

Business Review 2016

NEW INITIATIVES TOWARD EXCELLENCE



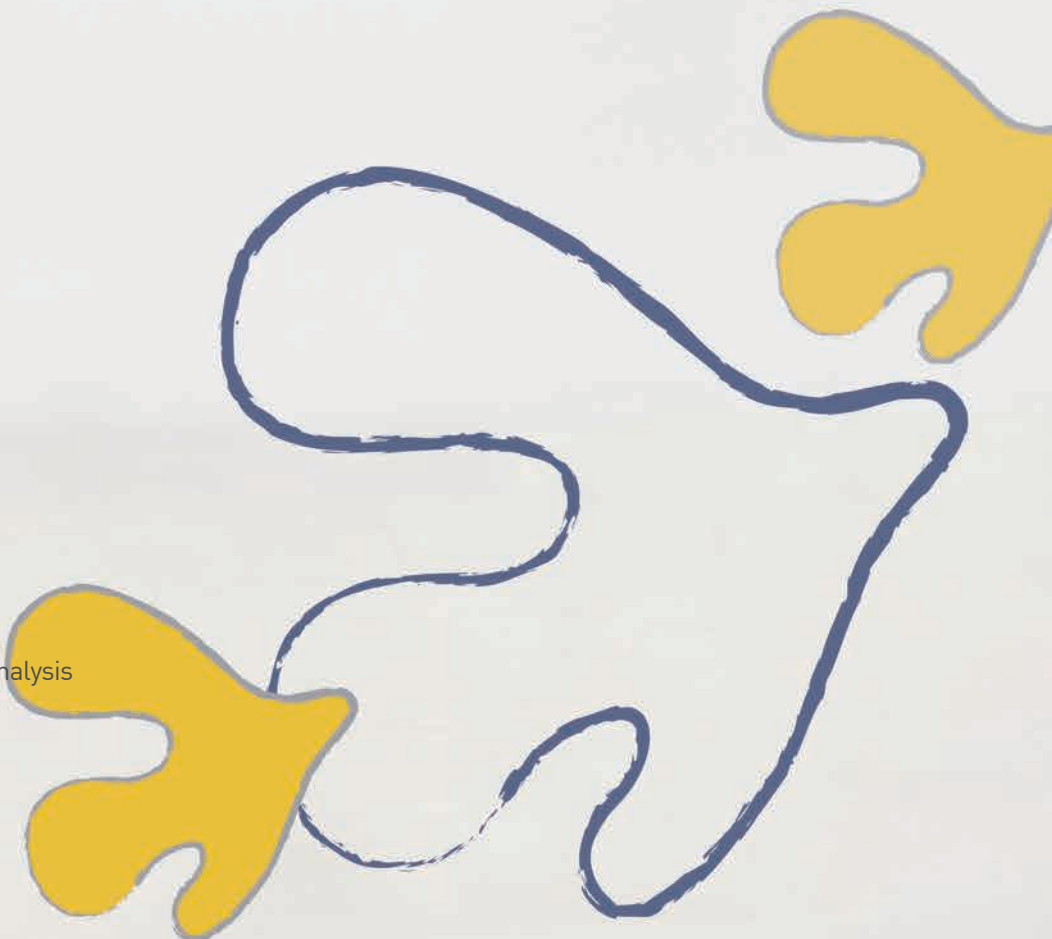
New initiatives toward excellence

Shinhan Bank is committed to laying the solid foundation for becoming a "world-class bank" through innovation, creating unprecedented new experiences and financial ecosystems for stakeholders, empathy for customers, companionship for a better future, and promoting the happiness of its employees.

In 2016, we maintained our status as a leading South Korean bank, ranking first in profitability and asset quality. On the international front, we continued to lay a solid foundation to become a world-class bank by building 150 networks in 20 countries around the world. This included entering the Myanmar market, a first in the domestic banking industry, and launching the PT Bank Shinhan Indonesia.

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Innovation: creating new experiences and financial ecosystems

Our attempts for innovation provide customers with new experiences and create financial ecosystems that have not previously existed. These initiatives include: securing market leadership and optimizing resources allocation (community collaboration); enhancing customer convenience and improving work efficiency from a digilog perspective (digital transformation); expanding to new territories based on strategic localization (glocalization); and managing risks to turn crises into opportunities through insight into changes (proactive risk management).

PROFILE

In 2016, Shinhan Bank retained its status as a leading bank in South Korea. This was accomplished by making notable achievements in its overall management despite prolonged economic slowdowns and political and social unrest 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 falling benchmark interest rates. We were also ranked first in asset quality for three straight years through our preemptive and comprehensive risk management, showing balanced development in 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 Myanmar, and we built 150 overseas networks in twenty countries while at the same time launching PT Bank Shinhan Indonesia. We also experienced notable growth in both qualitative and quantitative terms, achieving more than 12% of our total profits from global 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 robo-advisor, named "M-Folio", and the "Sunny MyCar Loan" mobile auto loan.

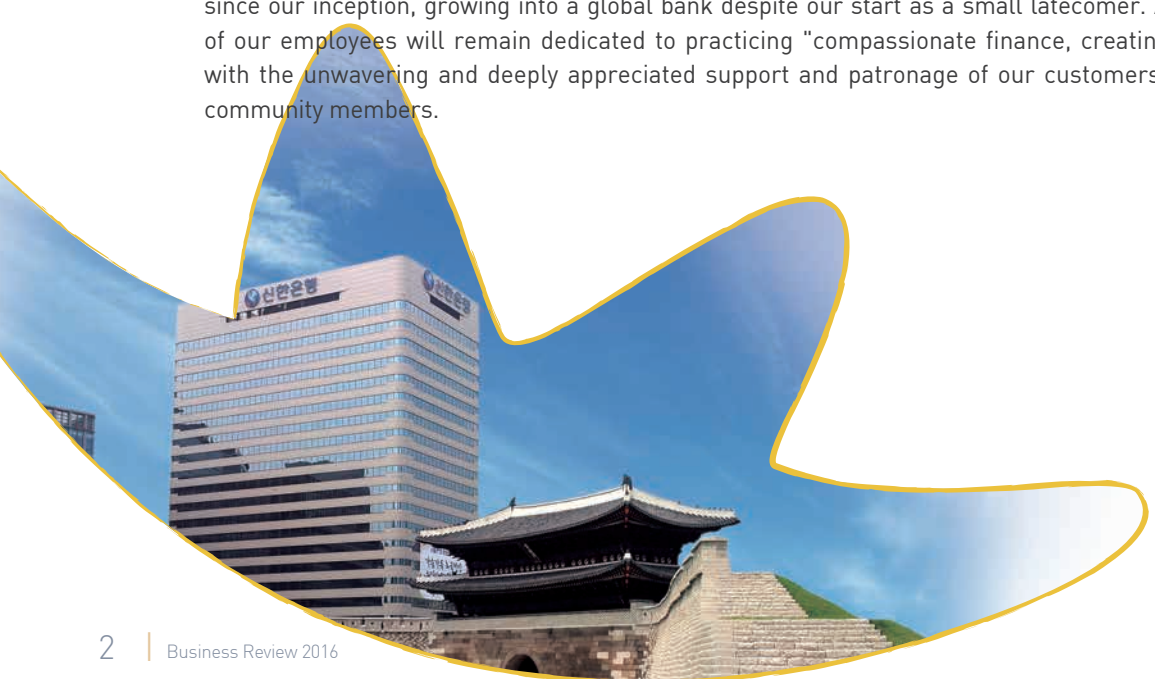
Externally, we were recognized as the best bank in overall management evaluations in terms of brand, social contribution, and workplace environment. In particular, we were named the Best Bank at the Small Loan Finance Awards by the Financial Supervisory Service for the fourth consecutive year in recognition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

Recently, Shinhan Bank was ranked first in South Korea (58th 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 fourth 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 2014 and 2015, and earned first place in four categories in 2016.

In order to bring about even greater progress and improvement, Shinhan Bank set "New Initiatives Toward Excellence 2.0" as its strategic goal for 2017, and 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.

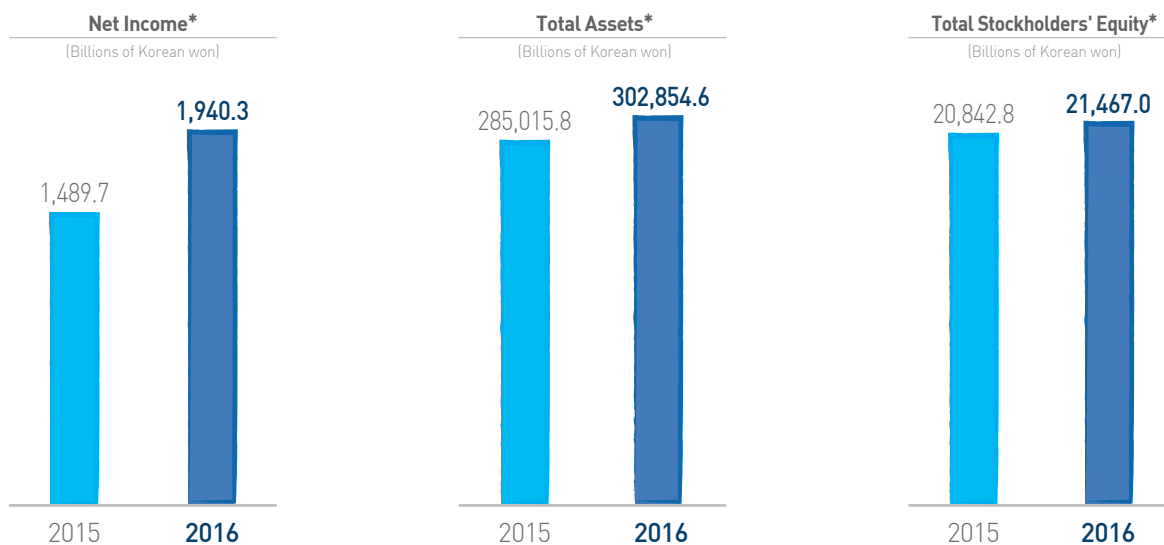


FINANCIAL HIGHLIGHTS

	KRW in Billions		USD in Millions ¹⁾	
	2016	2015	2016	2015
Bank Account				
For the Year				
Total Operating Income	5,537.3	5,110.8	4,581.9	4,360.8
Operating income	2,647.4	2,325.4	2,190.6	1,984.1
Net Income	1,940.3	1,489.7	1,605.5	1,271.0
At Year-End				
Total Assets	302,854.6	285,015.8	250,603.7	243,187.5
Total Loans	219,438.7	209,651.5	181,579.4	178,883.5
Total Deposits	228,910.1	212,975.2	189,416.7	181,719.4
Total Stockholders' Equity	21,467.0	20,842.8	17,763.3	17,783.9
Financial Ratios ²⁾				
Return on Average Assets	0.64	0.49		
Return on Average Equity	8.58	6.71		
NPL Ratio by FSS	0.65	0.80		
Net Interest Margin	1.49	1.50		
BIS Capital Adequacy Ratio	15.7%	14.8%		
(CET 1 Ratio)	12.9%	12.0%		
(Tier 1 Capital Ratio)	13.1%	12.5%		
(Tier 2 Capital Ratio)	2.6%	2.3%		

Note1) Translated into US dollars at the rates of KRW 1172.0/USD 1 and KRW 1208.5/USD 1 respectively--those prevailing on December 31, 2015 and December 31, 2016

Note2) Based on separate financial statements.



* Bank account only

2016 AT A GLANCE



January: Implemented fingerprint authentication for Sunny Bank

SHB launched the fingerprint authentication log-in service by adding enhanced security to the existing simple log-in method, targeting mobile banking-specialized Sunny Bank users. The fingerprint authentication applied to Sunny Bank was built in accordance with the global Fast Identity Online (FIDO) standards for biometrics verification to provide customers with safer and optimized services, allowing them to choose and use it as a method for additional authentication when signing in to Sunny Bank.

March: Named Best Retail Bank in Korea for the fifth consecutive year by *The Asian Banker*

SHB was awarded the Best Retail Bank in Korea for the fifth consecutive year at *The Asian Banker's* International Excellence in Retail Financial Services 2016 Awards, which focus on banks in the Asia Pacific, the Middle East, and Africa. This award recognized SHB's excellent performance based on its distinguished strategies and services, including outstanding financial performance and innovative product marketing despite challenging conditions at home and abroad.



April: Opened LINE Pay ATM Exchange and Withdrawal Service

SHB launched the LINE Pay ATM Exchange and Withdrawal Service in alliance with LINE, a global ICT company. By teaming up with LINE, which has secured over 215 million monthly active users around the world for its messenger service, SHB regularized the FinTech business for overseas users while expanding its financial territories.

May: Launched PT Bank Shinhan Indonesia

SHB changed the name of Bank Metro Express (BME), which it acquired last year, to PT Bank Shinhan Indonesia, and began full-fledged operations with its official inauguration ceremony. This move allowed SHB to further consolidate its global business strategy of "building an Asian financial belt" linking Japan, China, Vietnam, and India in the major financial markets of Southeast Asia.



July: Awarded Best Bank in Korea by *Euromoney*

SHB was named the Best Bank in Korea at the Awards for Excellence 2016 by *Euromoney* monthly magazine. This award recognized SHB's highest profitability in the domestic industry, and global operations contributing to over 10% of its total profits in 2015, plus its innovation and dynamism of creating new business opportunities such as the preemptive pursuit of digital banking.

August: Opened "Smart Branch", a futuristic branch model

SHB opened its first "Smart Branch" in the Wonju Innovation City. Smart Branch is a futuristic branch model, converging and integrating digital channels with traditional analogue channels. SHB Smart Branch enables customers to conveniently and quickly use more than 90% of existing teller operations through self-banking at a Digital Kiosk, where they can apply for new bankbooks and access Internet banking services.



September: Established Shinhan International Finance Center

SHB established Shinhan IFC to provide comprehensive financial consulting services to foreign residents and foreign-invested companies, who are on the increase in South Korea. Consisting of global professionals – including high-caliber experts in foreign direct investments and asset managers with significant experience – Shinhan IFC is primed to offer specialized services for investment reports, financial consultations, and many other areas in collaboration with over 150 strategic branches for foreign customers across the country.

November: Opened Yangon Branch in Myanmar

A first among Korean-based banks, SHB opened Yangon Branch in Myanmar, which is called the last market in Asia. Myanmar is a new growth market in which investment inquiries by South Korean and foreign-based companies have been rapidly increasing since its economic opening along with political reforms and democratic transition in 2011. Myanmar was also designated as a beneficiary country of the Generalized System of Preferences (GSP) program in last October. SHB opened the branch after obtaining the final approval for business from the local financial authorities in 2016 after establishing a representative office in 2013.



December: Commemorated the first anniversary of Sunny Bank

SHB held the first commemorative ceremony of Sunny Bank in its head office. During this last year, Sunny Bank introduced the nation's first non-direct real name verification, provided the Sunny Speedup Exchange, an essential service for overseas travel that was used by 1 million customers, and recorded loans of KRW 300 billion through the Sunny MyCar Loan. Marking its first anniversary, Sunny Bank demonstrated its leadership in the mobile financial market through a sweeping renewal to its app.

