


# 2017

## Annual Report on Corporate Governance & Remuneration System



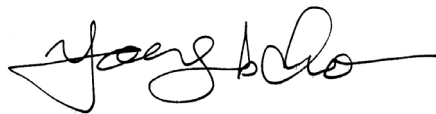


 **2017**  
Annual Report on  
Corporate Governance &  
Remuneration System



**This Annual Report on Corporate Governance and Remuneration System is in strict compliance with the Company's Internal Code of Corporate Governance.**

**The data in this report are excerpts from the Korean version of the Annual Report on Corporate Governance and Remuneration System.**

A handwritten signature in black ink, appearing to read 'Yong Byung Cho', with a long horizontal stroke extending to the right.

March 2, 2018

**Cho Yong-byung**

Chairman and CEO

Shinhan Financial Group

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Shinhan Financial Group (hereafter “the Company”) has prepared this report on its corporate governance policy and the operation of the Company and its subsidiaries for the calendar year 2017 in accordance with the Act on Corporate Governance of Financial Companies that became effective on August 1, 2016, and the Standards of Preparing the Annual Report on Corporate Governance and Remuneration System that were revised on January 23, 2017.

Unless otherwise mentioned herein, the information in this report is based on accumulated data as of the end 2017.

The statements on current members of the board of directors (“the Board”) as of the end 2017 are ordered by their initial dates of election, following the statement on the chairman. If members share the same date of election, then they are ordered by age.

The statements on former directors are set forth in the aforementioned order, following the statements on current directors.

Subcommittees are listed in the order listed in this report’s table of contents. Subcommittee members are listed by age order, after the chairman.

For more detailed information of recent corporate governance, please refer to the convocation notice through a 6-K filing disclosed on 21 February, 2018 and the results of Annual General Meeting of Shareholders for the FY2017 through a 6-K filing disclosed on 22 March, 2018.

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 **I. Corporate Governance - Overview**

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# I. Corporate Governance – Overview

## 1. Principle and Policy of Corporate Governance

Good corporate governance contributes to the long-term success of a company, creating trust and engagement between the company and its stakeholders to create and deliver sustainable shareholder value. To pursue the long-term development of Shinhan Financial Group (“the Company”) and protect the interests of shareholders and financial consumers, Shinhan Financial Group endeavors to secure transparency, soundness, and stability and establish corporate governance that will lead to positive growth and supportive organizational culture. We further enhance our governance standards with strong internal controls, values and culture which are implemented through our Board and various sub committees. We measure and reward performance both in terms of what employees achieve and how they achieve it, which has a positive effect on how well our culture and values are embedded within the Company.

Through its efforts, the Company earned an “A+” integrated rating in the ESG Evaluation conducted by the Korea Corporate Governance Service (“KCGS”) under the Korea Exchange every year from 2015 to 2017. It has become the first and only evaluated company to receive an “S” rating in the field of corporate governance.

KCGS attributes the Company’s “S” rating to the considerable independence that outside directors have from the management and largest shareholder. This independence is important as it empowers them in fulfilling their roles as outside directors. [See the press release by the Korea Corporate Governance Service: [www.cgs.or.kr](http://www.cgs.or.kr) “2017 ESG Rating & disclosure” (August 31, 2017).]

[Reference] Company’s corporate governance rating by the Korea Corporate Governance Service (KCGS)

Classification	2009	2010	2011	2012	2013	2014	2015	2016	2017
Corporate governance rating	Strong	A	A	A+	A+	A+	A+	A+	S

In the “Maekyung (MK) Governance Award” jointly given by Maeil Business Newspaper and Daishin Corporate Governance Institute, the Company was selected as having the best corporate governance in the financial field from among the 709 companies listed in the Korean securities market. The judging committee behind the MK Governance Award cited the independence of the Company’s board of directors as the reason for its effective governance. An outside director acts as the chairman of the board of directors (“the Board”), thus enabling independence of the Board. The Board members also have a high participation rate in Board meetings and activities. [See press release by Maeil Business Newspaper (September 6, 2017).]

The Company’s principle and policy of corporate governance are as follows.

### A. Transparency of corporate governance

The Company actively discloses the standards, procedures, and results of corporate governance-related matters to achieve transparent corporate governance.

First, the Company discloses its annual corporate governance report on its website and that of the Korea Federation of Banks at least 20 days prior to the date of its general meeting of shareholders each year. This report transparently notifies all of its stakeholders about all matters related to corporate governance.

Second, the Company provides an annual corporate governance report to its stakeholders to help them understand how the Company handles corporate governance. This report discloses all of its corporate governance-related internal regulations (e.g., articles of incorporation, bylaws, regulations of the Board, regulations of the Board’s subcommittees).

Third, the Company promptly discloses the results of general meeting of shareholders, appointment and dismissal of executives, and cases of non-compliance with its the Internal Code of Corporate Governance uses through its website and that of the Korea Federation of Banks.



Fourth, the Company has adopted a “cumulative voting system” to protect minority shareholders’ rights and enhance shareholders’ rights. It promotes the “exercise of voting right in writing” to guarantee active voting by shareholders, especially in connection with general meeting of shareholders. The Company also provides real-time videos of its general meeting of shareholders to provide information from these meetings in a fair and timely manner.

## **B. Soundness of corporate governance**

For soundness of corporate governance, the Company has formed and runs an independent and professional board of directors. These directors are chosen for their expertise, and they dutifully comply with applicable laws such as the Commercial Act and the Financial Holding Companies Act and its internal regulations such as the Articles of Incorporation, Internal Code of Corporate Governance, and Board of Directors Regulation.

The Company has also reflected the Act on Corporate Governance of Financial Companies (“Corporate Governance Act”) in its corporate governance, as well as the recommendations made by the Model Corporate Governance in connection with the Board, and dutifully complies with them.

## **C. Stability of corporate governance**

To realize stable corporate governance through checks and balances among its constituents, the Company has delegated its decision-making and operation to the Board and the management respectively. The management reports the status of their execution of duties to the Board.

Outside directors account for 83% of the Board, which is greatly in excess of the majority required by the law. In this way, the Company is creating conditions enabling the Board to dutifully perform its function of checking the management.

The Company also actively promotes the Board’s outside directors-centered activities by filling a majority of each subcommittee with outside directors. (The average percentage of outside directors in subcommittees is 87%.)

The Board is granted the authorities to appoint and dismiss Chairman and CEO (executive director) and senior management so that it can actually check the management. Outside directors have the authority to request data, advisory services, etc., and the Company has the obligation to provide this information to outside directors.

Outside directors shown to have outstanding capability to fulfill their role are granted the terms of office to the extent allowed by the applicable laws and internal regulations. When outside directors are appointed, their experience and knowledge as outside directors, stability and continuity of corporate governance, professionalism in subcommittee operations, etc. are comprehensively considered.

As for checks against outside directors, they will be given 2-year terms of office when elected the first time. Thereafter, they will be given 1-year terms of office. This ensures that only outside directors that have dutifully executed their duties will have the chance of being re-elected by the general meeting of shareholders.

To prevent “Clubby Boards” of outside directors, the Outside Director Recommendation Committee includes 1 executive director.

Outside directors that are required to undergo re-election shall not be appointed as members of the Outside Director Recommendation Committee in principle. Even if an outside director that is required to undergo re-election becomes a member of this committee, he/she is prohibited from recommending himself/herself as a candidate or participating in resolutions related to such recommendations in principle.

The Chairman and CEO shall not be over 70 years of age for the sake of realizing a virtuous cycle of CEO succession.

The Company implements corporate governance so that the aforementioned system and devices will help the Board, the management, and outside directors exercise checks and balances against each another.

## D. Diversity and expertise in the composition of the Board

The Internal Code of Corporate Governance of the Company specifies the “principle of diversity” in the composition of the Board. These principles keep the Board from sharing a specific common background or advocating specific interests, thereby realizing diversity and expertise of corporate governance.

In its actual operations, the Board consists of members with diverse expertise. This prevents specific backgrounds or job categories from being over-represented.

The composition of the Board evenly covers 5 areas (finance, business administration, economy, law, and accounting) mentioned in the Act on Corporate Governance of Financial Companies as expertise requirements.

Considering financial holding companies’ characteristics, which cover all sectors of the financial industry, the Company endeavors to elect outside directors with expertise across multiple areas.

[Reference] Composition of the Board by area of expertise

(No. of directors)

Classification	Finance	Economy	Business Administration	Accounting	Law	Total
Before General Meeting of Shareholders (March 2017)	4	2	4	1	1	12
After General Meeting of Shareholders (March 2017)	5	1	4	1	1	12

The Company also considers diverse recommendation channels and perspectives in regard to the Board’s composition and the selection of outside director candidates.

The Company is managing the outside director candidate pool based on recommendations by various channels (e.g., shareholders, Outside Director Recommendation Committee, internal department supporting the Board, outside advisors). The Board currently includes outside directors from 4 countries (Korea, Japan, U.S., and France), thereby ensuring that the Company may benefit from a global perspective.

In regard to outside director candidates, the Company continues to increase the number of female candidates. It also strives to compose the candidate pools of a wide range in terms of age to dutifully implement the principle of diversity within the Board.

[Reference] Number of female outside director candidates

Classification	Number of female outside director candidates	Changes from previous fiscal year
As of February 2015	11	
As of August 2015	14	+3
As of February 2016	39	+25
As of December 2016	49	+10
As of August 2017	42	-7 <sup>1)</sup>

Note1) The number of outside director candidates decreased by 34 from the previous fiscal year, leading to an increase (22.7% in December 2016 to 23.1% in August 2017) in the percentage of female candidates.

Lastly, with a view to align the expertise of the directors with the business operations strategy, the Company also strives to ensure that the Board of Directors are well equipped to provide guidance and stewardship in line with the Company growth strategy, including digital banking and international expansion.

## E. Corporate governance reflecting growth direction and Shinhan Financial Group's organizational culture ("the Group")

The Company began as Shinhan Bank, which was founded in July 1982 as "the first bank in Korea to be formed solely with private capital" It was born out of the patriotism of 341 Korean national shareholders residing in Japan (100% shareholding, with equity capital of 25.9 billion won).

With the slogan of "Bank for the country," the genuine sense of mission of the aforementioned Korean national shareholders to contribute to the development of their mother country's financial industry was the basis for Shinhan Financial Group's founding spirit, ("the Group"). That spirit is fully reflected in the company name which signifies "Bank of the new (*Shin*) Korea (*Han*)."

From the incorporation of Shinhan Bank up until now, the Company's Korean national shareholders residing in Japan have been more than just investors.

After Shinhan Bank's incorporation, these shareholders have unwaveringly supported the Company's "no-dividend policy." This policy has been successfully upheld for a long time to secure Shinhan Bank's future growth engines, despite continuously posting a profit.

By launching the "campaign to buy Shinhan shares" despite a heavy fall in its stock price during the 1997 Korean financial crisis, the Korean national shareholders residing in Japan have not only contributed to their home country's economic development, but have also played the role of silently and patiently helping the Group's development.

The founding shareholders' unwavering affection and support have laid the foundation for Shinhan Bank, a small financial company with only 3 branches at the time of its incorporation, to grow into a financial group that proudly represents Korea today.

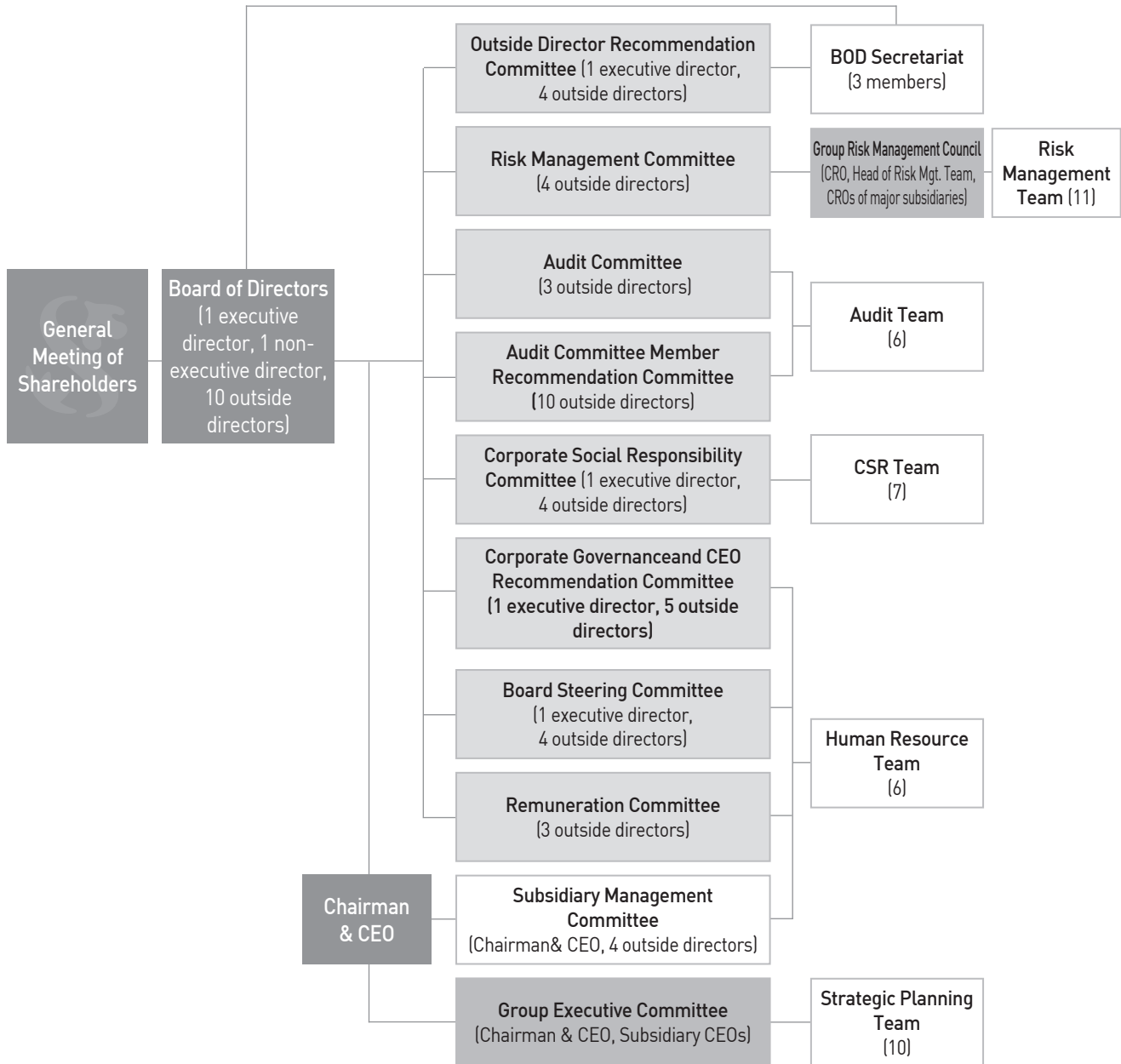
Based on such full-fledged trust by its founding shareholders, the Group has mainly been run, from its incorporation until now, by financial professionals managers with a deep understanding of "Shinhan Culture," thus continuing to record stable development.

Launched in 2001 as "the first privately-held financial holding company in Korea," the Company successfully laid out the foundation for a new leap into the future, along with its partnership with BNP Paribas Group, a global financial group.

Members of the Board are chosen to reflect the history of growth and organizational culture of the Group in corporate governance. Outside directors include Koreans nationals, who serve residing in Japan and specialize in management, represent the Group's founding spirit. Finance specialists who are recommended by the BNP Paribas Group, the Company's strategic partner, also act as members of the Board.

## 2. Key Aspects of Corporate Governance Program

### A. Organizational chart



### B. Characteristics of corporate governance

#### (1) Outside director-centered composition of the Board

The Board is the Company's supreme and standing decision-making body. It has the authority to appoint and dismiss CEO, and outside directors play a central role in its operation.

Currently, 10 out of the 12 members of the Board are outside directors (83%), and the proportion of outside directors is higher than in other financial companies.

This strong presence of outside directors enhances efficiency through greater participation in the Board by those with diverse expertise and backgrounds. It also strengthens checks against the management through multiple outside directors with verified independence. In addition, the Company's internal regulations were updated in March of 2010 so that chairman of the Board is now required to be an outside director.

## (2) Subcommittees-centered operation

There is a total of 8 subcommittees: the Outside Director Recommendation Committee, Corporate Governance and CEO Recommendation Committee, Audit Committee, Remuneration Committee, Risk Management Committee, Board Steering Committee, Audit Committee Member Recommendation Committee, and Corporate Social Responsibility Committee.

Among the subcommittees, the Outside Director Recommendation Committee, Corporate Governance and CEO Recommendation Committee, Audit Committee, Remuneration Committee, Risk Management Committee, and Audit Committee Member Recommendation Committee are required by law, particularly the Corporate Governance Act. The remaining two subcommittees were voluntarily formed by the Board to enhance the Board's expertise, independence, and efficiency.

Outside directors also play a central role in the subcommittees, as is the case in (A) above.

For example, in the case of the Outside Director Recommendation Committee, the Corporate Governance Act requires that outside directors shall account for a majority thereof, and the Company's internal regulations also set this as a requirement. The actual percentage of outside directors is 80% [Article 3 of Outside Director Recommendation Committee Regulation].

In regard to the Audit Committee, the Corporate Governance Act and the Company's internal regulations (Article 7 of Audit Committee Regulation) mandate that outside directors shall account for two thirds or more. In actuality, all its members are outside directors in the Company so that the Audit Committee can dutifully exercise its role of supervising the management's execution of duties.

In the Board Steering Committee and Corporate Social Responsibility Committee, which were established by the Board's voluntary resolution, outside directors account for a majority of the members.

In addition, the subcommittees including the Outside Director Recommendation Committee mostly have outside directors as their chairmen.

### (Committees of the Board of Directors)

[● Committee Chairman, ○ Committee Member]

Name	The Governance and CEO Recommendation Committee	The Board Steering Committee	The Audit Committee	The Outside Director Recommendation Committee	The Risk Management Committee	The Remuneration Committee	The Audit Committee Member Recommendation Committee	The Corporate Social Responsibility Committee
Park Ansoon				○			○	○
Park Cheul		○		●	○		○	
Lee Manwoo		○	●				○	○
Lee Steven Sung-ryang	○		○			●	○	
Joo Jaeseong		○			●		○	●
Lee Sang-kyung	●		○	○		○	○	
Lee Jung-il	○						○	
Lee Heun-ya		○		○	○		○	
Philippe Avril	○				○	○	○	
Yuki Hirakawa	○						○	○
Cho Yong-byoung	○	●		○				○

### (3) Distribution of authorities to recommend candidates for executives

In connection with recommendation of the candidates for executives, the Company runs the Outside Director Recommendation Committee, Corporate Governance and CEO Recommendation Committee, Audit Committee Member Recommendation Committee, Board Steering Committee, and Subsidiary Management Committee.

The Corporate Governance Act, having become effective on August 1, 2016, obligates that a committee recommending candidates for executives (outside directors, CEO, representative officers, and Audit Committee members) be formed. The Company had already been running multiple subcommittees depending on the types of executives when the law started being enforced.

The Outside Director Recommendation Committee has been in charge of recommending outside director candidates since May 10, 2004. The Corporate Governance and CEO Recommendation Committee has been in charge of recommending candidate for Chairman and CEO since August 25, 2011, the Audit Committee Member Recommendation Committee has been in charge of recommending candidates for Audit Committee members since February 4, 2008, and the Board Steering Committee has been in charge of recommending candidates for non-executive directors since August 25, 2011. The Company also separately runs the Subsidiary Management Committee to achieve independence and transparency in the recommendation of candidates for subsidiaries' CEOs.

Outside directors are appointed as members of the subcommittees to avoid overlaps to the maximum extent possible. This prevents certain outside directors from monopolizing their authority to recommend candidates for executives.

Classification	Executives to be recommended	Subcommittee members (outside directors)
Outside Director Recommendation Committee	Recommend candidates for outside directors	Park Cheul, Lee Sang-kyung, Park Ansoon, Lee Heun-ya
Corporate Governance and CEO Recommendation Committee	Recommend candidates for Chairman and CEO	Lee Sang-kyung, Yuki Hiramawa, Philippe Avril, Lee Jung-il, Lee Steven Sungr-yang
Audit Committee Member Recommendation Committee	Recommend candidates for Audit Committee members	All outside directors
Board Steering Committee	Recommend candidates for non-executive directors	Lee Manwoo, Park Cheul, Lee Heun-ya, Joo Jaeseong
Subsidiary Management Committee	Recommend candidates for subsidiaries' CEOs	Lee Manwoo, Yuki Hiramawa, Lee Jung-il, Lee Steven Sung-ryang

### (4) Strengthen expertise of subcommittees

The Corporate Governance Act does not have a separate provision on subcommittees, but in consideration of the purpose of applicable provisions in the former Model Corporate Governance, the Company continues to include at least 1 person with experience working for a financial company or in the areas of corporate finance, or accounting experience in the Risk Management Committee and Remuneration Committee.

In the case of the Risk Management Committee, Director Park Cheul (former Senior Deputy Governor of the Bank of Korea), Director Joo Jaeseong (former Senior Deputy Governor of the Korea Financial Supervisory Service), and Director Philippe Avril (currently working for a financial company) are examples of financial experts. As for the Remuneration Committee, Director Philippe Avril is an example of an accounting expert.

The Audit Committee must include at least 1 accounting or financial expert: Director Lee Manwoo (professor of business administration with accounting major who has CPA licenses in both Korea and the US) is serving there, thus meeting the statutory requirement and reinforcing the subcommittee's expertise.

Given the relevant subcommittee's characteristics, members of the Remuneration Committee and Board Steering Committee are not allowed to consecutively serve in excess of 2 years, and the Company complies with this rule.

However, in the case of the Audit Committee, Risk Management Committee, etc., in consideration of expertise in the relevant areas, checks against the management, etc., changes in subcommittee members are minimized during the directors' terms of office.

### (5) Strengthen corporate social responsibility

The Company has established and is running a Corporate Social Responsibility Committee as a subcommittee for the first time among financial holding companies. This enables the Company to more actively respond to the demands of internal and external stakeholders, including customers, shareholders, and the community, fulfill its corporate social responsibility, and to actively and systematically realize the Group's mission of "Compassionate Finance, Your Companion for the Future".

