen its competitiveness in digital core technology and organize and operate laboratory with flexible manpower as needed.

### Labs in operation as of April 2018

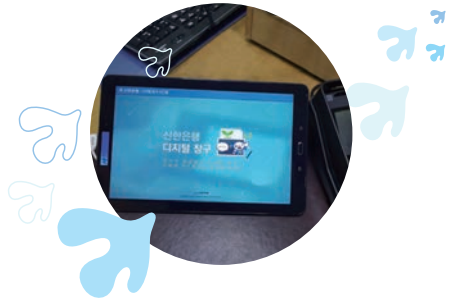
- AI Lab: Development of AI core platform and commercialization of digital service based on artificial intelligence
- NewTech R&D Lab: R&D on new technology to find promising technologies and new BM
- Block Chain Lab: Development of new Biz model by introducing block chain platform and technology internalization
- RoboAdvisor Lab: Utilization of RoboAdvisor technology to differentiate asset management and innovate customer experience
- Convergence Biz Lab: Expansion of digital contacts through partnership with platform operators and development of future growth engines
- Open Platform Lab: Establishment of Shinhan Open Platform based on Open API and collaboration through strategic investment
- UI/UX Lab: Development of customer service screen design, design planning and execution, and support for customer (user) experience improvement

### Business Performance in 2017

Under the keywords "Speedy," "Optimized" and "Leading," Shinhan has been developing the "Shinhan SOL" digital finance platform, which is the product of all our digital development (digital technology and security, UI/UX, etc.) over the past year.

### Major Services

- AI-based chatbot "SOL Mate," which can provide both banking and consulting services
- "Motion Banking," which moves to a specific page according to user's motion
- "Easy Withdrawal App," which can withdraw money from ATM without a card, thanks to your smartphone's RF function
- "Mobile Number Ticket," which is issued after location and personal confirmation to write the necessary form
- "SOL-easy Deposit and Withdrawal Account," which is exempted from mobile banking fees only by subscription
- SOL-only deposits and savings, which eliminate complicated preferential conditions and provide customers with the best interest rates
- "SOL-easy Credit Loans," which provide the most favorable limits and interest rates for customers



## Business Plan for 2018

Declaring 2018 as “the first year of digital sales,” we are carrying our digital marketing master plan to make “Shinhan SOL” our main sales channel.

We are in the process of establishing a digital financial platform that brings new customers by providing various content and financial products. This platform will also recommend customized products through big data analysis to our current customers. In order to further develop this platform, we will continue to optimize financial services by offering realistic benefits and events.

In addition, we are leading the overwhelming trend in the big data market under the direction of our big data strategy of core competitiveness innovation, customer experience innovation, and collaboration system innovation. To meet this purpose, we identify new business areas based on the core data financing of banks and analyze customer behavior and product subscription patterns. We are also building an AI-based data analysis platform and a collaborative network with leaders in each sector.

We will continue to lead digital innovation at Shinhan Bank, such as promoting our digital transformation, making strategic investment with FinTech start-ups and ICT companies, and finding new businesses through alliances. In doing so, we will realize our ultimate objective to become the dominant leader in the digital bank market.





The Risk Management Group of Shinhan Bank aims to maximize shareholder value and seek both soundness and stability by managing risks. Our guiding philosophy is that our employees must find a “golden mean” between risk and profits for our continuing sustainable growth. Each business unit that is exposed to, or likely to generate, risk has its own risk manager whose main priority is to mitigate risk firsthand upon awareness.

The Risk Management Group is responsible for managing the Bank’s risks. This is carried out separately from its general business operations, and includes identifying, evaluating, monitoring, controlling, and reporting risks.

Shinhan Bank has also developed a number of consultative bodies to ensure more efficient risk management. They include a Risk Management Committee, a Credit Policy Committee, and an ALM Committee. We also operate a Derivatives and Structured Products Risk Review Council, a Fair Value Appraisals Council, and an IB Deal Pre-Review Council. All of these councils are tasked with objectively analyzing and reviewing potential risk factors before new products and businesses are released onto the market.

In order to ensure that our processes meet all the requirements of the Basel III Accord, we obtained the approval of the FSS to use our in-house marketing risk model and the Foundation Internal Ratings Based Approach to Credit Risk, which is used to calculate capital adequacy and BIS ratios. Additionally, we utilize a system that measures credit, markets, interest rates, and liquidity risks to ensure that they remain at the appropriate levels.

Under the tightening regulatory environment, we are reinforcing our risk-to-profitability management for efficient capital allocation. We are also actively coping with changing outside regulations, including those contained in the International Financial Reporting Standards (IFRS) and the Basel III regulations.

### Credit Risk Management

Credit risk refers to the potential economic loss that can arise when a borrower fails to make payments due to causes such as insolvency. Credit risk accounts for more than 80% of the bank’s total risks. Classified as either expected or unexpected loss, it is calculated on the basis of the bank’s insolvency and recovery rates. Our loan loss provisions are then derived from the expected losses and reserves. Their value is based on either the K-IFRS guidelines or the Financial Supervisory Service’s guidelines, depending on which are higher.

Unexpected loss refers to risk capital that the bank is obliged to hold against credit losses that exceed its anticipated volume. It is measured and managed based on both regulatory capital and economic capital standards. Regulatory capital is calculated by using risk-weighted assets that are modeled on the Basel III Foundation Internal Rating-Based Approach. This is mainly utilized in the management of BIS ratios. Economic capital is used to establish loan limits and to conduct performance evaluations.

The various components that we use when calculating expected and unexpected losses were approved by the Korean government’s Financial Supervisory Service (FSS). These components meet all of the standards included in the FSS’s Credit Risk Foundation Internal Rating-Based Approach.

We separate credit risk into household and corporate loans to ensure more effective risk management. As for household loans, we manage risk by promoting the sale of securitized mortgage loans and increasing loans centering on prime-quality borrowers, to relieve excessive concentration on mortgage loans from a portfolio level. On an individual level, we analyze risk by household loan product to minimize the possibility of insolvency.



Industry, country, group, and ceilings limit the number of business loans that we can grant. Loans to individuals take the borrower's maximum limit into account. Other factors taken into account are credit ratings, so we can expand, maintain, and manage our portfolio of customers who have a high credit rating.

In addition, we are expanding our portfolio in each market and sector by accelerating differentiated asset growth in target markets such as the global and trust market.

### Market Risk Management

Market risk refers to a risk that is generated by fluctuations in trading accounts, such as interest rates, share prices, exchange rates, and commodity prices. Its management is geared toward ensuring that the maximum amount of loss falls within permissible, pre-established levels. It is managed by establishing value-at-risk limits, investment limits, position limits, transaction limits, loss limits, and stop-loss selling limits.

The Risk Engineering Department monitors these limits and other operational situations from an independent perspective and reports to the Credit Policy Committee on a monthly basis. In addition, the Department evaluates the degree of risk associated with new products or deals within each business sector prior to their launch.

To measure market risk, the bank uses Value at Risk (VaR) methodologies and standard methods. We can calculate the market risk with 99% accuracy by using historical simulation methods. We manage our capital adequacy levels by estimating the maximum potential loss of our trading positions in the event of an emergency.

In order to measure the market risk of FX, stocks, bonds, and derivatives, we operate front systems in which we enter and manage relevant data. This allows us to calculate risks and establish limits on lending, and we report this information to upper management to assist with market analysis.

We conduct a cause analysis of risks that are above a specified level, and the results are shared with the relevant divisions and departments for their use and are reported, in the form of a document, to upper management for review. This is done to strengthen our control systems.

We use the same data to analyze portfolio risks and hedging strategies. We also strengthen our risk management functions further by continuously elaborating our market risk measurements. We intend to cope with the new regulations that will follow the implementation of Basel III requirements.

### Middle Office

We transferred the functions of the Middle Office to the Risk Management Group in February 2009. The goal of this move was to act as an intermediary between the front and back offices. This helps to make our risk management processes more efficient and systematic. Our front system has also been improved to establish a more accurate valuation system.

We carry out pricing relevance checks on financial losses, reputation risk, and financial consumer rights for new deals made at our front office. In addition, we manage market data to conduct independent fair value accounting for each deal made and engage in front system maintenance so that our dealers at the front office can concentrate on dealing. Based on this, we offer objective information to our customers and inside users.

The Risk Management Group of Shinhan Bank aims to maximize shareholder value and seek both soundness and stability by managing risks.

Our front system has also been improved to establish a more accurate valuation system. In addition, we have been developing and implementing more measures to improve the system to come up with more efficient ways to manage the market data.

The Middle Office also ensures that each department and desk is observing the Credit Policy Committee's loss and risk limit levels. We also calculate risks (in terms of sensitivity levels, positions, and investment status) and losses that have been incurred at the desk or dealer levels.