Awards & Accolades

March 2016

- Named Best Workplace in Asia by GPTW (Great Place to Work) Institute, for the second consecutive year
- Named Best Retail Bank in Korea by *The Asian Banker*, for the fifth consecutive year

May 2016

- Named The Innovators of Foreign Exchange 2016 by *Global Finance*

June 2016

- Named Best Domestic Bank in Korea by *Finance Asia*, for the second consecutive year

July 2016

- Named Best Bank in Korea by *Euromoney*
- Ranked first in the Korea Service Quality Index (KS-SQI) survey by Korean Standards Association, for the third consecutive year

September 2016

- Named the best Foreign Exchange Bank in Korea 2016 by *Asiamoney*
- Ranked first in the Banking sector in the Korean Sustainability Index (KSI) survey by Korean Standards Association, for the fifth consecutive year
- Named Best Digital Bank in Korea 2016 by *Global Finance*

October 2016

- Named Best Private Bank in Korea by *The Banker*, for the third consecutive year

November 2016

- Named Best Company to Work For in Korea 2016 by Korean Standards Association, for the third consecutive year

December 2016

- Named Best Bank at the Small Loan Finance Awards 2016 by the Financial Supervisory Service, for the fourth consecutive year
- Named Best Company for Financial Consumer Protection 2016 by the Financial Supervisory Service
- Received Presidential Citation at the 2016 Volunteer Service Competition from the Ministry of the Interior
- Named Best Wealth Management in Korea by *The Asian Banker*

MESSAGE FROM THE CEO



Sung Ho Wi _ President & Chief Executive Officer

Dear Valued Customers:

In 2016, Shinhan Bank demonstrated its underlying strength both domestically and internationally, despite a number of challenges. We maintained our status as a leading bank in South Korea, ranking first in profitability and asset quality. Despite falling benchmark interest rates, we stabilized our margins through interest, asset, and liability management, and continuously expanded our interest income – a core income base – by pursuing optimal levels of asset growth. As a result, we enjoyed balanced development in our profitability and asset soundness - the main pillars of bank management.

On the international front, we became the first in the domestic banking industry to advance into Myanmar and built overseas networks spanning 150 locations in twenty countries around the world while establishing PT Bank Shinhan Indonesia. In addition, we made more than 12% of our total profits from overseas operations through exhaustive localization efforts, achieving noticeable growth in terms of both quality and quantity.

We also strengthened our unique and differentiated digital platforms further so that our customers can use our financial services with enhanced ease and convenience. We upgraded our Sunny Bank to enable the use of financial services on smartphones, and introduced innovative services such as the domestic banking industry's first robo-advisor named M-Folio, and Sunny MyCar Loan for mobile auto loans, earning positive reviews in the market.

2016 was also a meaningful year in which we completely internalized and spread the Shinhan Financial Group's mission, "Compassionate finance, creating a happier future". We unfolded a wide range of initiatives to provide our customers and society with greater value by faithfully performing the natural roles of the financial business.

First, we reinforced our retirement pension and preretirement planning sectors to help our customers create a happier future with their families. We are also fulfilling our role as a responsible corporate citizen in the areas of small loan finance and financial consumer protection. In addition, we were recognized for our practice of compassionate finance in various fields. For instance, we received the Presidential Citation at the Volunteer Service Competition with the highest authority in relation to volunteer work as a result of encouraging our employees to carry out sharing and volunteer activities.

Due to all of these achievements, Shinhan Bank has been acclaimed as the best bank in overall management evaluations in terms of brand, social contribution, and workplace environment. Recently, we ranked first in South Korea (58th globally) in the Top 500 Banking Brands list compiled by *The Banker* magazine for the sixth consecutive year. We were also included in the Dow Jones Sustainability Index World Sector for the fourth straight year, and the "Global 100: The Most Sustainable Corporations in the World" list at the Davos Forum for the fifth consecutive year, confirming our profile as the nation's best financial brand.

In 2017, 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 "New Initiatives Toward Excellence 2.0" as our 2017 strategic goal, and plan to actively pursue the following tasks.

First, we will blaze a new trail toward Digital Shinhan. There are no boundaries between national borders, industries, and online and offline platforms in the digital age. We will create differentiated values with cross-over strategies that decisively transcend limitations. We will continue innovations to our channels

with a view to offering new experience and convenience to our customers, such as digital transformation and community collaboration schemes.

Next, we will lead the charge toward Global Shinhan. The global market is the perfect venue to create new growth momentums in an era of low growth and low interest rates. We will secure differentiated strategies and execution abilities that will capture the attention of the global community, ranging from products and services to systems and processes and human capabilities, and will continue to raise the portion of global profits with business models and growth roadmaps that befit the circumstances of each nation.

Last but not least, we will create a healthy win-win cycle in which we grow customer and social value together, based on our "Compassionate finance, creating a happier future" approach.

Compassionate finance is our mission and the core of our sustained growth. All of our employees will be committed to discovering creative ways to bank that will enable us to go together with our communities toward a better tomorrow with a sense of pride that what we do now will benefit the world.

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, 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. We look forward to your continued encouragement and support as we work hard to create new standards in the financial industry of South Korea.

Thank you.



Sung Ho Wi
President & Chief Executive Officer
Shinhan Bank

Companion for a better future

A healthy win-win cycle in which there is greater value for the customer, Shinhan, and society: this is the "Compassionate Finance, Creating a Happier Future" that we pursue. We will continue to develop methods for creative financing that will enable us to go help our society to achieve a better future.



VISION & MISSION

Vision

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

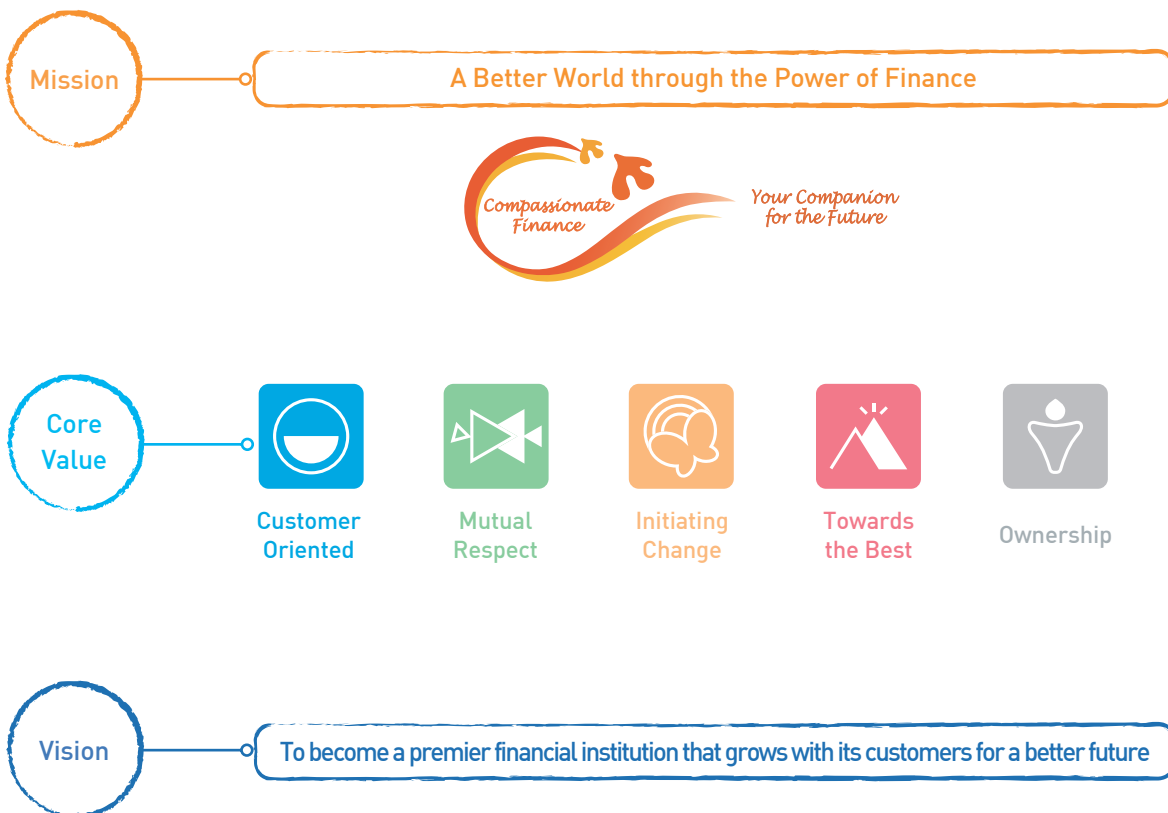
Customers: Seeking to become a premier financial institution that grows with its customers for a better future

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 number one bank

Shinhan Way

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



Mission

Compassionate Finance: Benefiting society through the finance business

What Compassionate Finance Means

1. 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 the success, offering continuing benefits and values to our customers and the society at large.

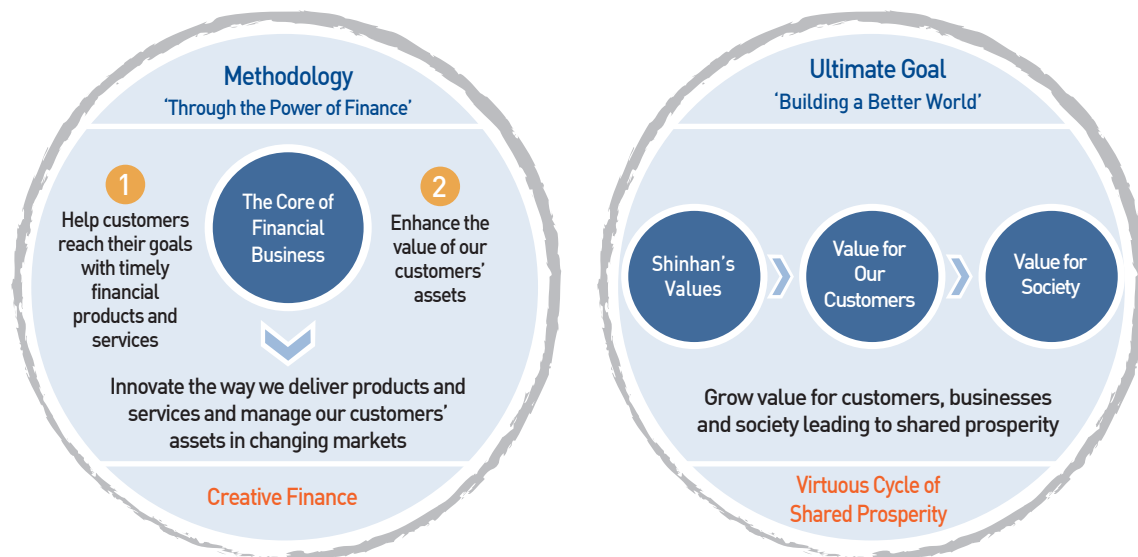
2. Protecting and creating value for our customers

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 put the optimal risk management policies and processes in place.

3. 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. It also includes helping the underprivileged to become fully contributing members of society.

Compassionate Finance, Your Companion for Future
"Promote a virtuous cycle of shared prosperity with creative financial services"



The happiness of customers made by the happiness of employees

For the happiness of its employees, Shinhan Bank is dedicated to creating a venue where they can display their abilities and to fostering the development of global talents and financial experts. We also continue to pursue smart working initiatives which allow our employees and executives to concentrate on their duties without time and space limits and to achieve work-life balance.



Shinhan Bank: Working Together for a Better Future

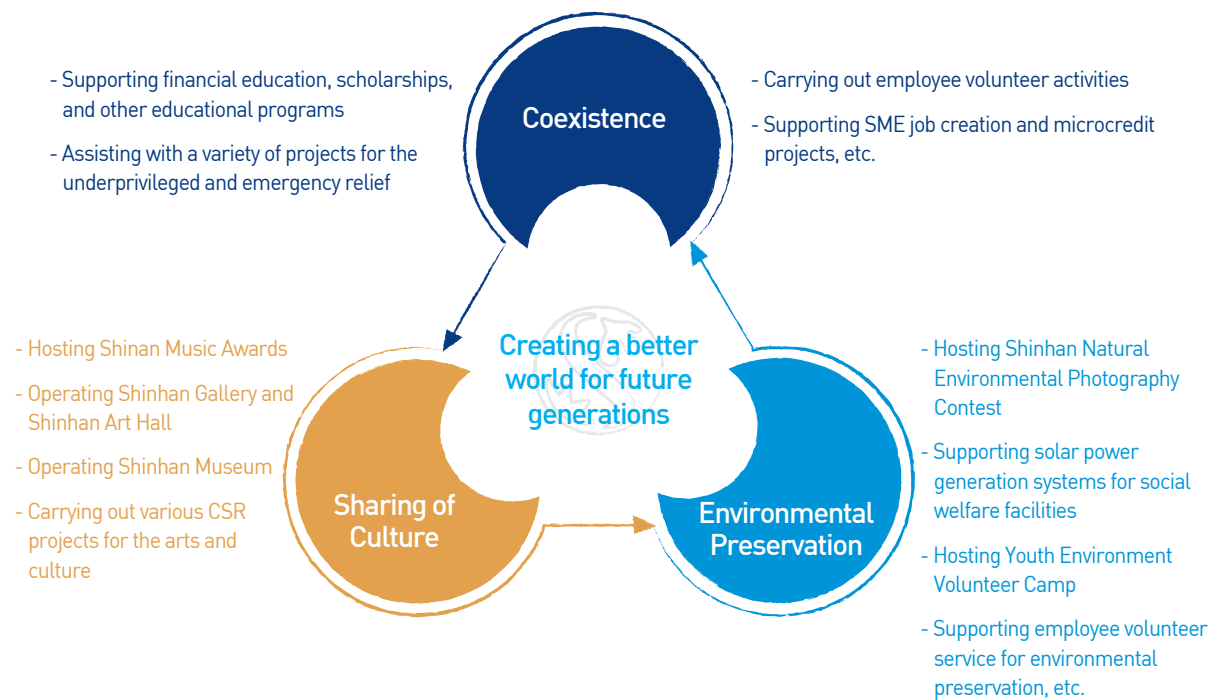
Shinhan Bank has been promoting "compassionate finance" through business. This is aimed at fulfilling our social responsibilities as a financial institution, with the mission to "create a better world through the power of finance", and through our vision to be "a respected and favored premier bank that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

We continue to do our best to create customer value and protect our customers, treating 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)", which 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.

[Shinhan Bank's CSR Strategies]



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.

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.

Our "Visiting Finance Education", for example, offers students in farming, fishing, and mountain villages educational opportunities through hands-on experience by using our mobile branch "Bangbird". This initiative has been favorably received by financial authorities and media outlets as a prime example of true financial education.

