

SHINHAN FINANCIAL GROUP CO LTD
Form 6-K
November 14, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16

Under the Securities Exchange Act of 1934

For the Month of November 2018

SHINHAN FINANCIAL GROUP CO., LTD.

(Translation of registrant's name into English)

20, Sejong-daero 9-gil, Jung-gu, Seoul 04513, Korea

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will
file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in

paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in

paper as permitted by Regulation S-T Rule 101(b)(7): _____

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- n/a .

Summary of FY2018 3Q Business Report

On November 14, 2018, Shinhan Financial Group (“SFG”) filed its FY2018 3Q Business Report (the “Business Report”) with the Financial Services Commission of Korea and the Korea Exchange pursuant to the Financial Investment Services and Capital Market Act of Korea. This is the summary of the Business Report translated into English. Non-material or previously disclosed information are omitted or abridged.

The financial information in this report has been prepared in accordance with Korean International Financial Reporting Standards.

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1. Introduction of the Group

Company History in 2010 through 2018

Jan. 2010 : Shinhan Data System became a direct subsidiary of SFG
Aug. 2010 : Shinhan Macquarie Financial Advisory was disaffiliated from SFG
Feb. 2011 : Shinhan BNP Paribas Asset Management (Hong Kong) Limited became an indirect subsidiary of SFG
Nov. 2011 : Shinhan Bank Vietnam was merged with Shinhan Vina Bank
Dec. 2011 : Shinhan Savings Bank became a direct subsidiary of SFG
Nov. 2012 : Shinhan AITAS Co., Ltd. joined SFG as a direct subsidiary
Jan. 2013 : Yehanbyoul Savings Bank joined SFG as a direct subsidiary
Apr. 2013 : Shinhan Savings Bank merged with Yehanbyoul Savings Bank. As a result of the integration, Shinhan Savings Bank has been liquidated and Yehanbyoul Savings Bank now exists under the name of “Shinhan Savings Bank” as an existing legal entity
Nov. 2014 : LLP MFO Shinhan Finance (Kazakhstan) became an indirect subsidiary of SFG
Jul. 2015 : Shinhan Securities Vietnam Co., Ltd became an indirect subsidiary of SFG
Oct. 2015 : Banco Shinhan de Mexico became an indirect subsidiary of SFG
Nov. 2015 : PT Bank Shinhan Indonesia became an indirect subsidiary of SFG
Dec. 2015 : PT. Shinhan Indo Finance became an indirect subsidiary of SFG
Dec. 2015 : PT Centratama Nasional Bank became an indirect subsidiary of SFG
Mar. 2016 : Shinhan Microfinance Co., Ltd. became an indirect subsidiary of SFG
Jul. 2016 : PT Shinhan Securities Indonesia became an indirect subsidiary of SFG
Dec. 2016 : Launched new integrated PT Bank Shinhan Indonesia
Oct. 2017 : Established Shinhan REITs(Real Estate Investment Trusts) Management Co.,Ltd. as SFG subsidiary
Dec. 2017 : Shinhan K REITs became an indirect subsidiary of SFG
Apr. 2018 : Shinhan Alpha REITs (formerly known as Shinhan K REITs) was disaffiliated from SFG’s indirect subsidiary due to a change in the largest shareholder
May. 2018 : GX SHINHAN INTERVEST 1st PEF became an indirect subsidiary of SFG
Sep. 2018 : Shinhan Alpha Yongsan REIT became an indirect subsidiary of SFG

Principal Subsidiaries under Korean Law (as of Sep. 30, 2018)

Direct Subsidiaries

| Subsidiaries | Ownership by SFG |
|---|------------------|
| Shinhan Bank | 100.0% |
| Shinhan Card | 100.0% |
| Shinhan Investment Corp. | 100.0% |
| Shinhan Life Insurance | 100.0% |
| Shinhan BNP Paribas Asset Management | 65.0% |
| Shinhan Capital | 100.0% |
| Jeju Bank ¹⁾ | 68.9% |
| Shinhan Savings Bank ²⁾ | 100.0% |
| Shinhan DS ³⁾ | 100.0% |
| Shinhan AITAS ⁴⁾ | 99.8% |
| Shinhan Credit Information | 100.0% |
| Shinhan Alternative Investment Management | 100.0% |
| Shinhan REITs Management | 100.0% |
| SHC Management ⁵⁾ | 100.0% |

1)Jeju Bank is currently listed on the Korea Exchange.

2)On January 30, 2013, Yehanbyoul Savings Bank joined SFG as a direct subsidiary.

On April 1, 2013, Shinhan Savings Bank merged with Yehanbyoul Savings Bank, both of which were direct subsidiaries of Shinhan Financial Group. As a result of the integration of the two savings banks, the previous Shinhan Savings Bank has been liquidated and is thus no longer a subsidiary of Shinhan Financial Group and instead, Yehanbyoul Savings Bank now exists under the name of “Shinhan Savings Bank” as an existing legal entity constituting a member of Shinhan Financial Group.

3)Shinhan Data System changed its company name to Shinhan DS on May 13, 2018.

4)On November 30, 2012, Shinhan AITAS Co., Ltd. joined SFG as a direct subsidiary. Prior to November 30, 2012, Shinhan AITAS was an indirect subsidiary of SFG under Shinhan Bank, a wholly-owned bank subsidiary of SFG.