### (6) Implement responsibility as a financial holding company

As the first privately held financial holding company in Korea, the Company endeavors to operate in compliance with the purpose of its incorporation in the aspect of corporate governance.

The Corporate Governance Act does not have a separate provision regarding this, but in consideration of the purpose of applicable provisions in the former Model Corporate Governance, the Company has established and continues to run its Management and Risk Management Council.

Since September 2011, the Company has been running Group Executive Committee. This committee deliberates and discusses the Group's key issues (Business Management Council under the Model Corporate Governance) as an organization that supports decision-making by the Chairman and CEO.

To discuss the Group's risks in detail, the Company has been running the Group Risk Management Council (Risk Management Council under the Model Corporate Governance) since December 2001. In November 2009, the Group strengthened Risk Management Committee's role as a working-level policy body.

The subsidiary management committee ensures that while subsidiaries operate in a way to maximize shareholder value, they adhere to the overarching group wide corporate governance framework.

## C. Current status of corporate governance (Summary)

Internal corporate bodies (organs)	Key roles	Composition (No. of outside directors / No. of members)	Chairman (Name/ status as executive, non-executive, or outside director)
Board of Directors	<ol style="list-style-type: none"> <li>1. Establish and evaluate management plans covering subsidiaries in scope</li> <li>2. Establish, revise, and abolish important internal regulations such as Articles of Incorporation</li> <li>3. Matters on budget and settlement of accounts</li> <li>4. Matters on important organizational changes and contracts</li> <li>5. Matters on overall corporate governance of the Company</li> <li>6. Supervise conflict of interest between the Company and major shareholders or executives</li> <li>7. Establish and revise the Company's internal control system</li> <li>8. Establish and revise the Company's risk management standards</li> <li>9. Establish and evaluate CEO succession plan and manage the CEO candidate pool</li> </ol>	10/12	Park Cheul (Outside director)
Outside Director Recommendation Committee <sup>1)</sup>	<ol style="list-style-type: none"> <li>1. Establish, review, and supplement the principles of electing outside directors</li> <li>2. Recommend candidates for outside directors to be elected at the general meeting of shareholders</li> <li>3. Manage the outside director candidate pool and verify the candidates</li> </ol>	4/5	Park Cheul (Outside director)

Internal corporate bodies (organs)	Key roles	Composition (No. of outside directors / No. of members)	Chairman (Name/ status as executive, non-executive, or outside director)
Corporate Governance and CEO Recommendation Committee <sup>2)</sup>	<ol style="list-style-type: none"> <li>1. Support the Board in the succession of Chairman and CEO</li> <li>2. Set the qualifications of Chairman and CEO such as talents or business acumen</li> <li>3. Recommend the candidate for Chairman and CEO</li> <li>4. Select the candidate for Chairman and CEO and manage the candidate pool (e.g., verify whether the candidate meets the qualifications)</li> <li>5. Matters on corporate governance of the Company</li> </ol>	5/6	Lee Sang-kyung (Outside director)
Audit Committee	<ol style="list-style-type: none"> <li>1. Supervise directors' and the management's execution of duties</li> <li>2. Approve appointment of outside auditors</li> <li>3. Other matters prescribed by the Articles of Incorporation or internal regulations in connection with auditing</li> </ol>	3/3	Lee Manwoo (Outside director)
Remuneration Committee	<ol style="list-style-type: none"> <li>1. Matters on determination and payment method of remuneration for the Company's management and financial investment personnel</li> <li>2. Prepare and disclose an annual report on payment of remuneration to the management and financial investment personnel</li> <li>3. Design and operate remuneration system for the management and financial investment personnel and evaluate reasonableness of such design and operation</li> <li>4. Matters on evaluation of, and remuneration for, subsidiaries' executives</li> <li>5. Decisions on the Company's financial investment personnel</li> <li>6. Matters on procedure for decision-making concerning remuneration policy</li> <li>7. Other matters related to remuneration system</li> </ol>	3/3	Lee Steven Sung-ryang (Outside director)
Risk Management Committee	<ol style="list-style-type: none"> <li>1. Establish basic policies and strategies of risk management</li> <li>2. Decide the level of risk which the Company and each subsidiary can bear</li> <li>3. Approve the limits of reasonable investment or allowable loss</li> <li>4. Enact and revise Group Risk Management Regulation and Group Risk Management Council Regulation</li> <li>5. Matters on the structure, and delegation of responsibilities, of the risk management department</li> <li>6. Operate the risk management information system</li> <li>7. Set the limits and approve exceptions thereof</li> <li>8. Decision-making related to Group Internal Ratings-Based Approach approval of the Financial Supervisory Service's non-retail and retail credit rating system</li> <li>9. Other matters recognized by the Board and Risk Management Committee as necessary</li> </ol>	4/4	Joo Jaeseong (Outside director)
Board Steering Committee <sup>3)</sup>	<ol style="list-style-type: none"> <li>1. Set the qualifications for non-outside directors (excluding the candidate for Chairman and CEO)</li> <li>2. Recommend candidates for non-outside directors (excluding the candidate for Chairman and CEO)</li> <li>3. Deliberate appointment and dismissal of non-director executives</li> <li>4. Deliberate methods of evaluating the Board, subcommittees, and outside directors</li> <li>5. Other matters recognized by the Board and subcommittees as necessary for efficient operation of the Board, etc.</li> </ol>	4/5	Cho Yong-byoung (Executive director)
Audit Committee Member Recommendation Committee <sup>4)</sup>	<ol style="list-style-type: none"> <li>1. Recommend candidates for Audit Committee members</li> <li>2. Other matters related to Subparagraph 1 above &amp; submitted by the chairman</li> </ol>	10/10	Park Cheul (Outside director)



Internal corporate bodies (organs)	Key roles	Composition (No. of outside directors / No. of members)	Chairman (Name/ status as executive, non-executive, or outside director)
Corporate Social Responsibility Committee	<ol style="list-style-type: none"> <li>1. Set the direction of socially responsible management</li> <li>2. Establish, revise, and abolish norms/policies related to socially responsible management (e.g., environmental management norms, human rights policy)</li> <li>3. Other matters related to socially responsible management and submitted by chairman</li> </ol>	4/5	Joo Jaeseong (Outside director)
Subsidiary Management Committee	<ol style="list-style-type: none"> <li>1. Support the Board in the management succession of subsidiaries' CEOs</li> <li>2. Set the qualifications of subsidiaries' CEOs such as talents or business acumen</li> <li>3. Recommend candidates for subsidiaries' CEOs</li> <li>4. Select the candidates, verify whether the candidates meet the qualifications for subsidiaries' CEOs, and manage the candidate pool</li> <li>5. Matters on the criteria and deliberation of selection of candidates for executives other than subsidiaries' CEOs</li> </ol>	4/5	Cho Yong-byoung (Executive director)
Group Executive Committee	<p>Deliberate and discuss the Group's key issues and thereby support decision-making by Chairman and CEO</p> <ol style="list-style-type: none"> <li>1. Annual business plans of the Company and subsidiaries</li> <li>2. Important organizational changes such as dissolution, business transfer, division/merger of the Company and subsidiaries, and acquisition of companies as subsidiaries</li> <li>3. Enact and revise internal regulations commonly applicable to the Company and subsidiaries</li> <li>4. Material management issues such as strategic joint investment, changes in core computer system affecting 2 or more subsidiaries deemed by the chairman to require consultation, and coordination among subsidiaries</li> </ol>	-	Cho Yong-byoung (Executive director)
Group Risk Management Council	<p>For consistency in the risk policies and strategies of the Group and subsidiaries, discuss on the Group's risks and resolve on matters necessary to implement policies formulated by Risk Management Committee</p> <ol style="list-style-type: none"> <li>1. Set the risk appetite of the Group and subsidiaries</li> <li>2. Set and adjust risk limit cap of the Group and subsidiaries</li> <li>3. Operate risk measurement system of the Group and subsidiaries</li> <li>4. Group-level risk management requiring joint discussion</li> <li>5. Risk management related to monetary support to subsidiaries</li> <li>6. Matters requiring risk management review and requested by the Group Executive Committee</li> <li>7. Other matters decided by the chairman</li> </ol>	-	Kim Im-geun (Chief Risk Officer)

1) Outside Director Recommendation Committee: Committee for recommendation of candidates for executives under the Corporate Governance Act (Recommend candidates for outside directors)

2) Corporate Governance and CEO Recommendation Committee: Committee for recommendation of candidates for executives under the Corporate Governance Act (Recommend candidate for Chairman and CEO)

3) Board Steering Committee: Committee for recommendation of candidates for executives under the Corporate Governance Act (Recommend candidates for non-executive directors)

4) Audit Committee Member Recommendation Committee: Committee for recommendation of candidates for executives under the Corporate Governance Act (Recommend candidates for Audit Committee members as of February 2017)

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 **II. Board of Directors**

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## II. Board of Directors

### 1. Roles

#### A. Overview

The Board is the Company's supreme and standing decision-making body. It decides the Group's and the Company's key issues (e.g., appointment and dismissal of Chairman and CEO, formulation and approval of the Company's business plan). Through its function of reasonable checks, it supports responsible management by the executives.

The Company endeavors to compose the Board of outside directors that can offer various expertise and insights. They are led by the Chairman and CEO, executive & non-executive directors, and outside directors who are professional managers in the field of finance and have a deep understanding of "Shinhan Culture." This enables the Group's and the Company's key decision-making to be made from diverse perspectives. The Company also provides support to decision-making by using internal and external specialists, if necessary.

#### B. Specific roles

Article 4 Paragraph 1 of the Internal Code of Corporate Governance and Article 10 Paragraph 1 of the Board of Directors Regulation states the specific roles of the Board, which are reflected in the Company's Articles of Incorporation.

- (1) Establish and evaluate management goals and strategies
- (2) Revise Articles of Incorporation
- (3) Approve budget and settlement of accounts
- (4) Important organizational changes such as dissolution, business transfer, merger
- (5) Establish and evaluate principles and policies of corporate governance
- (6) Manage and supervise conflict of interest
- (7) Establish and evaluate internal control standards
- (8) Establish and evaluate risk management standards
- (9) CEO succession
- (10) Miscellaneous

### 2. Composition

#### A. Overview

The Company's Board consists of 3 to 15 directors. (Article 36 of Articles of Incorporation, Article 3 of the Internal Code of Corporate Governance, Article 5 of Board of Directors Regulation).

The minimum number of directors being set at 3 reflects the minimum number of board members mandated by the Commercial Act (Article 383 Paragraph 1). The upper limit is set at 15 so as to avoid issues such as delayed decision-making due to decreased efficiency of communication, etc, that are common with larger boards.

The Company has maintained an efficient size of the Board in compliance with the regulations. The existing size of the board is optimally set up to smoothly oversee management of the subsidiaries in various sectors of the financial industry and strengthen the professional decision-making function centered on the Board (subcommittees) as the supreme and standing decision-making body.

Reflecting its own philosophy, the Company has maintained the number of the Board members between 12 and 15 since its incorporation in September 2001 depending on Company needs and strategy at the given time.

There must be at least 3 outside directors, who shall account for a majority of all directors (Article 36 of Articles of Incorporation, Article 3 of the Internal Code of Corporate Governance, Article 5 of Board of Directors Regulation).

This is the same as the minimum number of outside directors and the total number of directors as required by Article 12 of the Corporate Governance Act.

Since its incorporation, the Company has had at least 8 outside directors at any given time in actual practice. The Company applies the majority requirement more strictly, in-line with our philosophy that a Board that is centered on outside directors. The Board conducts a review and determines the independence of its directors on an annual basis. By Company standards, an independent director in the company is one who is (i) independent from management; (ii) does not have any business relationships with the Company and the substantial shareholders of the Company and (iii) has not served for more than nine years on the Board.

As of the end of 2017, the Board consists of a total of 12 directors (1 Chairman and CEO (executive director), 1 non-executive director, and 10 outside directors).

The term of office for directors is set to not exceed 3 years at the general meeting of shareholders, and directors can serve consecutive terms. Outside directors' term of office may not exceed 2 years. In the case of their re-election, the term may not exceed 1 year and may not exceed 6 years in total. The total period of serving as an outside director in the Company or its subsidiaries cannot exceed 9 years (Article 38 Paragraph 1 of Articles of Incorporation, Article 26 Paragraphs 1 & 4 of the Internal Code of Corporate Governance). In reflection of Article 6 Paragraph 1 Subparagraph 7 of the Corporate Governance Act, the term of office was limited to prevent "Clubby Boards" of outside directors.

As of the end of 2017, the terms of office of directors currently in office are as follows.

Director Cho Yong-byoung (executive director) was newly elected at the 16th general meeting of shareholders (March 2017) for a term of 3 years.

Director Wi Sung-ho (non-executive director) was newly elected at the 16th general meeting of shareholders (March 2017) for a term of 2 years.

Out of the total number (10) of outside directors, the terms of office expired for 7 directors (Namkoong Hoon, Ko Boo-in, Lee Sang-kyung, Lee Manwoo, Park Cheul, Yuki Hirakawa, and Philippe Avril) at the 16th general meeting of shareholders (March 2017). Among them, 5 (Lee Sang-kyung, Lee Manwoo, Park Cheul, Yuki Hirakawa, and Philippe Avril) were re-elected for a 1-year term. 2 outside directors (Park Ansoon and Joo Jaeseong) were newly elected for a 2-year term.

Directors Lee Jung-il, Lee Steven Sung-ryang, and Lee Heun-ya, outside directors whose terms do not expire in 2017, were newly elected at the 15th general meeting of shareholders (March 2016) for a 2-year term.

Directors shall meet both negative and positive qualifications, and keep meeting them during their terms of office.

First, the qualifications under the applicable laws are as follows.

The negative requirements common to all directors of the Company are governed by Article 5 Paragraph 1 and Article 6 Paragraph 1 of the Corporate Governance Act and Articles 7 and 8 of the enforcement decree of the aforementioned act, whose provisions set forth the qualifications of financial holding companies' executives.

In addition, outside directors are subject to negative requirements under Article 382 Paragraph 3 and Article 542-8 Paragraph 2 of the Commercial Act.

Qualifications under the internal regulations are as follows.

The Chairman and CEO who is the executive director shall meet the negative requirement of age restriction under Article 7 of the Corporate Governance and CEO Recommendation Committee Regulation. He/she shall be younger than 67 years old at the time of initial

election. A Chairman and CEO who is 67 years of age or older and re-elected as Chairman and CEO may not serve past the age of 70. Article 9 Paragraph 2 of the Corporate Governance and CEO Recommendation Committee Regulation requires that the committee recommend a candidate for Chairman and CEO who possesses ethics, the ability to realize "Shinhan Value," professional expertise, and ability to run an organization, shares the Company's vision, and can endeavor to raise public interest and realize sound management.

As a requirement for non-executive directors, Article 10 Paragraph 3 of Board Steering Committee Regulation stipulates that when a company is the employer of a non-executive director candidate and is engaged in loan transactions, etc. with a subsidiary of the Company, the reasonableness of such transactions shall be verified by the loan review committee, etc. of such subsidiary.

Article 39 Paragraph 2 of the Articles of Incorporation and Article 23 Paragraph 2 of the Internal Code of Corporate Governance set forth some of the negative requirements for outside directors. They prohibit the concurrent service of outside directors in companies other than the Group's subsidiaries. Article 39 Paragraph 1 of the Articles of Incorporation and Article 23 Paragraph 1 of the Internal Code of Corporate Governance set forth positive requirements and reflect the standards stated in the Model Corporate Governance. The relevant person is required to have expertise and sufficient practical experience or specialized knowledge in areas related to financial companies. These areas include finance, business administration, economy, legal affairs, accounting, consumer protection, and information technology. In addition to being capable enough of executing their duties, outside directors must also exercise fairness for the interest of all shareholders and financial consumers without being bound by any specific interest. They must also exercise ethical responsibility and awareness in their execution of tasks as outside directors, as well as dutifulness to their role by applying sufficient time and effort to their duties.

To select outside directors who can contribute to transparent, independent corporate governance, the 1st Outside Director Recommendation Committee meeting (January 15, 2018) established the "7 principles in electing outside directors" by adding diversity of the Board (selection in comprehensive consideration of nationality, gender, age, experience, background, and harmony with current directors), compatibility with the Group (selection of those who deeply agree with the Group's vision, growth direction, and corporate culture, realize and improve the corporate culture, and thereby contribute to the Company's growth), and effectiveness for a competitive edge (maintain balance in selecting those with business management experience to supply various cross-industry elements of competitive edge, considering the paradigm shift in the industry) to the aforementioned positive qualifications.

As of the end of 2017, the directors can be classified as follows based on their areas of expertise.

When the 12 directors are classified based on their expertise (in case of expertise in multiple areas, the main area of competency shall be applicable), there are 5 financial experts, 4 managerial experts, 1 economic expert, 1 accounting expert, and 1 legal expert. From the perspective of diversity, the Board consists of experts across the areas of core expertise set forth in the Corporate Governance Act.

[Areas of expertise of the directors]

Chairman of the Board Park Cheul: Expert in the areas of finance, economy, and management

Outside Director Lee Sang-kyung: Expert in the area of law

Outside Director Lee Manwoo: Expert in the areas of accounting and management

Outside Director Yuki Hirakawa: Expert in the areas of management and global business

Outside Director Philippe Avril: Expert in the areas of finance, management, and global business

Outside Director Lee Jung-il: Expert in the area of management

Outside Director Lee Steven Sung-ryang: Expert in the areas of economy and global business

Outside Director Lee Heun-ya: Expert in the area of management

Outside Director Park Ansoon: Expert in the area of management

Outside Director Joo Jaeseong: Expert in the areas of finance, management, consumer protection, and risk management

Executive Director Cho Yong-byoung: Expert in the areas of finance and management

Non-executive Director Wi Sung-ho: Expert in the areas of finance and management

**(Outside Directors' Skills and Qualifications as of Dec. 31, 2017)**

Name	Finance	Economy	Business Administration	Accounting	Legal Affairs	Consumer Protection	Global Business	Risk Management
Park Ansoon			○					
Park Cheul	○	○	○					
Lee Manwoo			○	○				
Lee Steven Sung-ryang		○					○	
Joo Jaeseong	○		○			○		○
Lee Sang-kyung					○			
Lee Jung-il			○					
Lee Heun-ya			○					
Philippe Avril	○		○				○	
Yuki Hirakawa			○				○	

Outside directors currently in office meet the qualifications under the Corporate Governance Act. Those elected or re-elected before enforcement of that law did meet the positive qualifications mentioned in "Model Code for Outside Directors of Banks, etc.," abolished on December 24, 2014, and "Model Corporate Governance for Financial Companies," abolished on August 1, 2016, at the time of the election or re-election.

**B. Summary**

Name	Classification	Title	Career	Date of initial election	End of term	Period in office	Committee in charge
Park Cheul	Outside director	· Chairman of the Board · Chairman of Outside Director Recommendation Committee	· Assistant Senior Deputy Governor, Bank of Korea (1998 - 2000) · Senior Deputy Governor, Bank of Korea (2000 - 2003) · Chairman and CEO, Leading Investment & Securities Co., Ltd. (2007 - 2013)	March 25, 2015	General Meeting of Shareholders (March 2018)	33 months	· Outside Director Recommendation Committee · Risk Management Committee · Board Steering Committee
Lee Sang-kyung	Outside director	· Chairman of Corporate Governance and CEO Recommendation Committee	· Chief Judge, Constitutional Court of Korea (2004 - 2005) · Attorney, DW Partners, Attorneys at Law (2009 - 2010) · Representative Attorney, Law Firm WONJON (2010 - 2014) · Attorney, Lee Sang-kyung Law Office (2014 - present)	March 29, 2012	General Meeting of Shareholders (March 2018)	69 months	· Outside Director Recommendation Committee · Corporate Governance and CEO Recommendation Committee · Audit Committee · Remuneration Committee
Lee Manwoo	Outside director	· Chairman of Audit Committee	· Professor of Business Administration, Korea University (1988 - present) · CPA in Korea and the U.S. · Visiting commentator for KBS (2006 - present) · President, Korean Accounting Association (2007-2008)	March 26, 2014	General Meeting of Shareholders (March 2018)	45 months	· Audit Committee · Board Steering Committee · Corporate Social Responsibility Committee
Yuki Hirakawa	Outside director		· CEO, Hirakawa Industry Development Co., Ltd. (1994-2012) · CEO, Level River Co., Ltd. (2014 - present)	March 25, 2015	General Meeting of Shareholders (March 2018)	33 months	· Corporate Governance and CEO Recommendation Committee · Corporate Social Responsibility Committee

Name	Classification	Title	Career	Date of initial election	End of term	Period in office	Committee in charge
Philippe Avril	Outside director		<ul style="list-style-type: none"> <li>Chief Country Officer BNP Paribas, Tokyo Branch (2009 - 2011)</li> <li>CEO and Representative Director of BNP Paribas Securities (Japan) Ltd. (2011 - present)</li> </ul>	March 25, 2015	General Meeting of Shareholders (March 2018)	33 months	<ul style="list-style-type: none"> <li>Corporate Governance and CEO</li> <li>Recommendation Committee</li> <li>Remuneration Committee</li> <li>Risk Management Committee</li> </ul>
Lee Jung-ill	Outside director		<ul style="list-style-type: none"> <li>Vice President, Korean Chamber of Commerce and Industry in Japan (1995)</li> <li>CEO, Hirakawa Shoji Co., Ltd (1985 - present)</li> </ul>	March 24, 2016	General Meeting of Shareholders (March 2018)	21 months	<ul style="list-style-type: none"> <li>Corporate Governance and CEO</li> <li>Recommendation Committee</li> </ul>
Lee Steven Sung-ryang	Outside director	Chairman of Remuneration Committee	<ul style="list-style-type: none"> <li>Director, Dongguk University Institute of Social Sciences (2015 - present)</li> <li>Professor of Economics, Dongguk University (2007 - present)</li> </ul>	March 24, 2016	General Meeting of Shareholders (March 2018)	21 months	<ul style="list-style-type: none"> <li>Corporate Governance and CEO</li> <li>Recommendation Committee</li> <li>Audit Committee</li> <li>Remuneration Committee</li> </ul>
Lee Heun-ya	Outside director		<ul style="list-style-type: none"> <li>Executive Director, Korean Chamber of Commerce and Industry in Japan (2014)</li> <li>Former CEO, Marushin Co., Ltd.</li> </ul>	March 24, 2016	General Meeting of Shareholders (March 2018)	21 months	<ul style="list-style-type: none"> <li>Outside Director Recommendation Committee</li> <li>Risk Management Committee</li> <li>Board Steering Committee</li> </ul>
Park Ansoon	Outside director		<ul style="list-style-type: none"> <li>Chairman, Taisei Group Co., Ltd. (2010 - present)</li> <li>Vice Chairman, the Korean Residents Union in Japan (2012 - present)</li> </ul>	March 23, 2017	General Meeting of Shareholders (March 2019)	10 months	<ul style="list-style-type: none"> <li>Outside Director Recommendation Committee</li> <li>Corporate Social Responsibility Committee</li> </ul>
Joo Jaeseong	Outside director	<ul style="list-style-type: none"> <li>Chairman of Risk Management Committee</li> <li>Chairman of Corporate Social Responsibility Committee</li> </ul>	<ul style="list-style-type: none"> <li>CEO, Woori Finance Research Institute Co., Ltd. (2013 - 2015)</li> <li>Senior Advisor, law firm of Kim and Chang (2016 - present)</li> </ul>	March 23, 2017	General Meeting of Shareholders (March 2019)	10 months	<ul style="list-style-type: none"> <li>Risk Management Committee</li> <li>Board Steering Committee</li> <li>Corporate Social Responsibility Committee</li> </ul>
Cho Yong-byoung	Executive director	<ul style="list-style-type: none"> <li>Chairman and CEO</li> <li>Chairman of Board Steering Committee</li> </ul>	<ul style="list-style-type: none"> <li>Deputy President, Shinhan Bank (2011 - 2013)</li> <li>CEO, Shinhan BNP Paribas Asset Management Co., Ltd. (2013 - 2015)</li> <li>President and CEO, Shinhan Bank (2015 - 2017)</li> <li>Chairman and CEO, Shinhan Financial Holding Company (2017 - present)</li> </ul>	March 23, 2017	General Meeting of Shareholders (March 2020)	10 months	<ul style="list-style-type: none"> <li>Outside Director Recommendation Committee</li> <li>Corporate Governance and CEO Recommendation Committee</li> <li>Board Steering Committee</li> <li>Corporate Social Responsibility Committee</li> </ul>
Wi Sung-ho	Non-executive director		<ul style="list-style-type: none"> <li>Deputy President, Shinhan Bank (2011 - 2013)</li> <li>CEO, Shinhan Card (2013 - 2017)</li> <li>President and CEO, Shinhan Bank (2017 - present)</li> </ul>	March 23, 2017	General Meeting of Shareholders (March 2020)	10 months	

### 3. Activities

#### A. Overview

In 2017, a total of 15 meetings of the Board (4 regular meetings, once per quarter, and 11 temporary meetings) were held, and the directors' average participation rate was 97%.