In addition, we monitor the front office to ensure that it complies with the Bank's stop-loss limits to objectively and systematically manage risks arising from the transactions of FX, securities, and derivative products.

We make continued efforts in building a database on profits and losses and on the sensitivity levels of securities and derivatives that have been calculated by the Middle Office in order to ensure timely reporting and accurate risk management.

## Asset & Liability Management (ALM)

### • Interest Rate Risk Management

Interest rate risk refers to the possibility of losses, namely declines in net interest income and net asset values, generated by unfavorable interest rate movements.

Shinhan Bank strives to ensure stable earnings and to maintain net asset value by forecasting changes in interest rate risks that are related to the bank's net interest income and net asset value, and to also manage them within allowable ranges. To this end, we manage our interest rate risk from the perspective of both earnings and economic value. We also establish Earning at Risk (EaR) limits every year with the approval of the Risk Management Committee, Risk Policy Committee, and ALM Committee.

In addition to EaR limits, we regularly examine relevant detailed limits and monitoring indicators, while analyzing risk situations and establishing countermeasures at the same time for preemptive interest rate management.

Recently, we completed the project to rebuild our interest rate and liquidity risk management-related ALM system. Through these efforts, we upgraded our interest rate and liquidity risk management by improving data compatibility and expanding various simulation functions.

### • Liquidity Risk Management

Liquidity risk refers to the potential inability to fulfill contractual payment obligations on time, being forced to raise capital at higher-than-market prices or maintaining operating funds at lower than market rates. It includes funding liquidity risks and market liquidity risks.

The goals of liquidity risk management are to minimize the risks that arise from capital shortages and to ensure stable earnings. It does this by predicting liquidity fluctuation factors in advance in relation to financing and capital management in the banking and trust accounts, and by ensuring a proper level of liquidity through systematic management. It also guarantees that the bank has enough high-quality liquid assets to cope with emergencies.



Shinhan Bank follows all the liquidity-related guidelines, including the Liquidity Coverage Ratio (LCR), that have been established by the Korean financial industry's supervisory organizations, including those that deal with liquidity ratios. It also develops contingency plans to guard against unexpected shortages of cash.

The Bank also establishes liquidity limits with the approval of the Risk Management Committee, Credit Policy Committee, and ALM Committee, while selecting and regularly examining relevant detailed limits and monitoring indicators.

### Operational Risk Management

Operational risk refers to a risk resulting from financial and non-financial losses and their probability caused by incomplete or incorrect internal processes, employee speculation, system errors, or other external factors.

Operational risk management is carried out by our unit business divisions (first line of defense), the Operational Risk Team (second line of defense) which takes the overall responsibility of the risk management, and an internal audit team (third line of defense) which is charged with the independent third-person inspection. This division of function serves to clarify the roles and responsibilities of the Bank's internal controls and each division in charge and to enhance mutual checks.

In addition, the Bank has been operating an operational risk management system since February 2006. Our in-house operational risk management system includes the following six modules: Risk and Control Self-Assessments, Key Risk Indicators, Loss Data Collections, Operational Risk Measurements, Scenario Analyses, and Operational Risk Culture. They meet all of the quantitative and qualitative requirements for operational risk management that have been stipulated by the Basel Committee and the FSS.

In addition, after obtaining approval from the FSS on the application of Advanced Measurement Approach (AMA) in July 2013, we have used this method to calculate the equity capital required for our operational risk. Our subsidiaries, including Shinhan Bank Americas (SHBA) and SBJ Bank, use the Basic Indicator Approach.

By using these systems, we continue to meet qualitative and quantitative requirements of the Basel Committee and the FSS for operational risk management, while improving the Bank's operational risk management levels.

### Risk Model Validation

We use risk model validation to minimize the possibility of risk resulting from operating errors or defects in the models themselves. This is also done to ensure that we can cope with changes in our internal and external operating environment and meet the requirements of Korea's financial supervisory authorities.

In 2017, we carried out validation tests on retail mid-range interest rate credit rating models, retail SOHO credit rating systems, and early warning systems, plus regular validation tests in several areas, including: our retail, wholesale, and SOHO credit assessment systems, the PD/LGD/CCF calculation system, and the market and operational risk and risk-weighted asset calculation system. We also expanded the range of validation and conducted validation tests on our early warning, loan loss provision, credit cost, and asset soundness risk systems. We also conducted validation tests on interest rate risk, liquidity risk, and bankruptcy management systems.

We also support the establishment of various IT systems, such as credit evaluation models and risk measurement systems, to improve work efficiency and streamline risk management at all overseas branches.

The results were presented to senior management and to the Risk Management Committee. Operating divisions were also notified about areas that need to be improved. In the future, we will enhance the performance and utilization of our various risk models by adding to the list of targets for validation. Additionally, we will introduce new methodologies and train our employees in charge of risk management in their use.

### Global Network Risk Management

Accelerating overseas expansion requires the strengthened risk management of overseas branches to support the stable growth of global networks.

Shinhan Bank is building a global network risk management system to ensure that SFG, the Bank, and its overseas branches share consistent risk management strategies. We will also foster their healthy growth in relation to their potential for countering risks. We build key risk indicators monitoring structure by global network, support system development including credit assessment models, and continue to upgrade our risk management levels through regular checks on risk management conditions.

We also support the establishment of various IT systems, such as credit rating models and risk validation systems, to improve work efficiency and streamline risk management at all overseas branches. In the first quarter of 2018, the development of the risk validation system to cover all overseas branches will be completed.

The risk management system of overseas branches not only complies with the risk regulations required by the bank but also regulations by the local supervisory authorities. Shinhan is carrying out support work at its headquarters for this purpose, which includes verifying local risk regulation ratio and suggesting improvement plans.

### Information Quality Management

Shinhan Bank supports speedy and accurate decision-making and policy development by providing the bank with information that is both correct and accurate. This is done to help the bank cope with a rapidly changing financial environment, and to guarantee the accuracy and reliability of the information that will be reported to its supervisory bodies.

Correct and accurate information helps us to maximize our business outcomes by making us more competitive. To this end, we are tasked with establishing strategies and guidelines to enhance and measure the quality of our data. We also carry out a bank-wide data cleansing campaign on a regular basis.

Going forward, we will continue to use our data verification system to secure the compatibility of acquired data that are used for individual systems. We will also conduct information quality control by identifying verification rules by business.

# Management Discussion & Analysis





## Financial Highlights

	KRW in Billions		USD in Millions <sup>1)</sup>	
	2017	2016	2017	2016
<b>Bank Account</b>				
For the Year				
Total Operating Income	5,782.8	5,537.3	5,397.4	4,581.9
Operating income	2,664.7	2,647.4	2,487.1	2,190.6
Net Income	1,711.0	1,940.3	1,596.9	1,605.5
At Year-End				
Total Assets	324,278.8	302,854.6	302,668.3	250,603.7
Total Loans	231,732.2	219,438.7	216,289.2	181,579.4
Total Deposits	242,653.7	228,910.1	226,482.8	189,416.7
Total Stockholders' Equity	22,652.9	21,467.0	21,143.3	17,763.3
<b>Financial Ratios <sup>2)</sup></b>				
Return on Average Assets	0.55	0.64		
Return on Average Equity	7.39	8.58		
NPL Ratio by FSS	0.55	0.65		
Net Interest Margin	1.56	1.49		
BIS Capital Adequacy Ratio	15.4%	15.7%		
{ CET 1 Ratio }	12.7%	12.9%		
{ Tier 1 Capital Ratio }	13.1%	13.1%		
{ Tier 2 Capital Ratio }	2.3%	2.6%		

Note1) Translated into US dollars at the rates of KRW 1208.5/USD 1 and KRW 1071.4 /USD 1 respectively--those prevailing on December 31, 2016 and December 31, 2017

Note2) Based on separate financial statements.

## Condensed Income Statements

(KRW in Billions, Accumulated)

	FY2016	FY2017	Increase	YoY
Total Operating Income (a=b+c)	5,537.3	5,782.8	245.5	4.43%
Interest Income (b)	4,504.1	4,992.1	488.0	10.83%
Non-interest Income (c)	1,033.1	790.7	-242.4	-23.46%
General and Admin Expenses (d)	2,889.9	3,118.1	228.2	7.90%
Operating Income before Provisioning (e=a-d)	2,647.4	2,664.7	17.3	0.65%
Non-operating Income(f)	69.7	-46.6	-116.3	-166.86%
Pre-provision Income (g=e+f)	2,717.1	2,618.1	-99.0	-3.64%
Provision for Credit Losses (h)	688.4	460.3	-228.1	-33.13%
Income before Taxes (i=g+h)	2,028.7	2,157.7	129.0	6.36%
Income Tax (j)	88.1	446.5	358.4	406.81%
Consolidated Net Income (m=i-j)	1,940.6	1,711.2	-229.4	-11.82%
<b>Net Income Attributable to Controlling Interest</b>	<b>1,940.3</b>	<b>1,711.0</b>	<b>-229.3</b>	<b>-11.82%</b>
Net Income Attributable to Non-controlling Interest	0.4	0.2	-0.2	-50.00%

## • Net Income

Shinhan Bank's net income declined 11.8% YoY to KRW 1.711 trillion in 2017. However, this is due to seasonal factors that are typical in fourth quarters, such as voluntary retirement and additional provision, and our income power has been solid. In 2017, our net interest margin improved by 7 basis points to 1.56% due to profitability-based loan management and efforts to reduce procurement costs. Won-denominated loans also rose 5.9% YoY compared to the same period of the previous year, and interest income increased 10.8% YoY.

