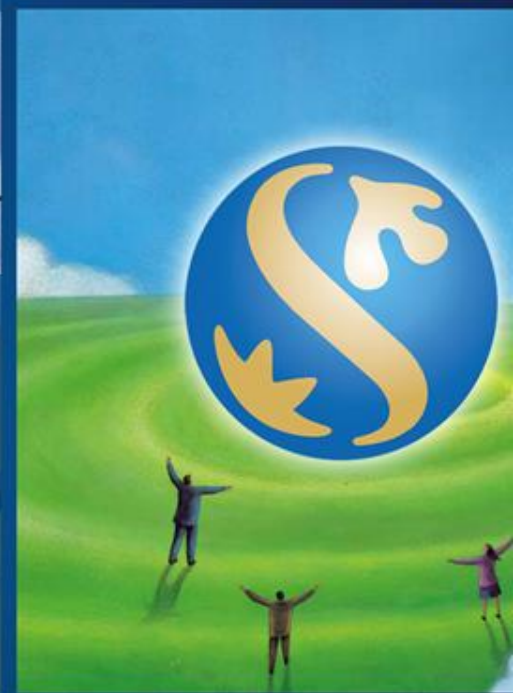




SHINHAN CARD

# 2010 4Q Business Results

February 2011



## Overview

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### Investment Highlights

Improving Macroeconomic Environment

Core Subsidiary of SFG

Dominant Market Leadership

Strong Financial Performance

### Conclusion



# Shinhan Card at a Glance



## Company Profile

as of Dec. 10

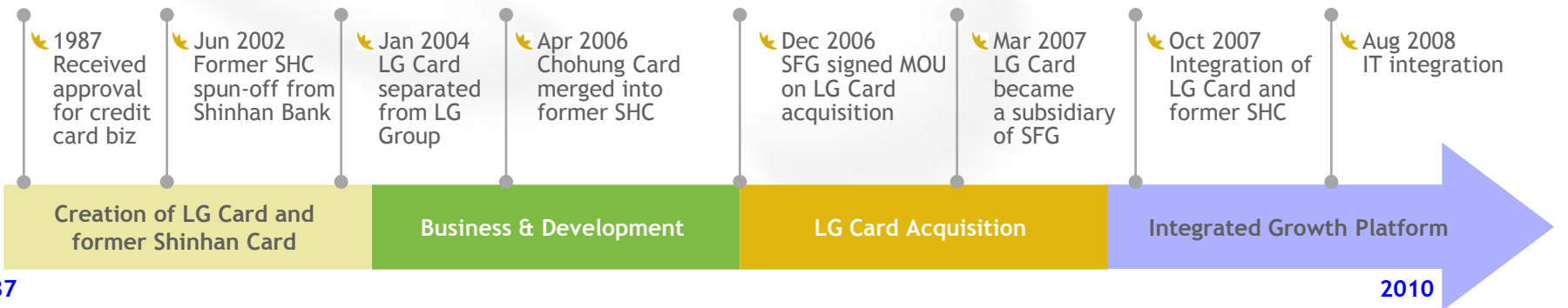
Shinhan Card is a wholly-owned subsidiary of Shinhan Financial Group

- ✦ Number of employees: 3,419 persons
- ✦ Number of credit cardholders: 15.2 mm
- ✦ Earning assets (FY09/FY10): KRW17.2trn/KRW19.5trn
- ✦ Operating revenue (FY09/FY10): KRW3,775bn/KRW4,114bn
- ✦ Net income (FY09/FY10): KRW857bn/KRW1,107bn
- ✦ Ratings: AA+ (Domestic)/A-(Fitch) BBB+(S&P)/A (JCR)

## Diversified Products

<b>Credit Purchase</b>	✦ Lump-sum and installment purchases (2-60 months)
<b>Cash Advance</b>	✦ Short-term financing (1- 60 days)
<b>Card Loan</b>	<ul style="list-style-type: none"> <li>✦ Long-term financing (2-24 months)</li> <li>✦ Redemption: bullet/ principal installment basis</li> </ul>
<b>Installment Finance/ Auto-lease</b>	<ul style="list-style-type: none"> <li>✦ Installment financing for purchases of durable consumer goods such as cars (max. 60 months) and other appliances (max. 36 months)</li> <li>✦ Lease financing, such as car leasing, to retail customers</li> </ul>

## Shinhan Card's Corporate Milestone



## Overview

## Investment Highlights

Improving Industry Fundamentals

Core Subsidiary of SFG

Dominant Market Leadership

Strong Financial Performance

## Conclusion



# Investment Highlights

## Improving Industry Fundamentals

- ✦ Sound macroeconomic fundamentals of the Korean economy have been supporting resilient growth of Korean credit card industry
- ✦ Korean credit card industry has shown a greater resiliency on the back of the improved asset mix and risk management

## Core Subsidiary of SFG

- ✦ Shinhan Card shows the highest margin among non-bank subsidiaries, contributing 34.6% of the Group's total net income in FY2010
- ✦ SFG continues to provide liquidity support to SHC, recognizing its importance to the group

## Dominant Market Leadership

- ✦ SHC's 15.2mn customers account for more than 80% of potential eligible market
- ✦ SHC maintains a strong market position as the leading card company in Korea

## Prudent Risk Management

- ✦ SHC's customer credit profile continues to improve in accordance with its strict risk management
- ✦ Delinquency ratio declined by 0.9%p from 2.9% in FY09 to 2.0% in FY10

## Strong Financial Performance

- ✦ SHC's FY10 net income posted KRW1,107bn, up by 29.2% YoY from KRW857 bn in FY09
- ✦ SHC is strongly capitalized showing 25.0% CAR in FY10

