

Shinhan Financial Group

U.S. Section 165(d) Reduced Resolution Plan

Public Section

December 20, 2018

This document contains forward-looking statements. Statements that are not historical facts, including statements about Shinhan Financial Group's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes. Forward-looking statements speak only as of the date they are made, and Shinhan Financial Group undertakes no obligation to update publicly any of them in light of new information or future events.

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A. Public Section

A.1 Introduction

Shinhan Financial Group Co., Ltd. (“SFG”) is a foreign banking organization duly organized and existing under the laws of Korea. SFG’s subsidiary, Shinhan Bank has established a New York state-licensed branch in New York (“SHBNY”). SFG also has a wholly-owned insured depository subsidiary, Shinhan Bank America (“SHBA”). In addition, SFG’s subsidiary, Shinhan Investment Corp., Korea has established a wholly-owned, registered broker-dealer, Shinhan Investment America (“SIA”). This resolution plan (the “U.S. Resolution Plan”) is being filed by SFG pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and implementing regulations issued by the Board of Governors of the Federal Reserve System (“FRB”) (12. C.F.R Part 243) and the Federal Deposit Insurance Corporation (“FDIC”) (12 C.F.R. Part 381) (collectively, the “Regulation”).

Section 165(d) of the Dodd-Frank Act and the Regulation require a foreign bank or company that is, or is treated as, a banking holding company under section 8(a) of the International Banking Act of 1978 (the “IBA”) [12 U.S.C. §§101 et sea.] and that has \$50 billion or more in total consolidated assets to submit annually a plan for the rapid and orderly resolution of the U.S. operations of a “covered company” in the event of material financial distress or failure. Foreign-based covered companies with less than \$100 billion in total U.S. nonbank assets submit their initial resolution plan to the FRB and the FDIC on or before December 31, 2013. After the initial plan is submitted, each company is required to submit an updated resolution plan annually on or before the anniversary date of the date for submission of its initial plan.

SFG is treated as a bank holding company under Section 8(a) of the IBA, because it controls Shinhan Bank which maintains both a branch office and a subsidiary in the U.S. Accordingly, SFG is a “foreign based covered company” subject to the Regulation.

This Public section of the U.S. Resolution Plan provides an executive summary of SFG’s overall resolution strategy. All financial information included in this U.S. resolution are as of December 31, 2017, SFG’s fiscal year-end.

A.1.1 Overview of Shinhan Financial Group (SFG)

Incorporated on September 1, 2001, SFG is the first privately-held financial holding company to be established in Korea. According to reports by the Financial Supervisory Service, SFG is the largest financial services provider in Korea as measured by total assets as of December 31, 2017 and operates the second largest banking business (as measured by consolidated total assets as of December 31, 2017) and the largest credit card business (as measured by the total credit purchase volume as of December 31, 2017) in Korea.

SFG has 14 direct subsidiaries and 25 indirect subsidiaries offering a wide range of financial products and services, including commercial banking, credit card, life insurance and securities brokerage. As parts of its global operations, it has 178 offices in the United States, Canada, the United Kingdom, Japan, the People’s

Republic of China, Germany, India, Australia, Hong Kong, Vietnam, Cambodia, Kazakhstan, Singapore, Mexico, Uzbekistan, Myanmar, Poland, Indonesia, Philippines and the United Arab Emirates. While SFG has a number of overseas branches and subsidiaries, substantially all of SFG's assets are located, and substantially all of SFG's revenues are generated, in Korea.

SFG provides comprehensive financial services, principally consisting of commercial banking services, credit card services, securities brokerage services, life insurance services, etc.