5)Currently in liquidation proceedings

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Indirect subsidiaries held through direct subsidiaries (as of Sep. 30, 2018)

| Direct Subsidiaries | Indirect Subsidiaries | Ownership by the Parent |
|---|---|--|
| Shinhan Bank | Shinhan Asia Limited | 100.0% |
| | Shinhan Bank America | 100.0% |
| | Shinhan Bank Japan | 100.0% |
| | Shinhan Bank Europe | 100.0% |
| | Shinhan Bank Cambodia | 97.5% |
| | Shinhan Bank Kazakhstan | 100.0% |
| | Shinhan Bank China Limited | 100.0% |
| | Shinhan Bank Canada | 100.0% |
| | Shinhan Bank Vietnam | 100.0% |
| | Banco Shinhan de Mexico | 100.0% |
| | PT Bank Shinhan Indonesia | 99.0% |
| | LLP MFO Shinhan Finance | 100.0% |
| | Shinhan Card | PT. Shinhan Indo Finance |
| Shinhan Microfinance Co., Ltd. | | 100.00% |
| Shinhan Investment Corp. USA Inc. | | 100.0% |
| Shinhan Investment Corp. Asia Inc. | | 100.0% |
| Shinhan Securities Vietnam Co., Ltd | | 100.0% |
| PT Shinhan Sekuritas Indonesia | | 99.0% |
| Shinhan Investment Corp. | KOFC Shinhan Frontier Champ 2010-4 PEF ¹⁾ | 8.5% |
| | GX SHINHAN INTERVEST 1st PEF ⁶⁾ | 14.5% |
| | Shinhan Praxis K-Growth Global Private Equity Fund 2) | 14.1% |
| | Shinhan BNP Paribas Asset Management | Shinhan BNP Paribas Asset Management (Hong Kong) Limited |
| Shinhan Alternative Investment Management | Shinhan NPS Private Equity Fund 1st ³⁾ | 5.0% |
| | Shinhan Private Equity Fund 2nd ⁴⁾ | 2.2% |
| | Shinhan-Stonebridge Petro Private Equity Fund ⁵⁾ | 0.6% |

1) Shinhan Financial Group and its subsidiaries currently own 34.6% of KOFC Shinhan Frontier Champ 2010-4 PEF Investment Corp.

2) Shinhan Financial Group and its subsidiaries currently own 18.9% of Shinhan Praxis K-Growth Global Private Equity Fund.

3) Shinhan Financial Group and its subsidiaries currently own 36.7% of Shinhan NPS Private Equity Fund 1st.

4) Shinhan Financial Group and its subsidiaries currently own 32.6% of Shinhan Private Equity Fund 2nd.

5) Shinhan Financial Group and its subsidiaries currently own 1.8% of Shinhan-Stonebridge Petro Private Equity Fund.

6) Shinhan Financial Group and its subsidiaries currently own 25.3% of GX SHINHAN INTERVEST 1st PEF.

Number of Shares (as of Sep. 30, 2018)

| Types of Shares | Number of Shares |
|-----------------|------------------|
| Common Shares | 474,199,587 |
| Total | 474,199,587 |

Treasury Stocks 550,000

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2. Business Results

Operation Results

(KRW billion)

| | 2018 3Q | 2017 3Q | FY2017 | FY2016 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | (Jan. 1 ~ Sep. 30) | (Jan. 1 ~ Sep. 30) | (Jan. 1 ~ Dec. 31) | (Jan. 1 ~ Dec. 31) |
| Operating income | 3,642.5 | 3,493.2 | 3,828.7 | 3,108.6 |
| Equity method income | 41.3 | 19.5 | 20.4 | 10.0 |
| Other non-operating income | -14.7 | 63.1 | -52.8 | 51.8 |
| Profit before income taxes | 3,669.1 | 3,575.7 | 3,796.3 | 3,170.5 |
| Income tax expense | 994.5 | 838.1 | 848.1 | 345.6 |
| Consolidated net income | 2,674.6 | 2,737.6 | 2,948.1 | 2,824.9 |
| Net income attributable to equity holders of the Group | 2,643.4 | 2,706.4 | 2,917.7 | 2,774.8 |
| Net income attributable to non-controlling interest | 31.2 | 31.2 | 30.4 | 50.1 |

Notes :

Some of the totals may not sum due to rounding.

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Source and Use of Funds

| Consolidated Basis (KRW billion, %) | 2018 3Q Jan. 1 ~ Sep. 30 | | | FY2017 Jan. 1 ~ Dec. 31 | | | FY2016 Jan. 1 ~ Dec. 31 | | | | |
|--|-----------------------------|-------------|----------|----------------------------|-------------|----------|----------------------------|-------------|-----------|------|---------|
| | Average | Proportions | Interest | Average | Proportions | Interest | Average | Proportions | Interest | | |
| | Balance ¹⁾ | (%) | Paid | Balance ¹⁾ | (%) | Paid | Balance ¹⁾ | (%) | Paid | | |
| | | | (%) | | | (%) | | | (%) | | |
| Deposits | 255,466.6 | 57.8 | 2,248.8 | 1.18 | 241,523.7 | 58.3 | 2,482.5 | 1.03 | 226,966.8 | 58.7 | 2,586.7 |
| Borrowings | 19,188.1 | 4.3 | 228.5 | 1.59 | 17,479.8 | 4.2 | 217.3 | 1.24 | 15,047.2 | 3.9 | 176.4 |
| Debt | 54,722.6 | 12.4 | 960.2 | 2.35 | 47,594.6 | 11.5 | 1,085.4 | 2.28 | 42,790.8 | 11.1 | 1,085.8 |
| Securities | | | | | | | | | | | |
| Issued | | | | | | | | | | | |
| Other | 77,812.7 | 17.7 | - | - | 74,788.5 | 18.1 | - | - | 70,504.9 | 18.2 | - |
| Liabilities | | | | | | | | | | | |
| Source Total | 407,190.0 | 92.2 | - | - | 381,386.6 | 92.1 | - | - | 355,309.7 | 91.9 | - |
| Liabilities | | | | | | | | | | | |
| Total | 34,593.4 | 7.8 | - | - | 32,750.5 | 7.9 | - | - | 31,499.5 | 8.1 | - |
| Stockholder's | | | | | | | | | | | |
| Equity | | | | | | | | | | | |
| Total | 441,783.4 | 100 | - | - | 414,137.1 | 100 | - | - | 386,809.3 | 100 | - |
| Liabilities & SE | | | | | | | | | | | |
| Cash & Due from Banks | 21,465.6 | 4.9 | 134.3 | 0.84 | 21,609.4 | 5.2 | 167.8 | 0.78 | 20,933.1 | 5.4 | 185.5 |
| Loans | 284,128.5 | 64.3 | 8,227.3 | 3.87 | 266,195.4 | 64.3 | 9,681.4 | 3.64 | 252,132.2 | 65.2 | 9,244.0 |
| Loans in KRW | 221,816.3 | 50.2 | 5,799.2 | 3.5 | 207,439.9 | 50.1 | 6,828.2 | 3.29 | 197,841.4 | 51.2 | 6,541.9 |
| Loans in Foreign Currency | 19,051.2 | 4.3 | 572.8 | 4.02 | 16,841.6 | 4.1 | 583.2 | 3.46 | 14,936.7 | 3.9 | 482.2 |
| Credit Card Accounts | 21,328.6 | 4.8 | 1,328.9 | 8.33 | 19,952.8 | 4.8 | 1,680.9 | 8.42 | 18,804.3 | 4.9 | 1,708.5 |
| Others | 21,932.4 | 5 | 526.4 | 3.21 | 21,961.1 | 5.3 | 589.1 | 2.68 | 20,549.8 | 5.3 | 511.4 |
| AFS | 37,116.2 | 8.4 | 556.6 | 2.01 | 34,272.9 | 8.3 | 645.3 | 1.88 | 30,308.9 | 7.8 | 612.1 |
| Financial Assets | | | | | | | | | | | |
| HTM | 25,727.0 | 5.8 | 535.2 | 2.78 | 22,199.6 | 5.4 | 651.1 | 2.93 | 17,409.7 | 4.5 | 561.8 |
| Financial Assets | | | | | | | | | | | |
| Other Assets | 73,346.1 | 16.6 | - | - | 69,859.8 | 16.8 | - | - | 66,025.3 | 17.1 | - |
| Total Assets | 441,783.4 | 100 | - | - | 414,137.1 | 100 | - | - | 386,809.3 | 100 | - |