#### B. Meetings held

**(1) 1<sup>st</sup> temporary meeting of the Board in 2017: January 20, 2017 (Thu)**

[Date of notice: January 13, 2017 (Thu)]

Items	Activities of directors													
	Park Cheul	Namkoong Hoon	Han Dongwoo	Lee Sang-kyung	Ko Boo-in	Lee Manwoo	Cho Yong-byoung	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Whether or not approved	
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Corporate Governance and CEO Recommendation Committee's activities	No particular comments													
4. Resolutions														
A. Matters of deliberation on the candidate for Chairman and CEO	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Abstain (Conflict of interest)	Concur	Concur	Concur	Concur	Concur	Approved

**(2) 2<sup>nd</sup> temporary meeting of the Board in 2017: February 8, 2017 (Wed)**

[Date of notice: February 1, 2017 (Wed)]

Items	Activities of directors													
	Park Cheul	Namkoong Hoon	Han Dongwoo	Lee Sang-kyung	Ko Boo-in	Lee Manwoo	Cho Yong-byoung	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Whether or not approved	
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Absent	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Corporate Governance and CEO Recommendation Committee/Board Steering Committee's activities	No particular comments													
C. Report on Subsidiary Management Committee's activities	No particular comments													
D. Report on Remuneration Committee's activities	No particular comments													
E. Report on Audit Committee activities	No particular comments													
F. Report on results of audit in 2016	No particular comments													
G. Report on results of the Group's management plan (annual business plan) in 2016	No particular comments													
4. Resolutions														
A. Settlement of accounts for 16th fiscal year (Jan. 1, 2016 – Dec. 31, 2016)	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Approved
B. Appointment of non-director managements	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Approved
C. Long-term compensation for the management of the Group	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Approved
D. Revision of corporate governance-related internal regulations	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Approved



**(3) 3<sup>rd</sup> temporary meeting of the Board in 2017: February 20, 2017 (Mon)**

[Date of notice: February 13, 2017 (Mon)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Namkoong Hoon	Han Dongwoo	Lee Sang-kyung	Ko Boo-in	Lee Manwoo	Cho Yong-byoung	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Remuneration Committee's activities	No particular comments													
C. Risk Management Committee's activities	No particular comments													
D. Audit Committee's activities	No particular comments													
E. Outside Director Recommendation Committee's activities	No particular comments													
F. Result of evaluation of internal control for financial reporting (2016)	No particular comments													
G. Result of Audit Committee's evaluation of internal control for financial reporting (2016)	No particular comments													
H. Result of inspection of internal control system and operation (2016)	No particular comments													
I. Customer data sharing among the Subsidiary Group companies and the result of inspection (2016 4Q)	No particular comments													
4. Resolutions														
A. Middle redemption of hybrid bond securities	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
B. Long-term compensation for the management of subsidiaries, etc.	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(4) 1<sup>st</sup> regular meeting of the Board in 2017: February 21, 2017 (Tue)**

[Date of notice: February 13, 2017 (Mon)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Namkoong Hoon	Han Dongwoo	Lee Sang-kyung	Ko Boo-in	Lee Manwoo	Cho Yong-byoung	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Board Steering Committee's activities	No particular comments													
C. Outside Director Recommendation Committee's activities	No particular comments													
D. Audit Committee's activities	No particular comments													
E. Audit Committee Member Recommendation Committee's activities	No particular comments													
4. Resolutions														
A. Review on reasonableness of director candidates	Concur (Voting restricted for conflict of interest)	Concur	Concur	Concur (Voting restricted for conflict of interest)	Absent	Concur (Voting restricted for conflict of interest)	Concur	Concur (Voting restricted for conflict of interest)	Concur (Voting restricted for conflict of interest)	Concur	Concur	Concur	Approved	
B. Approval of cap on remuneration for directors	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
C. Appointment of non-director executives	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
D. Approval of 16th GMS convening and agenda	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(5) 4<sup>th</sup> temporary meeting of the Board in 2017: March 23, 2017 (Thu)**

[Date of notice: March 15, 2017 (Wed)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Board Steering Committee's activities	No particular comments													
C. Report on Subsidiary Management Committee's activities	No particular comments													
D. Report on Audit Committee's activities	No particular comments													
E. Report on operation of the outside director system	No particular comments													
F. Report on activities of credit information manager (2016)	No particular comments													
G. Report on progress in the handling of long-term compensation for the former management	No particular comments													
4. Resolutions														
A. Appointment of chairman of the Board	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved
B. Appointment of Chairman and CEO	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved
C. Appointment of subcommittee members	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved
D. Appointment of non-director executives	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved
E. Remuneration for directors	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved
F. Enactment of the Regulation on Use of Advisors	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved
G. Appointment of advisors	Concur	Concur	Concur	Concur	Absent	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved

**(6) 5<sup>th</sup> temporary meeting of the Board in 2017: May 17, 2017 (Wed)**

[Date of notice: May 10, 2017 (Wed)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Outside Director Recommendation Committee's activities	No particular comments													
C. Report on Remuneration Committee's activities	No particular comments													
D. Report on Social Corporate Responsibility Committee's activities	No particular comments													
E. Report on Risk Management Committee's activities	No particular comments													
F. Report on Audit Committee's activities	No particular comments													
G. Report on handling of long-term remuneration for the former management	No particular comments													
4. Resolutions														
A. Real property lease contract	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Concur with the revised agenda	Approved

**(7) 2<sup>nd</sup> regular meeting of the Board in 2017: May 18, 2017 (Thu)**

[Date of notice: May 10, 2017 (Wed)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	
3. Comments on reported matters														
A. Report on the results of 2017 1Q	No particular comments													
B. Report on the Board's activities	Follow-up report concerning 'Appointment of advisors' (resolution at the 4th temporary meeting of the Board (Mar 23, 2017))													
C. Report on Corporate Governance and CEO Recommendation Committee's activities	No particular comments													
D. Report on Subsidiary Management Committee's activities	No particular comments													
E. Report on dividends from the Subsidiary Group companies (FY2016)	No particular comments													
F. Report on customer data sharing among the Subsidiary Group companies and inspection (2017 1Q)	No particular comments													
4. Resolutions														
A. Handling of long-term remuneration for executive officers	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved

**(8) 6<sup>th</sup> temporary meeting of the Board in 2017: June 27, 2017 (Tue)**

[Date of notice: June 19, 2017 (Mon)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Group 2020 Project Plan and on the result of TF to strengthen the Group's competitiveness	No particular comments													
B. Report on the Board's activities	No particular comments													
C. Report on Board Steering Committee's activities	No particular comments													
D. Report on Remuneration Committee's activities	No particular comments													
E. Report on Subsidiary Management Committee's activities	No particular comments													
F. Report on completed early redemption of hybrid bond securities	No particular comments													
4. Resolutions														
A. Appointment of non-director executives	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
B. Long-term remuneration for management of the Group	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
C. Revision of Regulation on Use of Advisors	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(9) 7<sup>th</sup> temporary meeting of the Board in 2017: July 18, 2017 (Tue)**

[Date of notice: July 4, 2017 (Tue)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Risk Management Committee's activities	No particular comments													
4. Resolutions														
A. Incorporation of a real property asset management company	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(10) 8<sup>th</sup> temporary meeting of the Board in 2017: August 17, 2017 (Thu)**

[Date of notice: August 8, 2017 (Tue)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Risk Management Committee's activities	No particular comments													
C. Report on Audit Committee's activities	No particular comments													
D. Report on Outside Director Recommendation Committee's activities	No particular comments													
E. Report on the progress of incorporating a real property asset management company and future schedule	No particular comments													
4. Resolutions														
A. Issuance of redeemable contingent equity securities (hybrid)	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(11) 3<sup>rd</sup> regular meeting of the Board in 2017: August 18, 2017 (Fri)**

[Date of notice: August 8, 2017 (Tue)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the results (1st half of 2017)	No particular comments													
B. Report on the performance of business plan (1st half of 2017)	No particular comments													
C. Report on the Board's activities	No particular comments													
D. Report on Corporate Governance and CEO Recommendation Committee's activities	No particular comments													
E. Report on Subsidiary Management Committee's activities	No particular comments													
F. Report on Remuneration Committee's activities	No particular comments													
G. Customer data sharing among the Subsidiary Group companies (subsidiaries) and the result of inspection (2017 2Q)	No particular comments													
4. Resolutions														
(No resolutions)														

**(12) 9<sup>th</sup> temporary meeting of the Board in 2017: September 18, 2017 (Mon)**

[Date of notice: September 7, 2017 (Thu)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
4. Resolutions														
A. Handling of long-term remuneration for the former management	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(13) 4<sup>th</sup> regular meeting of the Board in 2017: November 5, 2017 (Sun)**

[Date of notice: October 23, 2017 (Mon)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the results (2017 3Q)	No particular comments													
B. Issuance of redeemable contingent equity securities (hybrid) - Report on result	No particular comments													
C. Report on the Board's activities	No particular comments													
D. Customer data sharing among the Group companies (subsidiaries) and the result of inspection (2017 3Q)	No particular comments													
4. Resolutions														
A. Real property lease contract	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
B. Revision of "Guidelines on Collection and Use of Customer Data"	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(14) 10<sup>th</sup> temporary meeting of the Board in 2017: December 12, 2017 (Tue)**

[Date of notice: November 29, 2017 (Wed)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on the Board's activities	No particular comments													
B. Report on Social Corporate Responsibility Committee's activities	No particular comments													
C. Report on Risk Management Committee's activities	No particular comments													
D. Report on Audit Committee's activities	No particular comments													
E. Report on intermediate evaluation of internal control for the Group's financial reporting (2017)	No particular comments													
4. Resolutions														
A. Business plan and budget (2018)	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
B. Cap on funding support to subsidiaries (2018)	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	
C. Debt securities issued through shelf registration	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	

**(15) 11<sup>th</sup> temporary meeting of the Board in 2017: December 26, 2017 (Tue)**

[Date of notice: December 15, 2017 (Fri)]

Items	Activities of directors													Whether or not approved
	Park Cheul	Lee Sang-kyung	Lee Manwoo	Yuki Hirakawa	Philippe Avril	Lee Jung-il	Lee Steven Sung-ryang	Lee Heun-ya	Park Ansoon	Joo Jaeseong	Cho Yong-byoung	Wi Sung-ho		
1. Name of director														
2. Attendance status and reason if absent	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended		
3. Comments on reported matters														
A. Report on how to achieve stronger competitiveness in the management of the Group's own assets	No particular comments													
B. Report on the Board's activities	No particular comments													
C. Report on Board Steering Committee's activities	No particular comments													
D. Report on Subsidiary Management Committee's activities	No particular comments													
E. Report on Audit Committee's activities	No particular comments													
F. Report on incorporation proposal of Shinhan REITs Management's real estate investment company (grandson company)	Requested review of selling indirect investment services by structuring REITs													
G. Report on establishing the Group's management leader training system	No particular comments													
4. Resolutions														
A. Appointment of non-director executives	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Concur	Approved	



Directors have direct access to secretariat and the senior management at all times. The secretariat attends all board meetings and prepares minutes of the board proceedings.

## 4. Evaluation of the Board and Directors

### A. Evaluation of the Board

Under Article 8 (Evaluation of the Board's performance, etc.) of the Company's Internal Code of Corporate Governance, the Board evaluates reasonableness of the agenda for resolutions and reports, degree of managerial information provided, role of the Board, etc. once a year in connection with its operations. It then refers to the evaluation results in its operations.

Since the details of the evaluation shall be determined by the Board, the Company has conducted and completed the evaluation in January of 2018 based on the resolution, its content shown below, of the 8th temporary meeting of the Board on December 28, 2016. The Company currently refers to the evaluation results in supporting the Board's operations.

**(1) Purpose of evaluation:** For use as reference in supporting the Board's operations

**(2) Evaluator:** Evaluation by all directors

**(3) Criteria for evaluation:** ① Operation evaluation: Reasonableness of Board meeting hours, reasonableness of agenda, reasonableness of frequency of Board meetings, and whether the Company has provided sufficient information

② Role evaluation: Reasonableness of the Board's performance related to the Board's authorities specified in the Internal Code of Corporate Governance

**(4) Method (procedure) of evaluation:** Questionnaire survey with 5-point scale and evaluation by third-party evaluating firm for fairness of evaluation and anonymity of evaluator

### B. Criteria for director evaluation

To reinforce directors' responsibilities and verify their abilities as directors at the time of recommendation for re-election, the Company conducts evaluations of outside directors under Article 30 of the Internal Code of Corporate Governance. The Company also carries out evaluations of the management under Article 50 of the same.

For the criteria used in outside director evaluations, please see Chapter VI. "Procedure of Selecting Outside Director Candidates and Evaluation of Outside Directors - 3. Evaluation of Outside Directors."

Evaluation of the management uses both quantitative and qualitative methods, and is deliberated and resolved by Remuneration Committee in link with organization-level (e.g., a company) job performance. Evaluation criteria for non-executive directors (excluding those concurrently serving as non-executive directors) apply, mutatis mutandis, to those for outside directors.

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## III. Subcommittees

### 1. Corporate Governance and CEO Recommendation Committee

#### A. Roles

The Corporate Governance and CEO Recommendation Committee, a subcommittee consisting of the Chairman and CEO and between 4 and 6 outside directors, is run to recommend a candidate for Chairman and CEO. This committee recommends one who possesses ethics, the ability to realize "Shinhan Value," professional expertise, and the ability to run an organization. This candidate should also share the Company's vision, and can endeavor to improve public interest and sound management. The committee procedures the steps such as setting qualifications of the candidate for Chairman and CEO, creating a candidate pool, managing and verifying the pool, verifying qualifications of the final candidate and recommending and reports this progress to the Board.

#### B. Composition

The Corporate Governance and CEO Recommendation Committee consists of 6 members including the chairman. For its independence and fairness, the committee includes the Chairman and CEO and 5 outside directors as members. The chairman is chosen among its outside directors.

[After General Meeting of Shareholders in March of 2017]

Name	Executive/Non-Executive/Outside	Title	Date of election	End of term
Lee Sang-kyung	Outside director	Chairman	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Yuki Hirakawa	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Philippe Avril	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Jung-il	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Steven Sung-ryang	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Cho Yong-byoung	Executive director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018

### 2. Board Steering Committee

#### A. Roles

##### (1) Overview

The Board Steering Committee deliberates and resolves matters delegated by the Board, thereby supporting efficient operation of the Board. [Article 2 of the Board Steering Committee Regulation]

In terms of corporate governance, the committee recommends candidates for non-outside directors (excluding the candidate for Chairman and CEO). [Article 11 of the Internal Code of Corporate Governance]

Article 17 Paragraph 1 of the Corporate Governance Act requires that a committee recommending candidates for executives shall only recommend candidates for outside directors, CEO, representative officers, and audit committee members. However, to prevent a specific committee from monopolizing the authority to recommend director candidates and to realize transparency in corporate governance, the Company authorizes the Corporate Governance and CEO Recommendation Committee to recommend the candidate for Chairman and CEO. It also authorizes the Outside Director Recommendation Committee to recommend outside director candidates, and the Board Steering Committee to recommend candidates for directors outside of the two categories above.

[Reference] Article 17 Paragraph 1 of the Act on Corporate Governance of Financial Companies(Committee for Recommendation of Candidates for Executive Officers)

(1) The committee for recommendation of candidates for executive officers shall recommend candidates for executive officers (limited to outside directors, the representative director, the representative executive director, and audit committee members; hereafter the same shall apply in this Article).

Since the Board consists of the Chairman and CEO, executive & non-executive directors, and outside directors, the committee performs the function of recommending non-executive directors in actual practice.

### **(2) Specific roles**

- i. Set the qualifications of non-outside directors (excluding the candidate for Chairman and CEO)
- ii. Recommend candidates for non-outside directors (excluding the candidate for Chairman and CEO)
- iii. Deliberate appointment and dismissal of non-director executives
- iv. Deliberate methods of evaluating outside directors

## **3. Audit Committee**

### **A. Roles**

#### **(1) Overview**

The Audit Committee deliberates and resolves accounting and operational audits and such matters as delegated by the Board. It supervises the directors' and executives' execution of duties so that they can make reasonable business judgments.

Under the Articles of Incorporation and the Audit Committee Regulation, the Audit Committee consists of between 3 and 5 directors, with outside directors accounting for at least two thirds of the members. When conducting an audit, they shall maintain objectivity independent from the Board and executive bodies including the management.

When its chairman deems it necessary, the Audit Committee may request the management and the relevant personnel to appear before the committee and give statements or to provide necessary materials. Audit Committee may also request a third party to appear before the committee and give opinions. It can also receive assistance from experts at the Company's expenses.

#### **(2) Specific roles**

In the Company, Article 12 Paragraph 5 of the Internal Code of Corporate Governance and Article 10 of the Audit Committee Regulation set forth the specific roles of the Audit Committee.

- i. Supervise directors' and executives' execution of duties
- ii. Approve and supervise appointment of outside auditors
- iii. Matters on standing audit committee members: Not applicable
- iv. Review financial statements, etc.
- v. Request convocation of a temporary general meeting of shareholders and temporary meeting of the Board
- vi. Request injunction for directors' illegal acts
- vii. Evaluate operation of internal accounting system
- viii. Establish annual audit plan
- ix. State opinions on the legality of the agenda and documents to be submitted to the general meeting of shareholders
- x. Consent to appointment/dismissal of the head of Audit Team and evaluate his/her performance
- xi. Enact, revise, and abolish the Audit Regulation
- xii. Approve special audit of subsidiaries
- xiii. Evaluate reasonableness of the internal control system's operations
- xiv. Review reasonableness of formulation and implementation of disclosure policies
- xv. Review reports from the compliance officer

## B. Composition

### (1) Overview

Under the Articles of Incorporation and the Audit Committee Regulation (Article 51 of the Articles of Incorporation, Article 7 of the Audit Committee Regulation), the Audit Committee consists of between 3 and 5 directors, with outside directors accounting for two thirds of the members, and at least 1 member shall be an accounting or financial expert as required by the applicable laws.

The 1<sup>st</sup> Audit Committee Member Recommendation Committee meeting (February 21, 2017) recommended Audit Committee member Lee Manwoo, eligible for re-election, as candidate for the outside director who would also be an Audit Committee member. The Committee also re-recommended Audit Committee members Lee Sang-kyung and Lee Steven Sung-ryang, both eligible for re-election, as candidates for Audit Committee members in consideration of the expertise and continuity of the Audit Committee's duties.

At the 16<sup>th</sup> general meeting of shareholders (March 23, 2017), Audit Committee member Lee Manwoo, recommended by Audit Committee Member Recommendation Committee as candidate for the outside director who would also be an Audit Committee member, and Audit Committee members Lee Sang-kyung and Lee Steven Sung-ryang, recommended by the same as candidates for Audit Committee members, were elected as Audit Committee members for a term of 1 year.

As of the end of 2017, the Audit Committee consists of 3 outside directors including accounting expert and legal expert and gives independent opinions concerning reasonable business judgments by the management.