A.1.1.1 Commercial Banking Services

Commercial banking services consist of retail banking, corporate and investment banking, international banking, and other banking services. Retail banking services include mortgage and home equity lending and retail lending as well as demand, savings and fixed deposit-taking, checking account services, electronic banking and ATM services, bill paying services, payroll and check-cashing services, currency exchange and wire fund transfer. SFG provides corporate banking services, primarily through Shinhan Bank, to small-and medium sized enterprises, including enterprises known as SOHO, or "small office, home office", which are small enterprises operated by individuals or households, and, to a lesser extent, to large corporations, including corporations that are affiliated with *chaebols*¹. International banking services include foreign currency-denominated securities trading, foreign exchange trading and services, trade-related financial services, international factoring services, and foreign banking operations through its overseas branches and subsidiaries.

A.1.1.2 Credit Card Services

SFG provides credit card services principally through its credit card subsidiary, Shinhan Card, and to a limited extent, through Jeju Bank. Credit card services include credit card services, cash advances, installment purchases, and card loans. Revenue is generated from annual membership fees paid by credit cardholders, interest charged on credit card balances, fees and interest charged on cash advances and card loans, interest charged on late and deferred payments, and merchant fees paid by retail and service establishments. Merchant fees and interest on cash advances constitute the largest sources of revenue.

A.1.1.3 Life Insurance Services

SFG provides life insurance products and services primarily through Shinhan Life Insurance. Life insurance services are provided through diversified distribution channels consisting of financial planners, telemarketers, agency marketers, and banc assurance specialists.

A.1.1.4 Securities Brokerage Services

Through Shinhan Investment Corp., SFG provides a wide range of financial investment services to SFG's diversified customer base including corporations, institutional investors, governments, and individuals. Brokerage services include brokerage of stocks, corporate bonds, futures and options provided to Shinhan Investment Corp.'s institutional and international customers and sales of institutional financial products. These services are supported by a team of approximately 72 research analysts that specialize in equity, bonds, and derivative research as of December 31, 2017.

¹ A *chaebol* is a South Korean form of business conglomerate.

A.1.2 Overview of SFG's U.S. Operations

In the United States, SFG operates a wholly-owned insured depository subsidiary, Shinhan Bank America, an uninsured branch of Shinhan Bank, Korea, in New York, and a registered broker-dealer, Shinhan Investment America, which is a wholly-owned subsidiary of Shinhan Investment Corp., Korea. In the United States, SFG has the following business lines: corporate and wholesale banking, retail banking, and securities brokerage.

A.2 Summary of the Resolution Plan

A.2.1 Overview of U.S. Resolution Plan

SFG has limited operations in the United States which includes corporate banking, retail banking, and brokerage services. SFG's U.S. Resolution Plan is intended to provide the FRB and the FDIC with an explanation of SFG's plan for the rapid and orderly resolution of its U.S. operations in the event of the material financial distress or failure of the Covered Company. The U.S. Resolution Plan includes the information required by the Regulation, including a description of SFG's banking operations and core business lines that are conducted in whole or in material part in the U.S.

A.2.2 Material Entities

Under the Regulation, a "material entity" is a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or a core business line. "Critical operations" are those operations, including associated services, functions, and support, the failure or discontinuance of which would pose a threat to the financial stability of the United States. "Core business lines" are those business lines, including associated operations, services, functions, and support that, in the covered company's view, upon failure would result in a material loss of revenue, profit, or franchise value.

SFG has determined that it does not have any critical operations that, upon their failure or discontinuance, would pose a threat to the financial stability of the United States. Overall, the relatively limited scope, nature, and volume of SFG's U.S. operations are such that their failure or discontinuance would not pose a threat to the stability of the U.S. financial system.

SFG has also determined that it had no core business lines based on analysis performed on a quantitative, as well as, a qualitative basis. On a qualitative basis, failure of SFG's U.S. operations would not have a material effect on the overall franchise value of the company. As such, SFG determined that none of the business lines conducted in the United States should be considered as a core business line for the purposes of this U.S. Resolution Plan.

Because none of the business lines of SFG that are conducted in the United States have been determined to be a "core business line" or a "critical operation", SFG determined that it has no material entities for the purposes of this Resolution Plan.