1) The "Average Balance" is the arithmetic mean of the ending balance of each quarter.

Other Financial Information

The main serial financial figures and indices for Sep. 30, 2018 listed herein may be subject to change.

1) Capital Adequacy

Consolidated BIS Ratio (Shinhan Financial Group) (KRW billion)

| | Sep. 30, 2018(e) | Dec. 31, 2017 | Dec. 31, 2016 |
|--|------------------|---------------|---------------|
| Aggregate Amount of Equity Capital (A) | 34,195.7 | 30,713.5 | 29,786.5 |
| Risk-Weighted Assets (B) | 223,497.1 | 207,768.6 | 198,642.6 |
| BIS Ratio (A/B) | 15.30% | 14.78% | 15.00% |

Note) based on Basel III

Capital Adequacy Ratios (Subsidiaries) (%)

| Subsidiary | Capital Adequacy Ratio | Sep. 30, 2018(e) | Dec. 31, 2017 | Dec. 31, 2016 |
|--------------------------------------|---|------------------|---------------|---------------|
| Shinhan Bank | BIS Capital Adequacy Ratio | 16.4 | 15.6 | 15.7 |
| Shinhan Card | Adjusted Equity Capital Ratio | 21.7 | 24.5 | 26.2 |
| Shinhan Investment Corp. | Net Capital Ratio | 679.0 | 706.4 | 892.0 |
| Shinhan Life Insurance | Risk Based Capital Ratio | 199.6 | 175.4 | 178.3 |
| Shinhan BNP Paribas Asset Management | Equity Capital (KRW billion) Minimum Capital Requirement (KRW billion) | 154.7 27.3 | 156 23.5 | 148.6 24.0 |
| Shinhan Capital | Adjusted Equity Capital Ratio | 13.3 | 14 | 14.9 |
| Jeju Bank | BIS Capital Adequacy Ratio | 14.2 | 14.7 | 12.8 |
| Shinhan Savings Bank | BIS Capital Adequacy Ratio | 14.3 | 14.3 | 14.9 |

Notes :

The BIS Capital Adequacy Ratio is computed in accordance with the guidelines issued by the FSS for commercial banks. Under these guidelines, commercial banks are required to maintain a minimum capital adequacy ratio of 8%. Basel III FIRB was applied in calculating Shinhan Bank's BIS Capital Adequacy Ratio.

Basel III TSA was applied in calculating Jeju Bank's BIS Capital Adequacy Ratio.

Basel I was applied in calculating Shinhan Savings Bank's BIS Capital Adequacy Ratio.

The Adjusted Equity Capital Ratio represents the ratio of total adjusted shareholder's equity to total adjusted assets and is computed in accordance with the guidelines issued by FSS. Under these guidelines, Shinhan Card and Shinhan Capital are required to maintain a minimum adjusted equity capital ratio of 8%.

Net Capital Ratio is computed in accordance with the guidelines issued by the FSS. Under these guidelines, Shinhan Investment Corporation is required to maintain a minimum net capital ratio of 100%.

Under the guidelines issued by the FSS, Shinhan Life Insurance is required to maintain a minimum RBC ratio of 100%.

Under the guidelines issued by the FSS, Shinhan BNP Paribas Asset Management is required to hold Equity Capital that exceeds the Minimum Capital Requirement.

2) Liquidity

Won Liquidity Ratio

(KRW billion, %)

| Company | Sep. 30, 2018 | | | Dec. 31, 2017 | | | Dec. 31, 2016 | | |
|--------------------------|---------------|-----------------|------------------------|---------------|-----------------|------------------------|---------------|-----------------|------------------------|
| | Won Assets | Won Liabilities | Won Liquidity Ratio(%) | Won Assets | Won Liabilities | Won Liquidity Ratio(%) | Won Assets | Won Liabilities | Won Liquidity Ratio(%) |
| Shinhan Financial Group | 1,440.2 | 231.3 | 622.7 | 309.8 | 131.6 | 235.3 | 198.8 | 134.8 | 147.5 |
| Shinhan Card | 17,702.6 | 5,385.2 | 328.7 | 15,768.6 | 4,236.0 | 372.3 | 14,722.9 | 4,069.1 | 361.8 |
| Shinhan Investment Corp. | 15,207.1 | 9,252.5 | 164.4 | 12,873.9 | 9,320.8 | 138.1 | 12,472.3 | 8,227.4 | 151.6 |
| Shinhan Life Insurance | 996.4 | 606.9 | 164.2 | 917.5 | 553.3 | 165.8 | 915.8 | 502.0 | 182.4 |
| Shinhan Capital | 880.8 | 503.2 | 175.0 | 768.9 | 560.4 | 137.2 | 684.5 | 521.2 | 131.3 |
| Shinhan Savings Bank | 288.7 | 271.5 | 106.3 | 308.0 | 213.3 | 144.4 | 169.8 | 138.7 | 122.4 |

Notes :

Shinhan Financial Group: Due within 1 month

Shinhan Life Insurance: (Won assets due within 3 months /3 months average of Claim payments)*100

Shinhan Card, Shinhan Investment Corp., Shinhan Capital, and Shinhan Savings Bank : Due within 3 months

Liquidity Ratio for Shinhan Bank and Jeju Bank have been replaced by Liquidity Coverage Ratio from Mar 31, 2015 to reflect the recent amendments to detailed regulations on supervision of banking business.