Bad debt expenses decreased 33.1% YoY to KRW 460.3 billion despite the one-off provisioning in 4Q17. This is the result of the elimination of the impact of large-cap insolvency on shipbuilding and shipping restructuring companies, as well as continued downward stabilization of current account provisions through steady risk management. As of the end of December, banks' credit cost ratio improved 21 basis points, an average of 36 basis points over the past five years. The delinquency rate and Non-Performing Loan (NPL) ratio were 0.23% and 0.55%, respectively.

Meanwhile, Shinhan Bank's G&A expenses increased 7.9% YoY due to increased retirement expenses, but operating expenses have remained at 50.0%.

## Condensed Balance Sheets

(KRW in Billions)

	2016.12	2017.12	Increase	YoY
<b>Assets</b>	<b>302,854.6</b>	<b>324,278.8</b>	<b>21,424.2</b>	<b>7.07%</b>
Currency & Due from Banks	14,469.4	18,662.3	4,192.9	28.98%
Trading Assets	11,270.8	11,216.4	-54.4	-0.48%
Financial Assets at FVTPL	-	-	-	-
Derivative Instruments Assets	2,579.1	2,604.1	25.0	0.97%
Loans	219,438.7	231,732.2	12,293.5	5.60%
Available for Sales Securities	27,814.6	32,495.5	4,680.9	16.83%
Hold to Maturity Securities	11,630.3	14,822.9	3,192.6	27.45%
Tangible Fixed Assets	2,043.6	2,055.9	12.3	0.60%
Intangible Fixed Assets	260.6	298.2	37.6	14.43%
Investment Using Equity Method	130.9	100.3	-30.6	-23.38%
Deferred Tax Assets	447.5	407.3	-40.2	-8.98%
Current Tax Asset	11.8	24.7	12.9	109.32%
Investment Real Estate	675.1	598.3	-76.8	-11.38%
Other Assets	12,077.5	9,253.1	-2,824.4	-23.39%
Sundry Assets	4.9	7.5	2.6	53.06%
<b>Liabilities</b>	<b>281,387.7</b>	<b>301,625.9</b>	<b>20,238.2</b>	<b>7.19%</b>
Deposits	228,910.1	242,653.7	13,743.6	6.00%
Trading Liabilities	486.0	434.6	-51.4	-10.58%
Financial Liability at FVTPL	6.3	-	-	-
Derivative Instruments Liability	2,785.4	2,992.9	207.5	7.45%
Borrowings	14,314.3	14,617.6	303.3	2.12%
Trading Corporate Bonds in KRW	21,578.4	25,460.4	3,882.0	17.99%
Allowance for Severance and Retirement Benefits	50.1	-30.3	-80.4	-160.48%
Temporary Account for Ex-CHB	306.9	259.3	-47.6	-15.51%
Deferred Tax Liabilities	9.5	11.7	2.2	23.16%
Current Tax Liabilities	137.7	210.9	73.2	53.16%
Policy Reserves	-	-	-	-
Other Allowances	12,802.9	15,015.0	2,212.1	17.28%
Sundry Liabilities	-	-	-	-

[KRW in Billions]

	2016.12	2017.12	Increase	YoY
<b>Stockholder's Equity</b>	<b>21,467.0</b>	<b>22,652.9</b>	<b>1,185.9</b>	<b>5.52%</b>
Controlling Interest	21,460.4	22,647.6	1,187.2	5.53%
Capital Stock	7,928.1	7,928.1	0.0	0.00%
Hybrid Bond	469.4	668.9	199.5	42.50%
Capital Surplus	403.2	403.2	0.0	0.00%
Capital Adjustment	-64.6	-3.3	61.3	-94.89%
Accumulated Other Comprehensive Income, Net of Taxes	-276.4	-490.8	-214.4	77.57%
Retained Earnings	13,000.8	14,141.5	1,140.7	8.77%
Non-controlling Interest	6.6	5.3	-1.3	-19.70%

## Interest Income and Margin

[KRW in Billions, Accumulated]

	FY2016	FY2017	Increase	YoY
Interest Earning Assets	239,570.5	252,842.4	13,271.9	5.54%
Interest Revenue	6,727.8	7,058.2	330.4	4.91%
Loans	5,625.2	5,806.3	181.1	3.22%
Securities/Others	1,102.6	1,251.9	149.3	13.54%
Interest Bearing Liabilities	226,182.0	237,547.0	11,365.0	5.02%
Interest Expense	3,156.4	3,110.4	-46.0	-1.46%
Deposits	2,428.8	2,298.8	-130.0	-5.35%
Debentures/Borrowings	727.6	811.7	84.1	11.56%
<b>Net Interest Income*</b>	<b>3,571.3</b>	<b>3,947.8</b>	<b>376.5</b>	<b>10.54%</b>
Interest Income in KRW	3,441.3	3,781.9	340.6	9.90%
Interest Income in FC	130.0	165.9	35.9	27.62%
<b>Net Interest Spread in KRW</b>	<b>1.68%</b>	<b>1.80%</b>	<b>0.12%</b>	<b>7.14%</b>
Average Lending Rate	3.04%	3.04%	0.00%	0.00%
Average Deposit Rate	1.36%	1.24%	-0.12%	-8.82%
<b>Net Interest Margin</b>	<b>1.49%</b>	<b>1.56%</b>	<b>0.07%</b>	<b>4.70%</b>
NIM in KRW	1.57%	1.64%	0.07%	4.46%
NIM in FC	0.65%	0.76%	0.11%	16.92%

Note 1) NII is based on the methodology applicable to calculate Net Interest Margin and is different from the NII stated on the earnings presentation material, which is based on the current accounting standard.

## G&A Expenses

[KRW in Billions, Accumulated]

	FY2016	FY2017	Increase	YoY
<b>Employee Benefits</b>	<b>1,773.5</b>	<b>1,990.1</b>	<b>216.6</b>	<b>12.21%</b>
Salaries & Employee Benefits	1,538.5	1,635.1	96.6	6.28%
Termination Benefits	94.5	224.0	129.5	137.04%
Provision for Current Year Severance and Retirement Benefits	140.6	130.9	-9.7	-6.90%
<b>Depreciation</b>	<b>160.4</b>	<b>159.0</b>	<b>-1.4</b>	<b>-0.87%</b>
<b>Other General and Administrative Expenses</b>	<b>955.9</b>	<b>969.0</b>	<b>13.1</b>	<b>1.37%</b>
Occupancy, Furniture & Equipment Expenses	880.6	892.8	12.2	1.39%
Taxes	75.3	76.2	0.9	1.20%
<b>G&amp;A Expenses</b>	<b>2,889.9</b>	<b>3,118.1</b>	<b>228.2</b>	<b>7.90%</b>

## Summary of Loans and Deposits

(KRW in Billions)