A.2.3 Description of Core Business Lines

As noted above, for purpose of the U.S. Resolution Plan, SFG has identified no core business lines. None of the business lines in their U.S. operations is significant in quantitative aspects when compared to the

global financials of SFG. In addition to the above quantitative analysis, a qualitative analysis was used to determine whether the business lines operating in the United States would have a material effect on the overall franchise value of SFG. Pursuant to SFG's qualitative and quantitative analyses, no core business lines were identified. A brief summary of SFG's business lines operating in the U.S. is provided in the sections that follow.

A.2.3.1 Shinhan Bank New York Branch ("SHBNY")

SHBNY conducts Corporate Banking operations including buying, paying and collecting bills, issuing letters of credit, and granting loans. SHBNY has extensive transactions and relationship with the Head office in Korea, other branches, and affiliates.

A.2.3.2 Shinhan Bank America ("SHBA")

SHBA provides comprehensive financial services for small-to-medium sized business owners, with a focus on the Korean-American market, primarily in the New York-metropolitan and Southern California areas. These financial services are mainly for corporate and retail banking. SHBA specializes in commercial loans, which are mostly secured by real property, to multiethnic and small business customers. In addition, SHBA is a preferred lender of Small Business Administration (SBA) loans and provides trade finance loans.

A.2.3.3 Shinhan Investment America Inc. ("SIA")

SIA engages primarily in broker and dealer transactions for Korean securities. Its principal customers are institutions in the U.S. investing in Asian market. SIA has a clearing agreement with Shinhan Investment Corporation, the parent company, whereby Shinhan Investment Corporation clears Korean security transactions for the SIA's customers and carries such accounts on a fully disclosed basis as Shinhan Investment Corporation's customers. Accordingly, SIA does not carry customer accounts and does not receive, deliver, or hold cash or securities in connection with such transactions.

A.3 Summary of Financial Information Regarding Assets, Liabilities, Capital and Major Funding Sources

The following table is summary of consolidated financial information under IFRS as of December 31, 2017 for SFG. Please refer to SFG's annual report for the 2017 fiscal year filed with the Securities and Exchange Commission ("SEC") (Form 20-F) for the further detail.

Exhibit A-1: Consolidated Balance Sheet

	As of December 31					
	2013	2014	2015	2016	2017	
	(In billions of Won and millions of US\$, except per common share data)					
Assets						
Cash and due from banks	₩16,473	₩20,585	₩22,024	₩19,181	₩22,669	\$21,237
Trading assets	18,033	24,362	22,638	26,696	28,464	26,667
Financial assets designated at fair value through profit or loss	3,361	2,737	3,244	3,416	3,579	3,353
Derivative assets	1,717	1,568	1,995	3,003	3,400	3,185
Loans, net	205,723	221,618	246,441	259,011	275,566	258,165
Available-for-sale financial assets	33,597	31,418	33,966	37,663	42,117	39,458