Audit Committee member Lee Manwoo is a CPA, thus falling under the term "accounting or financial expert" set forth in Article 16 of the Enforcement Decree of the Corporate Governance Act as follows.

- i. A CPA who has at least 5 years' work experience in an area related to his/her license after he/she obtained the license
- ii. A person who possesses at least a master's degree in finance or accounting and who has at least 5 years' post-qualification experience as a researcher or an assistant professor or higher-ranking professor in finance or accounting in a research institute or a university
- iii. A person who has at least 5 years' work experience as an executive or at least 10 years' work experience as an executive or employee in an area related to finance or accounting in a stock-listed corporation
- iv. A person who has at least 5 years' work experience in an area related to finance or accounting or supervision of such work in the State, a local government, a public institution under the Act on the Management of Public Institutions, the Financial Supervisory Service under the Act on the Establishment, etc. of the Financial Services Commission, the Korea Exchange under the Financial Investment Services and Capital Markets Act, or an institution related to financial investment business under Article 9 Paragraph 17 of the aforementioned Act (excluding organizations related to financial investment under Article 9 Paragraph 17 Subparagraph 8 of the aforementioned Act)
- v. A person who has at least 5 years' work experience in an area related to finance or accounting in an institution subject to the inspection under Article 38 of the Act on the Establishment, etc. of Financial Services Commission (including equivalent foreign financial institutions)
- vi. Other qualified persons specified and announced by the Financial Services Commission as equivalent to those specified in Subparagraphs 1 through 5.

### (2) Members

[After General Meeting of Shareholders in March of 2017]

Name	Executive/Non-Executive/Outside	Title	Date of election	End of term	Accounting or financial expert
Lee Manwoo	Outside director	Chairman	March 23, 2017	Date of General Meeting of Shareholders in March 2018	Applicable (CPA)
Lee Sang-kyung	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018	
Lee Steven Sung-ryang	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018	

## 4. Outside Director Recommendation Committee

### A. Roles

The Outside Director Recommendation Committee deliberates and resolves matters delegated by the Board, and has the role of making the recommendation of the Company's outside director candidates transparent and sound. (Article 2 of the Outside Director Recommendation Committee Regulation)

The committee has the authority to establish, review, and supplement the principles of the outside director election, recommend candidates for the outside directors to be elected at the general meeting of shareholders, manage the outside director candidate pool at all times, and verify the qualifications of the candidates. (Article 6 Paragraph 1 of the Outside Director Recommendation Committee Regulation, Article 13 Paragraph 2 of the Internal Code of Corporate Governance)

It is also responsible for recommending outside director candidates befitting the interests of the Company, shareholders, etc. using a fair, transparent procedure, and for verifying in a fair manner whether preliminary outside director candidates meet qualifications under the applicable laws and Internal Code of Corporate Governance, before making the aforementioned recommendation (Article 10 Paragraphs 1 and 2 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraphs 1 and 2 of the Internal Code of Corporate Governance)

Under the principle of diversity of the Board specified in Article 3 of the Internal Code of Corporate Governance, the committee recommends outside director candidates who meet positive and negative qualifications under applicable laws or the Company's internal regulations. These candidates shall be independent and possess expertise and insight befitting the Company in consideration of the characteristics of the Group's growth history and organizational culture. At all times, the committee searches for and manages outside director candidates. (Article 6 Paragraph 1 Subparagraph 3 of the Outside Director Recommendation Committee Regulation, Article 13 Paragraph 2 Subparagraph 3 of the Internal Code of Corporate Governance)

The committee manages the candidate pool by areas of expertise (finance, economy, business administration, accounting, legal affairs, consumer protection, and information technology) in principle, and checks negative qualifications of the candidates, fairness in the conduct of job, ethical responsibility, and dutifulness through publicly available information that can be obtained in compliance with personal information protection laws.

As set forth in Article 3 of the Internal Code of Corporate Governance, the committee uses various recommendation channels (e.g., Outside Director Recommendation Committee, outside directors, shareholders, outside advisors, internal department supporting the Board) in principle so that specific backgrounds or job categories will not be overrepresented in the Board in terms of expertise. (Article 10 Paragraph 6 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraph 3 of the Internal Code of Corporate Governance)

The committee is also obligated to check whether outside director candidates' negative and positive qualifications required by the applicable laws and the Model Corporate Governance are met. (Article 10 Paragraph 2 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraph 2 of the Internal Code of Corporate Governance)

In order to periodically check the reasonableness of the outside director candidate pool management, the Outside Director Recommendation Committee is obligated to report to the Board about its management of the outside director candidate pool at least twice a year. (Article 6 Paragraph 3 of the Outside Director Recommendation Committee Regulation, Article 13 Paragraph 3 of the Internal Code of Corporate Governance)

In addition, the verification results for the outside director candidates recommended by the Outside Director Recommendation Committee and reasonableness of the recommendation have to be deliberated and resolved again by the Board. This encourages the Board to more

closely examine the outside director candidates recommended by the Outside Director Recommendation Committee, who will be voted on by the general meeting of shareholders. This results in enhanced transparency in the election of outside directors. (Article 10 Paragraph 5 of the Outside Director Recommendation Committee Regulation)

## B. Composition

Under the Company's internal regulations, the Outside Director Recommendation Committee shall consist of between 3 and 5 directors including the Chairman and CEO, and outside directors shall account for a majority of the members (Article 3 Paragraph 1 of the Outside Director Recommendation Committee Regulation, Article 13 Paragraph 1 of the Internal Code of Corporate Governance)

The foregoing reflects the Company's corporate governance principle that the committee shall be outside director-centered, but 1 executive director shall be included to prevent "Clubby Boards" of outside directors.

In actual practice, the committee consists of 1 executive director as Chairman and CEO and 4 outside directors, resulting in outside directors accounting for 80% of the total.

The Company makes sure that outside directors, who meet the independence requirement set forth in applicable laws and possess financial career experience and expertise from various areas, are included in the Outside Director Recommendation Committee. (Article 3 Paragraph 2 of the Outside Director Recommendation Committee Regulation, Article 22 Paragraph 2 of the Internal Code of Corporate Governance)

For the "independence" of the members, outside directors allowed for re-election are excluded to the greatest extent possible from the Outside Director Recommendation Committee.

That is, outside directors with an unexpired term, those having expressed intent to resign as an outside director, and those having served as outside director for 6 years for the Company and 9 years for the Group as a whole, thus making them ineligible for re-election, are given priority consideration.

In March of 2017, Director Park Ansoon, whose term had not yet expired, and Director Lee Sang-kyung, who had been serving as outside director for 6 years and thus could not be re-elected, were selected as members of the committee.

If it is unavoidable to include an outside director standing for re-election, in consideration of the committee's expertise and representativeness, such director is strictly restricted from voting in resolutions recommending him/her as an outside director candidate (Article 7 Paragraph 2 of the Outside Director Recommendation Committee Regulation, Article 13 Paragraph 4 of the Internal Code of Corporate Governance)

To achieve diversity in the committee and select members with financial career experience, expertise, and representativeness, the Company filled the committee with Director Park Cheul, an expert in the areas of finance, economy, and business administration, Director Lee Sang-kyung, an expert in the areas of legal affairs, Director Lee Heun-ya, the Korean national shareholder residing in Japan, and Director Park Ansoon in March of 2017.

### [After General Meeting of Shareholders in March of 2017]

Name	Executive/Non-Executive/Outside	Title	Date of election	End of term
Park Cheul	Outside director	Chairman	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Sang-kyung	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Heun-ya	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Park Ansoon	Outside director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Cho Yong-byoung	Executive director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018

## 5. Risk Management Committee

### A. Roles

#### (1) Overview

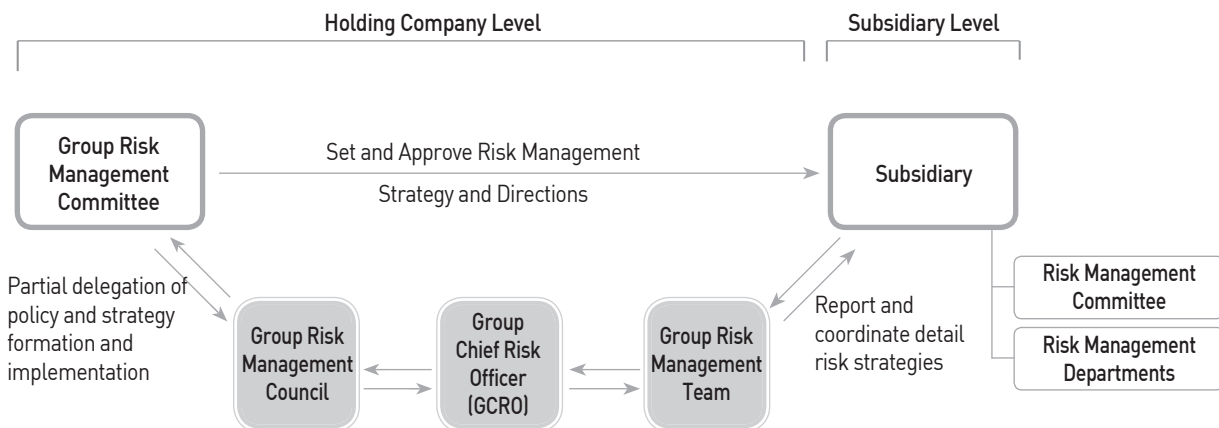
The Company's Risk Management Committee deliberates and resolves matters delegated by the Board. It has installed and comprehensively manages a system to properly manage risks. This system is capable of recognizing, measuring, monitoring, and controlling risks occurring from transactions of the Company and subsidiaries in a timely manner.

Under Article 3 of the Risk Management Committee Regulation, the Risk Management Committee consists of between 2 and 5 directors, with outside directors accounting for a majority of the members. At least 1 member shall have experience working for a financial company or in an area related to finance or accounting in a corporation under the Commercial Act. As of 2017, the Risk Management Committee consists of 4 outside directors, and includes at least 1 expert with experience working for a financial company.

If the chairman deems it necessary under Article 8 of the Risk Management Committee Regulation, the committee may request the management and relevant personnel to appear before the committee and give statements or to provide necessary materials. The committee may also request a third party to appear before the committee and give opinions.

Under Article 10 of the Risk Management Committee Regulation, the Company has established and is running the Group Risk Management Council to discuss the Group's various risks and to implement policies formulated by the Risk Management Committee.

#### [Reference] Risk management system at the holding company level and the subsidiary level



#### (2) Specific roles

- i. Establish basic policies and strategies of risk management
- ii. Decide the level of risk that the Company and each subsidiary can bear
- iii. Approve the limits of reasonable investment or allowable loss
- iv. Enact and revise Group Risk Management Regulation and the Group Risk Management Council Regulation
- v. Other matters recognized by the Board and Risk Management Committee as necessary

## 6. Remuneration Committee

### A. Overview



The basic operating principle of the Company's Remuneration Committee is that it shall execute its fiduciary duty toward the Company's remuneration policy and achieve harmony between the remuneration system for the executives, etc. and the Company's performance and risk structure so that a sound, performance-based corporate culture will be established.

The Remuneration Committee, a subcommittee under the Board, is governed by the Remuneration Committee Regulation, one of the Company's internal regulations. The committee has been run since May of 2004 when it was established under Article 48 Paragraph 1 Subparagraph 6 of the Articles of Incorporation and Article 13 Paragraph 1 Subparagraph 6 of the Board of Directors Regulation.

Under Article 3 of the Remuneration Committee Regulation, a Remuneration Committee member who is an outside director cannot consecutively serve over 2 years. Director Park Cheul has consecutively served for 2 years as of March of 2017 and thus cannot serve any longer there. However, other members have served less than 1 year.

In connection with the obligation to preserve documents on the Remuneration Committee's activities, minutes that state the agenda, proceedings, results, objecting members, and the grounds of objection in the committee meetings are prepared and kept under Article 9 of the Remuneration Committee Regulation. Article 58 of the Internal Code of Corporate Governance requires that details about the establishment and operations of the Remuneration Committee and about activities by the risk management and compliance monitoring departments shall be documented and preserved.

## B. Composition

### (1) Overview

Under Articles 3 and 4 of the Remuneration Committee Regulation and Article 15 of the Internal Code of Corporate Governance, the Company's Remuneration Committee consists of between 3 and 5 directors. An outside director serves as the chairman and outside directors account for a majority of the members so that the committee can be run independently from the management.

As of the end of 2016, the Remuneration Committee consists of 4 members (Park Cheul, Lee Sang-kyung, Lee Steven Sung-ryang, and Lee Jung-il), and all the members including Chairman Park Cheul were outside directors, thus meeting the independence requirement in the composition of the Remuneration Committee.

At least 1 Committee member shall have experience working for a financial company or in the areas of corporate finance or accounting, thus contributing to the committee's expertise. At least 1 Risk Management Committee member shall participate so that the aspect of the Company's risk management can sufficiently be reflected in the operations of the Remuneration Committee.

Among the members, Director Park Cheul has experience working for a financial company since Park Cheul used to work as Senior Deputy Governor of the Bank of Korea and Chairman and CEO of Leading Investment & Securities Co., Ltd. Park Cheul is also a current member of Risk Management Committee, thus enabling a close link between the remuneration system and risk management in the Company.

### (2) Members

[After General Meeting of Shareholders in March 2017]

Name	Executive/ Non-Executive/Outside	Title	Date of election	End of term	Experience working for a financial company or in an area related to finance or accounting in a corporation	Whether a member of Risk Management Committee
Lee Steven Sung-ryang	Outside Director	Chairman	March 23, 2017	Date of General Meeting of Shareholders in March 2018		
Lee Sang-kyung	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018		
Philippe Avril	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018	Yes	Yes

### C. Authorities and responsibilities

- (1) Deliberate and resolve matters concerning determination and payment method of remuneration
- (2) Deliberate and resolve matters concerning preparation and disclosure of the annual report on payment of remuneration
- (3) Deliberate and resolve matters concerning designing and operation of remuneration system and evaluation of reasonableness of such design and operation
- (4) Deliberate and resolve matters related to decision-making process for remuneration policy
- (5) Monitor at all times the link between financial companies' remuneration system and financial situation/risk and compliance with the law
- (6) Conduct annual remuneration evaluation independently from the management to check whether financial companies' remuneration systems comply with the law, etc.
- (7) Other matters designated by the Remuneration Committee

## 7. Audit Committee Member Recommendation Committee

### A. Roles

The Audit Committee Member Recommendation Committee recommends candidates as Audit Committee members to the general meeting of shareholders by deliberating and resolving matters delegated by the Board.

### B. Composition

The Audit Committee Member Recommendation Committee consists of all outside directors.

[After General Meeting of Shareholders in March of 2017]

Name	Executive/Non-Executive/Outside	Title	Date of election	End of term
Lee Sang-kyung	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Manwoo	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Park Cheul	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Yuki Hirakawa	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Philippe Avril	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Jung-il	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Steven Sung-ryang	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Lee Heun-ya	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Park Ansoon	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018
Joo Jaeseong	Outside Director	Member	March 23, 2017	Date of General Meeting of Shareholders in March 2018

### C. Criteria for selecting Audit Committee members, etc.

#### (1) Qualifications of candidates

Under the Articles of Incorporation and the Audit Committee Regulation, the Audit Committee consists of between 3 and 5 directors, with outside directors accounting for at least two thirds of the members. The committee shall also include at least 1 accounting or financial expert as required by the applicable laws.

## **(2) Procedure of recommending candidates**

The Audit Committee Member Recommendation Committee recommends Audit Committee member candidates from among the director candidates eligible as outside director in consideration of the expertise required by the role of Audit Committee, etc. Recommendations of Audit Committee member candidates and related matters that are submitted by the chairman of the committee shall be resolved by concurrence of at least two thirds of the committee members.

## **8. Corporate Social Responsibility Committee**

### **A. Roles**

#### **(1) Overview**

The Company has established its Corporate Social Responsibility Committee on March 25, 2015 to more actively respond to the demands of internal and external stakeholders including customers, shareholders, and the community. This committee shall lead the Company in fulfilling its corporate social responsibility and will actively and systematically realize the Group's mission of "Compassionate Finance, Your Companion for the Future".

The Corporate Social Responsibility Committee deliberates and resolves matters delegated by the Board, thereby establishing the direction of the Company's corporate social responsibility, ("CSR") and determines related matters.

#### **(2) Specific roles**

In the Company, the Corporate Social Responsibility Committee's specific roles are set forth in Article 17 Paragraph 2 of the Internal Code of Corporate Governance and Article 6 of the Corporate Social Responsibility Committee Regulation.

- i. Set the direction of the Company's CSR
- ii. Establish, revise, and abolish norms/policies related to socially responsible management
- iii. Others - Publish the CSR report, and report the results of the external evaluation related to CSR and the current status of CSR implementation

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 IV. Succession of Chairman and CEO

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## IV. Succession of Chairman and CEO

### 1. Internal regulations on succession of Chairman and CEO

The Company's Board has enacted the Corporate Governance and CEO Recommendation Committee Regulation on August 25, 2011 to secure stability in CEO succession. The person selected as Chairman and CEO must have ethics, the ability to realize "Shinhan Value," professional expertise, and the competence to run an organization. The CEO also shares the Company's vision and can endeavor for public interest and sound management. To reflect the part of the Model Corporate Governance, which covers the CEO succession plan and became effective on December 24, 2014, and to minimize risks involved in the succession of Chairman and CEO, the Board revised the Corporate Governance and CEO Recommendation Committee Regulation on February 24, 2015. The main provisions of the Corporate Governance and CEO Recommendation Committee Regulation deal with the qualifications of Chairman and CEO, reasons and timing of commencement and end of the CEO succession process, procedure of candidate recommendation and CEO succession, selection method, qualification-checking, managing the pool of Chairman and CEO candidates, and contingency CEO succession plan.

### 2. Recommendation of the candidate for Chairman and CEO and CEO succession process

#### A. Overview

In 2011, The Company developed its CEO succession program and established the Corporate Governance and CEO Recommendation Committee as a subcommittee of the Board. In this way, it will continuously manage its corporate governance and CEO succession plan for transparent and fair corporate governance. The Corporate Governance and CEO Recommendation Committee formulates the Company's CEO succession plan and reports the reasonableness of the CEO succession plan to the Board at least once a year.

When the term for the current Chairman and CEO nears its end, the Corporate Governance and CEO Recommendation Committee commences the succession process by recommending the candidate for Chairman and CEO to the Board after comprehensive review of the candidate pool. The committee completes the candidate recommendation at least 2 months before expiration of the term. The Board finalizes the candidate for Chairman and CEO by deliberating and resolving the suitability of the recommended candidate. The candidate for Chairman and CEO prepares for the succession for about 2 months until he/she is elected by a general meeting of shareholders as director. This process ensures continuity and stability in management of the Company.

To prevent the Chairman and CEO's term in office from continuing too long, the Corporate Governance and CEO Recommendation Committee Regulation limits the age of the Chairman and CEO at the time of his/her appointment.

#### (1) Qualifications of Chairman and CEO

The Chairman and CEO shall meet the qualifications for executives under Article 5 of the Act on Corporate Governance of Financial Companies and Article 7 of the Enforcement Decree thereof.

The Corporate Governance Act and the Enforcement Decree prevent "a minor, a person under adult guardianship, or a person under limited guardianship," "a person declared bankrupt but not yet reinstated," "a person in whose case 5 years have not yet passed since imprisonment without labor or heavier punishment to which he/she was sentenced was completely executed or was remitted," "a person who was sentenced to the suspension of imprisonment without labor or heavier punishment, and is still in the period of suspension," "a person in whose case 5 years have not yet passed since a fine or heavier punishment to which he/she was sentenced under this Act or any other finance-related statutes was completely executed or was remitted," "a person who serves or served as an executive or employee of a corporation or a financial company in which case 5 years have not yet passed since a revocation of permission or authorization for, or registration, etc. of business under a finance-related statute was taken against the former or a measure of timely correction or an administrative disposition under the Act on the Structural Improvement of the Financial Industry was taken against the latter," "a person in whose case the period specified by the Presidential Decree not exceeding 5 years for each category of sanctions has not yet passed since a sanction was taken against him/her under the Corporate Governance Act or any finance-related statute for his/her conduct as an executive or an employee," and "a person specified by the Presidential Decree as likely to undermine public interest and sound management of the relevant financial company or undermine the credit order from becoming an executive." If such a person falls under the foregoing after becoming an executive, he/she is removed from the position. Article 7 of the Corporate Governance and CEO

Recommendation Committee Regulation requires that the Chairman and CEO shall be less than 67 years old at the time of initial election and that a Chairman and CEO who is 67 years of age or older and re-elected as Chairman and CEO may not serve past the age of 70. Article 9 of the same requires that one who possesses ethics, the ability to realize "Shinhan Value," professional expertise, and the competence to run an organization, shares the Company's vision, and can endeavor for public interest and sound management shall be recommended as candidate for Chairman and CEO in a fair and transparent process.

### **(2) Selecting a pool of Chairman and CEO candidates and how to manage the pool including qualification check.**

Under Article 8 of the Corporate Governance and CEO Recommendation Committee Regulation, the Corporate Governance and CEO Recommendation Committee selects a pool of Chairman and CEO candidates in consideration of their qualifications, statutory requirement, age requirement as candidate for Chairman and CEO at the time of succession, etc., and reports to the Board at least once a year concerning the selection of the candidate pool and verification of their qualifications. For greater sustainable management, the Company has designated the CEOs of its major subsidiaries and trains them as candidates for the Group's future Chairman and CEO. The Company may utilize outside recommendations by shareholders, stakeholders, outside advisors, etc. in the search for Chairman and CEO candidates if necessary.

### **(3) Reasons and timing for commencement of CEO succession process**

Under Article 9 of the Corporate Governance and CEO Recommendation Committee Regulation, the Corporate Governance and CEO Recommendation Committee commences the succession process and then completes candidate recommendation at least 2 months before the new Chairman and CEO's term of office begins for stability in CEO succession.