	2016.12	2017.12	Increase	YoY
<b>Loans</b>				
Bank Account	206,218.0	216,462.5	10,244.5	4.97%
Loans in KRW	184,559.4	195,496.7	10,937.3	5.93%
Retail	93,628.5	98,876.8	5,248.3	5.61%
Mortgage	52,392.1	52,808.2	416.1	0.79%
Others	41,236.4	46,068.6	4,832.2	11.72%
Corporate	90,931.0	96,619.9	5,688.9	6.26%
SME	71,757.5	78,556.4	6,798.9	9.47%
(SOHO)	35,538.6	38,609.7	3,071.1	8.64%
Large Corp. & Public	19,173.5	18,063.5	-1,110.0	-5.79%
Loans in FC	7,919.0	7,658.4	-260.6	-3.29%
Bills Bought in FC	5,840.7	6,828.1	987.4	16.91%
Call Loans, RPs	5,048.9	4,102.1	-946.8	-18.75%
Others	4,140.4	3,727.8	-412.6	-9.97%
Loan Loss Allowance (Δ)	1,290.4	1,350.5	60.1	4.66%
Trust Account	472.1	468.9	-3.2	-0.68%
Merchant A/C and Other Consolidating Entities	12,748.6	14,800.7	2,052.1	16.10%
<b>Total Loans (Consolidated)</b>	<b>219,438.7</b>	<b>231,732.2</b>	<b>12,293.5</b>	<b>5.60%</b>
<b>Won-denominated Loans by Sector</b>				
Retail	50.7%	50.6%	-0.10%	-0.20%
Mortgage	28.4%	27.0%	-1.40%	-4.93%
Others	22.3%	23.6%	1.30%	5.83%
Corporate	49.3%	49.4%	0.10%	0.20%
SME	38.9%	40.2%	1.30%	3.34%
(SOHO)	19.3%	19.7%	0.40%	2.07%
Large Corp. & Public	10.4%	9.2%	-1.20%	-11.54%
<b>Won-denominated Loans by Collateral</b>				
<b>Secured</b>	<b>68.1%</b>	<b>69.5%</b>	<b>1.40%</b>	<b>2.06%</b>
Collateral	54.0%	53.3%	-0.70%	-1.30%
Real Estate, Movables	51.9%	50.9%	-1.00%	-1.93%
Securities	1.9%	2.3%	0.40%	21.05%
Others	0.1%	0.1%	0.00%	0.00%
Guarantee	14.2%	16.2%	2.00%	14.08%
<b>Unsecured</b>	<b>31.9%</b>	<b>30.5%</b>	<b>-1.40%</b>	<b>-4.39%</b>
<b>Loan to Deposit Ratio*</b>	<b>97.5%</b>	<b>99.2%</b>	<b>1.70%</b>	<b>1.74%</b>

\* Based on monthly average balance, Excluding CD

[KRW in Billions]

	2016.12	2017.12	Increase	YoY
<b>Deposits</b>				
Bank Account	204,388.1	216,593.3	12,205.2	5.97%
Low Cost Deposits	81,681.2	89,461.7	7,780.5	9.53%
Demand	25,148.7	26,936.3	1,787.6	7.11%
Low Cost Saving	56,532.5	62,525.3	5,992.8	10.60%
Time Deposits	97,793.2	99,490.7	1,697.5	1.74%
Installment Deposits	8,457.8	8,402.8	-55.0	-0.65%
CDs	5,827.8	6,973.2	1,145.4	19.65%
RPs & Bills Sold	392.5	238.9	-153.6	-39.13%
Deposits in FC	10,235.6	12,026.1	1,790.5	17.49%
Trust Account	29,475.7	37,700.0	8,224.3	27.90%
Merchant A/C and Other Consolidating Entities	-4,953.7	-11,639.5	-6,685.8	134.97%
<b>Total Deposits</b>	<b>228,910.1</b>	<b>242,653.7</b>	<b>13,743.6</b>	<b>6.00%</b>
<b>Deposit Compositions(Shinhan Bank)</b>				
<b>Low Cost Deposits</b>	<b>40.0%</b>	<b>41.3%</b>	<b>1.30%</b>	<b>3.25%</b>
Demand	12.3%	12.4%	0.10%	0.81%
Low Cost Saving	27.7%	28.9%	1.20%	4.33%
<b>Time Deposits</b>	<b>47.8%</b>	<b>45.9%</b>	<b>-1.90%</b>	<b>-3.97%</b>
Installment Deposits	4.1%	3.9%	-0.20%	-4.88%
CDs	2.9%	3.2%	0.30%	10.34%
RPs & Bills Sold	0.2%	0.1%	-0.10%	-50.00%
Deposits in FC	5.0%	5.6%	0.60%	12.00%

## • Asset Growth

### Won-denominated Loans

Won-denominated loans grew 5.9% annually through steady growth in retail and corporate banking sectors. By sector, retail banking and corporate banking grew 5.6% and 6.3%, respectively. SMEs whose financial accounts were not examined by independent auditors increased 14.0% a year, leading to overall asset growth. We will stabilize our income base by increasing selective loans to high-quality SMEs, which is one of our core markets.

### Won-denominated Deposits

As of the end of 2017, Shinhan Bank's won-denominated deposits increased 5.0% YoY to KRW 197.3 trillion won. Market liquidity was strong as the recent low interest rate environment continues. Deposits are also being stabilized centering on deposits due to the efforts to attract payroll and credit card settlement accounts.

Shinhan Bank is actively attracting payroll accounts targeting individual and corporate customers. For credit card customers, we expanded the base for low-cost deposits by attracting credit card settlement accounts. As a result, Shinhan Bank's low-cost deposits have posted a high rising growth. These deposits have been growing at a double-digit annual growth rate from 2013 to 2017, accounting for 39.9% of total won-denominated deposits worth KRW in 2017.

## Asset Quality

(KRW in Billions)

	2016.12	2017.12	Increase	YoY
<b>Total Asset</b>				
Normal	206,893.8	216,940.6	10,046.8	4.86%
Precautionary	1,154.6	1,083.8	-70.8	-6.13%
Substandard	688.2	461.9	-226.3	-32.88%
Doubtful	262.7	363.0	100.3	38.18%
Estimated Loss	419.7	380.8	-38.9	-9.27%
<b>Total</b>	<b>209,418.9</b>	<b>219,230.0</b>	<b>9,811.1</b>	<b>4.68%</b>
Bad Loan Ratio	0.33%	0.34%	0.01%	3.03%
<b>Substandard &amp; Below Ratio</b>	<b>0.65%</b>	<b>0.55%</b>	<b>-0.10%</b>	<b>-15.38%</b>
<b>Precautionary &amp; Below Ratio</b>	<b>1.21%</b>	<b>1.04%</b>	<b>-0.17%</b>	<b>-14.05%</b>
<b>Allowance + Reserve</b>	<b>2,803.6</b>	<b>2,914.0</b>	<b>110.4</b>	<b>3.94%</b>
Allowance	1,323.7	1,374.8	51.1	3.86%
Reserve	1,479.9	1,539.2	59.3	4.01%
<b>Coverage Ratio Against</b>				
Bad Loan	194.00%	184.84%	-9.16%	-4.72%
Substandard & Below	204.56%	114.03%	-90.53%	-44.26%
Substandard & Below (new)*	96.58%	241.70%	145.12%	150.26%
Precautionary & Below	111.03%	60.05%	-50.98%	-45.92%
Precautionary & Below (new)*	52.42%	127.28%	74.86%	142.81%
<b>Retail</b>				
Normal	93,531.4	98,761.6	5,230.2	5.59%
Precautionary	194.5	198.0	3.5	1.80%
Substandard	125.9	129.0	3.1	2.46%
Doubtful	98.3	114.0	15.7	15.97%
Estimated Loss	37.3	50.9	13.6	36.46%
<b>Total</b>	<b>93,987.4</b>	<b>99,253.5</b>	<b>5,266.1</b>	<b>5.60%</b>
Bad Loan Ratio	0.14%	0.17%	0.03%	21.43%
<b>Substandard &amp; Below Ratio</b>	<b>0.28%</b>	<b>0.30%</b>	<b>0.02%</b>	<b>7.14%</b>
<b>Precautionary &amp; Below Ratio</b>	<b>0.49%</b>	<b>0.50%</b>	<b>0.01%</b>	<b>2.04%</b>
<b>Corporate</b>				
Normal	113,362.4	118,179.0	4,816.6	4.25%
Precautionary	960.1	885.8	-74.3	-7.74%
Substandard	562.3	332.8	-229.5	-40.81%
Doubtful	164.4	249.0	84.6	51.46%
Estimated Loss	382.3	329.9	-52.4	-13.71%
<b>Total</b>	<b>115,431.5</b>	<b>119,976.5</b>	<b>4,545.0</b>	<b>3.94%</b>
Bad Loan Ratio	0.47%	0.48%	0.01%	2.13%
<b>Substandard &amp; Below Ratio</b>	<b>0.96%</b>	<b>0.76%</b>	<b>-0.20%</b>	<b>-20.83%</b>
<b>Precautionary &amp; Below Ratio</b>	<b>1.79%</b>	<b>1.50%</b>	<b>-0.29%</b>	<b>-16.20%</b>

\* Excluding Loan Loss Reserve



## Delinquency Ratio by Sector

(KRW in Billions)