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Held-to-maturity financial assets	11,031	13,373	16,192	19,805	24,991	23,413
Property and equipment, net	3,214	3,147	3,055	3,146	3,022	2,831
Intangible assets, net	4,226	4,153	4,266	4,227	4,272	4,002
Investments in associates	329	342	393	354	631	591
Current tax receivable	6	11	10	13	25	23
Deferred tax assets	196	228	164	641	592	555
Investment properties, net	690	268	209	353	418	392
Other assets, net	12,451	14,203	15,947	18,167	16,552	15,508
Assets held for sale	243	9	4	4	8	7
Total assets	₩311,290	₩338,022	₩370,548	₩395,680	₩426,306	\$399,387
Liabilities						
Deposits	₩178,810	₩193,710	₩217,676	₩235,138	₩249,419	\$233,670
Trading liabilities	1,258	2,689	2,135	1,977	1,848	1,732
Financial liabilities designated at fair value through profit or loss	5,909	8,996	8,916	9,234	8,298	7,774
Derivative liabilities	2,019	1,718	2,599	3,528	3,488	3,267
Borrowings	20,143	22,974	21,734	25,294	27,587	25,845
Debt securities issued	37,491	37,335	41,221	44,327	51,341	48,099
Liability for defined benefit obligations	118	309	226	131	7	7
Provisions	750	694	699	729	429	402
Current tax payable	239	257	142	273	349	327
Deferred tax liabilities	15	10	16	11	10	9
Liabilities under insurance contracts	15,662	17,776	20,058	22,377	24,515	22,967
Other liabilities	19,021	21,039	23,313	20,916	25,312	23,714
Total liabilities	₩281,435	₩307,507	₩338,735	₩363,935	₩392,603	\$367,813
Equity						
Capital stock	₩2,645	₩2,645	₩2,645	₩2,645	₩2,645	\$2,478
Hybrid bond	537	537	737	498	424	397
Capital surplus	9,887	9,887	9,887	9,887	9,887	9,263
Capital adjustments	(393)	(393)	(424)	(458)	(398)	(373)
Accumulated other comprehensive income	673	638	305	(102)	(530)	(496)
Retained earnings	14,189	15,870	17,690	18,640	20,791	19,478
Total equity attributable to equity holders of the Group	27,538	29,184	30,840	31,110	32,819	30,747
Non-controlling interest	2,317	1,331	973	635	884	827
Total equity	₩29,855	₩30,515	₩31,813	₩31,745	₩33,703	\$31,574
Total liabilities and equity	₩311,290	₩338,022	₩370,548	₩395,680	₩426,306	\$399,387

A.3.1 Capital Adequacy

At December 31, 2017, SFG's consolidated capital ratios were maintained at a high level, with a Tier 1 Capital Ratio of 13.32%, a Tier 2 Capital Ratio of 1.46% and a Total Capital Ratio of 14.78%.

SHBA's capital ratios at December 31, 2017 were maintained at a high level, with a Tier 1 Capital Ratio of 15.50%, a Tier 2 Capital ratio of 0.86% and a Total Capital Ratio of 16.36%.

SHBNY and SIA do not have a stand-alone capital requirement; however it could become subject to asset maintenance requirements imposed by the NYDFS in certain circumstances.

A.3.2 Major Funding Sources

SFG obtains funding from a variety of sources, both domestic and foreign. SFG's principal source of funding is customer deposits obtained from its banking operations and proceeds from the issuance of equity and debt securities. In addition, SFG's subsidiaries acquire funding through call money, borrowings from the Bank of Korea, other short-term borrowings, corporate debentures, other long-term debt, and asset-backed securitizations.

SFG's sources of funds consist of deposits of KRW 249,419 billion, long-term debt of KRW 53,140 billion, other short-term borrowing of KRW 14,375 billion, call money of KRW 857 billion, borrowing from the Bank of Korea of KRW 2,913 billion, asset securitization of KRW 9,056 billion, and stockholder's equity of KRW 2,645 billion. The majority of deposits come from Shinhan Bank of KRW 242,654 billion.²

A.4 Memberships in Material Payment, Clearing, and Settlement Systems

Both SHBNY and SHBA are members of certain U.S. payment, clearing, and settlement systems that enable them to access systems necessary to service their customers and clients. As SIA is an introducing broker and does not hold customer accounts, it does not use any trading, payment, clearing, or settlement systems. The following is the list of SHBNY and SHBA's memberships in material payment, clearing, and settlement systems;

Exhibit A-2: Memberships in Payment, Clearing, and Settlement Systems

Entity Holding Membership	Name	Description
SHBNY	Fedline Advantage Services	Access to FRB-provided advanced payment service, Fedwire Funds Service
	CitiDirect	Access control for backup bank wire services
	Fedwire	US Dollar Payment System / US Clearing Securities Settlement / FI Depository
SHBA	Fiserv EFT	Debit Network
	ACCEL	Debit Network
	STAR	Debit Network
	PLS2	Debit Network
	NYCE	Debit Network
	CIRRUS	Debit Network
	VISA	Debit Network
	EDS	Debit Network
	PULSE	Debit Network

² Source: 2017 Audited Consolidated Financial Statement for Shinhan Bank.