Liquidity Coverage Ratio

(KRW billion, %)

| Company | Sep. 30, 2018 | | | Dec. 31, 2017 | | | Dec. 31, 2016 | | |
|--------------|----------------------------|-------------------|------------------------------|----------------------------|-------------------|-----------------------------|----------------------------|-------------------|-----------------------------|
| | High Quality Liquid Assets | Net Cash Outflows | Liquidity Coverage Ratio(%)* | High Quality Liquid Assets | Net Cash Outflows | Liquidity Coverage Ratio(%) | High Quality Liquid Assets | Net Cash Outflows | Liquidity Coverage Ratio(%) |
| Shinhan Bank | 48,583.2 | 49,001.3 | 99.2 | 46,813.9 | 49,493.3 | 94.7 | 35,961.9 | 37,257.5 | 96.7 |
| Jeju Bank | 620.8 | 488.3 | 128.1 | 560.3 | 476.0 | 117.9 | 563.2 | 401.9 | 142.6 |

* The "High quality liquid assets" and "Net cash outflows" are the arithmetic mean of the ending balance of every day.

Foreign Currency (FC) Liquidity Ratio

(USD millions, %)

| Company | Sep. 30, 2018 | | | Dec. 31, 2017 | | | Dec. 31, 2016 | | |
|--------------------------|---------------|----------------|-----------------------|---------------|----------------|-----------------------|---------------|----------------|-----------------------|
| | FC Assets | FC Liabilities | FC Liquidity Ratio(%) | FC Assets | FC Liabilities | FC Liquidity Ratio(%) | FC Assets | FC Liabilities | FC Liquidity Ratio(%) |
| Shinhan Financial Group | - | - | - | - | - | - | - | - | - |
| Shinhan Bank | - | - | - | 49,850.7 | 46,790.4 | 106.5 | 39,631.1 | 35,968.5 | 110.2 |
| Shinhan Investment Corp. | 6,374.5 | 5,929.0 | 107.5 | 7,577.9 | 7,913.3 | 95.8 | 5,635.3 | 5,073.4 | 111.1 |
| Shinhan Capital | 113.4 | 59.6 | 190.3 | 99.8 | 0.3 | 29325.2 | 80.3 | 1.1 | 7333.0 |
| Jeju Bank | 42.6 | 24.4 | 174.7 | 43.2 | 37.9 | 114.1 | 13.3 | 10.7 | 124.7 |

Notes :

Foreign currency liquidity ratios are computed with assets and liabilities due within 3 months.

Shinhan Bank's foreign currency liquidity ratio reflected securitization weight with the guidelines issued by the FSS.

Shinhan Financial Group figures are based on the separate basis.

Foreign Currency (FC) Liquidity Coverage Ratio

(USD millions, %)

| Company | 2018 3Q Jul. 1 ~ Sep. 30 | 2018 2Q Apr. 1 ~ Jun. 30 | 2018 1Q Jan. 1 ~ Mar. 31 | 2017 4Q Oct. 1 ~ Dec. 31 |
|--------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Shinhan Bank | 124.2 | 117.6 | 107.3 | 107.3 |

Notes :

Under the guidelines issued by the FSS, Shinhan Bank is required to hold a minimum requirement of foreign exchange debt in high-quality liquidity assets to withstand a 30-day net cash outflow in systemic risks. The minimum requirement of the foreign currency liquidity coverage ratio was set at 60% in 2017, 70% in 2018 and will be increased gradually to 80% in 2019.

3) Asset Quality

SFG Consolidated Basis

(KRW billion)

| | Sep. 30, 2018 | Dec. 31, 2017 | Dec. 31, 2016 |
|------------------------------------|---------------|---------------|---------------|
| Total Loans | 293,971.1 | 274,719.1 | 259,772.6 |
| Substandard & Below | 1,642.8 | 1,734.1 | 1,927.6 |
| Substandard & Below Ratio | 0.56% | 0.63% | 0.74% |
| Non-Performing Loans | 1,327.5 | 1,467.1 | 1,595.8 |
| NPL Ratio | 0.45% | 0.53% | 0.61% |
| Substandard & Below Coverage Ratio | 171.17% | 135.15% | 125.99% |
| Loan Loss Allowance | 2,811.9 | 2,343.6 | 2,428.7 |
| Substandard & Below Loans | 1,642.8 | 1,734.1 | 1,927.6 |

Separate Basis

(%)

| | Sep. 30, 2018 | | | Dec. 31, 2017 | | | Dec. 31, 2016 | | |
|--------------------------|---------------------------|-----------|------------------------------------|---------------------------|-----------|------------------------------------|---------------------------|-----------|--|
| | Substandard & Below Ratio | NPL Ratio | Substandard & Below Coverage Ratio | Substandard & Below Ratio | NPL Ratio | Substandard & Below Coverage Ratio | Substandard & Below Ratio | NPL Ratio | Substandard & Below Coverage Ratio ¹⁾ |
| Shinhan Financial Group | - | - | - | - | - | - | - | - | - |
| Shinhan Bank | 0.47 | 0.41 | 142 | 0.55 | 0.49 | 114 | 0.65 | 0.56 | 96 |
| Shinhan Card | 1.08 | 0.61 | 290 | 1.06 | 0.61 | 238 | 1.16 | 0.76 | 271 |
| Shinhan Investment Corp. | 0.08 | 0.08 | 648 | 0.08 | 0.08 | 497 | 0.1 | 0.1 | 413 |
| Shinhan Life Insurance | 0.08 | 0.07 | 437 | 0.09 | 0.07 | 274 | 0.09 | 0.08 | 335 |
| Shinhan Capital | 1.48 | 1.5 | 107 | 1.33 | 1.6 | 129 | 2.61 | 2.93 | 94 |
| Jeju Bank | 0.46 | 0.44 | 112 | 1.09 | 0.8 | 41 | 1.24 | 0.93 | 35 |
| Shinhan Savings Bank | 3.79 | 3.31 | 75 | 3.86 | 2.98 | 62 | 5.42 | 3.45 | 53 |