	2016.12	2017.12	Increase	YoY
<b>Total Loans</b>	<b>199,767.8</b>	<b>211,168.2</b>	<b>11,400.4</b>	<b>5.71%</b>
Retail	93,968.4	99,233.6	5,265.2	5.60%
(Mortgage)	63,162.6	66,145.1	2,982.5	4.72%
Corporate	105,799.4	111,934.7	6,135.3	5.80%
SME	74,952.5	81,861.9	6,909.4	9.22%
(SOHO)	35,968.9	38,926.1	2,957.2	8.22%
Large Corp.	30,846.8	30,072.7	-774.1	-2.51%
<b>Total Delinquent Loans*</b>	<b>563.7</b>	<b>486.2</b>	<b>-77.5</b>	<b>-13.75%</b>
Retail	175.9	220.8	44.9	25.53%
(Mortgage)	57.6	73.9	16.3	28.30%
Corporate	387.8	265.4	-122.4	-31.56%
SME	341.2	260.6	-80.6	-23.62%
(SOHO)	133.3	68.5	-64.8	-48.61%
Large Corp.	46.6	4.8	-41.8	-89.70%
<b>Delinquency Ratio_Total Loan*</b>	<b>0.28%</b>	<b>0.23%</b>	<b>-0.05%</b>	<b>-17.86%</b>
Retail	0.19%	0.22%	0.03%	15.79%
(Mortgage)	0.09%	0.11%	0.02%	22.22%
Corporate	0.37%	0.24%	-0.13%	-35.14%
SME	0.46%	0.32%	-0.14%	-30.43%
(SOHO)	0.37%	0.18%	-0.19%	-51.35%
Large Corp.	0.15%	0.02%	-0.13%	-86.67%

\* Principal or interest is delinquent for 1 month and over

## Delinquency Ratio by Industry (SME)\*

(KRW in Billions)

	2016.12	2017.12	Increase	YoY
Manufacturing	0.57%	0.54%	-0.03%	-5.26%
Constructions	0.36%	0.25%	-0.11%	-30.56%
Wholesales & Retails	0.33%	0.37%	0.04%	12.12%
Accommodation & Restaurants	0.49%	0.26%	-0.23%	-46.94%
Trans and Storage	0.26%	0.23%	-0.03%	-11.54%
Telecommunication	0.28%	0.36%	0.08%	28.57%
Finance and Insurance	0.02%	0.01%	-0.01%	-50.00%
Real estate/ Rent	0.44%	0.08%	-0.36%	-81.82%
Science and Technology	0.13%	0.33%	0.20%	153.85%
Educational Service	0.93%	0.27%	-0.66%	-70.97%
Health and Social Benefits	0.08%	0.04%	-0.04%	-50.00%
Entertainments and Sports	3.39%	0.59%	-2.80%	-82.60%
Others	0.24%	0.26%	0.02%	8.33%
<b>SME Total</b>	<b>0.46%</b>	<b>0.32%</b>	<b>-0.14%</b>	<b>-30.43%</b>

\* Principal or interest is delinquent for 1 month and over

## • Asset Quality

At the end of 2017, Shinhan Bank's NPL ratio was 0.55%, down 0.10% p from the previous year. The recent low interest rate environment continues, and asset quality indicators such as NPL ratio remain very stable due to the growth of mortgage-backed loans and SME loans. As of the end of 2017, Shinhan Bank's non-performing loans decreased by 12% to KRW1.2 trillion, while the delinquency rate remained low at 0.23%.

## Capital Adequacy

[KRW in Billions]

	2016.12	2017.12(e)	Increase	YoY
<b>Tier I Capital</b>	<b>20,385.5</b>	<b>21,569.3</b>	<b>1,183.8</b>	<b>5.81%</b>
<b>Common Equity Tier I</b>	<b>19,913.4</b>	<b>20,899.4</b>	<b>986.0</b>	<b>4.95%</b>
Paid in Capital	7,928.1	7,928.1	0.0	0.00%
Capital Surplus	403.2	403.2	0.0	0.00%
Retained Earnings	13,000.8	14,141.5	1,140.7	8.77%
Others	-339.9	-520.7	-180.8	53.19%
Deductions(-)	1,078.8	1,052.6	-26.2	-2.43%
<b>Additional Tier I</b>	<b>472.1</b>	<b>669.9</b>	<b>197.8</b>	<b>41.90%</b>
<b>Tier II Capital</b>	<b>3,953.2</b>	<b>3,828.8</b>	<b>-124.4</b>	<b>-3.15%</b>
<b>Total BIS Capital</b>	<b>24,338.7</b>	<b>25,398.2</b>	<b>1,059.5</b>	<b>4.35%</b>
<b>RWA</b>	<b>155,027.4</b>	<b>164,717.8</b>	<b>9,690.4</b>	<b>6.25%</b>
Credit Risk-Weighted Assets	139,364.1	148,722.8	9,358.7	6.72%
Market Risk-Weighted Assets	6,452.1	6,802.9	350.8	5.44%
Operation Risk-Weighted Assets	9,211.2	9,192.1	-19.1	-0.21%
<b>BIS Capital Adequacy Ratio</b>	<b>15.70%</b>	<b>15.42%</b>	<b>-0.28%</b>	<b>-1.78%</b>
Tier I	13.15%	13.09%	-0.06%	-0.46%
Common Equity Tier I	12.85%	12.69%	-0.16%	-1.25%
Tier II	2.55%	2.32%	-0.23%	-9.02%

Note) Based on Basel III. Recent figures are provisional.

## • Capital Adequacy

As of the end of 2017, Shinhan Bank's BIS Ratio decreased by -0.11% p from the end of the previous year to post 15.4%. Despite high asset growth rate in recent years, Common Equity Tier 1 (CET1) increased 5% from the end of the previous year as stable net profit continued to be generated.

In the fourth quarter of 2017, Shinhan Bank's CET1 ratio maintained 12.7% just like last year because the Reserve for Credit Losses was recognized as CET1.

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• **Overseas**

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**NEW DELHI BRANCH**

3rd Floor, D-6, Part II South Extension, New  
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**KANCHEEPURAM BRANCH**

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**PUNE BRANCH**

Ground Floor, Red Building, Plot No.2, Galaxy  
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SWIFT: SHBKINBB

#### AHMEDABAD BRANCH

FF2 & FF3, 1st Floor, Shapath V Building, Opp. Karnavati Club, S.G.Highway, Ahmedabad, Gujarat, India 380015  
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#### RANGA REDDY BRANCH

SLN Terminus, 1st Floor, Survey No 133, Gachibowli, Serilingampally, Mandal, Ranga Reddy District, Telangana State, India 500032  
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SWIFT: SHBKINBB

#### SHINHAN BANK VIETNAM LTD.

Ground Floor, Mezzanine, 2nd & 3rd floor, Empress Tower, 138 – 142 Hai Ba Trung, Dakao Ward, District 1, Ho Chi Minh City, Vietnam  
Tel. 84-8-3829-1581  
Fax. 84-8-3829-1583  
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Fax. 84-8-3829-1583  
SWIFT: SHBKVNXX

#### HOCHIMINH BRANCH

11th Fl., Centec Tower, 72-74 Nguyen Thi Minh Khai St., District 3, HCMC, Vietnam  
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SWIFT: SHBKVNXX

#### PHU MY HUNG BRANCH

334-336 Dang Duc Thuat St., Tan Phong Ward, District 7, HCMC, Vietnam  
Tel. 84-8-5413-8700  
Fax. 84-8-5417-1171  
SWIFT: SHBKVNXX

#### SONG THAN BRANCH

No.1, Truong Son Highway, An Binh Commune, Di An District, Binh Duong Province, Vietnam  
Tel. 84-8-3724-2791  
Fax. 84-8-3724-2795  
SWIFT: SHBKVNXX

#### BINH DUONG BRANCH

1F, Minh Sang Plaza, 888 Binh Duong Blvd., Thuan Giao, Thuan An, Binh Duong Province, Vietnam

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SWIFT: SHBKVNXX

#### DONG NAI BRANCH

Donacoop Building, Phuoc Hai Area, National Road 51a, Long Thanh District, Dong Nai Province, Vietnam  
Tel. 84-61-626-2762  
Fax. 84-61-354-6987  
SWIFT: SHBKVNXX

#### HANOI BRANCH

B1,4,9 FL., Lotte Center Hanoi Building, 54 Lieu Giai, Ba Dinh, Vietnam  
Tel. 84-4-3831-5130  
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SWIFT: SHBKVNXX

#### TRAN DUY HUNG BRANCH

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Fax. 84-4-3555-0505  
SWIFT: SHBKVNXX

#### BIEN HOA BRANCH

9th Floor Sonadezi Building, No 1, Roan 1, Bien Hoa Industrial Zone 1, Bien Hoa, Dong Nai, Vietnam  
Tel. 84-61-626-2700  
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SWIFT: SHBKVNXX

#### BAC NINH BRANCH

1F & 2F, 76 Ly Thai To Street, Vo Cuong Ward, Bac Nianh City, Bac Ninh Province, Vietnam  
Tel. 84-241-6255-880  
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SWIFT: SHBKVNXX

#### AN DONG BRANCH

290B An Duong Vuong Street, Ward 4, District 5, Ho Chi Minh City, Vietnam  
Tel. 84-837-593-786  
Fax. 84-8-3833-1980  
SWIFT: SHBKVNXX