Entity Holding Membership	Name	Description
	ACH	Electronic Network for Financial Transactions in the US
	DTCC	US Clearing / Settlement Systems, USD Payment System, Securities System
	Fedwire	US Dollar Payment System / US Clearing Securities Settlement / FI Depository
	FRB Check Processing	U.S. Check Clearing

A.5 Description of Foreign Operations

As described in greater detail in Section A.1.1, SFG is a global banking organization that provides services mainly to corporate and retail clients through its domestic and overseas operations.

As demonstrated in the table below, most of SFG's income comes from its Korean operations. The exchange rate of 1,067.4 is based on the Noon Buying Rate in the City of New York on December 29, 2017 for cable transfers according to the H.10 statistical release of the Federal Reserve Board.

Exhibit A-3: SFG Income by Geographic Area as of Dec 31, 2017
Geographic Areas

	Operating Income (\$ million)
Domestic (Korea)	\$3,282
U.S.A	44
Other foreign countries	261
Total	\$3,587

Source: 2017 Form 20-F and financial statements of SFG's U.S. operation

The following table provides information of non-current assets by geographical area as of December 31, 2017.

Exhibit A-4: SFG Non-Current Assets by Geographical Area as of Dec 31, 2017
Geographic Areas

	Non-Current Assets (\$ million)
Domestic (Korea)	\$7,039
U.S.A	21
Other foreign countries	165
Total	\$7,225

Source: 2017 Form 20-F and financial statements of SFG's U.S. operation

A.6 Material Supervisory Authorities

The consolidated operations of SFG, including its subsidiaries and overseas offices, are subject to supervision and regulation under the applicable laws and regulations of the countries in which it operates.

SFG in Korea is preliminarily supervised by the Korean Financial Supervisory Service (“FSS”), which is the executive body of the Financial Services Commission of Korea (“FSC”).

SHBNY is licensed by the state banking authority of the State of New York and is therefore subject to regulation and examination by the New York State Department of Financial Services (“NYSDFS”). SHBNY is also subject to regulation by the FSS, as long as it does not conflict against local laws and regulations.

SHBA is regulated by the NYSDFS, as its chartering authority, but it is also regulated by Federal Deposit Insurance Corporation (FDIC), as its primary federal banking regulator and as the insurer of its deposits. SFG is also a financial holding company and a bank holding company under U.S. banking laws, and its’ U.S. operations are subject to regulation, supervision and enforcement by the Federal Reserve. SHBA is also subject to regulation by the FSS, as long as it does not conflict against local laws and regulations.

SIA is regulated primarily by Financial Industry Regulatory Authority (FINRA). SIA also has regulatory obligations to the FSS, as long as it does not conflict against local laws and regulations

The table below provides a full listing of regulators by legal entity.

Exhibit A-5: Regulators by Legal Entity

Legal Entity	Primary Regulator	Other Regulators
SFG	<ul style="list-style-type: none"> Korean Financial Supervisory Services (FSS) 	<ul style="list-style-type: none"> The Board of Governors of the Federal Reserve System
SHBNY	<ul style="list-style-type: none"> New York State Department of Financial Services (NYSDFS) Federal Reserve Bank of New York 	<ul style="list-style-type: none"> Korean Financial Supervisory Services (FSS)
SHBA	<ul style="list-style-type: none"> New York State Department of Financial Services (NYSDFS) Federal Deposit Insurance Corporation (FDIC) 	<ul style="list-style-type: none"> Korean Financial Supervisory Services (FSS)
SIA	<ul style="list-style-type: none"> Financial Industry Regulatory Authority (FINRA) 	<ul style="list-style-type: none"> Korean Financial Supervisory Services (FSS)

A.7 Principal Officers

The tables below list Directors and Senior Management of SFG as of October 31, 2018.