### **(4) Procedure of final candidate recommendation**

The Corporate Governance and CEO Recommendation Committee selects a pool of Chairman and CEO candidates in consideration of their qualifications, statutory requirement, age requirement as candidate for Chairman and CEO at the time of succession, etc., and deliberates on the pool based on considerations on the strategic role required of the Group's CEO at the time of succession. Under Article 9 of the Corporate Governance and CEO Recommendation Committee Regulation, the Corporate Governance and CEO Recommendation Committee recommends a Chairman and CEO candidate who possesses ethics, the ability to realize "Shinhan Value," professional expertise, and the competence to run an organization, shares the Company's vision, and can endeavor for public interest and sound management in a fair and transparent process.

### **(5) CEO succession process**

When the Corporate Governance and CEO Recommendation Committee recommends the candidate for Chairman and CEO by its resolution under Article 6 of the Corporate Governance and CEO Recommendation Committee Regulation, the Board finalizes the candidate for Chairman and CEO by deliberating and resolving the suitability of the recommended candidate. When the finalized candidate is elected at the general meeting of shareholders as a director who is also the candidate for Chairman and CEO and is appointed as CEO by the Board's subsequent resolution, the CEO succession process is completed.

### **(6) Training program for the candidates**

To reinforce sustainable management, the Company has selected the Chairman and CEO candidates and trains them as its future CEO. It conducts various development programs for the candidates, covering items such as insights into the financial industry, decision-making from the Group's perspective, strategy implementation/drive, leadership and talent training, and internal and external influence/CEO brand, upon approval by the Corporate Governance and CEO Recommendation Committee. The Corporate Governance and CEO Recommendation Committee periodically deliberates and evaluates the candidates' management performance and the result of the development programs, and then recommends the candidate for Chairman and CEO based on the result of the evaluation.

## B. Contingency plan

When the Chairman and CEO cannot execute his/her duties any longer due to unexpected accidents, sudden health reasons, etc., Article 9 of the Corporate Governance and CEO Recommendation Committee Regulation requires that a candidate for Chairman and CEO shall be recommended through the expedited succession process, which accelerates the procedures for the succession plan.

In that case, the Board appoints an interim Chairman and CEO under Article 6 of the Board of Directors Regulation. If the appointment is delayed due to force majeure, material disqualification, accident on the part of the expected successor, or other unavoidable circumstances, the Company shall disclose such circumstances, the interim Chairman and CEO, and the Company's operation plan until the appointment, schedule for Chairman and CEO appointment, etc., under Article 9 of the Corporate Governance and CEO Recommendation Committee Regulation.

When the recommended Chairman and CEO candidate is a director of the Company, the CEO succession process is completed after the Board appoints the candidate as CEO. If the candidate is not a director of the Company, the CEO succession process is completed after the general meeting of shareholders is convened as speedily as possible under the Commercial Act. The, the candidate is elected as director there, and the Board appoints him/her as CEO.

## 3. Management of the pool of Chairman and CEO candidates - Current status

### A. Guidelines on the pool of Chairman and CEO candidates

Article 8 of the Corporate Governance and CEO Recommendation Committee Regulation requires that the Corporate Governance and CEO Recommendation Committee shall select a pool of Chairman and CEO candidates in consideration of their qualifications, statutory requirement, age requirement as candidate for Chairman and CEO at the time of succession, etc., and report to the Board at least once a year concerning the selection of the candidate pool and verification of their qualifications. Under the same provision, the Corporate Governance and CEO Recommendation Committee oversees the overall Chairman and CEO succession process including selection and composition of the candidate pool, evaluation and qualification-check of the candidate pool, and final candidate recommendation.

### B. Activities of managing the candidate pool

In order to establish continuity of its sustainable management through stability in the CEO succession, the Company has designated the CEOs of its major subsidiaries and trains them as candidates for the Group's future Chairman and CEO. The Company has designated 5 such CEOs as the candidates on May 18, 2017 and continues to training them. If necessary under Article 9 of the Corporate Governance and CEO Recommendation Committee Regulation, outside recommendations by shareholders, stakeholders, outside advisors, etc. can be utilized. The Corporate Governance and CEO Recommendation Committee is in charge of managing the pool of Chairman and CEO candidates, and the Company's HR Team is in charge of practical support related to management of the pool. In addition, Corporate Governance and CEO Recommendation Committee periodically deliberates and evaluates the candidates' management performance and the result of the development programs for them.

### C. Current status of the candidate pool

Classification	Number of candidates	Recommendation channel
Internal	5	At the Corporate Governance and CEO Recommendation Committee meeting (May 18, 2017), potential candidates were selected in accordance with the CEO succession plan.

## 4. Reviewing reasonableness of Chairman and CEO succession plan

Under Article 8 of the Corporate Governance and CEO Recommendation Committee Regulation, the Corporate Governance and CEO Recommendation Committee establishes the CEO succession plan by deliberating on the reasonableness of the Chairman and CEO's proposal for such a plan, and reports on the reasonableness of the CEO succession plan to the Board at least once a year.

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**➤ V. Process of Selecting Outside Director  
Candidates and Evaluation of  
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## V. Process of Selecting Outside Director Candidates and Evaluation of Outside Directors

### 1. Criteria of selection

#### A. Qualifications of candidates

Common qualifications applicable to the selection of candidates are as follows.

In regard to disqualifications, the following laws and internal/external regulations are strictly reviewed. Article 382 Paragraph 3 (Qualifications of corporation's outside directors) and Article 542-8 Paragraph 2 (Qualifications of listed company's outside directors) of the Commercial Act, Article 5 Paragraph 1 (Qualifications of executives) of the Act on Corporate Governance of Financial Companies, Article 6 Paragraphs 1 and 3 (Qualifications of outside directors) of the same, Article 23 Paragraph 2 (Concurrent service as outsider director of other companies) of the Internal Code of Corporate Governance, and Article 26 Paragraph 4 (Term limit for outside directors) of the Internal Code of Corporate Governance.

In regard to outside directors' positive qualifications, the Company's Articles of Incorporation and Internal Code of Corporate Governance require whether the relevant person has sufficient practical experience and knowledge in related areas such as finance, economy, business administration, accounting, legal affairs, consumer protection, and information technology, fairness in job conduct, ethical responsibility, and dutifulness.

The Internal Code of Corporate Governance requires that the Board shall include those who possess the right experience or knowledge for a director's job as acquired from various areas and are capable of carrying on and renewing the Group's founding spirit. Efforts shall be made so that specific backgrounds or job categories will not be over-represented in the Board in terms of expertise.

#### B. Procedure of recommending candidates

For the fair and transparent election of outside directors, the Outside Director Recommendation Committee Regulation and the Internal Code of Corporate Governance details the procedure for the Outside Director Recommendation Committee's recommendation for outside director candidates.

Key provisions and workflow related to the procedure of recommending outside director candidates are as follows.

- Recommend those befitting or serving interests of the Company, shareholders, etc. as outside director candidates in a fair and transparent process (Article 10 Paragraph 1 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraph 1 of the Internal Code of Corporate Governance)
- Maximize use of external recommendations such as recommendations by shareholders, stakeholders, outside advisors if necessary to search for outside director candidates (Article 10 Paragraph 6 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraph 3 of the Internal Code of Corporate Governance).
- In case of recommending candidates for outside directors standing for re-election, the outside director evaluation shall demonstrate the outside director's outstanding capacity as an outside director, and the candidate recommendation form shall be accompanied by the evaluation results and Outside Director Recommendation Committee's review report (Article 10 Paragraphs 3 and 7 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraph 4 of the Internal Code of Corporate Governance).
- Recommend outside director candidates after fair verification of whether preliminary outside director candidates meet qualifications under applicable laws and the Internal Code of Corporate Governance (Article 10 Paragraph 2 of the Outside Director Recommendation Committee Regulation, Article 24 Paragraph 2 of the Internal Code of Corporate Governance).
- From among those verified to meet the foregoing, finalize those selected by Outside Director Recommendation Committee as outside

director candidates, and recommend those to the general meeting of shareholders (Article 10 Paragraph 4 of the Outside Director Recommendation Committee Regulation).

- Submit the result of verifying outside director candidates, and reasonableness of the recommendation to the Board concerning Outside Director Recommendation Committee's activities so that the Board will deliberate and resolve the above (Article 10 Paragraph 5 of the Outside Director Recommendation Committee Regulation).

- When recommending outside director candidates, the Company announces the following before giving notice for convening of the general meeting of shareholders, and states in such notice the fact of disclosure, method of checking the content of disclosure, etc. (Article 10 Paragraph 8 of the Outside Director Recommendation Committee Regulation, Article 25 of the Internal Code of Corporate Governance).

- i. Overview of the procedure for recommending outside director candidates
- ii. Names and career summaries of the members of the Outside Director Recommendation Committee
- iii. Relationship between each outside director candidate and his/her recommender (When the Company's current or former outside director is recommended as an outside director candidate, all past recommenders for him/her shall be stated.)
- iv. Relationship between each outside director candidate and the Company, subsidiaries, and their executives and major shareholders
- v. Whether qualifications under applicable laws and Article 20 of the Internal Code of Corporate Governance are met, and the grounds of such determination
- vi. Reasons for recommending the outside director candidates
- vii. Career of the outside director candidates
- viii. Other matters recognized by the Board as necessary in connection with recommending the outside director candidates

### **C. Method of evaluating execution of duties as an outside director**

From January 2, 2017 to January 31, 2017, the Company conducted the "2016 outside director evaluation" of candidates for all outside directors standing for re-election.

This is a thorough, 360-degree feedback process in which the evaluators include the evaluated director himself/herself, other outside directors, executives and employees (e.g., head of the department in charge of supporting the Board). Evaluation items consist of 3 questions under each of the major categories; expertise, fairness in job conduct, ethical responsibility, and dutifulness. Subjective questions are also used for in-depth evaluation. For fairness of evaluation and anonymity of evaluator, the entire process including conduct of evaluation and collection of results is performed by a "third-party firm."

## **2. Management of outside director candidate pool – Current status**

### **A. Management of outside director candidate pool – Overview**

The first principle in searching for and managing the candidate pool is qualifications under the applicable laws and the Internal Code of Corporate Governance.

The committee manages the candidate pool by areas of expertise (finance, management, economy, law, accounting, consumer protection, and information technology) in principle, and checks negative qualifications of the candidate pool, fairness in job conduct, ethical responsibility, and dutifulness through the monitoring of public information, which can be obtained in compliance with personal information protection laws, and excludes candidates with problems from the candidate pool.

The second principle is to comply with the principle of diversity of the Board.

The committee not only selects experts with practical experience or knowledge in various areas, but also utilizes various recommendation channels.

The last principle is management of the candidate pool as reflection of the Group's growth history and organizational culture.

In addition to the aforementioned candidate pool by areas of expertise, the committee continuously manages outside director candidates among Korean-national shareholders of the Company residing in Japan for their strengths in carrying on and renewing the Group's founding spirit, BNP Paribas-recommended outside director candidates for compliance with the strategic alliance MOU, and re-election-standing outside director candidates for securing the Board's expertise, independence, and stability.

Based on the aforementioned principles of managing the outside director candidate pool, the 1st Outside Director Recommendation Committee meeting of 2018 (January 15, 2018) established "7 principles in electing outside directors": diversity of the Board, suitability for the Group, and effectiveness of managerial advising added to the existing principles of expertise, fairness in job conduct, ethical responsibility, and dutifulness. For more transparent management of the outside director candidate pool in terms of outside director candidate recommendation channels, the committee formulated clear standards to expand recommendations by outside advisors and minimize internal recommendations by the Board-supporting department.

The 2nd Outside Director Recommendation Committee meeting of 2018 (January 31, 2018) established the standards for managing the outside director candidate pool: the committee shall periodically receive outside advisors' recommendations for outside director candidates, reflecting the characteristics of the Group's corporate governance, include outside director candidates among Korean-national shareholders residing in Japan for their strengths in carrying on and renewing the Group's founding spirit, and BNP Paribas-recommended outside director candidates for compliance with the strategic alliance MOU. They will also continue to search for outside director candidates who can actually contribute to developing the Company and enhancing shareholder value in link with the Group's management strategies in digital, global, etc.

Specific improvements made in the principles of managing and selecting the outside director candidate pool can be summarized as follows.

First, the "7 principles in electing outside directors" were newly established by adding "diversity" of the Board, "suitability" for the Group, and "effectiveness" of managerial advising to the existing principles of expertise, fairness, ethical responsibility, and dutifulness.

Second, detailed criteria including nationality, gender, age, experience and background, and recommendation channel were developed for the purpose of realizing the principle of "diversity" of the Board in the continuous management of the outside director candidate pool (long list).

Third, in connection with the "expertise" requirement for outside directors, detailed criteria for "expertise by area or field" were developed. For example, a person having worked in a financial company at least 3 years as a member of the management or higher, a person who conducted finance-related work in a corporation for at least 3 years as a member of the management or higher or at least 10 years as an executive or an employee, or a person having conducted finance-related work or policy-making, management, or supervision in a finance-related government agency, public institution, regulatory or supervisory agency, or other related organization or association at least 5 years shall be recognized as an expert in the area of "finance."

Fourth, recommendations by the Board-supporting department (BOD Secretariat)—which used to have the lion's share because recommendation channels for outside director candidates were practically abolished—and a long list based on candidate recommendations by multiple outside advisors was created for the purpose of preventing controversies of independence in the stage of candidate recommendation. The criteria for recommendations by the Outside Director Candidate Recommendation Committee were

specified as “outside directors standing for re-election” and “those having served as an outside director in the Company or its subsidiaries.”

Fifth, the process of outside director election was improved from the previous 3-stage process: long list → recommendation of preliminary candidates→ final candidate recommendation to the new 4-stage process: long list → short list → recommendation of preliminary candidates→ final candidate recommendation. In other words, a procedure to strengthen verification of outside director candidates’ independence and expertise has been added, thus reflecting the management precautions issued by the Financial Supervisory Service.

Sixth, for the method of recommending outside director candidates, the previous method of recommendation through free discussion among the committee members was improved. Now, a method of selection through secret vote is implemented at each stage. This is a systemic device to secure greater fairness and transparency in the recommendation of outside director candidates for the purpose of preventing certain committee members from influencing other members.

In practice, the committee recommended 3 outside director candidates by reflecting the aforementioned improvements and submitted the agenda of outside director election at the 17th general meeting of shareholders (2018).

## **B. Activities of managing the candidate pool**

The Company is putting efforts so that those with diverse experience and knowledge, making them suitable as a financial company’s directors, can be included in the pool of candidates for the Board members.

Thus, management of the outside director candidate pool is being conducted to serve the objective of composing the Board so that it does not over-represent a specific job category or expertise.

This principle was launched by the resolution of the 2nd Outside Director Recommendation Committee meeting in 2010.

After that, for maintaining diversity of the Board, successors for outside directors are being selected each year from the candidate pool. These new successors share the same area of expertise as the outside directors are scheduled to retire.

The Internal Code of Corporate Governance enacted by the resolution of the 2nd temporary meeting of the Board (February 24, 2015) requires that the Outside Director Recommendation Committee shall be a standing committee and that details of managing the outside director candidate pool shall be reported to the Board at least twice a year.

To support the above, the BOD Secretariat receives directions on the principles of managing the outside director candidate pool from Outside Director Recommendation Committee. The BOD Secretariat then submits details about managing the outside director candidate pool to the Outside Director Recommendation Committee at least twice a year, and the committee deliberates on these details.

The 2nd Outside Director Recommendation Committee meeting (February 12, 2015) formulated the following 4 principles of managing the outside director candidate pool.

- In regard to positive qualifications of outside directors, manage the candidate pool by areas of expertise in principle. For the principles of fairness in job conduct, ethical responsibilities, and dutifulness, exclude candidates with problems found in the processes used in monitoring, such as reference check, by the BOD Secretariat from the candidate pool.
- In regard to negative qualifications of outside directors, continuously monitor the candidate pool through information which can be obtained in compliance with personal information protection laws.
- Avoid over-representation by specific channels of candidate recommendation and specific areas of the candidate’s expertise to reflect the principle of diversity of the Board.

- Manage the candidate pool to reflect the characteristics of the Group's corporate governance.

Under the aforementioned principles, the committee finalized the 1st pool of 110 outside director candidates in 2015. By considering the result of continuous candidate pool management and monitoring and by reflecting expansion of the external recommendation channels, reinforcement of the candidate pool, expansion of the areas of expertise based on changes in the external environment, etc. the 4th Outside Director Recommendation Committee meeting (August 17, 2017) finalized a pool of 182 outside director candidates.

### C. Current status of candidate pool in 2017

#### (1) Date of resolution for the 2<sup>nd</sup> outside director candidate pool (2017): 4th Outside Director Recommendation Committee meeting (August 17, 2017)

Areas	Number of candidates	Percentage	Remarks
Finance	28	15.4%	
Management	36	19.8%	
Economy	17	9.3%	
Law	27	14.8%	
Accounting	20	11.0%	
Consumer protection	15	8.2%	
Information technology	25	13.7%	
Global business	14	7.7%	Newly added
<b>Total</b>	<b>182</b>	<b>100%</b>	

Recommendation channel	Number of candidates	Percentage	Remarks
Outside Director Recommendation Committee	31	17.0%	
Outside advisors	17	9.4%	
Board-supporting department	134	73.6%	
<b>Total</b>	<b>182</b>	<b>100%</b>	

### 3. Evaluation of outside directors

#### A. Overview of evaluation

The Company's outside directors have a 2-year initial term of office and 1-year terms of office thereafter. Recommendations for outside director candidates for re-election reflect the result of annual outside director evaluations (Article 24 Paragraph 4 of the Internal Code of Corporate Governance, Article 10 Paragraphs 3 and 7 of the Outside Director Recommendation Committee Regulation). Currently, the Board conducts internal evaluation based on the evaluation method resolved by the Board and contracts a third-party firm to handle evaluation to ensure fairness in the evaluation and anonymity of the evaluator. The 2nd temporary meeting of the Board of 2015 (February 24, 2015) revised various regulations related to corporate governance, thus laying the foundation for seeking a specialized outside institution's assessment of the criteria for internal evaluation of outside directors and introducing external evaluation of outside directors as specified in the Model Corporate Governance.

## **B. Internal evaluation**

### **(1) Overview**

#### i. Evaluator:

The Board conducts evaluation of outside directors' activities of the previous year early in the following year.

#### ii. Criteria of evaluation:

At the 2<sup>nd</sup> temporary meeting of the Board (March 24, 2010), the Board resolved the "Evaluation method for outside director system" thus establishing the internal evaluation system for outside directors for the first time.

The 4<sup>th</sup> temporary meeting of the Board (April 7, 2011) passed the resolution on the "Method of performance evaluation of outside directors," partially revising the evaluation method. The 2<sup>nd</sup> temporary meeting of the Board (February 24, 2015) passed the resolution, restructuring evaluation indexes into four items—the positive qualifications for outside directors in the former Model Corporate Governance—thereby building a system serving the purpose of Model Corporate Governance.

The "2017 outside director evaluation" was conducted in January of 2018. To take into account the evaluation results in the case of outside directors standing for re-election, the results of the outside director evaluations were reported at the 3<sup>rd</sup> Outside Director Recommendation Committee meeting (February 7, 2018).

Here, the evaluation consists of self-evaluation (evaluation by the evaluatee), evaluation by the Board (evaluation by all outside directors other than the evaluatee), and evaluation by employees. The evaluation indexes consist of expertise, fairness in job conduct, ethical responsibility, and dutifulness. In addition, comprehensive opinions on individual outside directors are prepared, thus integrating qualitative evaluation elements.

#### iii. Procedure of evaluation:

The evaluations of outside directors are conducted by survey through mail.

#### iv. Device for enhancing objectivity in evaluation:

To enhance objectivity of the evaluator, evaluation criteria, evaluation method, etc., the Board contracts a third-party firm to handle the entire process of outside director evaluation. The 2<sup>nd</sup> temporary meeting of the Board of 2015 (February 24, 2015) revised various regulations related to corporate governance, thus laying the foundation for seeking a specialized outside institution's assessment of the internal evaluation criteria for outside directors' performance.

### **(2) Result of internal evaluation**

#### i. Overview

The "2017 outside director evaluation" can be divided into self-evaluation (evaluation by the evaluatee), evaluation by the Board (evaluation by all outside directors other than the evaluatee), and evaluation by employees.

The evaluation results, as of end of 2017, revealed all 10 outside directors have passed the expected level of competency of outside directors. Among the candidates for outside directors standing for re-election as of the 17<sup>th</sup> general meeting of shareholders (March of 2018), 5 were shown to have outstanding capacity as outside directors and were recommended for re-election.

The averages, across the evaluation items (expertise, fairness in job conduct, ethical responsibility, and dutifulness), also showed a level of effectiveness greater than expected of outside directors.

#### ii. Evaluations of individual outside directors

- Park Cheul

- a. Expertise: Possesses various experiences and expertise throughout the fields of finance, broad understanding, and rational judgment, and diligently performs the Board chairman's job of reasonably coordinating opinions and achieving agreement among the directors, demonstrating top-level effectiveness as an outside director.
- b. Fairness in job conduct: Fairly and impartially executes his duties as an outside director from the shareholders' and financial consumers' perspectives based on his decades-long work experience at Korea's central bank and his upright character, values the interests of all stakeholders, and in his pursuit of sound, transparent management, he has demonstrated a level of effectiveness greater than expected of outside directors.
- c. Ethical responsibility: Diligently performs the role of convergence and coordination between the Company's executives and outside directors based on his excellent character, ethics, and people skills, efficiently runs the Board meetings, and conducts activities befitting the Board's roles and responsibilities, demonstrating top-level effectiveness as an outside director.
- d. Dutifulness: As chairman of the Board, directs submission of the agenda for the Board and subcommittees in advance, actively provides proper feedback after preview of the agenda, and plays a leadership role in smooth conduct of the Board meetings. In his overall attendance and participation, he demonstrates top-level effectiveness as an outside director.