#### HAI PHONG BRANCH

No.19 Lob B7 Area B1, New Urban Zone at 5 Corner-Cat Bi Airport, Le Hong Phong Street, Dong Khe Ward, Ngo Quyen District, Haiphong City, Vietnam  
Tel. 84-313-266-300  
Fax. 84-313-246-391  
SWIFT: SHBKVNXX

#### THAI NGUYEN BRANCH

Vinh Xuong Hamlet, Dong Tien Commune, Pho Yen District, Thai Nguyen Province, Vietnam  
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Fax. 84-280-366-3010  
SWIFT: SHBKVNXX

#### PHAM HUNG T/O

1st Fl, 2nd Fl, Keangnam Hanoi Landmark, Metri Ward, Nam Tu Liem Dist., Hanoi, Vietnam  
Tel. 84-43-226-3226  
Fax. 84-43-212-3919  
SWIFT: SHBKVNXX

#### GO VAP BRANCH

TTTM Emart, 366 Phan Van Tri St., Ward 5, Go Vap, HCM City, Vietnam  
Tel. 84-8-3588-4179  
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SWIFT: SHBKVNXX

#### HOAN KIEM BRANCH

A2 1st Floor, Sentinel Place Building, 41A Ly Thai To, Ly Thai To Ward, Hoan Kiem, Hanoi City, Vietnam  
Tel. 84-4-3266-3355  
Fax. 84-4-3266-3395/ 96  
SWIFT: SHBKVNXX

#### VINH PHUC BRANCH

1-2F, Viet Duc Financial Tower, 8 Ton Duc Thang Street, Vinh Yen City, Vinh Phuc Province, Vietnam  
Tel. 84-211-3882-121  
Fax. 84-211-3882-151/ 52  
SWIFT: SHBKVNXX

#### DONG SAIGON BRANCH

LD 01-03 and LD 01-04, Lexington Building, 67 Mai Chi Tho, An Phu Ward, District 2, Ho Chi Minh City, Vietnam  
Tel. 84-8-3741-1199  
Fax. 84-8-3519-3100  
SWIFT: SHBKVNXX

#### SAIGON BRANCH

Ground Floor, Mplaza Saigon, 39 Le Duan St., Ben Nghe Ward, District 1, Ho Chi Minh City  
SWIFT: SHBKVNXX

#### LE THAI TO BRANCH

1st Floor, 14 Le Thai To St., Hang Trong Ward, Hoan Kiem District, Ha Noi  
SWIFT: SHBKVNXX

#### CAU GIAY T/O

No. 102, Lot C, D5, Nguyen Phong Sac St., Dich Vong Ward, Cau Giay District, Ha Noi  
SWIFT: SHBKVNXX

#### TRUNG HOA T/O

1st Floor, Vimeco Tower, E 09, Pham Hung St., Trung Hoa Ward, Cau Giay District, Ha Noi  
SWIFT: SHBKVNXX

**PHAM NGOC THACH T/O**

65A, Pham Ngoc Thach St., Ward 6, District 3,  
Ho Chi Minh City  
SWIFT: SHBKVNXX

**SOUTH SAIGON T/O**

E-02, Lot H7, Phu My Hung Urban Area,  
Nguyen Van Linh St., Tan Phong Ward, District  
7, HCMC.  
SWIFT: SHBKVNXX

**TAN BINH T/O**

No. 113-115 Cong Hoa St., Ward 12, Tan Binh  
District, Ho Chi Minh City  
SWIFT: SHBKVNXX

**BAC SAIGON BRANCH**

116 PhanVan Hon Street, Quarter 3, Tan Thoi  
Nhat Ward, District 12, HCMC.  
Tel. 84-28-7309-8810  
SWIFT: SHBKVNXX

**DISTRICT 11 T/O**

43 Ong Ich Khiem Street, Ward 10, District 11,  
HCMC.  
Tel. 84-28-7309-8750  
SWIFT: SHBKVNXX

**PHU NHUAN T/O**

Ground Floor, Eastin Grand Hotel Saigon, 253  
Nguyen Van Troi Street, Ward 10, Phu Nhuan  
District, HCMC  
Tel. 84-28-7309-8730  
SWIFT: SHBKVNXX

**HA DONG T/O**

B1 floor, Ho Guom Plaza, 102 Tran Phu Street,  
Mo Lao Ward, Ha Dong District, Hanoi City  
Tel. 84-24-7309-8800  
SWIFT: SHBKVNXX

**TAN DA T/O**

Tan Da Court Building, No. 86 Tan Da St., Ward  
11, District 5, Ho Chi Minh City  
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**SHINHAN BANK (CAMBODIA) PLC.**

No. 79 Kampuchea Krom, Sangkat Mororom,  
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**OLYMPIC BRANCH**

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SWIFT: SHBKHP

**TEUK THLA BRANCH**

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Sangkat Teuk Thla, Khan Sen Sok, Phnom  
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SWIFT: SHBKHP

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**TANJUNG PRIOK SUB-BRANCH**

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**KEBON JERUK SUB-BRANCH**

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**CIBUBUR SUB-BRANCH**

Cibubur Times Square Blok B-1 No. 2, Jl.  
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**GLODOK SUB-BRANCH**

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**ROXY MAS SUB-BRANCH**

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**GADING SERPONG SUB-BRANCH**

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Jl. RS Fatmawati, Komp. ITC Fatmawati Ruko  
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**MERR SUB-BRANCH**

Jl. IR. DR. H. Sukarno, Ruko Icon 21 Blok R/26,  
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**MENGANTI, SURABAYA SUB-BRANCH**

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**KEDUNGORO BRANCH**

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**PINANGSIA SUB-BRANCH**

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**KAPAS KRAMPUNG SUB-BRANCH**

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**KAPASAN SUB-BRANCH**

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**WONOKROMO SUB-BRANCH**

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**PUCANG ANOM BRANCH**

Jl. Pucang Anom 60, Surabaya 60282  
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**JEMBATAN MERAH PLAZA SUB-BRANCH**

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**WARU SUB-BRANCH**

Jl. Jendral S. Parman 22-A, Waru, Sidoarjo  
61256  
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**MENGANTI, GRESIK SUB-BRANCH**

Jl. Raya Menganti Sidomulyo No. 90 C,  
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**SIDOARJO SUB-BRANCH**

Jl. Soenandar Priyosudarmo RK B-22, Sidoarjo  
61200  
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**KRIAN SUB-BRANCH**

Jl. Gubernur Sunandar Priyo Sudarmo 5,  
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**MOJOKERTO SUB-BRANCH**

Jl. Gajah Mada No. 140 B, Mojokerto 61313  
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SWIFT: SHBKIDJA

**MALANG BRANCH**

Jl. KH. Zainul Arifin No. 100, Malang 65118  
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**SINGOSARI SUB-BRANCH**

Jl. Raya Singosari No. 111, Malang 65153  
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**JOMBANG BRANCH**

Komp. Pertokoan Cempaka Mas, Jl. Soekarno  
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SWIFT: SHBKIDJA

**TULUNGAGUNG BRANCH**

Jl. Jend. Sudirman No. 118, Tulungagung  
66212  
Tel. 62-355-336-324/ 325  
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#### JEMBER BRANCH

Jl. Trunojoyo No. 58, Jember 68137  
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SWIFT: SHBKIDJA

#### GENTENG BANYUWANGI SUB-BRANCH

Jl. Gajah Mada No. 166, Genteng-Banyuwangi,  
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SWIFT: SHBKIDJA

#### NGANJUK BRANCH

Jl. Ahmad Yani No. 239, Nganjuk 64418  
Tel. 62-358-330-300  
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#### MADIUN BRANCH

Jl. Dr. Sutomo No. 79, Madiun 63116  
Tel. 62-351-481-668/ 669  
Fax. 62-351-481-670  
SWIFT: SHBKIDJA

#### MAGELANG BRANCH

Jl. Ikhlash B 3-4, Magersari, Magelang 56126  
Tel. 62-293-314-725/133  
Fax. 62-293-314-726  
SWIFT: SHBKIDJA

#### SOLO BRANCH

Jl. Honggowongso No. 12A Kratonan -  
Serengan, Solo 57153  
Tel. 62-271-630-981/ 982  
Fax. 62-271-634-167  
SWIFT: SHBKIDJA

#### SOLO-NUSUKAN SUB-BRANCH

Jl. Kapten Piere Tendean 87-B, Nusukan, Solo  
51735  
Tel. 62-271-742-965/ 743-389  
Fax. 62-271-734-153  
SWIFT: SHBKIDJA

#### SEMARANG BRANCH

Komp. Pertokoan Bangkong Plaza Blok C-1,  
Jl. MT. Haryono, Semarang 50242  
Tel. 62-24-8442-777  
Fax. 62-24-8311-677  
SWIFT: SHBKIDJA

#### SALATIGA SUB-BRANCH

Jl. Diponegoro 68 - 2, Kec. Sidorejo, Salatiga,  
50711  
Tel. 62-298-327-660/324-664  
Fax. 62-298-329-451  
SWIFT: SHBKIDJA