4) Debt to Equity Ratios

Shinhan Financial Group (Separate Basis)

(KRW billion)

| | Sep. 30, 2018 | Dec. 31, 2017 | Dec. 31, 2016 |
|----------------------|---------------|---------------|---------------|
| Debt | 7,704.9 | 7,447.7 | 6,977.7 |
| Equity | 21,842.9 | 20,192.1 | 20,217.9 |
| Debt to Equity Ratio | 35.27% | 36.88% | 34.51% |

Twenty Largest Exposures by Borrower

(KRW billion)

| As of Sep. 30, 2018 | Loans in Won | Loans in Foreign Currency | Securities | Guarantees and Acceptances | Others | Total Exposures |
|--|-----------------|------------------------------|------------|-------------------------------|--------|--------------------|
| Consolidated basis | | | | | | |
| Ministry of Strategy & Finance | 0.0 | - | 16,816.8 | - | - | 16,816.8 |
| Korea Housing Finance Corporation | 0.0 | - | 6,869.1 | - | - | 6,869.1 |
| Bank of Korea | 350.0 | - | 5,705.3 | 0.1 | - | 6,055.4 |
| Korea Development Bank | 12.1 | - | 5,072.1 | - | - | 5,084.1 |
| Industrial Bank of Korea | 671.8 | - | 2,676.1 | - | - | 3,347.9 |
| Export-Import Bank of Korea | - | - | 2,795.8 | - | - | 2,795.8 |
| Samsung Electronics Co., Ltd. | 0.0 | 1,935.5 | 2.0 | - | 0.0 | 1,937.5 |
| Woori Bank | 726.9 | 80.8 | 759.1 | - | - | 1,566.8 |
| Korea Deposit Insurance Corporation | - | - | 1,459.2 | - | - | 1,459.2 |
| Kookmin Bank | 628.9 | 133.5 | 652.5 | 25.7 | - | 1,440.7 |
| Korea Securities Finance Corporation | 556.3 | - | 870.6 | - | - | 1,426.9 |
| NongHyup Bank | 642.2 | 8.1 | 493.1 | 15.5 | - | 1,158.9 |
| Korea Land & Housing Corporation | 0.0 | - | 1,107.3 | - | - | 1,107.4 |
| United States of America | - | - | 998.3 | - | - | 998.3 |
| KB Investment & Securities Co.,Ltd | 800.0 | - | 180.9 | - | - | 980.9 |
| Korea Electric Power Corporation | 0.3 | - | 849.5 | 87.0 | - | 936.8 |
| National Agricultural Cooperative Federation | 520.5 | - | 400.4 | - | - | 920.8 |
| KEB Hana Bank | 141.8 | 278.2 | 488.6 | 2.1 | - | 910.7 |
| LG Electronics Inc. | 71.6 | 109.3 | 162.2 | 434.8 | - | 777.8 |
| Hyundai Motors | 87.2 | 593.1 | 39.3 | 46.0 | 0.1 | 765.7 |
| Total | 5,209.6 | 3,138.5 | 48,398.1 | 611.1 | 0.1 | 57,357.4 |

Note) Some of the totals may not sum due to rounding

Exposure to ten Main Debtor Groups

(KRW billion)

| As of Sep. 30, 2018 | Loans in Won | Loans in Foreign Currency | Securities | Guarantees and Acceptances | Others | Total Exposures |
|---------------------------|-----------------|---------------------------|-----------------|----------------------------|------------|-----------------|
| Consolidated basis | | | | | | |
| Samsung | 325.5 | 2,310.9 | 866.8 | 936.0 | 0.1 | 4,439.20 |
| Hyundai Motors | 872.4 | 1,892.7 | 956.1 | 378.3 | 1.2 | 4,100.70 |
| Lotte | 182.6 | 721.1 | 829.5 | 421.6 | 1 | 2,155.90 |
| SK | 504.2 | 283.3 | 531.1 | 831.7 | 0.1 | 2,150.40 |
| LG | 398.2 | 232.2 | 512.3 | 719.1 | 0 | 1,861.90 |
| Hyundai Heavy Industries | 157.3 | 153.7 | 126.1 | 1401.4 | 0 | 1,838.50 |
| Hanwha | 349.2 | 227.6 | 513.6 | 355.0 | 0 | 1,445.40 |
| LS | 84.3 | 326.7 | 214.8 | 589.2 | - | 1,215.00 |
| CJ | 128.5 | 428.5 | 230.0 | 78.4 | - | 865.4 |
| Hyosung | 154.3 | 436.3 | 59.3 | 168.4 | 0 | 818.2 |
| Total | 3,156.50 | 7,013.0 | 4,839.60 | 5879.1 | 2.4 | 20,890.5 |

Note) Some of the totals may not sum due to rounding

Loans, Due from banks and Securities Concentration by Industry

(KRW billion)

| As of Sep. 30, 2018 | Total Exposures | |
|----------------------------------|------------------|---------------|
| | Amount | Weight (%) |
| Consolidated basis | | |
| Finance and Insurance | 87,735.7 | 21.2% |
| Manufacturing | 47,934.3 | 11.6% |
| Retail and Wholesale | 18,568.1 | 4.5% |
| Real Estate, Leasing and Service | 28,163.2 | 6.8% |
| Construction | 4,547.5 | 1.1% |
| Hotel and Restaurant | 5,827.9 | 1.4% |
| Others | 88,521.0 | 21.4% |
| Retail customers | 132,425.1 | 32.0% |
| Total | 413,722.8 | 100.0% |