- Lee Sang-kyung

- a. Expertise: As a prominent lawyer in Korea (former Justice of the Constitutional Court), he possesses strong expertise and discernment on legal issues, and sets the direction with his accurate, logical opinions as a legal expert in not only key management issues but also enactment and revision of important internal regulations, demonstrating top-level effectiveness as an outside director.
- b. Fairness in job conduct: Possesses rational judgment and sense of balance acquired from serving as court judge, including his time as a Constitutional Court Justice, for many years. Fairly and impartially executes his duties as an outside director with an attitude befitting a public servant. In his pursuit of sound, transparent management, he demonstrates a level of effectiveness greater than expected of outside directors.
- c. Ethical responsibility: Possesses outstanding ethics and strong responsibility and leadership based on his experience and knowledge from many years of service in the legal circle. Greatly contributes to communication, harmony, and opinion exchange among the directors based on his many years of service as an outside director, demonstrating top-level effectiveness as an outside director.
- d. Dutifulness: Plays the role of setting the direction for legal issues in the preview of the agenda for the Board and subcommittees and is very active in overall attendance and participation in the Board meetings. In his time spent for duties as an outside director, he has demonstrated top-level effectiveness as an outside director.

- Lee Manwoo

- a. Expertise: As a professor of accounting, he possesses expertise in financial accounting, provides the Board members with financial and economic information acquired from active participation in outside educational events and broad networking in financial and economic circles, and actively expresses his opinions based on his many years of service as an outside director. His contribution to the Group's management is a demonstration of top-level effectiveness as an outside director.
- b. Fairness in job conduct: As Audit Committee chairman, fairly and impartially executes his duties by actively communicating and exchanging opinions with the Company's academic and business stakeholders based on clear recognition of the Board's independence and its checks against the management. His pursuit of sound, transparent management demonstrates top-level effectiveness as an outside director.
- c. Ethical responsibility: Possesses high ethics befitting Audit Committee members, and contributes to the Group's management and the Board's operations by actively communicating with the Company and outside auditors based on his strong leadership and responsibility so that the Company can proactively respond to various issues, demonstrating top-level effectiveness as an outside director.

d. Dutifulness: Is very active in preview of the agenda for the Board and subcommittees, as well as attendance and overall participation in the Board meetings. As chairman of the Audit Committee, he advises subsidiaries' audit committees on their transparent, independent roles. In his time spent in activities of the Board, he has demonstrated top-level effectiveness as an outside director.

- Yuki Hirakawa

a. Expertise: Based on extensive experience as a professional manager and global perspective from his business activities in Japan, Singapore, etc., he not only raises issues but offer solutions on key business issues, with his contribution to development of the Group based on deep understanding of the Group's founding spirit and culture, demonstrating a level of effectiveness greater than expected of outside directors.

b. Fairness in job conduct: Fairly and impartially executes his duties independently of the shareholders and other directors, and diligently supervises the executives' jobs based on his deep understanding of the management's roles and responsibilities. His pursuit of the Company's long-term development through sound management demonstrates a level of effectiveness greater than expected of outside directors.

c. Ethical responsibility: Diligently conducts monitoring and advising of the executives with his sense of responsibility as an outside director and plays a leadership role in amicable discussions among the Board members using his strong sociability. In his contribution to efficient operation of the Board and subcommittees, he has demonstrated a level of effectiveness greater than expected of outside directors.

d. Dutifulness: In the Board meetings, requests that replies to important inquiries raised after preview of the agenda for the Board and subcommittees be made to all outside directors and attends and otherwise participates in the Board meetings with strong interest despite long-distance travel. In his time spent in duties as an outside director, he has demonstrated a level of effectiveness greater than expected of outside directors.

- Philippe Avril

a. Expertise: Possesses extensive experience and expert knowledge on international finance, and gives useful opinions based on his broad knowledge on financial markets in Europe, Asia, and Japan. He has helped set the direction of the management strategy from an international perspective, and in his contribution to the development of the Group, he has demonstrated a level of effectiveness greater than expected of outside directors.

b. Fairness in job conduct: Fairly and impartially executes his duties as an outside director for the interest of all stakeholders, including shareholders and financial consumers, based on his rational thinking. Diligently supervises the job of the Company's executives based on his deep understanding of outside directors' roles and responsibilities. In his pursuit of the Company's long-term development through sound management, he has demonstrated a level of effectiveness greater than expected of outside directors.

c. Ethical responsibility: Possesses global perspective-based ethical and responsible awareness, smoothly communicates with the Board members, thanks to his fluency in English and Japanese, and gives reasonable opinions for enhanced soundness and continued growth of the Company, demonstrating a level of effectiveness greater than expected of outside directors.

d. Dutifulness: Frequently asks for explanation materials on the agenda for the Board and subcommittees and various management issues for the Company by email, shows strong interest in attendance and overall participation in the Board meetings, and actively utilizes video conferencing and conference calls if attendance is not possible for him. In his time spent in his duties as an outside director, he has demonstrated a level of effectiveness greater than expected of outside directors.

- Lee Jung-il

a. Expertise: Actively expresses opinions through not only his insight acquired from a long career as a professional manager and problem-solving capacity, but he also makes use of his experience accumulated from many years of serving as the Company's outside director to help resolve the Company's key management issues. In general, he diligently plays an advisory role for the Group's overall



management. His contributions to the development of the Group, based on his deep understanding of the Group's history and culture, demonstrate a level of effectiveness greater than expected of outside directors.

- b. Fairness in job conduct: Based on his many years of serving as the Company's outside director, he fairly and impartially executes his duties for the interest of the Company and all stakeholders, independently of the shareholders and other directors. In his pursuit of long-term development of the Company through sound management, he demonstrates a level of effectiveness greater than expected of outside directors.
- c. Ethical responsibility: Executes duties as an outside director based on his deep affection for the Group and his strong ethical awareness and responsibility as an outside director. Maintains a high reputation among the Board members and executives or employees, thanks to his amiable personality and outstanding people skills, demonstrating a level of effectiveness greater than expected of outside directors.
- d. Dutifulness: Frequently inquires about key management status, conducts preview and gives opinions on the agenda for the Board and subcommittees, and attends and otherwise participates in the Board meetings with strong interest despite long-distance travel. In his time spent for duties as an outside director, he demonstrates a level of effectiveness greater than expected of outside directors.

- Lee Steven Sung-ryang

- a. Expertise: As a professor of economics, possesses strong discernment and international perspectives on the overall fields of economy, domestic and abroad. Offers various reasonable opinions on the Company's global business strategy based on his extensive experience in the studies on the Southeastern Asian economy. In his contributions to the Group's management, he demonstrates a level of effectiveness greater than expected of outside directors.
- b. Fairness in job conduct: As a professor of economics, maintains an objective perspective and sense of balance about various stakeholders including shareholders, financial consumers, and workers, and fairly and impartially executes his duties as an outside director. In his pursuit of sound, transparent, management, he demonstrates top-level effectiveness as an outside director.
- c. Ethical responsibility: Possesses a modest, amiable personality and very strong sense of ethics. Actively gives opinions and new perspectives on key agenda and issues through frequent communication with other directors and meticulously reviews new information. In his responsible execution of duties as an outside director, he demonstrates top-level effectiveness as an outside director.
- d. Dutifulness: Is very active in preview of the agenda for the Board and subcommittees, as well as in attendance and overall participation in the Board meetings and also makes frequent inquiries to the management and searches for solutions on the Group's key issues. In his time spent for duties as an outside director, he demonstrates top-level effectiveness as an outside director.

- Lee Heun-ya

- a. Expertise: Not only raises issues but offers solutions on key management issues based on his insight and problem-solving capacity as a professional manager. Diligently advises on the Company's strategy and direction of business in Japan based on his business experience in Japan not hesitating to give helpful advice for the Group's management. In his contributions to development of the Group based on his deep understanding of the Group's founding spirit, history, and culture, he demonstrates a level of effectiveness greater than expected of outside directors.
- b. Fairness in job conduct: As outside director, fairly and impartially executes his duties independently of the shareholders and other directors. Also gives objective opinions for the interest of all stakeholders. In his pursuit of long-term development of the Company through sound management, he demonstrates a level of effectiveness greater than expected of outside directors.
- c. Ethical responsibility: Responsibly executes duties as an outside director based on his deep affection for the Group and his strong ethics as an outside director. Also plays the role of mediator in the Board meetings based on his amiable personality and outstanding people skills. In his contributions to efficient operation of the Board and subcommittees, he demonstrates a level of effectiveness greater than expected of outside directors.

d. Dutifulness: Actively asks for sharing of materials in advance for preview of the agenda for the Board and subcommittees and attends and otherwise participates in the Board meetings with strong interest despite long-distance travel. In his time spent for duties as an outside director, he demonstrates a level of effectiveness greater than expected of outside directors.

- Park Ansoon

a. Expertise: Possesses deep understanding of Japanese academia and practices and gives helpful advice for the Group's management including outstanding opinions on key management issues based on his insight and problem-solving expertise acquired from long-term service as a professional manager. In his contributions to the development of the Group based on deep understanding of the Group's history and culture, he demonstrates a level of effectiveness greater than expected of outside directors.

b. Fairness in job conduct: Based on his experience in running a company, possesses deep understanding of the Board's operations and roles, clearly recognizes the importance of the Board's independence, and fairly and impartially executes his duties. In his pursuit of the Company's long-term development through sound management, he demonstrates a level of effectiveness greater than expected of outside directors.

c. Ethical responsibility: Based on his deep affection for the Group and amiable personality, leads communications and harmony among members of the Board and subcommittees and responsibly participates in the Board affairs, demonstrating a level of effectiveness greater than expected of outside directors.

d. Dutifulness: Frequently inquires about key issues after preview of the agenda for the Board and subcommittees and attends and otherwise participates in the Board meetings with high interest despite long-distance travel. In his time spent in duties as an outside director, he demonstrates a level of effectiveness greater than expected of outside directors.

- Joo Jaeseong

a. Expertise: Based on his experience in conducting financial supervision for many years, he possesses excellent discernment and expertise on the essence and roles of finance. Thanks to his continued monitoring of Shinhan Bank's growth from its incorporation, actively offers opinions on the Company's sustainable growth based on a deep understanding of the Group. In his contributions to the Group's management, he demonstrates a level of effectiveness greater than expected of outside directors.

b. Fairness in job conduct: Based on his extensive experience in financial supervision, maintains an objective perspective and sense of balance in regard to various stakeholders including shareholders, financial consumers, and workers. Fairly and impartially executes duties as an outside director. In his pursuit of sound, transparent management, he demonstrates top-level effectiveness as an outside director.

c. Ethical responsibility: As chairman of the Risk Management Committee, actively offers opinions for the Group's soundness and risk management based on his strong sense of responsibility, with his responsible execution of duties demonstrating top-level effectiveness as an outside director.

d. Dutifulness: Diligently conducts preview of the agenda for the Board and subcommittees, actively provides feedback on the content and direction of the agenda and is very active in overall attendance and participation in the Board meetings. In his time spent for duties as an outside director, he has demonstrated top-level effectiveness as an outside director.

### C. External evaluation

Currently, the Company does not conduct external evaluation of outside directors.

At the 2nd temporary meeting of the Board of 2015 (February 24 of 2015), a provision for external evaluation was included in the Company's internal regulations, and the agenda "Determination of the method of outside director evaluation" was submitted there. At the meeting, the Board resolved to review whether to introduce "Outside advising or consulting on the criteria for internal evaluation of outside directors" and "External evaluation of outside directors" if they deem it necessary in the future.

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 VI. Remuneration System

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## VI. Remuneration System

### 1. Important matters

#### A. Measurement of performance, and linking between performance and remuneration

##### (1) Key Performance Indicators of the Company's executives

Financial performance indexes of the Company's CEO include Group KPI items including shareholder value related index (total shareholder return ratio), profitability index (ROE, ROA), soundness index (substandard and below loans ratio), risk-related index (RAROC), and efficiency index (total cost-income ratio).

For non-financial performance indexes, the performance of key strategic tasks based on the Group's strategic direction (e.g., value creation through creative innovation, securing of new growth opportunities through global business, and establishment of strong organizational culture based on Shinhan WAY) are evaluated.

For other executives of the Company, Group KPI items and the performance rate of each executive's key strategic tasks are used as their performance indexes.

##### (2) Key Performance Indicators of subsidiaries' CEOs and executives

As for subsidiaries' CEOs and executives, since the Group KPI, subsidiary KPI, individual employee's KPI, and individual employee's strategic tasks account for certain percentages of the performance evaluation according to the size of the company and the job functionality, financial indexes and non-financial evaluation elements of the Group, the subsidiary, and individual employees are all reflected in the performance index.

##### (3) Linking between the results of company-wide and individual performance measurement and the remuneration for individuals

For executives, the individual performance evaluation rating is calculated based on company-wide financial performance, performance individual KPIs, and performance of non-quantitative strategic tasks. The rate of performance remuneration varies according to evaluation of such performance. Long-term, company-wise performance is directly reflected in the long-term performance remuneration.

#### B. Performance remuneration: Deferral, adjustment, and recollection, and the criteria of fixing the payment

##### (1) Policy on immediate and deferred payment of performance remuneration

The Company's performance remuneration consists of annual performance remuneration and long-term performance remuneration. Annual performance remuneration is paid as a lump sum in cash according to the evaluation of the previous year's performance. All long-term performance remuneration is paid in deferral according to the evaluation of performance for 4 years after the grant.

##### (2) Adjustment policy for deferred or paid remuneration

In the performance remuneration, the final quantity of shares for long-term performance remuneration is decided according to the average performance for 4 years after the grant. The amount of its payment is decided according to the share price at the time of payment. Due to the structure of the Company's long-term performance remuneration, the total amount of long-term performance remuneration can be adjusted if losses occur or goals are missed before the payment. The amount can also be automatically adjusted when decrease in the Company's value leads to a decrease in the share price.

When an executive or employee resigns or retires due to his/her fault before payment of performance remuneration, causes material damage to the Company, or is disciplined by a regulatory agency, or other similar circumstances, the Company can recollect the performance remuneration, thus adjusting the remuneration.

### (3) Fixing of deferred remuneration

As mentioned above, the Company's long-term performance remuneration is granted in a certain number of shares as at the time of grant, and the number of shares varies according to evaluation of performance for 4 years. The final amount of payment is fixed according to the share price as at the end of the final operation period, showing that the amount of deferred payment is fixed only when the final operation period ends.

## C. Remuneration system for employees other than executives

### (1) Remuneration system to establish performance-based corporate culture

For improvement of productivity, cooperation between the management and labor, and sharing of the fruits of operation through greater ownership mentality among employees, the Company operates the ESOP of Shinhan Financial Holding Company, which was established on December 9, 2002.

Each year, payment is made in cash in part and in shares based on the Group's KPI achievement rate. The Company contributed an amount of 629,623,600 won in 2016, acquiring 15,310 shares of ESOP and distributing the same to its employees.

A separate incentive system wherein the amount of remuneration varies based on individual employee's annual performance (goal achievement rate) each year is being run.

### (2) Rationalizing the wage system

In order to rationalize its wage system under the Remuneration Regulation, the Company has simplified the items of wage.

Under the Remuneration Regulation, the range of the Company's base salary shall vary by rank according to the value of job/roles, magnitude of responsibility, and performance capacity.

## 2. Details of remuneration

### A. Total remuneration for executives and employees

(Unit: Person, 100 million won)

Classification	Total remuneration for executives and employees (A) <sup>1)</sup>	EBT (earnings before taxes)(B) <sup>2)</sup>		Number of executives and employees (C)	Average remuneration for executives and employees (A/C)
			Ratio (A/B)		
Previous year (2016)	213	31,406	0.68%	168	1.27
Current year (2017)	191	31,705	0.60%	164	1.17

Note 1) This is based on earned income in the payment statement of earned income submitted to the tax office under Article 20 of the Income Tax Act as of the end of the corresponding year.

Note 2) State the amount corresponding to FY (t-1) on consolidated basis for the Group (e.g., for the current year of 2015, state EBT (earnings before taxes) as of the end of 2016).

### B. Total remuneration and performance remuneration, by rank

(Unit: Person, 100 million won)

Classification		Executives		Employees		
		Registered executives	Unregistered executives	Managers	Supervisors	Other employees
Previous year (2016)	Total remuneration	21	13	34	128	17
	Performance remuneration	8	4	11	15	1
	Number of executives and employees	12	4	15	113	24
Current year (2017)	Total remuneration	12	16	27	120	16
	Performance remuneration	-	4	6	12	1
	Number of executives and employees	12	5	14	112	21

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## VII. Shareholders

### 1. Share information

#### A. Number of outstanding shares

As of December 31, 2017, our authorized share capital is 1,000,000,000 shares. Our Articles of Incorporation provide that we are authorized to issue shares of preferred stock up to one-half of all of the issued and outstanding shares. As of December 31, 2017, the number of our issued and outstanding common shares was 474,199,587.

#### B. Major shareholders

Name of Shareholder	Number of Shares Owned (in Share)	Percentage of Ownership	Nationality
National Pension Service	45,285,762	9.55%	KR
BlackRock Fund Advisors <sup>1)</sup>	24,320,723	5.13%	US
Employee Stock Ownership Association	22,324,027	4.71%	KR
BNP PARIBAS SA	16,826,276	3.55%	FR
CITIBANK.N.A[ADR DEPT]	14,503,452	3.06%	US
THE GOVERNMENT OF SINGAPORE	10,737,500	2.26%	SG
NORGES BANK	6,348,963	1.34%	NO
VANGUARD TOTAL INTERNATIONAL STOCK INDEX	5,225,294	1.10%	US
Samsung Asset Management	5,214,188	1.10%	KR
FIRST STATE INVESTMENTS ICVC-STEWART INV	4,933,492	1.04%	GB
STICHTING DEPOSITARY APG EMERGING MARKET	4,829,230	1.02%	NL
Other Shareholders	313,650,680	66.14%	-
<b>Total</b>	<b>474,199,587</b>	<b>100.00%</b>	<b>-</b>

Note 1) Based on the large equity ownership disclosure by BlackRock Fund Advisors with Financial Supervisory Service on Oct. 20, 2016.

#### C. Transactions with largest Shareholders

According to the Article 45-2, 45-3 of Financial Holding Companies Act, we announced matters regarding the credit grants to the major shareholders and we also disclose the acquisition of the stocks issued by the major shareholders of the company on our website on a quarterly basis.

There are no credit grants to the National Pension Service or no acquisition of the stocks issued by the NPS, which is the largest shareholder of our company as of Dec. 31, 2017.

#### D. Foreign ownership : 68.9%

### 2. AGM information

#### A. Result of the 16<sup>th</sup> AGM

##### (1) Exercise of voting right

Total Number of Shares Issued	Total Number of Shares Outstanding	Total Number of Shares Represented	Percentage of Shares Represented
474,199,587	474,199,587	377,846,722	79.68%

## (2) Voting results

Items	Method of Resolutions	Agenda Description	Attendants (Shares, %)				
			For		Against		
Agenda No. 1	Ordinary	Approval of Financial Statements (Including Statements of Appropriation of Retained Earnings) for fiscal year 2017 (January 1, 2017 ~ December 31, 2017)	360,657,490	95.45%	14,716,030	3.89%	
Agenda No. 2	Special	Approval of Revision to Articles of Incorporation	376,673,641	99.69%	111,051	0.03%	
Agenda	No. 3-1	Ordinary	Executive Director Candidate : Mr. Cho Yong-byoung	376,337,823	99.60%	1,276,185	0.34%
	No. 3-2	Ordinary	Non-Executive Director Candidate : Mr. Wi Sung-ho	375,973,494	99.50%	1,640,100	0.43%
	No. 3-3	Ordinary	Outside Director Candidate : Mr. Park Ansoon	376,311,101	99.59%	1,302,867	0.34%
	No. 3-4	Ordinary	Outside Director Candidate : Mr. Park Cheul	377,083,530	99.80%	530,438	0.14%
	No. 3-5	Ordinary	Outside Director Candidate : Mr. Lee Sang-kyung	375,511,038	99.38%	2,102,930	0.56%
	No. 3-6	Ordinary	Outside Director Candidate : Mr. Joo Jaeseong	355,204,305	94.01%	22,409,663	5.93%
	No. 3-7	Ordinary	Outside Director Candidate : Mr. Yuki Hirakawa	372,384,899	98.55%	5,229,069	1.38%
	No. 3-8	Ordinary	Outside Director Candidate : Mr. Philippe Avril	321,442,545	85.07%	56,171,423	14.87%
Agenda No. 4	Ordinary	Appointment of Outside Director who will serve as Audit Committee Member - Outside Director Candidate : Mr. Lee Manwoo	313,368,601	93.36%	22,071,238	6.58%	
Agenda	No. 5-1	Ordinary	Audit Committee Member Candidate : Mr. Lee Sang-kyung	330,467,471	98.45%	4,971,950	1.48%
	No. 5-2	Ordinary	Audit Committee Member Candidate : Mr. Lee Steven Sung-ryang	329,585,260	98.19%	5,854,161	1.74%
Agenda No. 6	Ordinary	Approval of the Maximum Limit on Director Remuneration	369,636,528	97.83%	6,557,536	1.74%	

## 3. Related party transactions with subsidiaries

Loans to Subsidiaries (in KRW bil.)	Loan Type	Origination Date	Maturity Date	Lending Rate	Beginning Balance (Jan. 1, 2017)	Decrease	Increase	Ending Balance (Dec. 31, 2017)
Shinhan Card	KRW	2012-03-14	2017-03-14	4.12%	150	150	-	-
	KRW	2016-01-26	2021-01-26	1.98%	150	-	-	150
	KRW	2016-02-24	2021-02-24	1.84%	150	-	-	150
	KRW	2017-03-22	2022-03-22	2.22%	-	-	150	150
	KRW	2017-04-20	2022-04-20	2.21%	-	-	100	100
	KRW	2017-05-12	2022-05-12	2.35%	-	-	50	50
Shinhan Capital	KRW	2012-03-14	2017-03-14	4.12%	50	50	-	-
	KRW	2012-12-14	2017-12-14	3.33%	50	50	-	-
	KRW	2013-01-18	2018-01-18	3.18%	50	-	-	50
	KRW	2013-09-05	2018-09-05	3.61%	80	-	-	80
	KRW	2014-01-27	2019-01-27	3.60%	50	-	-	50
	KRW	2016-03-16	2021-03-16	1.90%	50	-	-	50
	KRW	2016-04-27	2019-04-27	1.63%	100	-	-	100
	KRW	2017-03-22	2022-03-22	2.22%	-	-	50	50
	KRW	2017-04-20	2022-04-20	2.21%	-	-	50	50
	KRW	2017-05-12	2022-05-12	2.35%	-	-	50	50
Shinhan Alternative Investment	KRW	2016-11-23	2017-11-22	1.95%	5	5	-	-
	KRW	2017-11-22	2018-11-21	2.24%	-	-	5	5
Shinhan Savings Bank	KRW	2016-06-17	2021-06-17	1.61%	50	-	-	50
	KRW	2017-06-23	2022-06-23	2.27%	-	-	50	50
<b>Total</b>					<b>935</b>	<b>255</b>	<b>555</b>	<b>1,235</b>



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 VIII. Articles of Incorporation



## VIII. Articles of Incorporation

### CHAPTER I GENERAL PROVISIONS

#### Article 1 (Corporate Name)

The name of this company shall be "Chusik Hoesa Shinhan-Kumyoong-Jijoo-Hoesa" (the "Company"), which shall be "Shinhan Financial Group Co., Ltd." in English.