#### KUDUS BRANCH

Ruko Ahmad Yani No. 11, Jl. Ahmad Yani,

Kudus 59317  
Tel. 62-291-446-454/ 455  
Fax. 62-291-446-457  
SWIFT: SHBKIDJA

#### YOGYAKARTA BRANCH

Jl. HOS Cokroaminoto No. 104, Yogyakarta  
55244  
Tel. 62-274-619-808  
Fax. 62-274-619-708  
SWIFT: SHBKIDJA

#### PURWOKERTO BRANCH

Jl. Perintis Kemerdekaan Ruko No. 25,  
Purwokerto 53141  
Tel. 62-281-642-966/ 969  
Fax. 62-281-642-965  
SWIFT: SHBKIDJA

#### KARAWANG BRANCH

Jl. Tuparev No. 149, Karawang 41312  
Tel. 62-267-410-555/ 666  
Fax. 62-267-402-575  
SWIFT: SHBKIDJA

#### BANDUNG BRANCH

Jl. Cihampelas No. 29, Bandung 40116  
Tel. 62-22-4209-992  
Fax. 62-22-4233-617  
SWIFT: SHBKIDJA

#### KOPO SUB-BRANCH

Komp. Ruko Lucky Business Centre A-9,  
Taman Kopo Indah, Bandung 40226  
Tel. 62-22-5421-955  
Fax. 62-22-5417-895  
SWIFT: SHBKIDJA

#### MATARAM BRANCH

Jl. Pejanggik No. 67, Cakranegara, Mataram  
83231  
Tel. 62-370-631-767/ 634-514  
Fax. 62-370-629-992  
SWIFT: SHBKIDJA

#### BERTAIS SUB-BRANCH

Komp. Pertokoan Mandalika Blok A-4, Bertais  
- Mataram 83231  
Tel. 62-370-673-233/ 636  
Fax. 62-370-671-216  
SWIFT: SHBKIDJA

#### MAKASSAR BRANCH

Jl. Wahidin Sudirohusodo No. 52, Makassar,  
Sulawesi Selatan 90174  
Tel. 62-411-3624-209/ 3621-048  
Fax. 62-411-3624-562  
SWIFT: SHBKIDJA

#### GOWA CASH OFFICE

Jl. Usman Salengke No. 14, Kel.

Sungguminasa, Kec. Somba Opu, Kabupaten  
Gowa, Sulawesi Selatan 92100  
Tel. 62-411-862-121  
Fax. 62-411-880-031  
SWIFT: SHBKIDJA

#### MANGGA DUA BRANCH

Komp. Pertokoan Mangga Dua Mall Kav. 39,  
Jl. Arteri Mangga Dua Raya, Jakarta Pusat  
10730  
Tel. 62-21-6122-871  
Fax. 62-21-6220-3740  
SWIFT: SHBKIDJA

#### PANGLIMA SUDIRMAN SUB-BRANCH

Intiland Tower Surabaya Lt.1, Suite 11, Jl.  
Panglima Sudirman 101-103, Surabaya 60271  
Tel. 62-31-5240-3042/ 3342/ 3442  
Fax. 62-31-5240-3064  
SWIFT: SHBKIDJA

#### BUKIT DARMO BRANCH

Jl. Bukit Darmo Boulevard Blok B2-31 CBD  
Office Park 2, Surabaya 60226  
Tel. 62-31-9914-2444/ 6142/ 7636  
Fax. 62-31-9914-2578  
SWIFT: SHBKIDJA

#### BALI BRANCH

Jl. Boulevard Sunset Road no.18, Simpang  
Dewa Ruci, Kuta,Bali 80361  
Tel. 62-361-4754-684/ 927/ 4752-176  
SWIFT: SHBKIDJA

#### SHINHAN ASIA LIMITED

Units 7704, 77/F International Commerce  
Centre, 1 Austin Road West, Kowloon, Hong  
Kong  
Tel. 852-3717-0700  
Fax. 852-2877-2460  
SWIFT: SHBKHKHH

#### CENTRAL ASIA

#### SHINHAN BANK KAZAKHSTAN

38 Dostyk ave. Almaty, 050010, Republic of  
Kazakhstan  
Tel. 7-727-356-9620  
Fax. 7-727-264-0999  
SWIFT: SHBKZKZA

#### SHINHAN BANK UZBEKISTAN REPRESENTATIVE OFFICE

New World bldg. 3rd fl., Oybek st. 22 Tashkent,  
Uzbekistan 100015  
Tel. 998-71-150-1184  
Fax. 998-71-252-3605

## CHINA

### SHINHAN BANK CHINA LTD.

12th Fl. Zhongyu Plaza No.6, Workers' Stadium Road N.,Chaoyang District, Beijing 100027, China  
Tel. 86-10-8529-0088  
Fax. 86-10-8529-0188  
SWIFT: SHBKCNBJ

### BEIJING BRANCH

1st Floor Zhongyu Plaza No.6, Workers' Stadium Road N.,Chaoyang District, Beijing 100027, China  
Tel. 86-10-8523-5555  
Fax. 86-10-8523-5696  
SWIFT: SHBKCNBJBJG

### BEIJING SHUNYI SUB-BRANCH

1st Floor Shunxin International Business Center No. 3, Zhanqian West Road, Shunyi District, Beijing 101300, China  
Tel. 86-10-6040-6008  
Fax. 86-10-6040-6123  
SWIFT: SHBKCNBJBJG

### BEIJING WANGJING SUB-BRANCH

No 103 1st Floor Wangjingxiyuan Bldg., 429 Chaoyang District, Beijing, China  
Tel. 86-10-6472-9866  
Fax. 86-10-6475-6758  
SWIFT: SHBKCNBJBJG

### SHANGHAI BRANCH

1st Floor, Huaneng Unite Mansion,958 Lujiazui Ring Road, Pudong New Area, Shanghai, China  
Tel. 86-21-6886-5566  
Fax. 86-21-6886-5840  
SWIFT: SHBKCNBJSHA

### SHANGHAI PUXI SUB-BRANCH

1st Floor, Hyunyon International Building, block 5, 1100 Wuzhong Road, Min Hang District, Shanghai, China  
Tel. 86-21-6465-2300  
Fax. 86-21-6465-2313/2314  
SWIFT: SHBKCNBJSHA

### SHANGHAI HONGQIAO SUB-BRANCH

East Century Building, 1111 Gubei Road, Changning Area, Shanghai, China  
Tel. 86-21-6241-0066  
Fax. 86-21-6273-2178  
SWIFT: SHBKCNBJSHA

### SHANGHAI HONGQUAN LU SUB-BRANCH

1F, West side-A, Jingting Building, 1000 Hongquan Road, Minhang District, Shanghai, China (Postal Code 201103)

Tel. 86-21-6115-7799  
Fax. 86-21-6091-2500  
SWIFT: SHBKCNBJSHA

### TIANJIN BRANCH

Room 108/911, Tianjin International Building, 75 Nanjing Road, Tianjin, 300050 P.R. China  
Tel. 86-22-2339-4070  
Fax. 86-22-2339-4043  
SWIFT: SHBKCNBJTJN

### TIANJIN BINHAI SUB-BRANCH

1F W3-A, Financial Building, No.51,3RD Street, TEDA, Tianjin 300457, China  
Tel. 86-22-6628-1234  
Fax. 86-22-6628-1235  
SWIFT: SHBKCNBJTJN

### TIANJIN AOCHENG SUB-BRANCH

No. 1-03 Ao-cheng Commercial Plaza Binshuixi Street, Nankai District, Tianjin 300381 P.R. CHINA  
Tel. 86-22-5885-0088  
Fax. 86-22-5885-0090  
SWIFT: SHBKCNBJTJN

### QINGDAO BRANCH

4th FL., CITIC WT Securities Co.,Ltd,Bldg. No.28 Donghai West Road, Qingdao 266071, CHINA  
Tel. 86-532-8502-5500  
Fax. 86-532-8502-5566  
SWIFT: SHBKCNBJQDO

### QINGDAO CHENGYANG SUB-BRANCH

No.151, Zhengyang Road, Chengyang District, Qingdao, 266109, P.R.China  
Tel. 86-532-6696-0505  
Fax. 86-532-6696-0215  
SWIFT: SHBKCNBJQDO

### WUXI BRANCH

2 Floor No.5 Changjiang North Road, Changjiang Club, Wuxi, Jiangsu 214028, China  
Tel. 86-510-8181-3000  
Fax. 86-510-8181-3058  
SWIFT: SHBKCNBJWXI

### CHANGSHA BRANCH

New Times Square No.161, Furong Middle Road, Kaifu District, Changsha City, Human Province, China  
Tel. 86-731-8833-9999  
Fax. 86-731-8833-7999  
SWIFT: SHBKCNBJCHS