Note) Some of the totals may not sum due to rounding

Top Twenty Non-Performing Loans

(KRW billion)

| Borrower | Industry | Gross Principal Outstanding | Substandard & Below | Allowance for Loan Losses |
|----------|--|-----------------------------|---------------------|---------------------------|
| A | Manufacture of steel products by cold rolling, cold extrusion and cold drawing | 90.7 | 90.7 | 75 |
| B | Manufacture of distilling machinery, heat exchangers and gas generators | 76 | 76 | 53.9 |
| C | Manufacture of plastic products for fabricating of machine | 42 | 42 | 36.2 |
| D | Manufacture of sections for ships | 41.5 | 39.2 | 26.9 |
| E | Building of steel ships | 25.7 | 25.7 | 22.1 |
| F | Building of steel ships | 23.4 | 23.4 | 5.3 |
| G | Building of steel ships | 22.2 | 22.2 | 0.8 |
| H | Manufacture of sections for ships | 22.9 | 21.4 | 0 |
| I | Other construction of civil engineering projects | 19.8 | 19.8 | 8.3 |
| J | Apartment building construction | 18.5 | 18.5 | 0 |
| K | Sea freight water transport | 17.8 | 17.8 | 0 |
| L | Construction of highways, streets and roads | 17.1 | 17.1 | 14.6 |
| M | Apartment building construction | 17.1 | 16.1 | 14.5 |
| N | Golf course operation | 14 | 14 | 0 |
| O | Manufacture of sections for ships | 11.5 | 11.5 | 1.1 |
| P | Manufacture of smelting, refining and alloys of other non-ferrous metals | 9.1 | 9.1 | 5.5 |
| Q | Development and subdividing of other real estate | 8.2 | 8.2 | 0 |
| R | Golf course operation | 6 | 6 | 0 |
| S | Wholesale of outerwear and shirts | 5.8 | 5.8 | 5.1 |
| T | Operation of Passenger Bus Terminal Facilities | 5.7 | 5.7 | 1 |
| Total | | 495.1 | 490.3 | 270.2 |

Notes :

Consolidated basis as of Sep. 30, 2018.

Some of the totals may not sum due to rounding.

3. Independent Auditor

Audit Opinion for the last 3 years

| | 2018 3Q | FY2017 | FY2016 |
|-----------------|---------|-------------|-------------|
| Audit Opinion - | | Unqualified | Unqualified |

* For the third quarter of 2018, the independent accountant conducted a review for our financial statements instead of auditing them.

Compensation to the Independent Auditor for Audit and Review Services

The following is a description of the fees for audit and review services performed by our independent auditor for the last three years in connection with our financial statements preparation.

| Year | Auditor | Payment ¹⁾ (KRW mil.) | Details | Working hours |
|--------|--|-------------------------------------|---|----------------|
| FY2018 | KPMG Samjong Accounting Corp. | 715 (annualized basis) | Review/Audit of Financial Statements | 4,480 Hours |
| | KPMG Samjong Accounting Corp. | 94 (annualized basis) | K-IFRS Report Package Audit for Shinhan Savings Bank | 442 Hours |
| FY2017 | KPMG Samjong Accounting Corp. | 626 (annualized basis) | Review/Audit of Financial Statements | 7,641 Hours |
| | KPMG Samjong Accounting Corp. | 78 (annualized basis) | K-IFRS Report Package Audit for Shinhan Savings Bank | 896 Hours |
| | KPMG Samjong Accounting Corp. | 261 (annualized basis) | Non-statutory audit for IFRS 9 adoption | 2,896 Hours |
| FY2016 | KPMG Samjong Accounting Corp. | 581 (annualized basis) | Review/Audit of Financial Statements | 7,512 Hours |

FY2016

| | | | |
|------------------------|--------|--------------|-------|
| | | K-IFRS | |
| KPMG | 73 | Report | 807 |
| Samjong | | Package | |
| Accounting (annualized | | Audit for | Hours |
| Corp. | basis) | Shinhan | |
| | | Savings Bank | |

1) Excluding value-added taxes.

* In addition to above mentioned description of fees for audit and review services, KPMG Samjong Accounting Corp. also provided services related to US listing and ICOFR audit in accordance with the standards of the PCAOB which we agreed to pay KRW1,582 million(excluding value-added taxes) for FY2018 and a comfort letter issuance services between June 11, 2018 and August 13, 2018 which we paid KRW 120 million(excluding value-added taxes).

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4. Major Shareholder and Market Price Information of our Common Shares and ADRs

Major Shareholders¹⁾ of Shinhan Financial Group as of Sep. 30, 2018

| Name | No. of Common Shares owned ²⁾ | Ownership% |
|---------------------------------------|--|------------|
| National Pension Service | 45,285,762 | 9.55% |
| BlackRock Fund Advisors ³⁾ | 24,320,723 | 6.13% |

1) Shareholders who own beneficial ownership of 5% or more (common share basis).

2) Based on the results of shareholder registry closing as of December 31, 2017

3) Based on the large equity ownership disclosure by BlackRock Fund Advisors with the Financial Supervisory Service on Sep. 27, 2018.

Share ownership of Employee Stock Ownership Association (Number of shares, %)

| Share ownership | Beginning Balance (Jan. 1, 2018) | Increase Decrease | | Ending Balance Ownership% | |
|--------------------------|-------------------------------------|-------------------|-----------|---------------------------|-----------------|
| | | | | (Sep. 30, 2018) | (Sep. 30, 2018) |
| Employee Stock Ownership | 22,211,786 | 2,418,422 | 2,761,141 | 21,869,067 | - |
| ESOA account | 112,241 | 29,326 | - | 141,567 | - |
| Total | 22,324,027 | 2,447,748 | 2,761,141 | 22,010,634 | 4.64% |

Common Share Traded on the Korea Exchange (KRW, number of shares)

| | Apr. 2018 | May. 2018 | Jun. 2018 | Jul. 2018 | Aug. 2018 | Sep. 2018 |
|------------------------------|------------|------------|------------|------------|------------|------------|
| High | 47,650 | 48,400 | 47,550 | 45,700 | 43,600 | 45,000 |
| Price per share Low | 43,950 | 43,750 | 43,000 | 42,800 | 41,450 | 42,000 |
| Avg. | 45,600 | 47,095 | 45,287 | 44,143 | 42,859 | 43,015 |
| Trading Volume | 20,275,001 | 17,495,411 | 19,085,065 | 19,688,334 | 19,200,154 | 22,771,013 |
| Highest Daily Trading Volume | 1,688,993 | 2,649,024 | 1,744,218 | 2,374,170 | 1,613,802 | 2,656,021 |
| Lowest Daily Trading Volume | 517,399 | 369,865 | 601,472 | 459,214 | 491,336 | 595,359 |