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. These include: the Shinhan Music Academy, which provides music lessons for teenagers who aren't in school in collaboration with the nation's top-tier professors, to discover and foster vocal talents; Dream Day, which helps the underprivileged to see concerts and performances; and sponsorship for the production of musicals to help improve the awareness of multiculturalism.

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.

In 2016, we supported the construction of a healthy self-reliance development center for needy and underprivileged people in Bandung, Indonesia, giving back to the local community and contributing to the improvement of studies and vocational training. We play the role of a CSR supporter for the continuation and healthy cycle of global social contribution activities by creating a Global CSR Council to reinforce such global CSR efforts.

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 2016, 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 boosted online and offline education on ethics observance to ensure the internal stability of the Code of Ethics. We have implemented education on communication since 2016 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. In 2016, we operated a monthly pop-up education program by producing brief animation videos on the SFG's Code of Ethics examples. In 2017, we plan to continue this initiative along the theme of financial fraud prevention cases.

With regard to increasingly expanding global operations, we have strengthened education in ethics observance 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 putting up a legal advice system called Judicial and Ethical Affairs, which is about ethical management.

Compliance Department

In 2016, the Compliance Department responded to the tightened financial supervisory laws and regulations by quickly incorporating the Act on Governance of Financial Institutions into our regulations on internal controls and compliance operations. We also strengthened cooperation among the divisions in matters relating to internal controls, and enhanced their efficiency by holding an internal control committee led by our President & CEO. In addition, we ensured that employees followed the bank's rules and regulations regarding compliance issues by monitoring divisions in the head office, domestic branches, and overseas offices.

In particular, according to revisions to the Best Practices on Bank Internal Control and Compliance Officer System, we incorporated the keynote concepts of supervisory authorities and bolstered internal controls further by transferring our self- and regular inspection operations – which used to be performed by the Audit Department – to the Compliance Department.

In relation to The Improper Solicitation and Graft Act that took effect in September 2016, we provided education prior to it coming into effect so that all of our employees can comply with the law, and developed and distributed an exclusive app for our employees so that they can check its contents at anytime.

In addition, we conducted monthly ethics training sessions on the observance of rules and regulations. These were especially aimed at employees working at our various divisions and at compliance officers stationed at our various branches, to help them carry out compliance monitoring activities more efficiently. In addition, we rewrote the bank's rules, regulations, and bylaws relating to the operation of its head office divisions.

We are also committed to observing all of Korea's rules and regulations relating to the finance industry. This includes carrying out monthly and quarterly monitoring operations to comply with the Korean government's mechanisms for preventing conflicts of interest.

In addition, we satisfied increasing demand from the bank's divisions for legal advice by instituting a legal risk management system that makes legal advice available in a speedy and accurate manner. We also developed a legal advice system called Judicial and Ethical Affairs.

In regards to money laundering, the Financial Action Task Force, which is the global standard-setting body for anti-money laundering and combating the financing of terrorism, set an international standard to effectively evaluate and manage the increasingly changing and intelligent money laundering and financing of terrorism (ML/FT) risks in 2012. Through this, the FATF provided the international financial system, including domestic financial companies, with ways to build a company-wide money laundering risk management system by identifying and analyzing the ML/FT risks.

Accordingly, the Korea Financial Intelligence Unit (KoFIU) laid a framework for financial institutions to properly implement the system, by announcing standards for the handling of ML Risk-Based Approach in compliance with the FATF Recommendations.

In recognition of these requirements, Shinhan Bank is promoting a project to build an ML risk evaluation system so that it can secure a process to identify, evaluate, and improve ML risk factors that can arise in the bank. In order to identify and analyze ML risks, we conducted a diagnosis of ML risk-related organizations at the head office departments and branches. This was followed by selecting those with high relations to ML risk occurrence levels, analyzing business processes, and determining ML risk factors through interviews with senior management to measure the nature and sources of ML risk factors, the probability of occurrence, and the magnitude of the risks.

Targeting branches, we quantified ML risk occurrence factors by analyzing their operational environment, customer characteristics, and transaction types, and established strategies to cope with the risks by setting priorities on measured ML risks. We also efficiently implemented AML activities so as to urgently address risk factors that are likely to have significant impact and cause the company to incur great losses.

By completing the establishment of a company-wide ML risk evaluation system through external consulting and the development of a computer system in 2016, we have secured a process for recognizing ML risks inherent in the bank and addressing them in advance. Through these efforts, we are continuously strengthening our AML-related internal control activities. Such activities include conducting company-wide diagnoses and addressing risks in our organizations, business environment and procedures, human resources, and information systems.

The Board of Directors (BOD) consists of nine executive directors, including six outside ones. 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

Seok Keun Lee

Director &
Standing Auditor

Outside Directors

Sun Tae Hwang

Outside Director

Kook Jae Hwang

Outside Director

Seong Woo Lee

Outside Director

Bon Il Ku

Outside Director

Hoh Peter In

Outside Director

Fukuda Hiroshi

Outside Director

Executive Officers & Compliance Officer

Hyun Ju Seo

Deputy President,
Sales Channel Planning Group

Young Taeg Heo

Deputy President,
Global Business Group

Cheol Soo Joo

Executive Vice President,
Sales Promotion Group I

Tae Wook Wang

Deputy President,
Consumer Brand Group

Soon Seog Huh

Executive Vice President,
Chief Compliance Officer

Yun Ju Ko

Executive Vice President,
Retail Banking Group

Byeong Wha Choi

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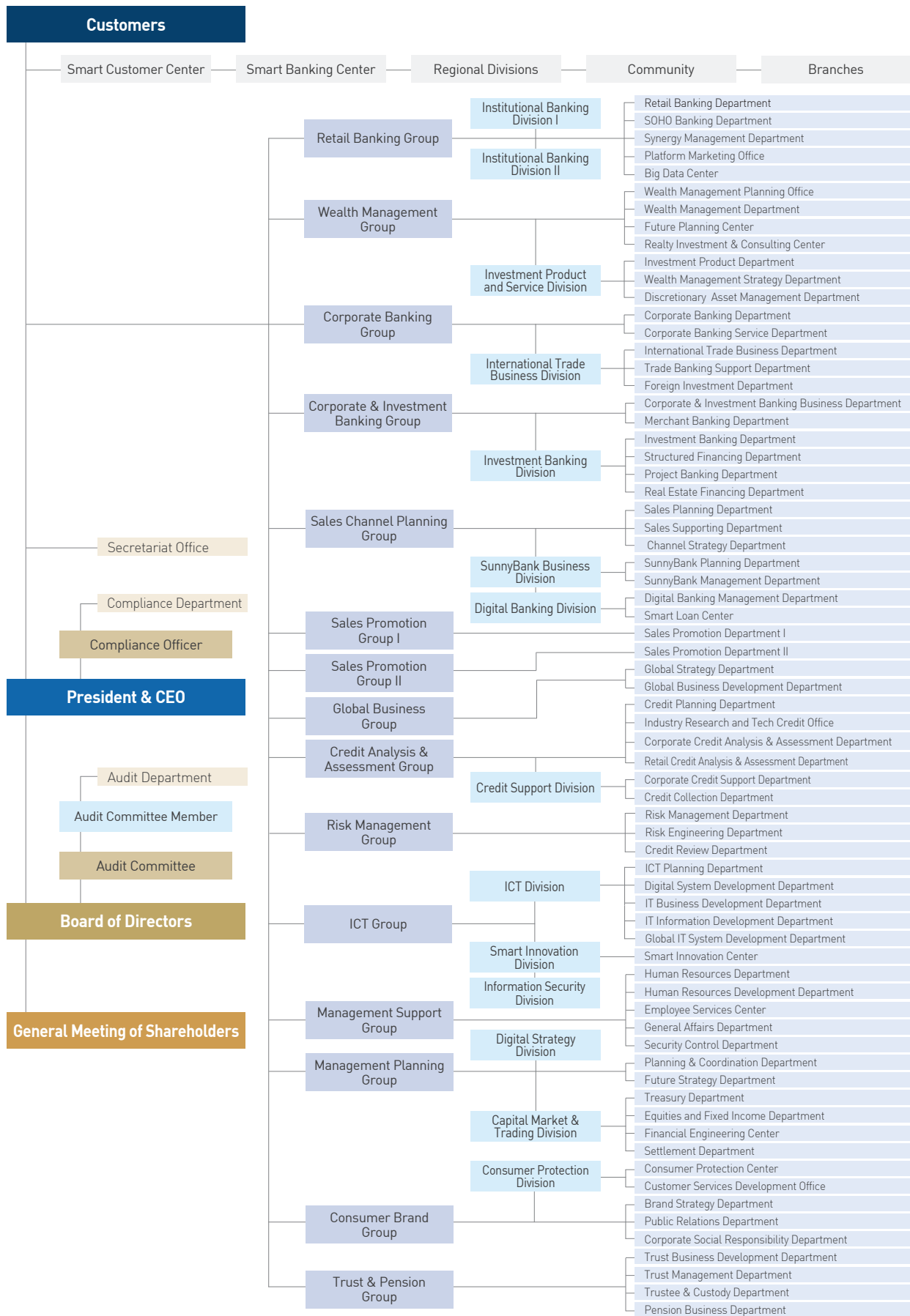
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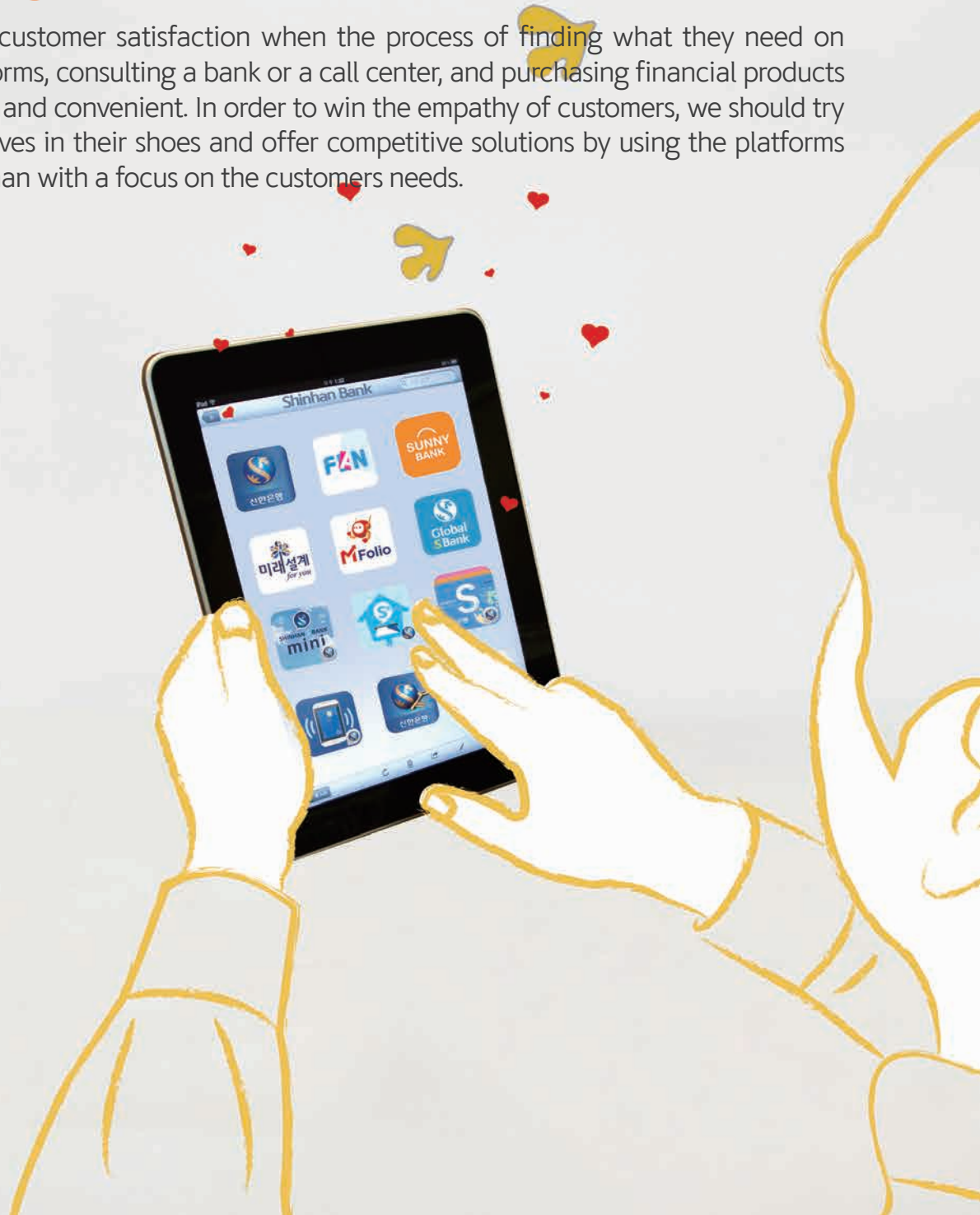
ORGANIZATION (As of January 2017)



Review of Operations

Customer satisfaction through service: winning the empathy of customers

We achieve customer satisfaction when the process of finding what they need on mobile platforms, consulting a bank or a call center, and purchasing financial products is made easy and convenient. In order to win the empathy of customers, we should try to put ourselves in their shoes and offer competitive solutions by using the platforms of One Shinhan with a focus on the customers needs.



RETAIL BANKING

The Retail Banking Group is composed of six departments: Retail Banking, SOHO Banking, Institutional Banking, and Synergy Management Departments, Big Data Center, and Platform Marketing Office. Together they support the Bank's operations in a consistent and efficient manner, targeting retail customers, self-employed customers, and institutional customers including courts and public institutions. The Group's mission is to offer customers comprehensive solutions through enhanced competitiveness in retail business and big data-based business innovations.

2016 Performance

In 2016, the business environment was more difficult than ever. Contributing factors included the financial authorities' policy to suppress household debt, and economic slowdowns both at home and abroad. Competition also intensified following the appearance of FinTech firms, the launch of Individual Savings Account (ISA) products with enhanced consumer options, and the implementation of the Bank Account Switching system. Despite this landscape, the Retail Banking Group performed remarkably well under the slogan of "No.1 Retail, with Excellence" through the application of a variety of innovations. These innovations included: expanding the customer base and encouraging customers to choose us as their main bank; optimizing retail revenue; and putting GPS Speed-up in place.

First, we laid the groundwork for sustainable growth in the rapidly changing financial environment by expanding our customer base and incentivizing customers to choose us as their main bank. In 2016 we had 9.52 million active customers, which was an increase of 270,000. We also attracted 400,000 new accounts through the Bank Account Switching system that was implemented to expand customers' choices for financial institutions.

With regard to the ISA products that were launched in March, we ranked first in the financial industry by securing 476,885 subscriber customers. Our asset management was focused on helping our customers to achieve their financial goals through the ISA products. As a result, we have maintained the banking sector's highest yield of 3.14% (as of February 28, 2017) on discretionary ISA products since their launch. The number of credit card accounts amounted to 306,000, the largest since the start of Shinhan Card in 2007, showing the success of our efforts to attract new credit card customers and having them choose us as their main bank.