A.7.1 Executive Directors

Name	Position
Yong Byoung Cho	Chairman and Chief Executive Officer

A.7.2 Non-Executive and Outside Directors

Name	Position
Sung Ho Wi	Non-Executive Director
Cheul Park	Outside Director
Man Woo Lee	Outside Director
Yuki Hirakawa	Outside Director
Phillippe Avril	Outside Director

Name	Position
Steven Sungryang Lee	Outside Director
An Soon Park	Outside Director
Jae Seong Joo	Outside Director
Hwa nam Kim	Outside Director
Byoung dae Park	Outside Director
Kyong rok Choi	Outside Director

A.7.3 Executive Officers

Name	Position	In charge of
Dong hwan Lee	Deputy President	<ul style="list-style-type: none"> Group & Global Investment Banking Business Group
Young woong Woo	Deputy President	<ul style="list-style-type: none"> Strategic Planning Team Investor Relations Team Future Strategy Research Institute Digital Strategy Team One Shinhan Strategy Team Platform Marketing Team
Ok dong Jin	Deputy President	<ul style="list-style-type: none"> Brand Strategy Team Management Support Team Human Resource Team Shinhan Culture & Leadership Center Corporate Social Responsibility Team
Byeong cheol Kim	Deputy President	<ul style="list-style-type: none"> Global Markets & Securities Group
Young taeg Heo	Deputy President	<ul style="list-style-type: none"> Global Business Group
Chang goo Lee	Deputy President	<ul style="list-style-type: none"> Wealth Management Group

A.8 Resolution Planning Corporate Governance Structure and Processes

SFG has integrated resolution planning into its corporate governance structure and established processes to ensure that the U.S. Resolution Plan received appropriate oversight from designated senior management officials, councils, and the Board of Directors. As such, SFG established the following committees and working groups to provide oversight of the resolution planning process:

- Shinhan Financial Group Resolution Plan Managing Group
- The Office of U.S. Resolution Plan Review (the “U.S. RPR”)
- The Office of U.S. Resolution Planning (the “ORP”)

Shinhan Financial Group Resolution Plan Managing Group had primary responsibility for oversight of the U.S. resolution planning efforts and the annual Resolution Plan submitted to U.S. regulators. Shinhan Financial Group Resolution Plan Managing Group’s members consist of Executive Vice President from the Global Business & Capital Market Team, Group Chief Risk Officer and Group Chief Compliance Officer of SFG.

The U.S. RPR is a subcommittee of Shinhan Financial Group Resolution Plan Managing Group established to assist the Group in the approval process. The main function of the U.S. RPR was to gather all representatives of each entity with operations in the U.S. to review and discuss all issues related to U.S. resolution planning effort. It consists of senior executives from the Global Business & Capital Market Team and Global Business division.

The ORP provided day-to-day project management and functional leadership for oversight, development, maintenance, implementation, filing, and compliance of resolution plan, as well as, updating the contents of the Resolution Plan as part of BAU(Business-as-Usual) processes.

SFG's U.S. Resolution Plan was prepared by the Working Group, comprising representatives from each of SFG's U.S. entities. The Plan was reviewed and approved by business approvers with oversight from the ORP. After business approval, the Plan was also reviewed by the U.S. RPR and the Shinhan Financial Group Resolution Planning Managing Group before submission to the Delegee of the Board of Directors who provided final approval of the SFG's U.S. Resolution Plan.

In its capacity, the Board of Directors is the most senior management body of SFG. The Board of Directors, located in Seoul, Korea, was ultimately responsible for evaluating and approving the SFG's U.S. Resolution Plan. For SFG, however, the Board of Directors will delegate the responsibility of approval of the Resolution Plan to the CEO of SFG.