American Depositary Receipts traded on the New York Stock Exchange (USD, number of shares)

| | Apr. 2018 | May. 2018 | Jun. 2018 | Jul. 2018 | Aug. 2018 | Sep. 2018 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| High | 44.62 | 45.2 | 44.25 | 40.43 | 39.42 | 40.13 |
| Price per share Low | 41.92 | 41.24 | 38.14 | 38.13 | 36.58 | 37.23 |
| Avg. | 42.73 | 43.87 | 41.37 | 39.26 | 38.1 | 38.48 |
| Trading Volume | 1,906,027 | 1,618,809 | 2,013,497 | 1,754,178 | 1,742,128 | 1,830,101 |
| Highest Daily Trading Volume | 181,814 | 192,835 | 276,588 | 128,160 | 152,221 | 194,238 |
| Lowest Daily Trading Volume | 46,443 | 41,813 | 29,937 | 46,876 | 37,392 | 55,291 |

Note) 1 ADR = 1 Common Shares

5. Directors, Executive Officers and Employees

Directors and Executive Officers

1) Executive Director (As of Sep. 30, 2018)

| Name | Month and Year of Birth | Position | Service Term |
|-----------------|-------------------------|--|--------------------------------------|
| | | - Chairman of Shinhan Financial Group | |
| | | - Board Steering Committee Chair | |
| Cho Yong-byoung | June 1957 | - Corporate Governance & CEO Recommendation Committee member | 3 years starting from March 23, 2017 |
| | | - Outside Director Recommendation Committee member | |
| | | - Corporate Social Responsibility Committee member | |

2) Non-Executive Directors

Currently, 11 non-executive directors are in office, 10 of which outside directors who are nominated by our Outside Director Recommendation Committee and appointed pursuant to the approval of general shareholders' meeting.

8 outside directors were appointed as board of directors at the 17th Annual General Meeting of Shareholders on March 22, 2018, of which 5 directors renewed their terms and 3 directors were newly appointed.

Our non-executive directors are as follows:

(As of Sep. 30, 2018)

| Name | Month and Year of Birth | Outside Director | Sub-Committees | Service Term |
|-----------------------|-------------------------|------------------|--|--------------------------------------|
| | | | Chairman of Board of Directors | |
| | | | Outside Director Recommendation Committee Chair | |
| Park Cheul | April 1946 | O | Corporate Governance & CEO Recommendation Committee member Remuneration Committee member Risk Management Committee member Audit Committee Chair | 4 years starting from March 25, 2015 |
| Lee Manwoo | November 1954 | O | Corporate Social Responsibility Committee member Board Steering Committee member Corporate Governance & CEO Recommendation Committee member | 5 years starting from March 26, 2014 |
| Yuki Hirakawa | October 1960 | O | Corporate Social Responsibility Committee member Risk Management Committee member | 4 years starting from March 25, 2015 |
| Philippe Avril | April 1960 | O | Corporate Governance & CEO Recommendation Committee member Corporate Social Responsibility Committee Chair | 4 years starting from March 25, 2015 |
| Lee Steven Sung-ryang | August 1955 | O | Audit Committee member Board Steering Committee member | 3 years starting from March 24, 2016 |
| Park Ansoon | January 1945 | O | | |

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| | | | | |
|-----------------|----------------|---|--|--------------------------------------|
| | | | Outside Director Recommendation Committee member | 2 years starting from March 23, 2017 |
| | | | Corporate Social Responsibility Committee member | |
| | | | Board Steering Committee member Risk Management Committee Chair | |
| Joo Jaeseong | January 1956 | O | Audit Committee member | 2 years starting from March 23, 2017 |
| Kim Hwa-nam | December 1945 | O | Remuneration Committee member Corporate Governance & CEO Recommendation Committee member Corporate Governance & CEO Recommendation Committee Chair | 2 years starting from March 22, 2018 |
| Park Byoung-dae | September 1957 | O | Remuneration Committee Chair Outside Director Recommendation Committee member | 2 years starting from March 22, 2018 |
| | | | Audit Committee member Outside Director Recommendation Committee member | |
| Choi Kyong-rok | May 1966 | O | Risk Management Committee member | 2 years starting from March 22, 2018 |
| | | | Board Steering Committee member | |
| Wi Sung-ho | June 1958 | X | - | 2 years starting from March 23, 2017 |

* Audit Committee Member Recommendation Committee consists of all the outside directors.

3) Executive Officers

In addition to the executive directors, we currently have the following executive officers:

(As of Sep 30, 2018)

| Name | Month and Year of Birth | Position | In charge of |
|------------------|----------------------------|--|---|
| Lee Dong-hwan | September 1959 | Deputy President | - Group & Global Investment Banking Business Department - Strategic Planning Team - Investor Relations Team |
| Woo Young-woong | March 1960 | Deputy President & Chief Strategy Officer | - Future Strategy Research Institute - Digital Strategy Team - One Shinhan Strategy Team - Platform Marketing Team - Brand Strategy Team - Management Support Team |
| Jin Okdong | February 1961 | Deputy President | - Human Resource Team - Shinhan Culture & Leadership Center - CSR Team |
| Kim Byeong-cheol | January 1962 | Deputy President | - Global Markets & Securities Planning Office |
| Heo Young-taeg | August 1961 | Deputy President | - Global Business Planning Office |
| Lee Chang-goo | January 1961 | Deputy President | - Wealth Management Planning Office - Finance Management Team |
| Jang Dong-ki | January 1964 | Executive Vice President | - Accounting Team - Global Business & Capital Market Team - Risk Management Team |
| Kim Im-geun | July 1963 | Executive Director & Chief Risk Officer | - Risk Model Validation Team - Credit Review Team |
| Lee Soonwoo | October 1962 | Executive Director & Compliance Officer | - Compliance Team |

Compensation to Directors

1) Total Amount Approved at the Meeting of Shareholders

(As of Sep. 30, 2018)

| | Total number of persons at shareholders' meeting | Total amount approved | Notes |
|-----------|--|-----------------------|-------|
| | | (KRW millions) | |
| Directors | 12(10) | 3,500 | - |

(Outside directors)

Note) Represents the aggregate amount for all directors(including outside directors). Excludes long-term incentives.