Second, we ranked first in profitability by increasing quality assets, managing asset quality, and reducing funding cost. These efforts were led by increases in household loans with a focus on quality assets, SME loans, and key liquid deposits with almost no funding cost. Key liquid deposits expanded by more than KRW 7 trillion over the year, driven by rises in active customers, the inflow of funds from credit card and credit card-affiliated merchant store settlement accounts, and the attraction of R&D expenses from public institutions. As for household loans, we managed net interest margin (NIM) by securing margins, and managed household debt risk by centering around collateralized loans and high-margin installment loans such as auto loans and loans for home lease funds.

Loans to small and medium-sized enterprises (SMEs) grew by adding to our Retail Relationship Managers and supporting the Digital S-TB system. The number of RRM's increased from 501 in 2015 to 628 in 2016, and we supported the digital S-TB platform that enables consultations with their customers and digital operations by using portable PCs to strengthen their outdoor sales.

As a consequence, SME loans advanced by KRW 2.3 trillion over the year. Loans to prime-quality companies with the BBB- or higher credit ratings particularly surged by KRW 3.1 trillion with a focus on healthy assets.

With regard to asset quality, which is directly related to our profits and losses, we realized delinquency ratios of



0.35%, including 0.26% for household loans and 0.50% for SOHO loans, retaining the industry's first place in asset quality.

Thirdly, we achieved differentiated innovations through the GPS Smart Speed-up.

We provided our customers with differentiated financial services by launching affiliated products with non-financial businesses including telecommunication, shopping, and e-commerce companies. We also posted KRW 1.2 trillion in financing through the introduction of mobile Sunny MyCar Loan, comprising 80% of the banking industry's auto financing market.

Fourthly, we were named the best bank in small loan finance and ranked first in customer satisfaction. Shinhan Financial Group is dedicated to increasing customers' assets and improving social values through the financial business with our mission to "Practice compassionate finance", benefiting the world through the power of finance.

As a result of practicing compassionate finance by leading in the support of small loan finance, we were named the Best Bank at the Small Loan Finance Awards by the Financial Supervisory Service for the fourth consecutive year, a first in the financial industry. Our cumulative New Hope Spore Loans amounted to KRW 2.0946 trillion, and the Saitdol mid-range interest rate loans stood at KRW 59.5 billion, the largest in the banking industry. The number of New Hope Installment Savings supporting the low income brackets totaled 89,115 (worth KRW 353.1 billion).

We also ranked first in four categories in the domestic customer satisfaction index surveys by the Korean Standards Association, Korea Productivity Center, and Korea Management Consulting (KSCL and KSQI).

Lastly, we were named the best retail bank in the Asia-Pacific region, consolidating our position as a global leading bank both at home and beyond.

Our excellent business performance achieved despite the challenging environment was recognized abroad as well. Shinhan Bank was named the Best Retail Bank in Korea (for the sixth consecutive year) and the Best Retail Bank in Asia Pacific at The International Excellence in Retail Financial Services 2017 Awards by The Asian Banker, the region's most authoritative provider of strategic business intelligence to the financial services community.

2017 Strategies

Our strategic goal for 2017 is to provide differentiated customer experiences and strengthen competitiveness in the retail banking business. Our three strategic imperatives are to: Improve customer values; Optimize retail revenue; and Enhance the efficiency of business practices.

Firstly, to improve customer values in an era of "consumertopia" where consumers have an extreme variety of choices, we will facilitate marketing activities by identifying the detailed needs of customers through big data analysis from the customer's perspective. Our first strategy will be carrying out data-based peer group marketing. We will upgrade our customer management programs to benefit the digital age so that we can expand our product bases with customized product proposals by customer.

Secondly, we will optimize our retail revenue. With respect to interest income, we will grow household and corporate loans centering on healthy assets from which earnings are secured, and will continue to improve interest margins from loans. We will also expand NIM by focusing on increasing key liquid deposits, and secure a revenue base by selectively attracting prime-quality new institutions.

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In the non-interest income sector, we will be dedicated to increasing non-interest income in order to optimize our retail revenue structure. This will involve attracting new employee welfare cards; strengthening marketing initiatives in the foreigners' remuneration remittance market; and increasing housing subscription savings, commissions on securitization, and the sales of Yellow Umbrella Deductions programs.

Thirdly, we will enhance the efficiency of our business practices. To do this, we will organically connect our businesses based on various platforms. With regard to auto financing, we will continue to complete an automobile ecosystem by including non-financial services such as partnerships with institutional dealers, driver insurance, and vehicle maintenance companies, by reflecting opinions from the frontline offices. We will also expand transactions with the employees of our existing institutional customers and new institutions by extending the affiliated platforms of the Institutional Banking Division, which became a new member of the Retail Banking Group in 2017.

Following the full-fledged inauguration of Internet banks such as K Bank, we will develop mobile and Internet-based products and strengthen online and offline omnichannels to cope with the changing competition environment.

As part of such strategic initiatives, in April 2017 we launched non-direct semi-loans for home lease fund products, reflecting the growth of semi-home leasing and monthly home rental markets. We also introduced the Shinhan PONEY app for allowance management, targeting teenagers, a first in the financial industry. In addition, we will continue to develop mobile and Internet-based products, broaden the sphere of our services through partnerships with different business sectors, and lead the market through online and offline marketing initiatives.

Lastly, we will add to customer convenience and improve the efficiency of our employees by digitalizing our frontline office operations. Our Digital Kiosks, implemented in February 2017, is an innovative service that simplifies the preparation of documents and saves our customers time by eliminating paper forms and enabling batch signature through digital forms. We will continuously expand target operations so that our customers can experience differentiated financial services.

"We will continue to build unrivaled number one Retail Shinhan by expanding our customer base and optimizing our revenue structure based on our 2017 management plans."

CORPORATE & INVESTMENT BANKING (CIB)

The Shinhan Financial Group (SFG) launched its CIB business division system in January 2012. Its goal was to meet the ever-increasing needs of corporate customers, maximize customer value, and to ensure the bank's sustainable growth. Since then, the CIB business group has been committed to building stable systems, by making diverse attempts and accumulating capabilities in order to bring about qualitative improvements.

The CIB Group was formed by combining Shinhan Bank's IB organization, which is a special banking service channel for large corporations, and Shinhan Investment's IB organization into one business unit to solve the problem of having a dual operating system. Now that the Group is integrated into SFG's corporate culture, it is fast becoming a growth engine for the future.

Consisting of the Corporate and Investment Banking Planning Office, the Corporate and Investment Banking Service Department, the IB Division, the Hong Kong IB Center and the Merchant Banking Department, SHB's CIB Group provides Korea's most comprehensive range of financial services through the CIB business model. As a result, we are now much better equipped to provide corporate customers with high-quality, one-stop total solution services in all areas of banking and securities, based on our strong relationship with our corporate customers.

Marking its fifth anniversary in 2016, the CIB Group strategically pursued SFG's "creative asset management" based on its further stabilized collaboration system. This is a new asset management paradigm developed to increase the earnings rate of customer assets as well as the bank's assets. As a consequence, we have produced tangible results centering on the fund business. In 2016, we will continue with our efforts to secure long-term growth drivers in the CIB sector through creative asset management.

Shortly after the CIB Group was launched in January 2012, the IB divisions of SHB and Shinhan Investment, as well as the Merchant Banking Department, began sharing the same space within the head office of Shinhan Investment in Yeouido. This was aimed at overcoming limitations to the business models of each company, and offering integrated financial solutions for corporate customers by bringing together their various skills. The "shared location" of these three business divisions resulted in the seamless integration of their PM functions and expertise, and led to the development of a system that can provide a full package of CIB services to maximize customer value.

In addition, we have added to our customer coverage and marketing efficiencies by establishing new business models such as the Duo-RM system for the joint management of customers for the RMs of Shinhan Bank and Shinhan Investment. In the process of establishing these models, we are also activating joint operations and referral marketing efforts.

To ensure that this is done seamlessly, we have upgraded all of our business processes. This includes operating employee capability enhancing programs through the IB (such as M&A financing, realty project financing, and structuralization) education platforms, conducting research, and discovering new businesses that will improve SFG's core competencies, strengthen its foundations for future growth, and increase its organizational efficiency. We are also tasked with conducting research, new business development, and delivering solutions.

In the past, collaboration between the two displayed a pattern that focused on simply introducing the traditional products of each individual company to the customers. However, after the launch of the CIB Group, the two companies have been achieving qualitative growth by continuously developing and proposing package deals that meet various customer needs through joint operation.

For instance, the SFG's CIB Division did more than just put banking and securities products together to meet

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customers' funding needs. Instead, it also assisted in improving corporate customers' financial structure by utilizing new rights issues, mezzanine financing (CB, BW, and EB), equity investment, and other techniques. By doing so, it has built a variety of solution selling capabilities and developed an excellent track record. These efforts have produced excellent results, allowing the division to lead the direct and indirect markets.

In April 2015, we launched Shinhan Creative Finance Plaza, which offers corporate customers financial solutions through capital market products by combining the functions and products of Shinhan Bank and Shinhan Investment. In 2016, we expanded the number of its outlets to 14, covering the entire country.

2016 Performance

Even in the challenging business environment of 2016, the CIB Group focused on risk management and securing growth engines. As a result, it posted KRW 317.0 billion in earnings before taxes, in terms of financial performance.

By department, the Corporate and Investment Banking Planning Office and the Corporate and Investment Banking Service Department together posted KRW 167.6 billion in earnings before taxes, while the Investment Banking Division and the Merchant Banking Department generated KRW 99.5 billion and KRW 50.1 billion respectively. Such balanced growth was more meaningful in that it was achieved through an asset rebalancing strategy of reducing high-risk assets by KRW 0.7 trillion. The CIB Group's total deposits surged by KRW 12.5 trillion to KRW 62.7 trillion (average balance) as of the end of 2016.

Meanwhile, we expanded the global RM system into all branches, resulting in the growth of global earnings before taxes by as much as 35% over the year. The system was launched in 2015 with a focus on the top five domestic business groups and their affiliates in order to expand our global boundary.

In the IB sector we actively promoted the global IB fund business, participating in the Europe private debt funds by Ares, the U.S.-based alternative asset manager, with USD 15 million, and investing USD 30 million in IFC Financial Institutions Growth (FIG) Fund. We also scaled up the global IB boundary, extending investment limits to Hong Kong IB foreign currency bonds by USD 150 million to arrange a total of USD 240 million and invest USD 102 million.

We also built up the foundation for entering the Asian corporate banking market, by acquiring Makinta Securities in Indonesia, a leading emerging growth country in the region. One vivid example that demonstrates the securities firm's strategic value is that it successfully closed the arrangement of domestic strategic investor (SI) and financial investor (FI) investments in a local resort operation company after the acquisition in linkage with the head office of Shinhan Investment.

The CIB Group is also leading in improving customer yields through the supply of IB products. In 2016, we supplied a total of KRW 650 billion high-yield IB products in collaboration with the PWM, Pension Business, and Trust Business Development Departments, by using assets sourced from the Bank's Structured Financing Department, Shinhan Investment, and Hong Kong IB. These included KRW 388.5 billion in retirement pensions, KRW 256.2 billion in pension trust products, and USD 11.4 million in PWM.

Another accomplishment was the building up of mid- to long-term growth foundations by developing a wide range of funds for creative asset management. We launched the KRW 470.0 worth Senior Loan Fund 2 in collaboration with our affiliate, Shinhan BNPP. This launch occurred because the Senior Loan Fund 1 (worth KRW 565.0 billion), the nation's first preferred private debt fund for M&As that we developed in 2014, sold out early. In addition, we



developed technology fund worth KRW 30.0 billion for startups, in linkage with the Growth Ladder Fund, and KRW 528.4 billion in four SOC project funds.

Finally, we expanded the number of Creative Finance Plaza outlets (new corporate banking platforms) to a total of 14. This followed the opening of five outlets in 2015. The number of deals carried out and closed increased from 286 to 797 and from 25 to 91 over the year. Collaboration income also climbed by 49% to KRW 12.1 billion from KRW 8.1 billion.

2017 Strategies

One of our focuses for 2017 is to diversify revenue sources through the creation of customers. The CIB Group will make diversified efforts to ensure sustainable growth with differentiated strategies amidst the industry's current low interest rate, low growth, and low margin trends, and intensified competition, by avoiding vertical growth and shifting its paradigm to efficiency-oriented vertical growth.

First, we will pursue localized global IB operations and enhance collaboration with global strategic partners to expand our global territories. We will also upgrade our global RM system by systematizing information channels among domestic and overseas channels and elaborating our global RM evaluation system.

In addition, we will expand our global IB desk, namely the GIB Desk, to apply our well-established CIB system to overseas. In the meantime, we will increase IB collaboration deals with our overseas branches by operating our Hong Kong IB Center as an Asia IB Solution Center to perform the role of headquarters in the Asia region.

Second, we will maximize "One Shinhan" synergies among the Bank and its affiliates. To this end, we will bolster collaboration capabilities of the Creative Finance Plaza so that more small and medium-sized businesses can access capital market solutions. At the same time, we will enable those companies to enjoy greater benefits by offering the Bank's IB financial products that use structuralization, merchant banking, and Hong Kong IB.

Our third approach will be to firm up our market leadership in the areas of corporate and investment banking, investment banking, and merchant banking. We will maximize earnings from corporate and investment banking through "horizontal growth" based on qualitative growth without quantitative increases, while developing new revenue sources and business models by area by tapping into new IB markets. In the merchant banking area, we will expand our mid- to long-term revenue base by extending investment limits and activating agreed operations.

Finally, we will increase IB product supply channels in the Bank to improve customer asset yields. We will also offer smart solutions by expanding the supply of management support tools such as the credit risk transferring transactions. In order to carry out these goals more effectively, we will continue to advance our collaboration system with relevant divisions.

We have secured CIB market leadership with creative thinking thus far, and we will continue to evolve and grow in 2017 by exploring new territories, improving various applicable systems, and building a stronger organizational culture.



International Trade Business Department

In 2016, the ITB Department made sustained efforts to increase bank-wide non-interest income by strengthening its foreign exchange competencies and finding new growth engines for the future. We were also dedicated to building new FX products and platforms. As a result, we posted notable achievements as compared to the previous year.

Total foreign exchange income and non-interest income

We focused on timely forward exchange, spot exchange, and derivatives operations utilizing greater FX volatility than ever due to an economic unrest in China and international issues such as Brexit and the U.S. presidential elections.

In addition, we launched a wide range of new foreign exchange products to target niche FX markets. Thanks to these efforts, total FX income and non-interest FX income increased by 24.3% and 15.5% respectively over the year to KRW 337.3 billion and KRW 228.5 trillion.

Import and export customers

We upgraded FX platforms, offered target lists, and launched new products with an aim to increase the number of import and export customers that form the basis of long-term FX growth engines. In addition, we were committed to expanding import and export-based customers through a variety of campaigns, promotions, and events. This led to a net increase in the number of import and export customers by 1,491 companies. These newly attracted customers will become future growth engines for the ongoing creation of FX income.

