

Shinhan Bank

Customer-Oriented Asset Management System



Deriving **25** Improvement Issues

Senior Loan Fund



Contracted **KRW 100** billion out of KRW 565 billion

Operating the Base Centers for Future Planning



70 Centers Nationwide

Issues Related with Materiality Test

- Activating financial and economic education as social contribution
- Expansion of supports to small businesses
- Enhancing business portfolio
- Providing differentiated financial products and services
- Enhancing customers' satisfaction



No.1 Beloved Bank for the New Future

Establishing a Customer Oriented Asset Management System

Shinhan Bank is striving to obtain the trust of customers by enhancing customer earnings rates via its customer-oriented asset management system. Since the existing asset management system provided insufficient management after selling investment products, we are establishing a customer-oriented asset management system that provides customers with the most appropriate solutions and that safely increases the customer's assets.

The Customer-Oriented Asset Management Promotion System



To pursue comprehensive approach and improvement in the overall asset management process, the department heads and working-level employees from the four departments of the WM business department, asset management solutions department, investment product department, and investment advisory department formed a task force. This task force is promoting the constant monitoring of improvements and the internalization of the customer-oriented asset management system through weekly meetings. We have organized the Customer Asset Value-Up Team to direct the customer-oriented asset management system through the planning and operation of the management as well as the rebalancing of investment products after they have been sold. This team is also for the establishing and operation of a portfolio management strategy and for constructing the computing system.

Expanding Alternative Investments

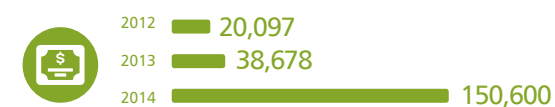
Shinhan Bank is expanding its alternative investments as a part of its creative asset management system. By raising the fund for corporate customers and selling IB investments for individual customers, alternative investments form a virtuous circle of symbiosis where the values of the customer and bank increase together. Shinhan Bank is promoting new attempts to secure financial brokerage, along with alternative investments, by using funds to enhance the earnings rate of asset holdings and reinforcing the investing process and infrastructural capacity. Alternative investments contribute to the promotion of Shinhan Financial Group's mission of compassionate finance by enhancing the synergy among affiliates, especially between Shinhan Bank, which is the investment company, and Shinhan BNP Paribas Asset Management, which is the management company. As for our alternative investment funds, there is the Senior Loan Fund, which is the first acquisition financing Private Debt Fund; the Japan Solar Power Fund, which is an alternative investment in the Japanese solar energy business that has shown a high growth rate; and a project fund, which is related to SOC restructuring.

Results of the Alternative Investment Funds

Product Name	Results
Senior Loan Fund	KRW 100 billion contracted out of a total of KRW 565 billion
Japan Solar Power Fund	KRW 40 billion contracted out of total KRW 200 billion
Infra Fund	KRW 140 billion contracted out of total KRW 1,242 billion

Results of the Infrastructure Fund

Unit: KRW 1 million



Investment Balance of the Infrastructure Fund

Alternative investments are the alternatives for existing investment products, which have the possibility of overcoming the threat of recent intensified competition in the finance field and of low interest rates. Shinhan Bank will overcome the age of low-margins and will keep seeking to accomplish its goal of compassionate finance, through creative asset management, such as providing alternative investment products.

Customer-Oriented Channel Operation Strategy

Recently, the market is suffering from low growth rates and margins. Furthermore, as the digitalization in the financial business accelerates, the number of customers visiting face-to-face channels is decreasing. Also, digitally based service in finance is expanding and digital technologies, such as big data analysis technology, are accelerating. In light of these changes in the business environment, Shinhan Bank is trying to make a breakthrough in the growth of the business by innovating its business model, efficiently operating its branches' channels, and realizing non-face-to-face / omni-channels.

The Omni-Channel That Shinhan Bank Aims For



The omni-channel that Shinhan Bank aims for involves providing customers with consistent and connected financial experience wherever and whenever via the optimization of channel resource distribution and the construction of the channels in order to achieve the customers' products convenience and maximization of customers' value.

In addition to the omni-channel, Shinhan Bank is making its fullest effort to provide customers with more professional and customized. We promise to secure the foundation of being a customer-oriented bank through practicing the strategy for understanding customers' needs and enhancing their assets' value, such as introducing subdivided management per each business area, enhancing visiting sales, and connecting customer information amongst our various channels.