#### Article 2 (Objective)

The objective of the Company shall be to engage in the following business activities:

- (1) To control or manage a financial company or a company having close relation with the financial business;
- (2) To provide financial support to its subsidiary, etc. (which expression shall include the subsidiary, sub-subsidiary, and the company under the control of sub-subsidiary; hereinafter the same shall apply);
- (3) To invest in the subsidiary or to raise funds for the financial support of its subsidiary, etc.;
- (4) To develop and sell joint products with its subsidiary, etc., and to provide the necessary resources for the business operation of its subsidiary, etc.;
- (5) To provide business support including computer, legal, accounting support, etc., entrusted by its subsidiary, etc.;
- (6) To engage in the other business incidental or related to the foregoing.

#### Article 3 (Location of Head Office and Establishment of Branch, etc.)

- (1) The Company shall have its head office in Seoul.
- (2) The Company may establish branches, liaison offices, representative offices or subsidiaries within or outside Korea, by the resolution of the Board of Directors, when it deems necessary.

#### Article 4 (Method of Public Notices)

Public notices of the Company shall be made in Hankuk Kyongje Shinmun and Maeil Kyongje Shinmun, daily newspapers published in Seoul.

### CHAPTER II SHARES OF STOCK

#### Article 5 (Total Number of Authorized Shares)

The total number of shares to be issued by the Company shall be 1,000,000,000 shares.

#### Article 6 (Par Value per Share)

The par value per share to be issued by the Company shall be five thousand (5,000) Won.

## Article 7 (Number of Shares Issued at the Time of Incorporation)

The total number of shares issued at the time of incorporation of the Company shall be 284,453,152 shares of common stock in registered form plus the number of common shares in registered form to be issued and delivered upon the exercise of warrant by the holders of the bonds with warrants issued by Shinhan Bank on December 2, 1998 during the period from July 15, 2001 to August 31, 2001.

## Article 8 (Types of Shares)

- (1) The shares to be issued by the Company shall be common shares in registered form and preferred shares in registered form.
- (2) Registered preferred shares shall have preference over common shares in dividend distribution and liquidation of assets of the Company. The amount of distribution upon liquidation of the Company to preferred shares with liquidation preference shall be no greater than the sum of their initial issue price and accrued but unpaid dividend.

## Article 9 (Number and Rights of Preferred Shares)

- (1) Preferred shares to be issued by the Company shall be non-voting, and the number thereof shall not exceed one half (1/2) of the total number of issued and outstanding shares.
- (2) The dividends on non-voting preferred shares shall be determined by the Board of Directors at the time of issuance; provided that when issuing preferred shares whose dividend ratio may be adjusted, the following must be determined at the time of issuance: acknowledgement of the fact that the Board of Directors may adjust the preferred dividend ratio, the reasons for such adjustment, the base date for adjustment and the method of adjustment..
- (3) Preferred shares to be issued by the Company may be participating or non- participating, and accumulating or non-accumulating by the resolution of the Board of Directors.
- (4) If a resolution not to distribute dividends on preferred shares is adopted, then the preferred shares shall be deemed to have voting rights from the next general meeting of shareholders immediately following the general meeting at which such resolution not to distribute dividends on preferred shares is adopted to the end of the general meeting of the shareholders at which a resolution to distribute dividends on such preferred shares is adopted.
- (5) In case the Company issues new shares by rights offering or bonus issue, then the new shares issued with respect to the preferred shares shall be (i) common shares in the case of rights offering and (ii) the shares of the same type in the case of bonus issue.
- (6) Whether or not to specify the duration of preferred shares shall be determined by the resolution of the Board of Directors. If there is any duration of preferred shares, such duration shall be no less than 1 year and no more than 10 years from the date of issuance, and such duration period shall be determined by the Board of Directors at the time of issuance. Preferred shares shall be converted into common shares upon the expiration of the duration period. However, if the holders of the preferred shares do not receive dividends entitled to them during the duration period, then the duration period shall be extended until such holders receive dividends entitled to them in full. In such a case, Article 15 shall apply mutatis mutandis with respect to the distribution of dividends for new shares issued upon conversion.

## Article 10 (Types of Share Certificates)

The share certificates of the Company shall be issued in the following eight (8) denominations: one (1), five (5), ten (10), fifty (50), one hundred (100), five hundred (500), one thousand (1,000) and ten thousand (10,000) shares.

## Article 11 (Convertible Stock)

- (1) The Company may issue stocks which can be converted into the common stock or preferred stock, by the resolution of the Board of Directors.
- (2) Issue price of new shares to be issued upon conversion shall be the issue price of share prior to such conversion, and the number of shares to be issued upon conversion shall be the same number as that of common shares or preferred shares prior to such conversion.

- (3) The conversion period shall be no less than 1 year and no more than 10 years from the date of issuance, and such conversion period shall be determined by the Board of Directors.
- (4) For the purpose of any distribution of dividends on the shares issued upon conversion, Article 15 hereof shall apply mutatis mutandis.

#### Article 12 (Redeemable Stock)

- (1) In case of issuance of preferred stock, the Company may, by the resolution of the Board of Directors, issue the redeemable one which can be redeemed with the profits at the discretion of the Company.
- (2) The redemption price of the redeemable shares shall be calculated by the sum of the issue price and the premium, and the premium amount shall be determined at the time of issuance by a resolution of the Board of Directors in consideration of the interest rate, market conditions and other circumstances related to such issuance.
- (3) The redemption period shall be determined by the Board of Directors as a period within the period from the date immediately following the end of the Ordinary General Meeting of Shareholders convened in respect of the fiscal year during which the shares are issued, to the end of one month following the end of the Ordinary General Meeting of Shareholders convened in respect of the fiscal year during which the 20th anniversary of the issue date falls; provided that, in respect of redeemable shares which must be redeemed by the Company at the end of the redemption period, the redemption period shall be extended in the event of any of the following until full resolution thereof:
  1. If the holders of the redeemable shares do not receive dividends entitled to them; or
  2. If the redemption is not made within the redemption period due to insufficient profits of the Company.
- (4) The Company may redeem all of its redeemable shares in lump sum or any portion thereof. Provided that, in case of partial redemption, the Company may determine the shares to be redeemed, by means of lottery or proportional allotment. Any fractional shares resulting from the proportional allotment shall not be redeemed.
- (5) If the Company intends to redeem redeemable shares, the Company shall give notice to the shareholders and pledgees recorded in the shareholders' registry of such intention, the subject shares and the fact that the subject stock certificates must be submitted to the Company during the specified period, which shall be determined by the company to the extent not less than two weeks, and upon the expiry of such period, the subject shares shall be redeemed compulsorily; provided that such notice may be substituted with a public notice.
- (6) The redeemable shares may, by the determination of the Board of Directors at the time of issuance, be issued as the convertible shares as set forth in Article 11.

#### Article 13 (Pre-emptive Rights)

- (1) The shareholders of the Company shall have pre-emptive rights to subscribe for new shares to be issued by the Company in proportion to their respective shareholdings.
- (2) Notwithstanding the provision of Paragraph (1) above, the Company may allocate new shares to persons other than existing shareholders of the Company, in the event of any of the following:
  1. If the Company issues new shares by way of general public offering, to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company;
  2. If the Company preferentially allocates new shares to members of the Employee Stock Ownership Association in accordance with Article 165-7 of the Financial Investment Services and Capital Market Act.
  3. If the Company issues new shares for the issuance of depositary receipts ("DR"s), to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company;
  4. If the Company issues new shares upon the exercise of stock options in accordance with Article 340-2 and Article 542-3 of the Commercial Law;
  5. If the Company issues new shares to investment companies, private equity funds, special purpose companies pursuant to the Financial Investment Services and Capital Market Act; or

6. If the Company issues new shares to foreign investors, foreign or domestic financial institutions, allied companies, etc. for the necessity of management, such as introduction of advanced technology, improvement of financial structure of or financial support to the Company or its subsidiary, strategic business alliance, etc., to the extent not exceeding 50/100 of the total number of issued and outstanding shares of the Company.
- (3) When allotting newly-issued shares to those who are not shareholders in accordance with Paragraph (2), the matters set forth in Paragraphs (1), (2), (2)\_2, (3) and (4) of Article 416 of the Commercial Act shall be publicly announced or notified to the shareholders no later than by 2 weeks prior to the payment deadline.
- (4) In the case in which new shares are issued pursuant to Paragraph (2), the type, number, issue price, etc. of shares to be issued shall be determined by the resolution of the Board of Directors.
- (5) In the case of abandonment or loss of the pre-emptive right to subscribe for new shares by any shareholder, the forfeited shares resulting from such abandonment or loss of the pre-emptive right shall be disposed by the resolution of the Board of Directors. If fractional shares result from the allocation of new shares, such shares shall also be disposed of by the resolution of the Board of Directors.

## Article 14 (Stock Options)

- (1) The Company may grant stock options to its officers and employees pursuant to the provisions of the Commercial Code, by a special resolution of the General Meeting of Shareholders, to the extent not exceeding 20/100 of the total number of issued and outstanding shares of the Company. Notwithstanding the foregoing, the Company may, by the resolution of the Board of Directors, grant stock options in numbers equal to or less than 1/100 of the total number of outstanding shares, provided that such action shall be approved at the first Ordinary Shareholders Meeting to be held after the date of such grant.
- (2) The Company may impose conditions of specific goals and achievement for the exercise of stock options, and may postpone or cancel the exercise of stock options if such conditions are not satisfied.
- (3) The persons who are entitled to receive such stock options shall be officers and employees of the Company or its subsidiaries or sub-subsidiaries as prescribed in the relevant laws and ordinances including the Commercial Code, etc. who have contributed, or are capable of contributing, to the establishment, management or technical innovation of the Company, except for officers or employees in any of the following cases:
1. The largest shareholder of the Company and Specially Related Persons thereof (as defined in the Commercial Code and the Enforcement Decree of the Commercial Code; hereinafter the same shall apply), except for such persons who have been regarded as Specially Related Persons by becoming officers of the Company (including an officer who is the non-executive officer of the affiliate);
  2. Major Shareholders of the Company (as defined in the Commercial Code; hereinafter the same shall apply), and Specially Related Persons thereof, except for such persons who have been regarded as Specially Related Persons by becoming officers of the Company (including an officer who is the non-executive officer of the affiliate); and
  3. The persons who become the Major Shareholders of the Company by the exercise of stock option.
- (4) The shares to be issued upon the exercise of stock options (in case the Company pays the difference between the exercise price of stock options and the market price of such shares in cash or treasury shares, the shares which shall be the basis of the calculation of such differences) shall be common shares in registered form.
- (5) The total number of shares to be given to one (1) officer or employee pursuant to the stock option shall not exceed 1/100 of the total number of shares issued and outstanding.
- (6) The exercise price per share for the stock option shall be determined in accordance with the relevant laws, such as the Commercial Code, etc.
- (7) Stock options may be exercised within seven (7) years commencing from two (2) years after the date specified in Paragraph (1) above at which a resolution to grant such stock options was adopted.
- (8) Stock option is exercisable by a person who has served for the Company two (2) years or more from the date specified in Paragraph (1) above at which a resolution to grant such stock option was adopted. If the grantee's continuous service terminates by reason of the grantee's death, attainment of mandatory retirement age, or for reasons other than by the fault of the grantee within two (2) years from the said date of resolution, the option may be exercisable within the exercise period.

- (9) Article 15 shall apply mutatis mutandis with respect to the distribution of dividends for new shares issued upon the exercise of stock options.
- (10) In the following instances, the Company may, by a resolution of the Board of Directors, cancel the stock options granted to an officer or an employee:
1. When the relevant officer or employee voluntarily resigns or is removed from his or her position at the Company after receiving the stock option;
  2. When the relevant officer or employee inflicts material damages or losses on the Company due to the willful conduct or negligence of such person;
  3. When the Company cannot respond to the exercise of stock options due to its bankruptcy, dissolution, etc.; or
  4. When there occurs any other event for cancellation of the stock option pursuant to the stock option agreement.

### Article 15 (Issuance Date of New Shares for the Purpose of Dividends)

In case the Company issues new shares through rights offering, bonus issue and stock dividend, the new shares shall be deemed to have been issued at the end of the fiscal year immediately prior to the fiscal year during which the new shares are issued for purpose of distribution of dividends for such new shares.

### Article 16 (Transfer Agent)

- (1) The Company may designate a transfer agent for its shares.
- (2) The transfer agent, its office and its duties shall be determined by a resolution of the Board of Directors of the Company and shall be notified to the public.
- (3) The Company's registry of shareholders or a copy of it shall be kept at the office of the transfer agent. The transfer agent shall handle the entries of alternations in the registry of shareholders, registering the creation and cancellation of pledges over shares, indication of trust assets and cancellation thereof with respect to shares, issuance of share certificates, receipt of reports and other related activities.
- (4) The relevant procedures for conducting activities referred to in Paragraph (3) above shall be carried out in accordance with the Regulation on the Securities Transfer Agency Business and other Regulations generally applicable to transfer agents.

### Article 17 (Report of Addresses, Names and Seals or Signatures of Shareholders and Others)

- (1) Shareholders, registered pledgees and their respective representatives shall file their names, addresses, and seals or signatures with the transfer agent of Article 16.
- (2) A person referred to Paragraph (1) who reside in a foreign country should report to the Company, the appointed agents and the addresses in Korea to which notices are to be sent.
- (3) The same shall apply in case of any changes in the matters referred to in Paragraphs (1) and (2) above.

### Article 18 (Close of Shareholders' Registry and Record Date)

- (1) During the period of January 1 through January 15 of each year, the Company shall refrain from making any changes in the shareholders registry in respect of rights.
- (2) The shareholders registered in the shareholders' registry as of December 31 of each fiscal year shall be entitled to exercise the rights as shareholders at the Ordinary General Meeting of Shareholders convened for such fiscal year.
- (3) The Company may, if necessary for convening of an Extraordinary General Meeting of Shareholders or any other necessary cases, suspend any entry into the shareholders' registry with respect to shareholders' rights for a period not exceeding three (3) months as

determined by a resolution of the Board of Directors, or cause the shareholders whose names appear in the shareholders' registry on a record date set by a resolution of the Board of Directors to exercise the rights as shareholders. If the Board of Directors deems it necessary, the Company may suspend any entry into the shareholders' registry and set the record date at the same time. The Company shall give at least two (2) weeks prior notice to the public.

- (4) Notwithstanding the provision of Paragraph (3), if otherwise set forth in the FHCA or other relevant laws, the Company may follow such different provisions.

## CHAPTER III BONDS

### Article 19 (Issuance of Corporate Bonds)

- (1) The Company may issue corporate bonds upon the approval of the Board of Directors.
- (2) The Board of Directors may delegate to the Representative Director its authority to determine the bond type, amount and timing of the issuance, which shall occur within 1 year from the approval of such delegation.
- (3) Articles 16 and 17 shall apply to the issuance of corporate bonds.
- (4) With respect to the corporate bonds set forth in Paragraph 1, the Company may register such bonds on the electronic registry in lieu of issuing physical certificates.

### Article 20 (Issuance of Convertible Bonds)

- (1) The Company may issue convertible bonds to persons other than existing shareholders of the Company, by the resolution of the Board of Directors, to the extent that the total face value of the bonds shall not exceed one (1) trillion Won, in any of the following cases:
1. If the convertible bonds are issued through general public offering;
  2. If the Company issues convertible bonds to the securities investment company that runs exclusively the banking business, as set forth in the FHCA;
  3. If the Company issues convertible bonds to foreign investors, foreign or domestic financial institutions, allied companies, etc. for the necessity of management, such as introduction of advanced technology, improvement of financial structure of or financial support to the Company or its subsidiary, strategic business alliance, etc.; or
  4. If the Company issues convertible bonds in a foreign country.
- (2) The Board of Directors may determine that the convertible bonds referred to in Paragraph (1) may be issued on the condition that conversion rights will be attached to only a portion of the convertible bonds.
- (3) The shares to be issued upon conversion shall be common shares. The conversion price, which shall be equal to or more than the face value of the shares, shall be determined by the Board of Directors at the time of issuance of convertible bonds.
- (4) The conversion period shall commence on the date following three (3) months from the issue date of the convertible bonds and end on the date immediately preceding the redemption date thereof. However, the conversion period may be adjusted within the above period by a resolution of the Board of Directors.
- (5) For the purpose of any distribution of dividends on the shares issued upon conversion, and any payment of accrued interest on the convertible bonds, Article 15 hereof shall apply *mutatis mutandis*.

## Article 21 (Bonds with Warrants)

- (1) The Company may issue to persons other than existing shareholders of the Company bonds with warrants, by the resolution of the Board of Directors, to the extent that the total face value of the bonds shall not exceed one (1) trillion Won, in any of the following cases:
  1. If the bonds with warrants are issued through general public offering;
  2. If the Company issues bonds with warrants to the securities investment company that runs exclusively the banking business, as set forth in the FHCA;
  3. If the Company issues bonds with warrants to foreign investors, foreign or domestic financial institutions, allied companies, etc. for the necessity of management, such as introduction of advanced technology, improvement of financial structure of or financial support to the Company or its subsidiary, strategic business alliance, etc.; or
  4. If the Company issues bonds with warrants in foreign country.
- (2) The amount of new shares which can be subscribed for by the holders of the bonds with warrants shall be determined by the Board of Directors to the extent that the maximum amount of such new shares shall not exceed the face value of the bonds with warrants.
- (3) The shares to be issued upon exercise of warrants shall be common shares. The issue price, which shall be equal to or more than the face value of the shares, shall be determined by the Board of Directors at the time of issuance of bonds with warrants.
- (4) The warrant exercise period shall commence on the date following three (3) months from the issue date of the relevant bonds and end on the date immediately preceding the redemption date thereof. However, the warrant period may be adjusted within the above period by a resolution of the Board of Directors.
- (5) For the purpose of any distribution of dividends on the shares issued upon exercise of warrants, Article 15 hereof shall apply mutatis mutandis.

## Article 22 (Issuance of Participating Bonds)

- (1) The Company may issue to persons other than existing shareholders of the Company participating bonds, by the resolution of the Board of Directors, to the extent that the total face value of the bonds shall not exceed 1 trillion Won, in any of the following cases:
  1. If the participating bonds are issued through general public offering;
  2. If the Company issues participating bonds to foreign investors, foreign or domestic financial institutions, allied companies, etc. for the necessity of management, such as introduction of advanced technology, improvement of financial structure of or financial support to the Company or its subsidiary, strategic business alliance, etc.; or
  3. If the Company issues participating bonds in foreign country.
- (2) Matters regarding the dividend participation of bonds issued pursuant to Paragraph (1) shall be determined by the resolution of the Board of Directors at the time of issuance, based on the dividend on common stock.

## Article 23 (Issuance of Write-down Contingent Capital Securities)

- (1) The Company may, by resolution of the Board of Directors, issue corporate bonds whose terms provide that the obligation to repay the principal and pay the interest thereon shall be waived upon the occurrence of a contingency event as determined at the time of the issuance of such bonds based on reasonable and objective criteria; provided that the aggregate face value of such bonds do not exceed 10 trillion Won (such bonds hereinafter referred to as the "Write-down Contingent Capital Securities").
- (2) The obligation to repay the principal and pay the interest on the Write-down Contingent Capital Securities shall be waived upon the occurrence of the event described in any of the following sub-paragraphs (such waiver hereinafter referred to as "Debt Modification"):
  1. If the Company issues participating bonds to foreign investors, foreign or domestic financial institutions, allied companies, etc. for the necessity of management, such as introduction of advanced technology, improvement of financial structure of or financial support to the Company or its subsidiary, strategic business alliance, etc.; or



2. The Company receives a directive in the form of 'management improvement order' from the Financial Services Commission pursuant to the Supervisory Regulations on Financial Holding Companies.
- (3) The Board of Directors of the Company may, to the extent permitted by applicable law and at the time of the issuance, determine the scope of changes to be made to the terms and conditions of the Write-down Contingent Capital Securities as a result of the Debt Modification.

## CHAPTER IV GENERAL MEETINGS OF SHAREHOLDERS

### Article 24 (Convening of General Meetings of Shareholders)

- (1) General Meetings of Shareholders of the Company shall be of two types: (i) Ordinary and (ii) Extraordinary.
- (2) The Ordinary General Meeting of Shareholders shall be held within three (3) months after the end of each fiscal year and the Extraordinary General Meeting of Shareholders may be convened whenever deemed to be necessary.

### Article 25 (Authority to Convene)

- (1) The Representative Director-Chairman of the Company shall convene the General Meeting of Shareholders in accordance with a resolution of the Board of Directors, unless otherwise prescribed by other laws and ordinances.
- (2) If the Representative Director-Chairman is unable to perform his/her duties, the General Meeting of Shareholders shall be convened by a Director designated by the Board of Directors.

### Article 26 (Personal or Public Notices for Convening)

- (1) Written notice of the General Meeting of Shareholders of the Company shall state the date, time, place of the Meeting, the purposes for which the Meeting has been called, and other matters set forth in the relevant laws. The written notice shall be sent to all shareholders two (2) weeks prior to the date set for the Meeting.
- (2) The written notice of a General Meeting of Shareholders to be given to shareholders holding one-hundredth (1/100) or less of the total issued and outstanding voting shares may be substituted by giving public notice of the convening of the General Meeting of Shareholders in Hankuk Kyongje Shinmun and Maeil Kyongje Shinmun which are published in the city of Seoul, at least two (2) notices are made in the said publications or by using an electronic method defined by the Commercial Law and related regulations two (2) weeks prior to the date set for such Meeting.
- (3) Notwithstanding the provisions of Paragraphs (1) and (2), if otherwise set forth in the FHCA or other relevant laws, the Company may follow such different provisions.