Import and export market share

In 2016, although the nation's total import and export financing decreased by 6.7% over the year, we fared well comparatively, recording a decrease of only 4.1%. Our import and export market share (nego + open) also edged up by 0.5% to 18.0%, allowing us to become a top 3 player in the South Korean industry. This allowed us to firm up our position as a leading bank in both market share and foreign exchange income.

Foreign exchange competencies

2016 was a year in which our FX competencies took a quantum leap. We produced 2,300 certified foreign exchange specialists (CFES) by operating a Community of Practice (CoP) and supporting anticipated examination questions.

We also operated a global FX academy by inviting overseas employees and visited 97 communities to share key FX priorities and marketing skills.

2017 Strategies

Our goals for 2017 include expanding our FX revenue base and import and export-based customers, and improving our FX brand value to cope with the increasingly intensifying competition among banks and seek qualitative growth through a rise in non-interest income. To this end, we will push ahead with the following strategies.

First, we will create new revenue sources through global transaction banking (GTB). Developing new FX markets

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is one of our main focuses. Our GTB business, launched first among domestic financial institutions, will carry out banker's acceptance (BA) finance transactions, various repurchase agreement (RP) operations, counter guarantees, supply chain finance, and real-time South Korea-Vietnam remittances, while creating new revenue sources for the FX business and the Bank.

We will preferentially pursue our business in Vietnam, where risks are low and local market surveys have been conducted. With regard to operations that can be carried out by individual overseas branches, we will immediately deal with those operations, based on cooperation between domestic and overseas networks, thereby opening a new chapter for FX income.

Second, we will expand our FX revenue base. In order to successfully pursue FX operations, we will focus on seven key target markets through customer segmentation. We will be also committed to fine meshed network operations by developing a wide range of customized FX products and platforms through business alliances with external organizations.

We will focus on producing visible outcomes by launching new profitable businesses such as GTB and new market development, in addition to our primary FX income such as imports and exports and foreign exchange.

We will also expand imports and exports-based customers, who are long-term FX growth engines, by developing shared derivatives operations and FX strategic products and enhancing our marketing skill sets. By offering refined target lists, we will facilitate easy customer services at our frontline offices, activate cross operations to encourage customers to choose us their main bank, and diversify and stabilize our revenue structure.

Finally, in 2016, we were named the Best Foreign Exchange Bank in Korea by *Asiamoney* and The Innovators of Foreign Exchange by *Global Finance*, and received a Presidential Citation on the Foreign Company Day.

In 2017, we will continue our endeavors to secure differential competitiveness and strengthen our profile in the FX sector, while building up our image as a FX-specialized bank by obtaining awards from external organizations. We will also grow into a global professional FX bank through ongoing innovations and the development of new products and services.

In 2016, despite falling benchmark interest rates, Shinhan Bank stabilized its margins through interest, asset, and liability management, and continuously expanded its interest income – a core income base – by pursuing optimal levels of asset growth.

We recorded the highest profitability in the industry for the seventh consecutive year by increasing interest and non-interest income. We were also ranked first in asset quality for three straight years through our preemptive and comprehensive risk management, showing balanced development in both profitability and soundness - the main pillars of bank management.

On the international front, we became the first in the domestic banking industry to advance into Myanmar and built overseas networks spanning 150 locations in twenty countries around the world while establishing PT Bank Shinhan Indonesia. In addition, we made more than 12% of our total profits from overseas operations through exhaustive localization efforts, achieving noticeable growth in terms of both quality and quantity.

Based on these efforts, Shinhan Bank has been acclaimed as the best bank in overall management evaluations in terms of brand, social contribution, and workplace environment. Recently, we ranked first in South Korea (58th globally) in the Top 500 Banking Brands list compiled by *The Banker* magazine for the sixth consecutive year. We were also included in the Dow Jones Sustainability Index World Sector for the fourth straight year, and the "Global 100: The Most Sustainable Corporations in the World" list at the Davos Forum for the fifth consecutive year, confirming 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 2014 and 2015, and earned first place in four categories in 2016.

In 2016, the Global Business Group posted a net income of KRW 192.0 billion, recording an annualized average growth of 25% from KRW 49.1 billion in 2010. Such growth was significantly attributed to the roles of key markets. The contribution of key markets to total income surged from 33% in 2010 to 73% in 2016. This resulted from the Group's strong pursuit of glocalization, striving to meet the needs of local customers before anything else.

In 2017, the pace of changes will accelerate and the amplitude of uncertainties is also expected to grow. Competition with FinTech and Internet banks will be more prevalent, in addition to endless competition in the existing banking industry.

In order to overcome such chaos and change and achieve greater growth, we set our strategic goal for 2017 to be "D.A.S.H. (Digital, Advanced Biz-model, Smart working, Hybrid-infra) for Glocalization", and we will carry forward the following global operations.

First, we will reinforce our digital foundation. We will build strategic digital roadmaps by nation, and discover new digital-linked retail businesses to execute global digital strategies. In addition to securing competitiveness in the mobile banking service, we will offer differentiated cash management services (CMS) that are optimized for the needs of customers.

Next, we will upgrade our business models. We will continue to build business models that are based on asset portfolio rebalancing by region, and diversify non-interest income models by utilizing the Global Trading Center in India and Global IB Desks in Shanghai and New York. At the same time, we will implement marketing initiatives that appeal to customers and offer services that preemptively address the needs of our customers.

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Third, we will carry forward our smart working initiatives. We will expand the use of global official languages and put in place a frontline-centered support system, and will divide the management systems of our 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. We will also remain committed to internalizing and practicing the Shinhan Financial Group's mission, "compassionate finance".

Finally, we will build infrastructures for sustainable growth. We will introduce objective valuation indexes 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 likely to expand following the growth of our business scales. This will include advancing our business management and systematizing our compliance activities.

By executing such strategies, we will lead the charge toward Global Shinhan. The global market is the perfect venue to create new growth momentums in an era of low growth and low interest rates. We will secure differentiated strategies and execution abilities that will capture the attention of the global community, ranging from products and services to systems and processes and human capabilities, and 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 2016, the world economy faced slowdowns in growth, due mainly to a delay in the recovery of major advanced nations, and the ongoing economic slump in emerging countries. In the United States, employment and inflation indicators showed mixed signs, but growth expanded in the second half of the year due to a rebound in consumer spending. Accordingly, the United States raised its policy interest rate by 0.25% in December, and hinted at gradual political interest rate hikes in 2017.

In the Eurozone, exports recovered due to a weakening Euro currency following the expansive monetary policy, but political risks such as Brexit and refugee issues served as factors deterring economic growth. China also showed a slight slowdown in its growth from the preceding year, and the indirect ripple effects that could appear in the process of reforms to corporate debt and structures had the higher possibility of negative impact on its economic recovery.

The South Korean economy also experienced economic downturns. For instance, prolonged sluggish exports following the slowing Chinese economy and a delay in the economic recovery of advanced nations had a negative impact on the employment market. However, South Korea recorded a 2% growth in the second half of the year for the second consecutive year, backed by the domestic demand-led recovery.

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 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 volatilities like the interest rate hikes in the U.S., political risks such as Brexit, and slowing economic growth in China.

In addition, we preemptively addressed the tightening capital regulations on global banks while maintaining foreign currency liquidity by successfully issuing subordinated bonds of USD 500 million each in March and December, in spite of high uncertainties in the foreign capital market.

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.

This year, the world economy is expected to recover slowly, led by the U.S., mainly thanks to the implementation of a market-friendly policy by the Trump government. Global investments are also likely to improve with expectations of business upturns. However, trade conflicts might be expanded following a strong dollar if interest rate hikes by the Federal government speed up in the U.S. due to increased inflationary pressures. It is also worried that financial markets in emerging countries might become unstable.

In addition, the risk of economic downturns will increase due to difficulties in setting directions for economic policies as a result of political risks in major European countries such as France, and a slowing economic growth in China.

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.

The Wealth Management Group consists of the Wealth Management Planning Office, Wealth Management Department, Future Planning Center, Realty Investment & Consulting Center, and the Investment Product and Service Division (under which are the Investment Product Department, the Wealth Management Strategy Department, and the Discretionary Asset Management Department).

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.

The Wealth Management Department launched the Shinhan Private Wealth Management (PWM) Center at the end of 2011, the first such branch in branch (BIB) center in South Korea, by combining the operations of Shinhan Bank and Shinhan Investment in the form of a branch with branch (BWB). At the same time, by creating the Investment Product and Service (IPS) Division, the Department offers its customers comprehensive financial services, backed by systematic advisory consultations from its IPS specialists.

Shinhan Financial Group has built a nationwide WM network, operating 27 PWM centers in Seoul, Incheon, Gyeonggi, Busan, Daejeon, Daegu, and Gwangju. In order to meet the asset management needs of our affluent customers, we also scaled up our targets for PWM asset management services, and opened 18 PWM Lounges to provide a wide range of products and services to customers who hold assets of more than KRW 100 million.

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. Customer-centered AM reflects the Shinhan Financial Group's mission to create a virtuous win-win cycle among customers, society, and the Group through "creative financing". It also shows our determination that all of our AM operations will be focused on customers' needs.

As a result of these efforts, we were named the Best Domestic Private Bank in Korea by *The Banker*, an internationally recognized English-language monthly magazine, for the third consecutive year. We were also named the Best Wealth Management in Korea by *The Asian Banker*, and received the Triple A Investment Awards from *The Asset* for the fifth consecutive year.

Domestically, we ranked first in the PB category at the Korea Standard Premium Brand Index (KS-PBI) survey by the Korean Standards Association for nine years in a row, and received the "THE PROUD Most Valuable Product" award in the PB category from KMA Consulting for seven years in a row.

In terms of financial performance, we realized remarkable growth in all areas of asset growth, earnings, and high net worth (HNW) customers, based on our differentiated competitiveness.

Our retail customer deposits expanded by KRW 7.3 trillion over the year to a total of KRW 72.0 trillion at the end of 2016. Net assets under management at our 27 PWM centers rose by KRW 1.7 trillion to reach KRW 19.3 trillion. The number of customers with a balance of over KRW 0.1 billion and KRW 1 billion increased by 10.7% and 15.3% respectively to reach 251,000 and 9,785, continuing our sustained growth.

The Wealth Management Department's strategic goal for 2017 is to lead the WM business through sophisticated customer-oriented asset management platforms. Our strategic directions are as follows:

First, we will innovate our AM platforms. We will strengthen our market dominance by improving the productivity and efficiency of the maturing PWM centers, and generate AM synergies through cooperation between PWM centers



and communities. In addition, by building a platform to foster the development of the industry's highest-caliber professionals, we will carry forward customer-centered AM operations.

Second, we will enhance our competitiveness in customer-centered asset management. We will raise customer yields through preemptive portfolio management, and expand our HNW customer base by upgrading our operational systems for the management of premier customers who hold assets of more than KRW 100 million.

Third, we will pioneer new AM businesses. We will push for global AM operations in collaboration with our overseas branches in order to bolster our digital channel-based AM operations and secure global competitiveness. By expanding our AM operations – which used to be centered on our retail customers – to include institutional customers, we will provide comprehensive corporate consulting services.

"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 2016, 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, it recorded 1 million future planning accounts, KRW 1.6 trillion in retirement products, 90,163 retirement plans, 595 customers participating in retirement classes for couples, and 2,568 customers participating in the future planning camp.

The Center also upgraded preretirement standard plans and non-direct channels for the existing S-Future Planning System. This allowed us to consolidate mobile and Internet channels of the retirement business platforms. As for face-to-face channels, we allocate at least one future planning consultant per branch, with a focus on PWM Centers and premier teller and transaction windows at all retail branches.

The Center's key strategic goal for 2017 is to "Preempt future planning customers through qualitative platform differentiation". Its strategic directions are 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 will invigorate our digital mobile platform (apps). We introduced "Future Planning for You", the banking industry's first digital retirement portal app. This allows us to offer pre- and post-retirement customers a variety of retirement content and discount service benefits. In 2017, we plan to reinforce non-financial content and services on our mobile platform, while expanding the operation and support of customer participatory online communities. We will also activate our mobile platform with a wide range of events such as film previews, photo exhibitions, and

Our retail customer deposits expanded by KRW 7.3 trillion over the year to a total of KRW 72.0 trillion at the end of 2016. Net assets under management at our 27 PWM centers rose by KRW 1.7 trillion to reach KRW 19.3 trillion.

travelogue contests.

Second, we will strengthen the preretirement planning consultation competencies of our future planning consultants (FPCs). The goal is to improve the qualitative competitiveness of preretirement consultations. We will provide training in preretirement planning for our online and offline customers. To this end, we will connect customers requesting retirement consultations to our branches through online self-diagnosis and will support their consultations. In addition, we will expand consultation opportunities through preretirement planning events targeting our customers, followed by sharing and spreading preretirement planning success stories.

The online future planning curriculum will be reorganized into practice and discussion courses. Computer practices will be improved qualitatively and quantitatively, and we will create group discussion courses which will include the sharing of planning examples at each branch. We will also provide motivation opportunities to our consultants by creating external curriculum for excellent FPCs.

Third, we will revamp customer satisfaction levels by offering differentiated retirement education programs to our customers. To begin, we will provide retirement class programs for couples. By operating a Future Planning Academy (one-day retirement class for couples), we will invite approximately 50 customers per session to retirement education classes and will give certificates indicating that they have completed the class. The program will be operated in collaboration with the National Pension Service and the Shinhan Financial Group companies to ensure customer experience-centered education.

We will continue to increase MOUs with external organizations for the future planning camp. We plan to push ahead with MOUs with major external organizations and companies, including public institutions, and invigorate preretirement planning by customers participating in the camp.

The Center will also continue to improve our product sales processes and expert support programs. For example, we will develop and activate retirement-specialized products and organize an exclusive team to support this approach.

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

Realty Investment & Consulting Center

Shinhan Bank has provided realty investment and consulting services after obtaining the realty investment and consulting business license from the Financial Services Commission in November 2014. In March 2017, we created the Realty Investment & Consulting Center and expanded our workforce to carry out a broad array of real estate-related projects.

This year, we will tap into new markets by diversifying our realty business territories to meet the many different real estate needs of customers. We will expand our investment consultation targets with a focus on commercial districts and buildings to include factories, logistics warehouses, and hotels, while diversifying our realtor consultation types into development feasibilities, real estate value analyses, and leasing strategies.

In addition, we will develop new business models, providing advisory services through mobile and Internet channels,

We provide differentiated customer asset management services by building prompt response systems and presenting timely countermeasures to our frontline offices when issues occur in the market, through around-the-clock monitoring of the global financial market.

and constructing platforms to offer real estate payment services. By launching real estate financial products, including real estate funds, we will present a full suite of investment methods to our customers.

IPS (Investment Product and Service) Division

The IPS Division consists of the Investment Product Department, Wealth Management Strategy Department, and Discretionary Asset Management Department. Each of these 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.