2) Total Amount Paid

(As of Sep. 30, 2018)

| | Total number of Persons | Total Compensation (KRW millions) | Average Compensation per person (KRW millions) | Notes |
|---|-------------------------|-----------------------------------|--|--|
| Registered Directors | 2 | 948 | 474 | Excluding outside directors Excluding Audit committee members |
| Outside Directors | 6 | 286 | 45 | |
| Audit committee members or internal auditor | 4 | 182 | 49 | |
| Total | 12 | 1,416 | - | |

Notes :

Represents the total number of applicable persons as of Sep. 30, 2018.

Under the Financial Supervisory Service's standards for preparing corporate disclosure forms, which standards were amended in November 2013, we are required to disclose in our Business Report the individual annual compensation paid by us to our directors and auditors if such individual annual compensation is W500 million or greater.

Stock Options

(As of Sep. 30, 2018)

| | No. of Granted Options (A) | No. of Exercised Options (B) | No. of Cancelled Options (C) | No. of Exercisable Options (D = A - B - C) | Exercise Price (KRW) |
|-----------------|----------------------------|------------------------------|------------------------------|--|----------------------|
| Granted in 2005 | 2,500 | - | - | 2,500 | 28,006 |
| Granted in 2006 | 2,500 | - | - | 2,500 | 38,829 |
| Granted in 2007 | 58,764 | - | - | 58,764 | 54,560 |
| Granted in 2008 | 60,753 | - | 15,125 | 45,628 | 49,053 |
| Total | 124,517 | - | 15,125 | 109,392 | - |

Notes :

The weighted-average exercise price of outstanding exercisable options as of Sep. 30, 2018 is KRW 51,297.

The closing price of our common stock was KRW 45,000 on Sep. 30, 2018.

As of Sep. 30, 2018, the exercise of 9,466 options granted in 2008 is temporarily suspended.

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Employees

(As of Sep. 30, 2018)

| Gender | Number of Employees | Average length of Service | Total Salaries and wages | Average Payment |
|--------|---------------------|--|--------------------------|-----------------|
| | | | paid in 2018 | per person |
| | | | (KRW million) | (KRW million) |
| Male | 120 | 2 yrs 9 mths (13 yrs 10 mths) ¹⁾ | 11,212 | 91 |
| Female | 27 | 4 yrs 6 mths (10 yrs 10 mths) ¹⁾ | 1,684 | 60 |
| Total | 147 | 2 yrs 8 mths (13 yrs 2 mths) ¹⁾ | 12,896 | 85 |

1) Average length of service including service within group subsidiaries

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6. Related Party Transactions

Loans to Subsidiaries

(KRW billion)

| Subsidiary | Loan Type | Origination | Maturity | Lending | Beginning | | | Ending |
|---|--------------|-------------|------------|---------|----------------|----------|----------|-----------------|
| | | Date | Date | Rate | Balance | Decrease | Increase | Balance |
| | | | | | (Jan. 1, 2018) | | | (Sep. 30, 2018) |
| Shinhan Card | Loans in KRW | 2016-01-26 | 2021-01-26 | 1.98% | 150 | - | - | 150 |
| | Loans in KRW | 2016-02-24 | 2021-02-24 | 1.84% | 150 | - | - | 150 |
| | Loans in KRW | 2017-03-22 | 2022-03-22 | 2.22% | 150 | - | - | 150 |
| | Loans in KRW | 2017-04-20 | 2022-04-20 | 2.21% | 100 | - | - | 100 |
| | Loans in KRW | 2017-05-12 | 2022-05-12 | 2.35% | 50 | - | - | 50 |
| | Loans in KRW | 2018-02-22 | 2023-02-22 | 2.90% | - | - | 100 | 100 |
| | Loans in KRW | 2013-01-18 | 2018-01-18 | 3.18% | 50 | 50 | - | - |
| | Loans in KRW | 2013-09-05 | 2018-09-05 | 3.61% | 80 | 80 | - | - |
| | Loans in KRW | 2014-01-27 | 2019-01-27 | 3.60% | 50 | - | - | 50 |
| | Loans in KRW | 2016-03-16 | 2021-03-16 | 1.90% | 50 | - | - | 50 |
| Shinhan Capital | Loans in KRW | 2016-04-27 | 2019-04-27 | 1.63% | 100 | - | - | 100 |
| | Loans in KRW | 2017-03-22 | 2022-03-22 | 2.22% | 50 | - | - | 50 |
| | Loans in KRW | 2017-04-20 | 2022-04-20 | 2.21% | 50 | - | - | 50 |
| | Loans in KRW | 2017-05-12 | 2022-05-12 | 2.35% | 50 | - | - | 50 |
| | Loans in KRW | 2017-08-24 | 2022-08-24 | 2.37% | 50 | - | - | 50 |
| | Loans in KRW | 2018-01-22 | 2023-01-22 | 2.75% | - | - | 50 | 50 |
| | Loans in KRW | 2017-11-22 | 2018-11-21 | 2.24% | 5 | - | - | 5 |
| Shinhan Alternative Investment Management | Loans in KRW | 2016-06-17 | 2021-06-17 | 1.61% | 50 | - | - | 50 |
| Shinhan Savings Bank | Loans in KRW | 2017-06-23 | 2022-06-23 | 2.27% | 50 | - | - | 50 |
| Total | | | | | 1,235 | 130 | 150 | 1,255 |

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---|
| 99.1 | Independent Auditors' Review Report (Separate Financial Statements) of Shinhan Financial Group as of September 30, 2018 |
| 99.2 | Independent Auditors' Review Report (Consolidated Financial Statements) of Shinhan Financial Group as of September 30, 2018 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHINHAN FINANCIAL GROUP CO., LTD.

Date: November 14, 2018

By: /s/ Woo Young-woong

Name: Woo Young-woong

Title: Chief Strategy Officer