### SHENZHEN BRANCH

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Tel. 86-755-8828-0050  
Fax. 86-755-8828-8542

SWIFT: SHBKCNBJXXX

### SHENYANG BRANCH

1st Fl. 193 YangGuang Caixian Building, No.193 ZhongShan Road, Heping District, Shenyang, 110000 P.R. China  
Tel. 86-24-3161-6000  
Fax. 86-24-3139-5199

### CHONGQING BRANCH

Unit B, 1st Floor, #3 Financial Street, Jiangbei District, Chongqing, China  
Tel. 86-23-6110-8883  
Fax. 86-23-6110-8886

### YANCHENG BRANCH

Unit 103, 1st Floor, #5 Xiwang South Street, Economy Technology Development District, Yancheng, China  
Tel. 86-515-6801-8888  
Fax. 86-515-6908-1787

## EUROPE

### LONDON BRANCH

6th Floor, 77 Gracechurch Street, London, EC3V 0AS.  
Tel. 44-207-600-0606  
Fax. 44-207-600-1826  
SWIFT: SHBKGB2L

### SHINHAN BANK EUROPE GmbH

Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany  
Tel. 49-69-975-7130  
Fax. 49-69-741-0506  
SWIFT: SHBKDEFF

### POLAND REPRESENTATIVE OFFICE

Wroclaw(53-025), ul. Skarbowcow 23a, Poland  
Tel. 48-71-368-6851  
Fax. 48-71-311-9618  
SWIFT: SHBKDEFF

## AMERICA

### NEW YORK BRANCH

600 3rd Ave, 17th Floor, New York, NY10016, U.S.A.  
Tel. 1-212-371-8000  
Fax. 1-212-371-8875  
SWIFT: SHBKUS33

### SHINHAN BANK AMERICA

330 5th Avenue 4th Floor New York, NY 10001 USA  
Tel. 1-646-843-7300  
Fax. 1-212-447-7477

SWIFT: SHBKUS6LNYX

#### MANHATTAN BRANCH

313 5th Ave., New York, NY 10016, U.S.A.  
Tel. 1-646-843-7333  
Fax. 1-212-447-9169  
SWIFT: SHBKUS6LNYX

#### FLUSHING BRANCH

136-17 39th Ave, Ground Floor, Flushing, NY 11354, U.S.A.  
Tel. 1-718-799-7001  
Fax. 1-718-886-9157  
SWIFT: SHBKUS6LNYX

#### NORTHERN 150 BRANCH

150-29 Northern Blvd., Flushing, NY 11354, U.S.A.  
Tel. 1-718-799-7100  
Fax. 1-718-888-9696  
SWIFT: SHBKUS6LNYX

#### BAYSIDE BRANCH

211-11 Northern Blvd., Bayside, NY 11361, U.S.A.  
Tel. 1-718-799-7090  
Fax. 1-718-224-5764  
SWIFT: SHBKUS6LNYX

#### FORTLEE BRANCH

222 Main St., Fort Lee, NJ 07024, U.S.A.  
Tel. 1-202-363-9009  
Fax. 1-201-363-9049  
SWIFT: SHBKUS6LNYX

#### PALISADEPARK BRANCH

101 Broad Avenue, Palisades Park, NJ, 07650, U.S.A.  
Tel. 1-201-303-1009  
Fax. 1-201-313-9688  
SWIFT: SHBKUS6LNYX

#### LITTLENECK BRANCH

252-20 Northern Blvd. Littleneck, NY 11362, U.S.A.  
Tel. 1-718-281-7888  
Fax. 1-718-819-2333  
SWIFT: SHBKUS6LNYX

#### NORTH ATLANTA BANK

10500 Old Alabama Road Connector  
Alpharetta, GA 30022, U.S.A.  
Tel. 1-678-277-8400  
Fax. 1-678-277-8440  
SWIFT: SHBKUS6LNYX

#### DULUTH BRANCH

2170 Pleasant Hill Road, Duluth, GA 30096, U.S.A.  
Tel. 1-678-512-8200  
Fax. 1-678-957-9974

SWIFT: SHBKUS6LNYX

#### DALLAS BRANCH

2174 Royal Lane Dallas, Texas, 75229, U.S.A.  
Tel. 1-972-406-3540  
Fax. 1-972-406-3546  
SWIFT: SHBKUS6LNYX

#### SHINHAN BANK AMERICA

3000 West Olympic Blvd., Los Angeles, CA 90006, U.S.A.  
Tel. 1-213-251-3000  
Fax. 1-213-386-7208  
SWIFT: SHBKUS6LCAX

#### OLYMPIC BRANCH

3000 West Olympic Blvd., Los Angeles, CA 90006, U.S.A.  
Tel. 1-213-251-3000  
Fax. 1-213-386-2170  
SWIFT: SHBKUS6LCAX

#### BUENA PARK BRANCH

5450 Beach Blvd., Unit 101 Buena Park, CA 90621, U.S.A.  
Tel. 1-714-443-6400  
Fax. 1-714-443-5960/ 5961  
SWIFT: SHBKUS6LCAX

#### TORRANCE BRANCH

22501 Crenshaw Blvd., Suites 400 & 500, Torrance, CA 90501, U.S.A.  
SWIFT: SHBKUS6LCAX

#### IRVINE BRANCH

2730 Alton Parkway, Irvine, CA 92606, U.S.A.  
Tel. 1-949-660-0505  
Fax. 1-949-660-0503  
SWIFT: SHBKUS6LCAX

#### SAN DIEGO BRANCH

3904 Convoy Street, San Diego, CA 92111, U.S.A.  
Tel. 1-858-427-6830  
Fax. 1-858-268-8840  
SWIFT: SHBKUS6LCAX

#### SHINHAN BANK CANADA

5140 Yonge Street Suite 2300 Toronto, Ontario, M2N6L7, Canada  
Tel. 1-416-250-3500  
Fax. 1-416-250-3507  
SWIFT: SHBKCAT

#### SHINHAN BANK CANADA MAIN BRANCH

5095 Yonge Street, Unit B2, Toronto, Ontario M2N6Z4, Canada  
Tel. 1-416-250-3550  
Fax. 1-416-250-3460

SWIFT: SHBKCAT

#### MISSISSAUGA BRANCH

257 Dundas Street East, Unit3 and 4, Mississauga, Ontario, L5A1W8, Canada  
Tel. 1-905-272-7440  
Fax. 1-905-272-7441  
SWIFT: SHBKCAT

#### THORNHILL BRANCH

7191 Yonge Street, Suites 106 & 107, Markham, Ontario, L3T0C4, Canada  
Tel. 1-905-370-8400  
Fax. 1-905-370-8414  
SWIFT: SHBKCAT

#### COQUITLAM BRANCH

Coquitlam Centre, 2929 Barnet Highway, Unit 2842, Coquitlam, BC V3B 5R5, Canada  
Tel. 1-778-284-2640  
Fax. 1-778-284-2641  
SWIFT: SHBKCAT

#### SHINHAN BANK MEXICO

Av. Paseo de la Reforma 250, Reforma Capital Torre B, Piso17 , Cuauhtemoc, Juarez, 06600, Mexico City  
Tel. 52-55-6722-8000  
SWIFT: SHBKMXMMXXX

#### SHINHAN BANK MEXICO REPRESENTATIVE OFFICE

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#### OCEANIA

#### SYDNEY BRANCH

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Fax. 61-2-9221-3485  
SWIFT: SHBKAU2S



## CORPORATE DATA (As of December 31, 2017)

### • Date of Establishment

Shinhan Bank (established in 1982) and Chohung Bank (established in 1897) merged to form the new Shinhan Bank on April 1, 2006

### • Major Shareholder

Shinhan Financial Group (100%)

### • Business Network

- Domestic : 865 branches and offices
- Overseas: 158 outlets in 20 countries  
(14 overseas branches, 11 local subsidiaries, 2 representative offices)

### • Number of Customers

24,825,848

### • Number of Employees

17,957

### • Members of Shinhan Financial Group

- Shinhan Bank (100%)
- Shinhan Card (100%)
- Shinhan Investment (100%)
- Shinhan Life Insurance (100%)
- Shinhan BNP Paribas Asset Management (65%)
- Shinhan Capital (100%)
- Jeju Bank (68.9%)
- Shinhan Savings Bank (100%)
- Shinhan Data System (100%)
- Shinhan AITAS (99.8%)
- Shinhan Credit Information (100%)
- Shinhan Alternative Investment (100%)
- Shinhan REITs Asset Management Company (100%)
- SHC Management<sup>2)</sup> (100%)

Note1) ( ) shows Shinhan Financial Group's holdings in its subsidiaries.

Note2) Currently in liquidation proceedings.





## SHINHAN BANK

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