Investment Product Department

The Investment Product Department (IPD) includes: the Customer Yield Team, which supports organized system and branch management capabilities to improve customer yields; the Fund Product Team, which is tasked with supporting asset management operations through advanced public fund product strategies; the Fund System Team, which is in charge of post-management systems and ensuring full disclosure to customers in the selling processes; the Structured Product Team, which launches and manages PWM-exclusive private equity funds; the Bancassurance Team, which is in charge of bancassurance operations; the Gold Team, which operates gold banking and the VAT reverse charge system (gold and copper trading accounts). Together, these teams play a key role in supplying investment products and supporting sales of those products. Specifically, they provide product marketing tools and customer-centered creative and innovative product platforms.

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 through strengthened market sensing. With regard to biased customer assets, the Team strives to stabilize their portfolios through rebalancing for the improvement of yields while carrying forward omnidirectional post management by using face-to-face and non-direct (mobile and Internet) channels. In addition, the Team continues to activate rebalancing through an exclusive customer management system, and operates ongoing training programs by channel to strengthen employee competencies for yield management.

The Public Fund Department offers a wide range of products with market competitiveness. The products offered are based on the financial market analysis offered by the Investment Consulting Department, which is in charge of investment strategies at the Investment Product and Service Division (IPS) Division. The IPD also implements market sensing by utilizing a variety of media outlets, and supports the development of asset portfolios that meet the expectations of our customers by seeking out and offering promising products in a timely manner. In addition, the IPD regularly holds educational programs that provide information and details of strategically launched products while establishing and implementing marketing strategies to target customers.

The Structured Product Team reinforced its asset management foundations, enabling customers to directly reflect their investment needs in product planning by upgrading its customized product support system (an order-made product platform) for PWM customers. It has also developed and supplied investment products containing various underlying assets, including stocks, bonds, exchange rates, and real estate from South Korea and other countries. As a result, in 2016 we sold private equity funds amounting to KRW 1,117.0 billion.



Despite the prolonged slowdowns in the domestic fund market, we achieved new fund sales of KRW 7,069.4 billion, excluding MMFs, in 2016. We accomplished this by providing stable, medium-risk and medium-return funds to our retail banking and PWM customers, with a focus on equity linked funds (ELFs) and custom-tailored products that best answer our customers' needs.

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 in order to invigorate 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 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.

Our strategic goal for 2017 is to improve customer value by building customer-centered smart investment product platforms. In order to achieve this goal, we have outlined three core agendas to pursue.

First, we will continue to lead in the investment product market by increasing creative financial products with insight into market changes and supporting differentiated products. We will also secure our market position by enhancing our product competitiveness through various programs of market sensing and innovations to structured products, and by launching products so that we are able to provide timely investment opportunities.

Second, we will strengthen our approach to selling products to improve customer yields. We will continue to pursue competitive recommended funds-centered product strategies, and build a culture of portfolio sales and well-organized management systems. In addition, we will strive to raise customer profitability by promoting proactive rebalancing for customers with investment products.

Finally, we will consolidate our investment product sales foundations. We will digitalize our sales infrastructures, which will include strengthening our Internet and mobile investment product channels, and will enhance the accessibility of our customers and employees to efficiently deliver useful information on funds and bancassurance. Furthermore, we will continue to take the initiative in the area of compassionate finance, ensuring full disclosure to financial consumers in the selling process by reinforcing vulnerable investor protection processes.

In the future, we will continue to develop creative and innovative investment products that best suit the needs of our customers, allowing us to retain our industry-leading competitiveness in the market while playing a pivotal role in asset management.

Wealth Management Strategy Department

The Wealth Management Strategy Department is tasked with research into the global financial market and the establishment of the Shinhan Financial Group's house views as the control tower of the IPS Division.

The Department was inaugurated in July 2016 by merging the wealth management strategy departments of Shinhan Bank and Shinhan Investment to create synergies among the Shinhan Financial Group companies and enhance expertise in investment strategies. Backed by 21 specialists in domestic equity, overseas equity, emerging, raw materials, bond, and other major sectors, we also offered key top-pick funds by sector through market sensing with



insight in 2016, while seeking out promising sectors and strategically expanding their value, based on clear product strategies. As a result, we continued to normalize our customer portfolios and improve customer yields.

We provide differentiated customer asset management services by building prompt response systems and presenting timely countermeasures to our frontline offices when issues occur in the market, through around-the-clock monitoring of the global financial market.

We engage in a wide range of operational support activities for the Bank's overseas subsidiaries, based on research competencies of specialists at the two companies. Targeting local customers of Vietnamese and Indonesian subsidiaries, we deliver differentiated research materials every week, including global financial market trends and economic issues. We also host regular seminars dealing with each area of economy, including stocks, interest rates, and exchange rates.

Our strategic goal for 2017 is to present preemptive investment strategies through enhanced global research competencies. In order to achieve this goal, we have outlined three core tasks to pursue.

The first task is to elaborate our investment strategies. To this end, we will strengthen our network of external specialists, including global investment banks and consulting firms, and expand various information infrastructures.

Second, we will preemptively cope with changes in the global financial market and suggest clear countermeasures to our frontline offices by operating contingency plans to respond to emergency market crises following the expansion of volatility in the securities markets at home and abroad.

Thirdly, we will broaden the Bank's coverage in China, the U.S. and other major strongholds, in addition to Vietnam and Indonesia. We will develop platforms for global support systems by nurturing global specialists through the relocation of local talents to domestic offices and hosting regular seminars while developing and providing differentiated research materials.

On top of these efforts, in 2017 we will continue to play a pivotal role in customer asset management as a key department that will use innovation and creativity to help Shinhan rank first in customer yields.

Discretionary Asset Management Department

The Discretionary Asset Management Department was reorganized from the ISA Management Department in January 2017 by combining the Discretionary Management Team, which operates and supports discretionary ISAs, and the Digital Asset Management Team, which built the mobile AM platform.

The Discretionary Management Team launched seven model portfolios in pursuit of stable mid- to long-term high yields through proactive asset allocation based on the analysis of fundamentals. These were soon faced with expanding volatilities following fluctuations in the asset market, due to such political issues as the Brexit and the election of Donald Trump as the U.S. president.

However, we turned the crisis into opportunity by adhering to our focus on fundamentals, including company results and economic momentums. According to disclosures by the Korea Financial Investment Association, our discretionary ISAs are currently ranking first in the banking sector, and recording the highest-level of yields in the entire financial industry, including securities firms.

In 2017, the Digital Asset Management Team will extend the robo-advisor AM targets to retirement pensions, and will lead the mobile AM market by increasing customer accessibility and convenience.

Such achievements are attributable to our efforts to carry out precise and creative market research. For instance, we preemptively discovered and gradually increased the weight of new growth sectors such as the Industrial 4.0 and advanced financial stocks.

We are also dedicated to enhancing our product competitiveness. In December 2016, we introduced two additional ultra-high-risk model portfolios that maximized asset, location, and style allocation effects and expanded management targets to include the derivative Exchange Traded Fund (ETF) field.

Meanwhile, we are upgrading our ability to protect financial consumers and improve their convenience in stages. We continue to upgrade our educational and institutional aspects to strengthen full disclosure in the selling process at our branches. In addition, we are extending our business hours through the use of many different transaction types, drawing on a system that allows our customers to open new accounts until 11 PM on their smartphones without visiting a branch.

Digital transactions are becoming increasingly fast and convenient so that our customers can reach their financial goals through discretionary ISA products and increase their savings based on trust in stable yields.

The Team is committed to taking the lead in the discretionary investment business so as to produce unrivalled results in all aspects including yields, assets under management, and IT infrastructures.

The Digital Asset Management Team operates Shinhan M-Folio, the domestic banking industry's first mobile AM service. This service presented a new alternative for the underprivileged in terms of asset management, by lowering the minimum subscription amount to KRW 100,000 for the portfolio investment and management services which had previously only been offered to customers with high net worth. The Shinhan M-Folio asset management app enables investors to configure their portfolios to suit their investment tendencies and financial purposes.

Shinhan M-Folio is largely divided into the Robo Portfolio and the Invest Manager Portfolio. The Robo Portfolio is produced through the financial market big data analysis by leveraging artificial intelligence and machine learning.

The Invest Manager Portfolio is produced by Invest Managers of the IPS Division, and is based on decisions on investment allocation by asset and the selection of products. Customers who have subscribed to proposed portfolios are provided ongoing management services via regular performance reports and product rebalancing offerings on a quarterly basis.

In the first two months since its launch in November 2016, 93,000 customers experienced the Shinhan M-Folio planning service, and approximately 13,000 customers signed up to the service. In 2017, the Digital Asset Management Team will extend the robo-advisor AM targets to retirement pensions, and will lead the mobile AM market by increasing customer accessibility and convenience.

Sunny Bank Business Division

Shinhan Bank was the first in South Korea to introduce Internet banking. In December 2015, we launched Sunny Bank, an Internet-specialized bank where all financial transactions are available on mobile channels, with a vision to "provide 100% mobile financial solutions".

We were also the first in the industry to offer the non-direct real name verification service that can be used by anyone. In addition, we carry out customer-centered marketing initiatives, based on our signature products. These include the MyCar Loan required for the purchase of automobiles and the specialized Speedup Exchange service for overseas travelers.

In addition, we strive to build non-direct mobile financial platforms. These include inexpensive traveler insurance, the issuance of bankbooks for minors using their passports, and the commission-free easy transfer service that enables users to make remittances using the phone numbers of recipients without their bank account numbers.

In 2016, the number of visitors to Sunny Bank exceeded 10 million. The number of mobile exchanges also surpassed 1 million in November, with the value of cumulative money exchange exceeding KRW 670.0 billion at the end of the year.

Sunny MyCar Loan also enjoyed much popularity, amounting to 23,000 applications and totaling KRW 380.0 billion. We are growing into a leader in the mobile finance market by steadily expanding affiliated services (with travel agencies, duty-free shops, shopping malls, and Pocket Wifi) and promoting various marketing initiatives on mobile and Internet platforms.

Following the inauguration of K Bank in April 2017 and the imminent launch of Kakao Bank, we plan to advance our business models which will allow us to preemptively cope with our new competitors, Internet banks.

Strengthen loan modules

We are actively reviewing ways to raise the ceilings of mid-range interest rate loans to the maximum by improving loan limit calculation methods, and plan to improve loan assessment and recommendation processes from the customer's perspective.

Additionally, by using channels within the Shinhan Financial Group (Shinhan Bank and Shinhan Savings Bank), we will launch one-stop unsecured loans by phase such as the Bank's Sunny Mid-Range Interest Rate Loan, followed by the Bank's New Hope Spore Loan and the Savings Bank-linked loans. Leveraging financial and non-financial big data in connection with the Group's big data, we will also invigorate mid-range interest rate loans by applying new credit rating systems.

Upgrade integrity in non-direct banking services

We will enhance integrity by developing new security solutions. By simplifying services that inevitably require branches and certificates, we will realize branch-, certificate-, and security medium-free infrastructures so that our customers can be offered non-direct banking services without subscribing to Internet banking.

Enabling users to open accounts without visiting a branch is a breakthrough service. However, there is a great expectation that user convenience will be enhanced if this is not limited to accounts with financial transaction limits. Given this expectation, we are seeking ways to develop the process of canceling accounts with financial transaction limits and alleviating requirements.

Advance into Southeast Asia to expand and strengthen Asian financial belt

We aim to tap into the Southeast Asia region with similar infrastructures to those in Vietnam by benchmarking overseas and domestic Fintech and advanced bank models. To this end, we will decide whether we can apply the



existing Sunny Club business model in Vietnam to our localization strategies in target countries, and develop detailed business models to do so. We are also working to upgrade our webtoon, video, and educational content offered to the existing Sunny Club in Vietnam, and are making efforts to attract many different consumers by sophisticating our auto loan products in Vietnam.

Digital Strategy Division

The Digital Strategy Division consists of three teams: Digital Strategy Team, Digital Alliance Team, and FinTech R&D Team. Together, the Division takes general charge of digital alliance operations, and systematically promotes the establishment of bank-wide digital strategies, digital transformation, and the development of new FinTech businesses.

The Division's strategic goal for 2017 is to drive digital innovations through successful digital transformation. Its three strategic directions to pursue detailed tasks are to: (1) carry forward bank-wide digital transformation; (2) develop new revenue sources and secure critical mass customers through strategic partnerships; and (3) strategically pursue FinTech businesses.

First, as a digital control tower, we will provide each project group with consultations on the performance of digital transformation tasks and the development of new DT tasks under the DT strategies. We will also conduct market surveys and research to cope with changes in order to establish bank-wide digital strategies, including mid- to long-term digital innovation roadmaps, and to identify digital trends.

We plan to examine and support the pursuit of DT tasks in six areas: innovate customer experiences, innovate product services, digitalize sales marketing, build innovative business models, optimize risks, and improve business operations. Furthermore, we will provide consultations on identifying new digital tasks and support the development of tasks through FinTech technology reviews. We will operate DT activation programs in the head office divisions through bank-wide DT strategy and promotion committees, while carrying forward digital change management programs targeting all of our employees.

Second, we will establish bank-wide digital alliance strategies, and take general charge of partnerships by channel divisions following strategic directions for digital alliances. We plan to establish mid- to long-term strategic roadmaps for digital partnerships to cope with changes in the market environment, and seek out strategic partner companies. In addition, we will pursue comprehensive partnerships in all areas with big players and discover new business models. We will discover new digital businesses based on alliances with retail, SNS, and other platform providers, and build exclusive and all-inclusive partnerships. In addition, through the general management of Shinhan Bank's digital alliances, we will arrange and coordinate priorities and other matters of alliance operations underway by individual divisions.

Third, we will establish strategies for FinTech activities and strengthen our internal capabilities according to changes in customer behavior patterns. We will also establish strategies to use FinTech technologies following changes in the financial environment and customer experiences, while discovering and supporting new business models. We will foster the development of FinTech firms, and enhance FinTech capabilities by introducing blockchain technologies and commercializing AI-based robo-advisors.

Other plans include: practical commercialization with FinTech firms through networks formed through Shinhan Future's Lab; investments for corporate growth; proactive collaboration with external affiliated platforms through Shinhan Open API (Application Programming Interface); and supporting the installment of Shinhan Open API on external platforms by identifying open API tasks and through feasibility studies.

Our underlying goal for 2017 is to build unshakable leadership, despite the market entries of new competitors such as FinTech and Internet banking-specialized companies, through digital transformation.

RISK MANAGEMENT

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 risk or that is likely to generate risk is responsible for its own risk management practices. This includes their having their own risk managers.

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 II 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.

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.

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 Management 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 foreign exchange, 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 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.

Our front system has also been improved to establish a more accurate valuation system. In addition, we plan to develop and implement more measures to improve the system in order to come up with a more efficient way 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.

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, while fostering their healthy growth in relation to their potential for countering risks.

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 have initiated a project to rebuild our interest rate and liquidity risk management-related ALM system. Through this project, we aim to upgrade 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 2016, 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.