Clear roles and responsibilities were defined to ensure effective working processes and compliance with decision-making authorities. These include processes for the preparation, verification, and sign off on the U.S resolution plan at the global and local levels. This ensured that senior management, the Shinhan Financial Group Resolution Plan Managing Group, the U.S. RPR, the ORP, and where applicable, the Delegee of the Board of Directors took responsibility for the content provided within the Plan and were comfortable that the information provided was appropriate and accurate.

A.9 Material Management Information Systems

SFG utilizes management information systems ("MIS") and applications to ensure timely access to accurate and comprehensive data, including those for risk management, accounting, financial, and regulatory reporting. In preparing the U.S. Resolution Plan, SFG has identified key MIS applications and maintains inventories of such systems and applications.

The MIS are primarily used to collect, retain, and report information internally, as well as, to perform functions necessary to support business lines. Multiple reports are generated on a periodic basis for use by senior management to assess the financial health, risks and operations of such business lines. SFG's MIS is capable of collecting, maintaining, and reporting information in a timely manner to management and to regulators.

A.10 Resolution Strategy Summary

The U.S. Resolution Plan takes into consideration possible strategies for the orderly resolution of SFG's U.S. operations under applicable resolution regimes in the event of material financial distress or failure.

The strategies are designed to be executed within a reasonable period of time and in a manner that avoids or substantially mitigates systemic impact on U.S. financial stability.

As required by the Final Rule, the U.S. Resolution Plan assumes that the material financial distress is a result of an idiosyncratic event that is specific to SFG and occurs at a time where general macroeconomic conditions are consistent with baseline economic scenario in which other financial institutions and markets generally are not experiencing a system-wide financial panic or crisis. This strategy addresses how the U.S. operations of SFG may undergo an orderly resolution without extraordinary government support in the U.S. or Korea.

Because SHBNY is a New York state-licensed branch, this Resolution Plan contemplates that SHBNY would be subject to the insolvency and liquidation provisions for foreign bank branches under the New York Banking Law (“NYBL”). These provisions include an orderly wind down and liquidation of SHBNY, where under NYBL, the assets and properties of SHBNY would be seized and “ring fenced” by the Superintendent of the New York State Department of Financial Services (“NYSDFS”). The Superintendent is authorized to take possession of (1) all SHBNY assets wherever located that constitute part of the business of SHBNY and appear on the books as such; and (2) all assets of SHB located within New York regardless of whether they constitute part of the business of SHBNY. These “ring fenced” assets would be liquidated to satisfy permissible claims of unaffiliated creditors of SHBNY in accordance with NYBL.

Because SHBA is an insured depository subsidiary of SFG, this Resolution Plan assumes that SHBA would enter into a receivership, under the Federal Deposit Insurance Act (FDIA), over Resolution Weekend with the FDIC appointed as a receiver. Following entry into a receivership, the FDIC may transfer all assets, deposits, certain contracts, and liabilities of SHBA into a bridge bank, organized by the FDIC and chartered by the Office of the Comptroller of the Currency (OCC). The FDIC would exercise all of the rights and powers of SHBA’s directors, management, and shareholders to operate the business, dispose of operations and assets, and resolve liabilities. The FDIC would operate the bridge bank as a going concern until its ultimate sale or disposition in order to maximize the value available to creditors. If acquisition by a third-party is not possible, the FDIC could seek to sell SHBA’s portfolio of loans and other assets or recapitalize the bridge bank by issuing equity in the bridge bank or a new holding company to new shareholders.

Although SIA is a registered broker-dealer and a member of SIPC, SIA would only be eligible for resolution under the Securities Investor Protection Act of 1970 (“SIPA”) if it has “customers” as defined under SIPA upon its entry into resolution. Generally, SIPA is applicable only when customers entrust assets to the broker-dealer. SIA does not generally hold customer assets in the ordinary course of business. Therefore, SFG assumes that SIA would be resolved under Chapter 11 or Chapter 7 of the U.S. Bankruptcy Code and wound down in an orderly manner. The primary objective of both Chapter 11 and Chapter 7 proceedings would be to maximize the value realized from the assets and businesses of SIA.