Improving the Management System for Long-Term Transactions Corporate Customers

To realize Shinhan's mission of "Compassionate Finance, Your Companion for the Future", Shinhan Bank constructed a customer management system with the goal of creating long-term shared development for corporate customers. The corporate financial business field is facing the new challenge of securing earning rates through differentiated competitiveness. This is due to the arrival of the age of serious, low interest rates, low growth, and businesses being reorganized for a consumer centric market. Under these circumstances, Shinhan Bank recognizes securing a long-term transaction relationship through mutual trust as being a core value in the corporate customer management sector. Considering this, we reorganized the existing corporate customer management system of the Tops Biz Club, into a system that provides supports to companies with long-term transaction partnership and inducements to maintain long-term transaction relations.

Major Changes in the Tops Biz Club



In the standards for the selection of the Tops Biz Club given to the customers, we revised the flaws of the existing system to make it to be based on the transaction records of customers, relaxed the standards for credit grades, and introduced the concept of the contribution period for the first time, in order to induce long-term transactions. Preferential programs provided to the customers of each Tops Biz Club scattered throughout the various departments, other than the department of corporate customer, were unified under the Tops Biz Club. To establish a differentiated customer support system for customers with long-term transactions, we introduced CSP (Corporate Success Program) exclusively for customers with long-term transactions over 10 years and enhanced our management support service. We also pursued actual shared development through benefits such as the provision of a company consulting service and a favorable interest rate service for customers with long-term transactions.

Through these rearrangements, Shinhan Bank aims to earn the trust that Shinhan Bank is the partner who can provide professional supports for the success of the corporate customers' companies.

The Retirement Business to Prepare for the Ageing Society

With the Baby Boomer generation hitting the age of retirement, the society demands for the financial solutions which assure the happy family and the comfortable after-retirement life. As such, Shinhan Financial Group launched Shinhan Future Planning, which is its comprehensive retirement business brand. It provides Shinhan's own unique retirement solution under the slogan of: "Retirement partner for a happy future."

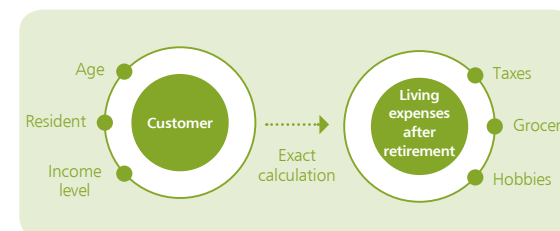
To build the type of infrastructure that can lead the retirement market, Shinhan Bank opened the Future Planning Center in 70 regions as a base branch around Korea and selected 70 Future Planning Consultants. We provided them with elite training via the provision of constant training courses, such as special collective training, actual training and in-depth training.

Furthermore, we are opening a new prospective in retirement planning services in Korea through the provision of customer-oriented products. In the case of the Future Planning Account, which is a bank account exclusively for living expenses after retirement, more than 780,000 accounts were opened until last December. This was due to our strength in effectively managing various funds, including living expenses.

Major Retirement Products of Shinhan Bank

Product Name	Product Explanation
Future Planning Account	Retirement living expenses management bank account that is only for deposits and withdrawals In the case of designating this as the receiving account for public annuities and retirement or personal annuities, various financial commissions and interest rate benefits are provided.
Future Planning Card	Connected with the Future Planning Account. It provides discounts on major services including hospitals, pharmacies, gas stations, malls, and public transportation
Crevasse Annuity Saving	Short-term (less than five years) immediate annuity product with a fixed sum of annuity every month with a fixed interest rate
Crevasse Housing Annuity Loan	Reverse mortgage loan that provides customers with a house or a officetel(residential occupancy) monthly annuity, without the security deposit or advance received, by putting the mortgage on the real estate
Crevasse Fund	Fund product that uses long / short equity strategy, which is the absolute return method that is based on principal preservation

S-Future Planning System



Shinhan Bank established and operates S-Future Planning, the retirement planning system that reflects the financial transaction characteristics of each customer and their retirement philosophy. This system, which is designed for the detailed prediction of customers' living expenses after their retirement, diagnoses the customer based on detailed statistics, such as their age when they retired, their residence, and income level. In order to understand the retirement preparation situation of the customer more easily, we introduced the Future Planning Index, which is the comprehensive index calculated according to the following three indices: the achievement of the retirement preparation fund, cash flow achievement, and the stability of financial assets to be able to concretely suggest fund management plans.

We also operate the Retirement Planning Course for Couples and a Future Planning Camp to increase the contact with customers. The Retirement Planning Course for Couples is an educational program targeting customers who are facing hardships after retiring and retirement asset management. The program is held in weekends bimonthly, directly providing non-financial and financial retirement planning services such as retirement and health and hobby to the participants. After the seminar, Future Planning Consultants provide a 1-on-1 retirement planning consultation. Customers are showing high level of satisfaction on this program. For customers such as office workers or group customers, who are having hardships in participating the retirement consulting, we provide the Future Planning Camp, which is the outreach retirement seminar course.

Results of the Retirement Planning Course for Couples in 2014