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 who are 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, while fostering their healthy growth in relation to their potential for countering risks.

We build a 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.

In addition, we raise the efficiency of risk management operations and elaborate risk measurement at our overseas branches by building an overseas branch risk management system.

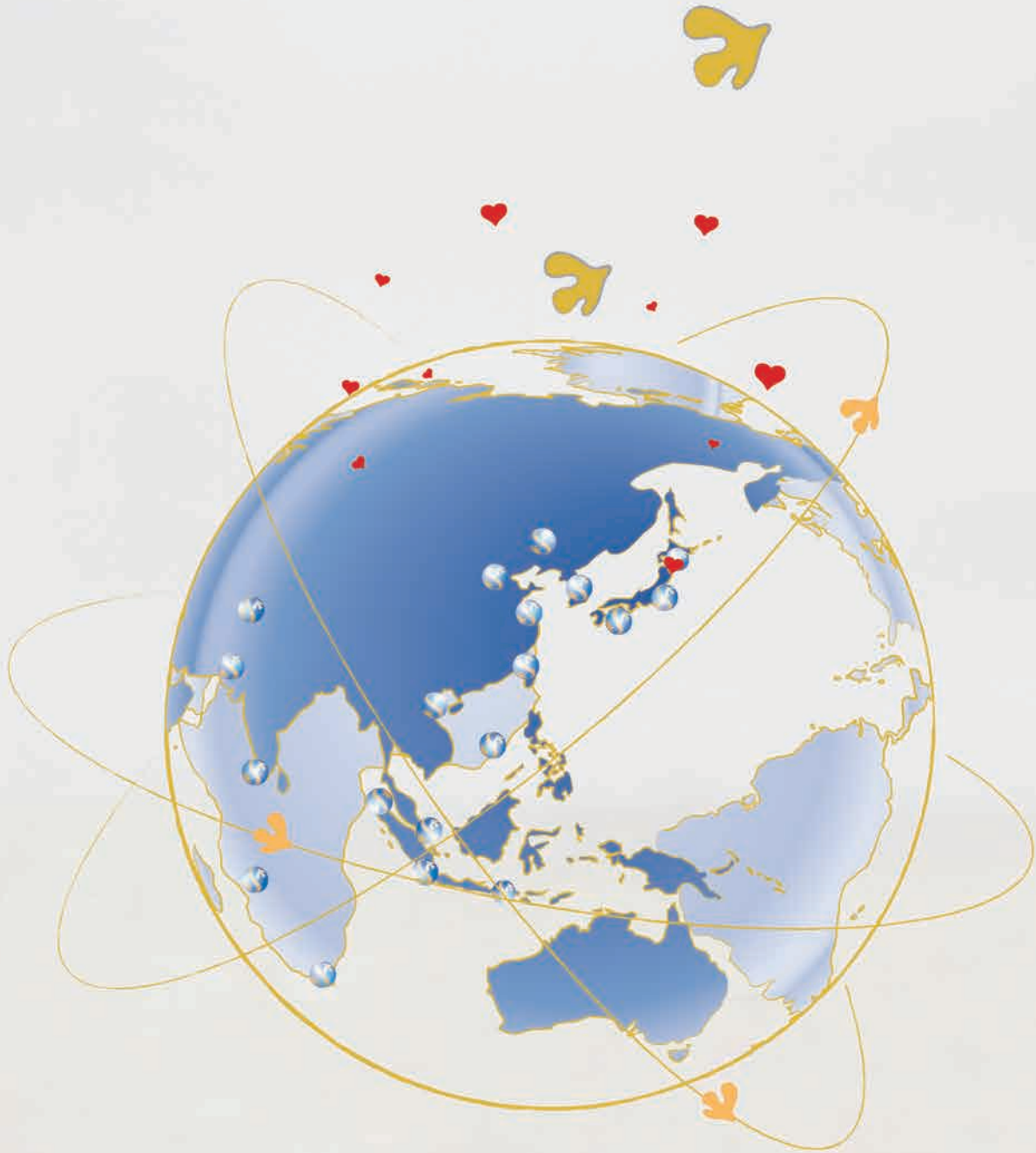
Information Quality Management

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, and to conduct information quality control by identifying verification rules by business.

Management Discussion & Analysis



Financial Highlights

	KRW in Billions		USD in Millions ¹⁾	
	2016	2015	2016	2015
Bank Account				
For the Year				
Total Operating Income	5,537.3	5,110.8	4,581.9	4,360.8
Operating income	2,647.4	2,325.4	2,190.6	1,984.1
Net Income	1,940.3	1,489.7	1,605.5	1,271.0
At Year-End				
Total Assets	302,854.6	285,015.8	250,603.7	243,187.5
Total Loans	219,438.7	209,651.5	181,579.4	178,883.5
Total Deposits	228,910.1	212,975.2	189,416.7	181,719.4
Total Stockholders' Equity	21,467.0	20,842.8	17,763.3	17,783.9
Financial Ratios ²⁾				
Return on Average Assets	0.64	0.49		
Return on Average Equity	8.58	6.71		
NPL Ratio by FSS	0.65	0.80		
Net Interest Margin	1.49	1.50		
BIS Capital Adequacy Ratio	15.7%	14.8%		
(CET 1 Ratio)	12.9%	12.0%		
(Tier 1 Capital Ratio)	13.1%	12.5%		
(Tier 2 Capital Ratio)	2.6%	2.3%		

Note1) Translated into US dollars at the rates of KRW 1172.0/USD 1 and KRW 1208.5 /USD 1 respectively--those prevailing on December 31, 2015 and December 31, 2016

Note2) Based on separate financial statements.

Condensed Income Statements

(KRW in Billions, Accumulated)

	FY2015	FY2016	Increase	YoY
Total Operating Income (a=b+c)	5,110.8	5,537.3	426.4	8.34%
Interest Income (b)	4,164.7	4,504.1	339.4	8.15%
Non-interest Income (c)	946.1	1,033.1	87.0	9.20%
General and Admin Expenses (d)	2,785.4	2,889.9	104.4	3.75%
Operating Income before Provisioning (e=a-d)	2,325.4	2,647.4	322.0	13.85%
Non-operating Income(f)	141.3	69.7	(71.6)	-50.66%
Pre-provision Income (g=e+f)	2,466.7	2,717.1	250.4	10.15%
Provision for Credit Losses (h)	591.6	688.4	96.8	16.36%
Income before Taxes (i=g+h)	1,875.1	2,028.7	153.7	8.19%
Income Tax (j)	385.1	88.1	(297.0)	-77.12%
Consolidated Net Income(m=i-j)	1,490.0	1,940.6	450.6	30.24%
Net Income Attributable to Controlling Interest	1,489.7	1,940.3	450.6	30.25%
Net Income Attributable to Non-controlling Interest	0.3	0.4	0.0	9.33%

Net Income

Shinhan Bank's net income surged by 30.2% year-on-year to reach KRW 1.94 trillion at the end of 2016. Interest income increased through stable NIM management along with stable asset growth. The growth of general and administrative (G&A) expenses were maintained at a stable level through effective cost control. Bad debt expenses were also maintained

at a proper level through consistent risk management. Another contributing factor was the generation of one-off income related to corporate taxes.

By segment, interest income rose by 8.1% to KRW 4.5 trillion, influenced by our consistent asset growth policies and stable net interest margins. Non-interest income grew by 9.2% to KRW 1.0 trillion, driven by upturns in both commission income and securities-related income.

G&A expenses climbed by 3.7% over the year to KRW 2.89 trillion. Shinhan Financial Group has made ongoing efforts for strategic cost savings to address its group-wide high cost structure. Shinhan Bank has maintained proper levels of G&A expenses by continuously improving its HR structure, primarily through the early retirement program, and enhancing the efficiency of its channels.

Bad debt expenses moved up by 16.4% to KRW 688.4 billion. This was caused by a rise in one-off bad debt expenses for shipbuilding and shipping companies under restructuring. The bad debt expense ratio, however, stood at 33 basis points, maintaining a stable level.

Condensed Balance Sheets

(KRW in Billions)

	2015.12	2016.12	Increase	YoY
Assets	285,015.8	302,854.6	17838.8	6.26%
Currency & Due from Banks	16,891.4	14,469.4	(2422.0)	-14.34%
Trading Assets	9,056.8	11,270.8	2213.9	24.45%
Financial Assets at FVTPL	-	-	-	-
Derivative Instruments Assets	1,617.5	2,579.1	961.6	59.45%
Loans	209,651.5	219,438.7	9787.2	4.67%
Available for Sales Securites	24,460.6	27,814.6	3354.0	13.71%
Hold to Maturity Securities	10,105.1	11,630.3	1525.2	15.09%
Tangible Fixed Assets	2,003.5	2,043.6	40.1	2.00%
Intangible Fixed Assets	306.7	260.6	(46.1)	-15.03%
Investment Using Equity Method	232.5	130.9	(101.6)	-43.71%
Deferred Tax Assets	77.7	447.5	369.8	475.75%
Current Tax Asset	7.4	11.8	4.4	58.85%
Investment Real Estate	765.6	675.1	(90.5)	-11.82%
Other Assets	9,835.9	12,077.5	2241.5	22.79%
Sundry Assets	3.6	4.9	1.3	35.63%
Liabilities	264,173.0	281,387.7	17214.6	6.52%
Deposits	212,975.2	228,910.1	15934.9	7.48%
Trading Liabilities	463.8	486.0	22.2	4.79%
Financial Liability at FVTPL	13.5	6.3	(7.2)	-53.50%
Derivative Instruments Liability	1,573.4	2,785.4	1212.0	77.03%
Borrowings	12,998.5	14,314.3	1315.8	10.12%
Trading Corporate Bonds in Won	20,020.6	21,578.4	1557.9	7.78%
Allowance for Severance and Retirement Benefits	154.8	50.1	(104.7)	-67.63%
Temporary Account for Ex-CHB	296.1	306.9	10.8	3.66%
Deferred Tax Liabilities	14.9	9.5	(5.4)	-36.28%
Current Tax Liabilities	40.0	137.7	97.7	244.06%
Policy Reserves	-	-	-	-
Other Allowances	15,622.4	12,802.9	(2819.5)	-18.05%
Sundry Liabilites	-	-	-	-

(KRW in Billions)

	2015.12	2016.12	Increase	YoY
Stockholder's Equity	20,842.8	21,467.0	624.2	2.99%
Controlling Interest	20,830.4	21,460.4	630.0	3.02%
Capital Stock	7,928.1	7,928.1	0.0	0.00%
Hybrid Bond	801.3	469.4	(331.9)	-41.42%
Capital Surplus	403.2	403.2	0.0	0.00%
Capital Adjustment	-29.3	-64.6	(35.3)	120.23%
Accumulated Other Comprehensive Income, Net of Taxes	-59.9	-276.4	(216.5)	361.15%
Retained Earnings	11,787.2	13,000.8	1,213.7	10.30%
Non-controlling Interest	12.4	6.6	(5.8)	-46.87%

Interest Income and Margin

(KRW in Billions, Accumulated)

	FY2015	FY2016	Increase	YoY
Interest Earning Assets	221,026.4	239,570.5	18,544.1	8.39%
Interest Revenue	6,756.3	6,727.8	(28.6)	-0.42%
Loans	5,664.5	5,625.2	(39.2)	-0.69%
Securities/Others	1,091.9	1,102.6	10.7	0.98%
Interest Bearing Liabilities	205,634.0	226,182.0	20,548.0	9.99%
Interest Expense	3,434.4	3,156.4	(278.0)	-8.09%
Deposits	2,701.0	2,428.8	(272.2)	-10.08%
Debentures/Borrowings	733.4	727.6	(5.8)	-0.79%
Net Interest Income*	3,321.9	3,571.3	249.4	7.51%
Interest Income in Won	3,209.0	3,441.3	232.3	7.24%
Interest Income in FC	112.9	130.0	17.1	15.18%
Net Interest Spread in Won	1.65%	1.68%	0.03%	1.70%
Average Lending Rate	3.31%	3.04%	-0.28%	-8.42%
Average Deposit Rate	1.66%	1.36%	-0.31%	-18.44%
Net Interest Margin	1.50%	1.49%	-0.01%	-0.81%
NIM in Won	1.60%	1.57%	-0.03%	-1.73%
NIM in FC	0.57%	0.65%	0.08%	14.12%

Note1) 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)

	FY2015	FY2016	Increase	YoY
Employee Benefits	1,659.6	1,773.5	113.9	6.86%
Salaries & Employee Benefits	1,472.9	1,538.5	65.6	4.45%
Termination Benefits	59.5	94.5	34.9	58.66%
Provision for Current Year Severance and Retirement Benefits	127.2	140.6	13.4	10.55%
Depreciation	165.4	160.4	(5.0)	-3.00%
Other General and Administrative Expenses	960.4	955.9	(4.5)	-0.47%
Occupancy, Furniture & Equipment Expenses	882.2	880.6	(1.6)	-0.18%
Taxes	78.3	75.3	(2.9)	-3.73%
G&A Expenses	2,785.4	2,889.9	104.4	3.75%

Summary of Loans and Deposits

(KRW in Billions)

	2015.12	2016.12	Increase	YoY
Loans				
Bank Account	199,077.6	206,218.0	7140.4	3.59%
Loans in Won	176,810.0	184,559.4	7749.5	4.38%
Retail	88,084.8	93,628.5	5543.7	6.29%
Mortgage	52,054.2	52,392.1	337.9	0.65%
Others	36,030.6	41,236.4	5205.8	14.45%
Corporate	88,725.2	90,931.0	2205.8	2.49%
SME	67,336.3	71,757.5	4421.2	6.57%
(SOHO)	34,223.0	35,538.6	1315.6	3.84%
Large Corp. & Public	21,388.9	19,173.5	(2215.4)	-10.36%
Loans in FC	8,114.4	7,919.0	(195.4)	-2.41%
Bills Bought in FC	5,519.0	5,840.7	321.7	5.83%
Call Loans, RPs	5,971.4	5,048.9	(922.4)	-15.45%
Others	4,006.1	4,140.4	134.3	3.35%
Loan Loss Allowance(△)	1,343.2	1,290.4	(52.8)	-3.93%
Trust Account	454.3	472.1	17.8	3.91%
Merchant A/C and Other Consolidating Entities	10,119.6	12,748.6	2629.0	25.98%
Total Loans (Consolidated)	209,651.5	219,438.7	9787.2	4.67%
Won-denominated Loans by Secotr				
Retail	49.8%	50.7%	0.91%	1.83%
Mortgage	29.4%	28.4%	-1.05%	-3.58%
Others	20.4%	22.3%	1.97%	9.64%
Corporate	50.2%	49.3%	-0.91%	-1.82%
SME	38.1%	38.9%	0.80%	2.09%
(SOHO)	19.4%	19.3%	-0.10%	-0.52%
Large Corp. & Public	12.1%	10.4%	-1.71%	-14.12%
Won-denominated Loans by Collateral				
Secured	66.3%	68.1%	1.86%	2.81%
Collateral	54.6%	54.0%	-0.65%	-1.19%
Real Estate, Movables	52.6%	51.9%	-0.65%	-1.24%
Securites	1.9%	1.9%	0.00%	0.20%
Others	0.1%	0.1%	0.00%	-4.53%
Guarantee	11.6%	14.2%	2.51%	21.59%
Unsecured	33.7%	31.9%	-1.86%	-5.52%
Loan to Deposit Ratio*	98.8%	97.5%	-1.29%	-1.30%