### Article 27 (Place of Meeting)

The General Meeting of Shareholders shall be held in the city where the head office is located, or any other places adjacent thereto as required.

### Article 28 (Chairman of the General Meeting of Shareholders)

The Chairman of the General Meetings of Shareholders shall be the person entitled to convene the Meeting pursuant to Article 24.

### Article 29 (Chairman's Authority to Maintain Order)

- (1) The Chairman may order persons who purposely speak or act in a manner to prevent or disrupt the deliberations of the General Meeting of Shareholders or disturb the public order of the General Meeting of Shareholders to stop or retract his/her remarks or to leave the place of meeting.
- (2) The Chairman may restrict the length and frequency of the speech of shareholders if it is necessary for the smooth deliberations of the General Meeting of Shareholders.

### Article 30 (Voting Rights)

Each shareholder shall have one (1) vote for each share he/she owns.

### Article 31 (Split Voting)

- (1) If any shareholder who holds two (2) or more votes wishes to split his/her votes, he/she shall notify the Company in written form of such intent and the reasons therefor no later than three (3) days before the date set for the General Meeting of Shareholders.
- (2) The Company may refuse to allow the shareholder to split his/her votes unless the shareholder acquired the shares in trust or otherwise holds the shares for and on behalf of some other person.

### Article 32 (Voting by Proxy)

- (1) A shareholder may exercise his/her vote through a proxy.
- (2) In the case of Paragraph (1) above, the proxy holder shall file with the Company the documents evidencing the authority to act as a proxy before the General Meeting of Shareholders.

### Article 33 (Method of Resolution)

Except as otherwise provided in the applicable laws and regulations or these Articles of Incorporation, all resolutions of the General Meeting of Shareholders shall be adopted by the affirmative vote of a majority of the shareholders present; provided that such votes shall, in any event, represent not less than one-fourth (1/4) of the total number of issued and outstanding shares.

### Article 34 (Exercise of Voting Rights in Writing)

- (1) If the method of resolution in writing at the General Meeting of Shareholders is adopted by the resolution of the Board of Directors, the shareholders may exercise their voting rights without participating in the meeting.
- (2) In the case of Paragraph (1), the Company shall attach the documents and references necessary for exercise of voting rights to the convening notice.
- (3) If a shareholder intends to exercise his/her voting rights in writing, the shareholder shall fill in and submit to the Company the documents referred to in Paragraph (2) by the date preceding the date set for the General Meeting of Shareholders.

### Article 35 (Minutes of the General Meetings of Shareholders)

The substance of the course of the proceedings of the General Meeting of Shareholders and the results thereof shall be recorded in the minutes and shall be preserved at the head office and branches of the Company, after being affixed with the names and seal impressions or signatures of the Chairman and the Directors present.

## CHAPTER V OFFICERS AND BOARD OF DIRECTORS

### Article 36 (Officers)

The Company shall have not less than three (3) but not more than fifteen (15) Directors, of which the number of Outside Directors shall not be less than 3 persons and 50/100 of the total number of Directors.

### Article 37 (Election of Director)

(1) Directors shall be elected at the General Meeting of Shareholders.

### Article 38 (Term of Director)

- (1) The term of office of the Director shall be determined at the General Meeting of Shareholders to the extent not exceeding three years, and the Director may be re-appointed. Provided that, the term of office of the Outside Director shall be no more than two years (or, in the case of reappointment, no more than one year), and the Outside Director may not serve as an outside director of the Company for a total of more than six years, or as an outside director of the Company or any of its subsidiaries for a total of more than nine years.
- (2) The term of office under Paragraph (1) above shall be until the closure of the ordinary general meeting of shareholders convened in respect of such fiscal year.

### Article 39 (Eligibility of Outside Director)

- (1) The Company shall appoint a person with expertise and general knowledge as an outside director considering the qualifications set forth in each of the following subparagraphs.
1. Whether such person possesses sufficient work experience or expert knowledge in relevant areas of financial businesses of financial institutions, such as finance, economy, business administration, accounting, legal affairs, consumer protection or information technology, to the extent necessary to perform duties as an Outside Director;
  2. Whether as an Outside Director such person is not bound to any special interests and is able to perform the relevant duties fairly in the interest of the entire shareholders' group and consumers of financial services;
  3. Whether such person has a sense of ethics and responsibility that is appropriate to perform duties as an Outside Director; and
  4. Whether such person is able to dedicate sufficient time and efforts in order to faithfully perform duties as an Outside Director.
- (2) An Outside Director may not be appointed as an outside director for other companies during his/her term as an Outside Director, except where such Outside Director concurrently serves as an outside director of a subsidiary, etc. of the Company.

### Article 40 (By election of Directors)

- (1) In the event of any interim vacancy in the office of the Director, a substitute Director shall be elected at the General Meeting of Shareholders; provided, however, that the foregoing shall not apply if the number of remaining Directors satisfies the requirement of Article 35 hereof and such vacancy does not cause any difficulties in the business operation of the Company.
- (2) If the number of Outside Directors does not satisfy the requirement referred to in Article 35 due to the death or resignation of Outside Directors or any other reason, the Outside Directors shall be elected to fill the vacancy at the first Ordinary General Meeting of Shareholders after such cause to satisfy the required number of Outside Directors.
- (3) The term of office of the Director appointed pursuant to Paragraphs (1) and (2) shall commence from the date of taking office.

#### Article 41 (Appointment of Representative Director)

The Company may, by resolution of the Board of Directors, appoint one Director as a Representative Director-Chairman.

#### Article 42 (Duties of Directors)

- (1) The Representative Director-Chairman shall represent the Company, perform the matters resolved by the Board of Directors and oversee the business operations of the Company as determined by the Board of Directors.
- (2) Directors shall assist the Representative Director, and divide and perform business operations as delegated to them by the Board of Directors.

#### Article 43 (Director's Obligations)

- (1) The Directors shall perform their respective duties faithfully for the benefits of the Company, in accordance with the laws and these Articles of Incorporation.
- (2) If any Director finds any facts which may cause substantial losses to the Company, such Director shall promptly report to the Audit Committee thereof.

#### Article 44 (Composition and Convening of the Meeting of Board of Directors)

- (1) The Board of Directors shall consist of Directors, and shall resolve important matters regarding the business affairs of the Company.
- (2) The Meeting of the Board of Directors shall be of two types: (i) Ordinary and (ii) Extraordinary. The Ordinary Meeting of the Board of Directors shall be held at least once per fiscal quarter and the Extraordinary Meeting of the Board of Directors may be convened whenever deemed to be necessary.
- (3) The Meeting of the Board of Directors shall be convened by the Chairman of the Board of Director by giving notice to each Director at least seven (7) days prior to the scheduled date of such Meeting. However, such period may be reduced upon occurrence of urgent events, and the said procedures may be omitted with the consent thereon of all Directors.

#### Article 45 (Chairman of the Meeting of the Board of Directors)

- (1) The Chairman of the Board of Directors shall be elected every year among the Outside Directors by a resolution of the Board of Directors.
- (2) Notwithstanding Paragraph (1), the Board of Directors may appoint a person who is not an Outside Director as the Chairman of the Board of Directors, in which case, in addition to the Chairman of the Board of Directors, a Senior Outside Director representing the Outside Directors shall be appointed by a resolution of the Board of Directors.

#### Article 46 (Resolutions of the Board of Directors)

- (1) The quorum for the Board of Directors shall be the presence of at least more than one half (1/2) of the Directors, and all resolutions of the Board of Directors shall require the affirmative votes of a majority of the Directors present at the meeting of the Board of Directors.
- (2) The Board meetings may be held by means of a telephone conference or other similar arrangement whereby all or part of the Directors may participate in the meeting and vote on matters at the same time. In such case, a Director participating in the meeting by such arrangement shall be considered present at the meeting.
- (3) Any Director who has a related interest in the matters to be resolved at the Meeting of the Board of Directors shall be abstained from voting at such Meeting.
- (4) The Board of Directors shall deliberate and decide on the following matters.
  1. Matters concerning the management objectives and evaluation of performance;

2. Matters concerning the amendment of the Articles of Incorporation;
3. Matters concerning the budget and settlement of accounts;
4. Matters concerning important changes to the organization of the Company such as dissolution, business transfer, merger, etc;
5. Matters concerning the enactment, amendment and abolition of the risk management standards and internal control standards;
6. Matters concerning the establishment of governance policies such as a plan for succession of CEO, etc;
7. Matters concerning the supervision of conflicts of interest between the Company and major shareholders or executive officers; and
8. Other matters determined by the Board of Directors

#### Article 47 (Minutes of the Meeting of Board of Directors)

- (1) The proceedings of a Board meeting shall be recorded in the minutes.
- (2) The minutes for a Board meeting should record the agenda, proceedings, resolutions, the identity of dissenting directors (if any) and the reasons for such dissent and must be signed or affixed a seal by the Directors present at the meeting.

#### Article 48 (Committees under the Board of Directors)

- (1) The Company shall maintain committees set forth in each of the following subparagraphs as its Committees under the Board of Directors on an ongoing basis.
  1. Governance and CEO Recommendation Committee;
  2. Board Steering Committee;
  3. Audit Committee;
  4. Outside Director Recommendation Committee;
  5. Risk Management Committee;
  6. Remuneration Committee;
  7. Audit Committee Member Recommendation Committee; and
  8. Corporate Social Responsibility Committee
- (2) Details regarding composition, authority, operation, etc. of each Committee under the Board of Directors shall be determined by the resolution of the Board of Directors.
- (3) Articles 44, 46 and 47 shall apply mutatis mutandis with respect to the committees.

#### Article 49 (Remuneration for Directors)

The remuneration for the Directors shall be determined by a resolution of the General Meeting of Shareholders.

#### Article 50 (Consultants)

By a resolution of the Board of Directors, the Company may retain several consultants, honorary directors and advisors.

## CHAPTER VI AUDIT COMMITTEE

### Article 51 (Constitution of Audit Committee)

- (1) The Company shall have the Audit Committee, as prescribed by article 41 paragraph 1 of the Act on Corporate Governance of Financial Companies.
- (2) Candidates for the Audit Committee shall be recommended by the Audit Committee Member Recommendation Committee comprised entirely of Outside directors. The Audit Committee Member Recommendation Committee shall make resolution by an affirmative vote of at least two-thirds (2/3) of the members.
- (3) The Audit Committee shall consist of not less than three (3) but no more than five (5) directors, of whom at least two-thirds shall be Outside Directors.
- (4) At least one member shall be an expert in the area of accounting or finance, as defined by relevant laws and regulations.
- (5) The Audit Committee shall by its resolution elect one of its Outside Director members as its Chairman.

### Article 52 (Duties of Audit Committee)

- (1) The Audit Committee shall examine the operation and accounting of the Company.
- (2) The Audit Committee may request the Board of Directors to convene the Extraordinary General Meeting of Shareholders by submitting documents stating the agenda and reasons for convening such meeting.
- (3) If determined necessary, the Audit Committee may request convocation of a meeting of the Board of Directors by submitting the purpose and agenda of such meeting in writing to the person with the authority to convene such meeting.
- (4) If the request was submitted as set forth above in Paragraph (3), but the person with the authority to convene the meeting fails to do so, the Audit Committee may convene the meeting itself.
- (5) The Audit Committee may request business reports from any subsidiary of the Company when it is necessary to perform its duties. In this case, if such subsidiary does not report to the Audit Committee immediately or the Audit Committee needs to verify the contents of the reports, it may investigate the status of business and the financial condition of the subsidiary.
- (6) The Audit Committee shall approve the appointment of the external auditor.
- (7) In addition to the matters referred to in Paragraphs (1) through (4), the Audit Committee shall dispose of the matters delegated by the Board of Directors.

### Article 53 (Audit Committee's Record)

The Audit Committee shall record the substance and results of its audit in the Audit Committee's record, on which the name and seal of the Audit Committee member who has performed such audit shall be affixed or shall be signed by such Audit Committee member.

## CHAPTER VII ACCOUNTING

### Article 54 (Fiscal Year)

The fiscal year of the Company shall begin on January 1 and end on December 31 of each year.

### Article 55 (Preparation and Display of Financial Statements and Business Report)

(1) The Representative Director-Chairman of the Company shall prepare the following documents to be submitted to the Ordinary General Meeting of Shareholders, together with supplementary data and business reports, and have such documents audited by the Audit Committee no later than six (6) weeks before the date of the Ordinary General Meeting of Shareholders:

1. balance sheet;
2. statements of profit and loss; and
3. other documents that reflect the Company's financial position and management performance according to the Enforcement Decree to the Commercial Act

(2) If the Company is required to prepare consolidated financial statements under the Enforcement Decree to the Commercial Act, the documents set forth in each Subparagraph of Paragraph (1) shall include consolidated financial statements.

(3) The Audit Committee shall submit an audit report to the Representative Director-President no later than one (1) week before the date of the Ordinary General Meeting of Shareholders.

(4) The Representative Director-Chairman shall keep file copies of the documents described in Paragraph (1) and Audit Committee's audit report thereon, at the head office of the Company for five (5) years and certified copies of all such documents at the branches of the Company for three (3) years, beginning from one (1) week before the date of the Ordinary General Meeting of Shareholders.

(5) Immediately upon obtaining approval for the documents mentioned in Paragraph (1) above from the General Meeting of Shareholders, the Representative Director-Chairman shall make a public notice of the balance sheet, income statement, consolidated balance sheet and income statement pursuant to the Act on External Audit of Stock Companies and the opinion of an external auditor. In doing so, notwithstanding the provisions of Article 4, the Company may use the means of electronic document as prescribed by Article 55.2 of the Financial Holding Company Act.

### Article 56 (Appointment of External Auditor)

The Company shall appoint an external auditor with the approval of the Audit Committee and either report such fact to the Ordinary General Meeting of Shareholders to be held first after such appointment or notify the shareholders as of the date of the closing of the shareholders' registry by email or written notice or make an announcement on the Company's homepage.

### Article 57 (Disposal of Profits)

The Company shall dispose of the unappropriated retained earnings as of the end of each fiscal year as follows:

1. earned surplus reserves;
2. other statutory reserves;
3. dividends;
4. temporary reserves; and

5. other appropriation of earned surplus.

#### Article 58 (Retirement of Shares)

- (1) The Company may retire the shares within the scope of profits attributable to the shareholders, by the resolution of the Board of Directors.
- (2) In order to retire the shares pursuant to Paragraph (1), the Board of Directors shall adopt the following resolutions:
  1. Types and the total number of shares to be retired;
  2. The total amount of shares to be acquired for retirement; and
  3. Acquisition period or retirement date (the acquisition period or retirement date shall be before the Ordinary General Meeting of Shareholders to be held first after the resolution of such retirement).
- (3) When the shares are retired pursuant to Paragraph (1), it shall be in accordance with the following criteria:
  1. In case of acquisition of shares for the purpose of retirement, such acquisition shall be made in accordance with the acquisition method and criteria as prescribed in the relevant laws, such as the Financial Investment Services and Capital Market Act, etc.
  2. Total price of the shares to be acquired for the purpose of retirement shall be not more than the amount as prescribed in the relevant laws, such as the Enforcement Decree of the Financial Investment Services and Capital Market Act, within the scope available for dividend as at the end of such fiscal year pursuant to Article 462, Paragraph (1) of the Commercial Code.
- (4) When the shares are retired pursuant to Paragraph (1), the matters referred to in each Subparagraph of Paragraph (2) and the purpose of retirement shall be reported to the Ordinary General Meeting of Shareholders to be held first after the resolution of such retirement.

#### Article 59 (Dividends)

- (1) Dividends may be distributed in cash or stock.
- (2) In the case where the dividends are to be distributed in stock and the Company has several classes of shares, the stock dividend distribution may be made in shares of different classes by a resolution of the General Meeting of Shareholders.
- (3) Dividends of Paragraph (1) above shall be paid to the shareholders registered in the Company's registry of shareholders or the registered pledgees as of the last day of each fiscal year.

#### Article 59-2 (Interim dividends)

- (1) The Company may distribute interim dividends to its shareholders as of 00:00, July 1 in accordance with the relevant laws including Article 462-3 of the Commercial Law. Such interim dividends shall be made in cash.
- (2) Interim dividends provided under Paragraph (1) shall be decided by resolution of the Board of Directors, which resolution shall be made within forty-five (45) days from the date specified in Paragraph (1).
- (3) The maximum amount to be paid as interim dividends shall be calculated by deducting the following amounts from the net asset amounts recorded in the balance sheet of the fiscal year immediately prior to the fiscal year concerned:
  1. Capital stock of the company for the fiscal year immediately prior to the fiscal year concerned;
  2. The aggregate amount of capital reserves and legal reserves which had been accumulated up until the fiscal year immediately prior to the fiscal year concerned;
  3. The amount which was resolved to be distributed as dividends at an ordinary general meeting of shareholders of the fiscal year immediately prior to the fiscal year concerned;



4. Voluntary reserves which had been accumulated for specific purposes in accordance with the relevant provisions of the Articles of Incorporation or by resolution of a general meeting of shareholders until the fiscal year immediately prior to the fiscal year concerned;

5. Eared surplus reserves to be accumulated for the fiscal year concerned as a result of the interim dividends.

(4) In the event the Company has issued new shares (including those shares issued by way of conversion of reserves into capital stock, stock dividends, request of conversion of convertible bonds or exercise of warrants) prior to the date set forth in Paragraph (1) above, but after the commencement date of the fiscal year concerned, the new shares shall be deemed to have been issued at the end of the fiscal year immediately prior to the fiscal year for the purpose of interim dividends.

(5) When distributing interim dividends the same dividend rate as that of the common shares of the Company shall be applied to the preferred shares. However, if the Board of Directors had decided otherwise at the time of the issuance of such preferred shares, the dividend rate shall be in accordance with such decision by the Board of Directors.

#### Article 60 (Expiration of Right to Payment of Dividends)

(1) The right to demand payment of dividends shall extinguish by prescription if not exercised within five (5) years.

(2) The dividends, of which the right has been extinguished under Paragraph (1) above, shall be kept by the Company.

#### Article 61 (Supplementary Provision)

Matters not specified in these Articles of Incorporation shall be determined by the resolution of the Board of Directors or the General Meeting of Shareholders, or in accordance with the Commercial Code or other laws.

### ADDENDA

#### Article 1 (Effective Date)

These Articles of Incorporation shall become effective from the date of registration of incorporation.

#### Article 2 (Initial Fiscal Year after Incorporation)

Notwithstanding the provisions of Article 52, the initial fiscal year of the Company after incorporation shall be from the date of incorporation to December 31, 2001.

#### Article 3 (Initial Transfer Agent after Incorporation)

Notwithstanding the provisions of Article 16, Paragraph (2), the initial transfer agent of the Company after incorporation shall be Korea Securities Depository.

#### Article 4 (Appointment of Initial Representative Director, et al. after Incorporation)

Notwithstanding the provisions of Article 39, the initial Representative Director-Chairman and the initial Representative Director-Chairman of the Company after incorporation shall be one person appointed at the General Meetings of Shareholders of the Share Transferring Companies, at which the resolution to approve the share transfer is adopted.

#### Article 5 (Appointment of Initial Outside Director after Incorporation)

Notwithstanding the provisions of Article 36, Paragraph (2), the initial Outside Director of the Company after incorporation shall be appointed at the General Meetings of Shareholders of the Share Transferring Companies, at which the resolution to approve the share transfer is adopted, without recommendation of the Operation Committee.

#### Article 6 (Appointment of Initial Members of Audit Committee after Incorporation)

The initial members of Audit Committee shall be appointed at the General Meetings of Shareholders of the Share Transferring Companies, at which the resolution to approve the share transfer is adopted.

#### Article 7 (Remuneration of Directors in Initial Fiscal Year after Incorporation)

Notwithstanding the provisions of Article 47, the remuneration of Directors in initial fiscal year after incorporation shall be determined at the first meeting of the Board of Directors after incorporation, to the extent not exceeding 1 billion Won.

#### Article 8 (Share Transferring Companies)

In order to incorporate the Company, the following share transferring companies prepare these Articles of Incorporation and affix their respective names and seals hereon on August 10, 2001.

Shinhan Bank  
120, Taepyongro 2ga, Jung-gu, Seoul  
Representative Director, President In Ho Lee

Shinhan Securities Co., Ltd.  
24-4, Yoido-dong, Youngdeungpo-gu, Seoul  
Representative Director, President Yang Sang Yoo

Shinhan Capital Co., Ltd.  
526-3, Kojan-dong, Ansan, Kyonggido  
Representative Director, President Shin Jung Kang

Shinhan Investment Trust Management Co., Ltd.  
24-4, Yoido-dong, Youngdeungpo-gu, Seoul  
Representative Director, President Bo Gil Baek

#### ADDENDA (1)

##### Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 20, 2002.

#### ADDENDA (2)

##### Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 31, 2003.

ADDENDA (3)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 25, 2004.

ADDENDA (4)

Article 1 (Effective Date)

These Articles of Incorporation shall take effect as of March 21, 2006.

Article 2 (Application to Preferred Shares)

Articles 9-2, 12-2 and 12-3 shall take effect only with respect to the preferred shares issued after the effective date of this amendment.

ADDENDA (5)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 19, 2008.

ADDENDA (6)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 17, 2009.

ADDENDA (7)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 24, 2010.

ADDENDA (8)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 23, 2011.

ADDENDA (9)

Article 1 (Effective Date)

These Articles shall take effect on April 15, 2012, except for Article 36, Article 47 Paragraph(1) Subparagraph 1 and Article 55 which shall take effect on March 29, 2012.

ADDENDA (10)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 25, 2015.

ADDENDA (11)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of August 1, 2016.

ADDENDA (12)

Article 1 (Effective Date)

These Articles of Incorporation shall become effective as of March 23, 2017.





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