* Based on monthly average balance, Excluding CD

[KRW in Billions]

	2015.12	2016.12	Increase	YoY
Deposits				
Bank Account	193,377.4	204,388.1	11010.7	5.69%
Low Cost Deposits	74,325.1	81,681.2	7356.2	9.90%
Demand	21,858.4	25,148.7	3290.3	15.05%
Low Cost Saving	52,466.7	56,532.5	4065.8	7.75%
Time Deposits	97,940.0	97,793.2	(146.7)	-0.15%
Installment Deposits	8,500.8	8,457.8	(43.0)	-0.51%
CDs	4,072.7	5,827.8	1755.2	43.10%
RPs & Bills Sold	391.2	392.5	1.3	0.33%
Deposits in FC	8,147.8	10,235.6	2087.8	25.62%
Trust Account	24,092.9	29,475.7	5382.7	22.34%
Merchant A/C and Other Consolidating Entities	-4,495.2	-4,953.7	(458.5)	10.20%
Total Deposits	212,975.2	228,910.1	15934.9	7.48%
Deposit Compositions(Shinhan Bank)				
Low Cost Deposits	38.4%	40.0%	1.53%	3.98%
Demand	11.3%	12.3%	1.00%	8.85%
Low Cost Saving	27.1%	27.7%	0.53%	1.94%
Time Deposits	50.6%	47.8%	-2.80%	-5.53%
Installment Deposits	4.4%	4.1%	-0.26%	-5.87%
CDs	2.1%	2.9%	0.75%	35.39%
RPs & Bills Sold	0.2%	0.2%	-0.01%	-5.07%
Deposits in FC	4.2%	5.0%	0.79%	18.86%

Asset Growth

Won-denominated Loans

Won-denominated loans edged up by 4.4% over the year to KRW 184.6 trillion at the end of 2016. Shinhan Bank's assets have been on a stable rise every year through its consistent asset growth strategies. Won-denominated loans also showed balanced growth in both retail and corporate banking sectors. These two sectors achieved qualitative asset growth in 2016 again.

Won-denominated loans in the retail banking sector expanded by 6.3% YoY to KRW 93.6 trillion. Mortgage loans and unsecured consumer loans increased due to the low interest rate environment and the revitalization of the domestic real estate market. Retail loans recorded satisfactory growth in the wake of high demand for loans despite the securitization of approximately KRW 6.0 trillion.

Won-denominated loans in the corporate banking sector edged up by 2.5% to KRW 90.9 trillion. This was led by an increase in SME loan assets in spite of a decline in large corporation loans. In the corporate banking sector, SME loans were on the rise, centering around SOHO customers and SMEs whose financial accounts were not examined by independent auditors for the last few years.

Won-denominated Deposits

Won-denominated deposits expanded by 4.0% over the year to KRW 187.9 trillion at the end of 2016. Market liquidity was strong due to the recent low interest rate environment, and deposits showed stable growth led by low cost deposits.

Shinhan Bank actively attracted salary transfer accounts of retail and corporate loan customers, and expanded its low cost deposit base by attracting settlement accounts of credit card holders. As a result, our low-cost deposits have displayed higher than two-digit growth every year since 2013. Low-cost deposits made up approximately 38.8% of total Won-denominated deposits in 2016.

Asset Quality

[KRW in Billions]

	2015.12	2016.12	Increase	YoY
Total Asset				
Normal	199,533.8	206,893.8	7360.0	3.69%
Precautionary	854.6	1,154.6	299.9	35.10%
Substandard	849.9	688.2	(161.7)	-19.03%
Doubtful	452.5	262.7	(189.8)	-41.95%
Estimated Loss	312.4	419.7	107.3	34.35%
Total	202,003.2	209,418.9	7415.7	3.67%
Bad Loan Ratio	0.38%	0.33%	-0.05%	-13.95%
Substandard & Below Ratio	0.80%	0.65%	-0.14%	-18.13%
Precautionary & Below Ratio	1.22%	1.21%	-0.02%	-1.37%
Allowance + Reserve	2,789.8	2,803.6	13.8	0.50%
Allowance	1,348.1	1,323.7	(24.4)	-1.81%
Reserve	1,441.7	1,479.9	38.2	2.65%
Coverage Ratio Against				
Bad Loan	176.25%	194.00%	17.75%	10.07%
Substandard & Below	172.76%	204.56%	31.80%	18.41%
Substandard & Below (new)*		96.58%		
Precautionary & Below	112.97%	111.03%	-1.94%	-1.72%
Precautionary & Below (new)*		52.42%		
Retail				
Normal	87,964.6	93,531.4	5566.8	6.33%
Precautionary	214.9	194.5	(20.4)	-9.50%
Substandard	146.5	125.9	(20.6)	-14.06%
Doubtful	92.8	98.3	5.5	5.95%
Estimated Loss	28.7	37.3	8.7	30.19%
Total	88,447.4	93,987.4	5540.0	6.26%
Bad Loan Ratio	0.14%	0.14%	0.01%	5.09%
Substandard & Below Ratio	0.30%	0.28%	-0.02%	-8.15%
Precautionary & Below Ratio	0.55%	0.49%	-0.06%	-11.13%
Corporate				
Normal	111,569.2	113,362.4	1793.2	1.61%
Precautionary	639.7	960.1	320.4	50.08%
Substandard	703.4	562.3	(141.1)	-20.06%
Doubtful	359.8	164.4	(195.4)	-54.30%
Estimated Loss	283.7	382.3	98.6	34.77%
Total	113,555.8	115,431.5	1875.7	1.65%
Bad Loan Ratio	0.57%	0.47%	-0.09%	-16.41%
Substandard & Below Ratio	1.19%	0.96%	-0.23%	-19.00%
Precautionary & Below Ratio	1.75%	1.79%	0.04%	2.46%

* Excluding Loan Loss Reserve

Delinquency Ratio by Sector

(KRW in Billions)

	2015.12	2016.12	Increase	YoY
Total Loans	191,559.1	199,767.8	8208.7	4.29%
Retail	88,431.6	93,968.4	5536.9	6.26%
(Mortgage)	60,424.5	63,162.6	2738.1	4.53%
Corporate	103,127.6	105,799.4	2671.8	2.59%
SME	70,382.4	74,952.5	4570.2	6.49%
(SOHO)	34,634.9	35,968.9	1334.0	3.85%
Large Corp.	32,745.2	30,846.8	(1898.4)	-5.80%
Total Delinquent Loans*	639.7	563.7	(76.0)	-11.88%
Retail	166.1	175.9	9.8	5.89%
(Mortgage)	66.2	57.6	(8.6)	-13.03%
Corporate	473.6	387.8	(85.8)	-18.11%
SME	289.2	341.2	52.0	17.99%
(SOHO)	97.6	133.3	35.7	36.59%
Large Corp.	184.4	46.6	(137.8)	-74.72%
Delinquency Ratio_Total Loan*	0.33%	0.28%	-0.05%	-15.50%
Retail	0.19%	0.19%	0.00%	-0.35%
(Mortgage)	0.11%	0.09%	-0.02%	-16.80%
Corporate	0.46%	0.37%	-0.09%	-20.18%
SME	0.41%	0.46%	0.04%	10.79%
(SOHO)	0.28%	0.37%	0.09%	31.53%
Large Corp.	0.56%	0.15%	-0.41%	-73.17%

* Principal or interest is delinquent for 1 month and over

Delinquency Ratio by Industry(SME)*

(KRW in Billions)

	2015.12	2016.12	Increase	YoY
Manufacturing	0.42%	0.57%	0.14%	33.85%
Constructions	0.61%	0.36%	-0.25%	-40.36%
Wholesales & Retails	0.56%	0.33%	-0.23%	-40.79%
Accommodation & Restaurants	0.79%	0.49%	-0.30%	-37.36%
Trans and Storage	0.34%	0.26%	-0.08%	-23.01%
Telecommunication	0.38%	0.28%	-0.09%	-25.08%
Finance and Insurance	0.12%	0.02%	-0.10%	-84.95%
Real estate/ Rent	0.36%	0.44%	0.08%	22.64%
Science and Technology	0.13%	0.13%	-0.01%	-4.45%
Educational Service	0.54%	0.93%	0.38%	70.31%
Health and Social benefits	0.08%	0.08%	0.00%	-0.08%
Entertainments and Sports	0.14%	3.39%	3.25%	2366.96%
Others	0.31%	0.24%	-0.07%	-23.54%
SME Total	0.41%	0.46%	0.04%	10.79%

* Principal or interest is delinquent for 1 month and over

Asset Quality

The ratio of non-performing loans to total loans decreased by 0.15% points over the year to 0.65%. Asset quality-related indicators, including the non-performing loans (NPL) ratio, were maintained at relatively stable levels reflecting the sustained low interest rate environment and growth with a focus on safe assets such as mortgage loans and SME loans. Substandard and below loans dropped by 15.1% to reach KRW 1.4 trillion at the end of 2016, while the delinquency ratio stood at the low level of 0.28%.

Capital Adequacy

[KRW in Billions]

	2015.12	2016.12	Increase	YoY
Tier I Capital	18,129.8	20,385.5	2255.7	12.44%
Common Equity Tier I	17,324.2	19,913.4	2589.2	14.95%
Tier II Capital	3,240.4	3,953.2	712.8	22.00%
Total BIS Capital	21,370.2	24,338.7	2968.5	13.89%
RWA	144,843.7	155,027.4	10183.7	7.03%
Credit Risk RWA	130,063.8	139,364.1	9300.4	7.15%
Market Risk RWA	5,573.7	6,452.1	878.4	15.76%
Operation Risk RWA	9,206.2	9,211.2	5.0	0.05%
BIS Capital Adequacy Ratio	14.75%	15.70%	0.95%	6.44%
Tier I	12.52%	13.15%	0.63%	5.06%
Common Equity Tier I	11.96%	12.85%	0.88%	7.39%
Tier II	2.24%	2.55%	0.31%	13.98%

Note) Recent figures are provisional. Figs. from 2013.12 based on Basel III, Figs. up to 2013.9, based on Basel II

Capital Adequacy - BASEL III

[KRW in Billions]

	2015.12	2016.12	Increase	YoY
Tier I Capital	18,129.8	20,385.5	2255.7	12.44%
Common Equity Tier I	17,324.2	19,913.4	2589.2	14.95%
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	10,046.0	13,000.8	2954.8	29.41%
Others	-87.8	-339.9	(252.2)	287.37%
Deductions(-)	965.3	1,078.8	113.5	11.75%
Additional Tier I	805.6	472.1	(333.5)	-41.40%
Tier II Capital	3,240.4	3,953.2	712.8	22.00%
Total BIS Capital	21,370.2	24,338.7	2968.5	13.89%
RWA	144,843.7	155,027.4	10183.7	7.03%
Credit Risk-Weighted Assets	130,063.8	139,364.1	9300.4	7.15%
Market Risk-Weighted Assets	5,573.7	6,452.1	878.4	15.76%
Operation Risk-Weighted Assets	9,206.2	9,211.2	5.0	0.05%
BIS Capital Adequacy Ratio	14.75%	15.70%	0.95%	6.44%
Tier I	12.52%	13.15%	0.63%	5.06%
Common Equity Tier I	11.96%	12.85%	0.88%	7.39%
Tier II	2.24%	2.55%	0.31%	13.98%

Capital Adequacy

Shinhan Bank's BIS ratio stood at 15.7% at the end of 2016, improving by 0.9% points from the previous year. Common Equity Tier 1 (CET 1) increased by 14.9% over the year due to the stable ongoing generation of net income despite the high asset growth of late. As our reserve for credit losses was recognized as CET 1, like that of Shinhan Financial Group in the fourth quarter of 2016, our CET 1 ratio improved by approximately 0.9% points.

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SWIFT: SHBKIDJA

BANDUNG BRANCH

Jl. Cihampelas No.29
Tel. 62-22-429-992
Fax. 62-22-4213-384
SWIFT: SHBKIDJA

KOPO SUB-BRANCH

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

MATARAM BRANCH

Jl. Pejanggik 67, Cakranegara
Tel. 62-370-631-767
Fax. 62-370-629-992
SWIFT: SHBKIDJA

BERTAIS SUB-BRANCH

Complex of Terminal Mandalika Bertais A 4
Tel. 62-370-606-363/673-233
Fax. 62-370-671-216
SWIFT: SHBKIDJA

DENPASAR FUNCTIONAL OFFICE

Jl.Pantimura 18 Denpasar Utara
Tel. 62-361-249-995/996
Fax. 62-361-239-211
SWIFT: SHBKIDJA

MAKASSAR BRANCH

Jl. Wahidin Sudirohusodo No.52
Tel. 62-411-3624-385

Fax. 62-411-3624-562

SWIFT: SHBKIDJA

GOWA CASH OFFICE

Jl. Usman Salengke 14,Sungguminasa Gowa
Tel. 62-411-862-121
Fax. 62-411-880-031
SWIFT: SHBKIDJA

MANGGA DUA BRANCH

Komp Pertokoan Mangga Dua Mall Kav.39
Tel. 62-21-6122-871
Fax. 62-21-6220-3740
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

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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: SHBKCNBJJG

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: SHBKCNBJJG

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: SHBKCNBJJG

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: SHBKCNBJSJA

SHANGHAI PUXI SUB-BRANCH

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

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: SHBKCNBJSJA

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

1st Fl. 131-132 YangGuang Golf Building, Shennan Street, Futian District, Shenzhen City, Guangdong Province, 518040 P.R. China
Tel. 86-755-8828-0050
Fax. 86-755-8282-8542
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
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Fax. 49-69-741-0506
SWIFT: SHBKDEFF

POLAND REPRESENTATIVE OFFICE

Wroclaw[53-025], ul. Skarbowcow 23a, Poland
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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 Fl. New York, NY 10001 U.S.A.
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.
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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

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Fax. 1-416-250-3507
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Fax. 1-905-272-7441
SWIFT: SHBKCAT

THORNHILL BRANCH

7191 Yonge Street, Suites 106&107, Markham, Ontario, L3T0C4, Canada
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Fax. 1-905-370-8414
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COQUITLAM BRANCH

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Fax. 1-778-284-2641
SWIFT: SHBKCAT

SHINHAN BANK MEXICO REPRESENTATIVE OFFICE

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CORPORATE DATA (As of December 31, 2016)

- **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 : 871 branches and offices
- Overseas: 150 outlets in 20 countries
(14 overseas branches, 10 local subsidiaries, 2 representative offices)

- **Number of Customers:**

24,489,472

- **Number of Employees:**

17,801

- **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 Private Equity (100%)

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



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