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## Investment Highlights

Improving Industry Fundamentals

Core Subsidiary of SFG

Dominant Market Leadership

Strong Financial Performance

## Conclusion

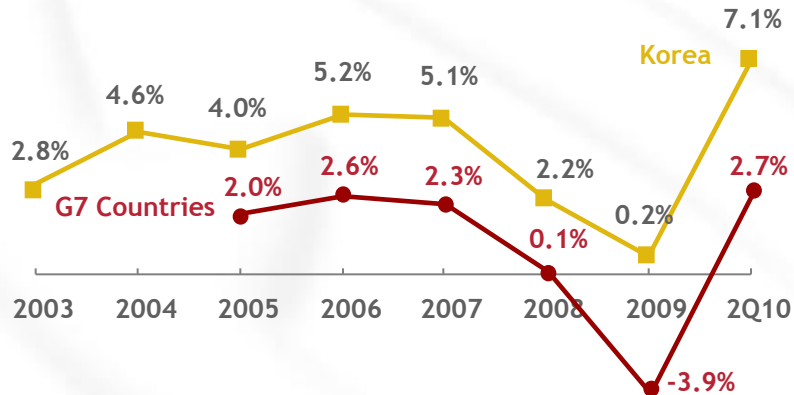


# Improving Industry Fundamentals

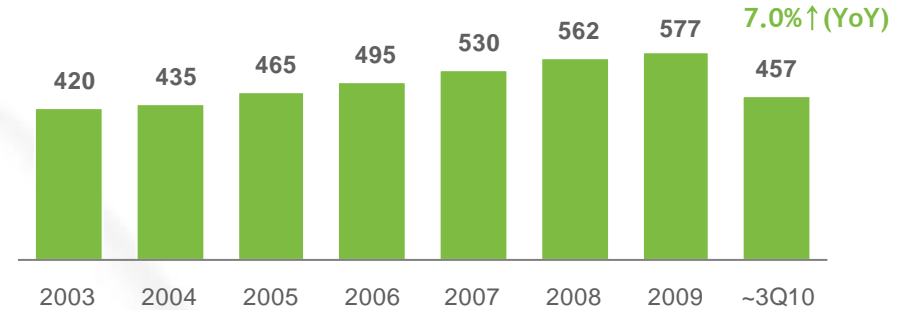
## Stable Operating Environment

Sound macroeconomic fundamentals of the Korean economy have been supporting resilient growth of SHC

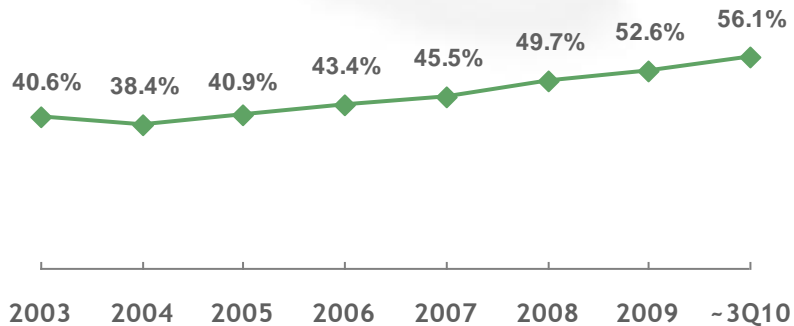
### Resilient GDP Growth



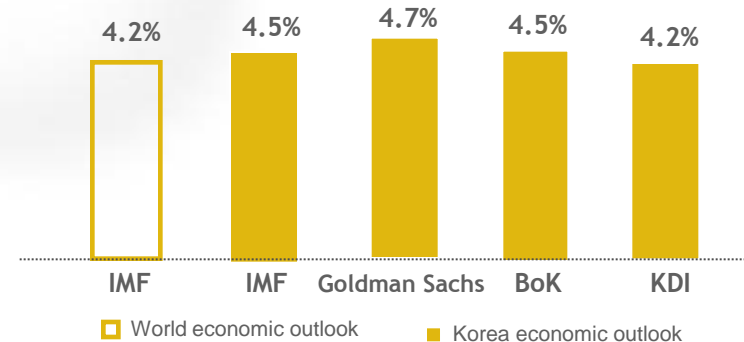
### Growing Private Consumption (KRW trn)



### Credit Card Transactions to Private Consumption



### Korea Economic Outlook for 2011



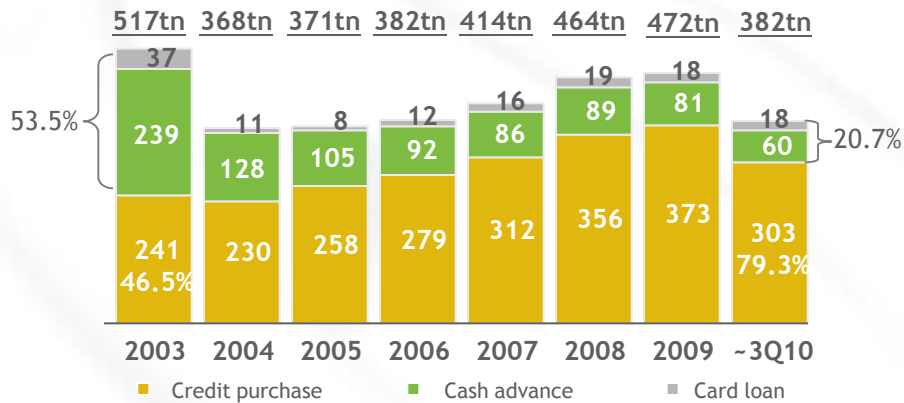
# Improving Industry Fundamentals

## Korea Credit Card Industry

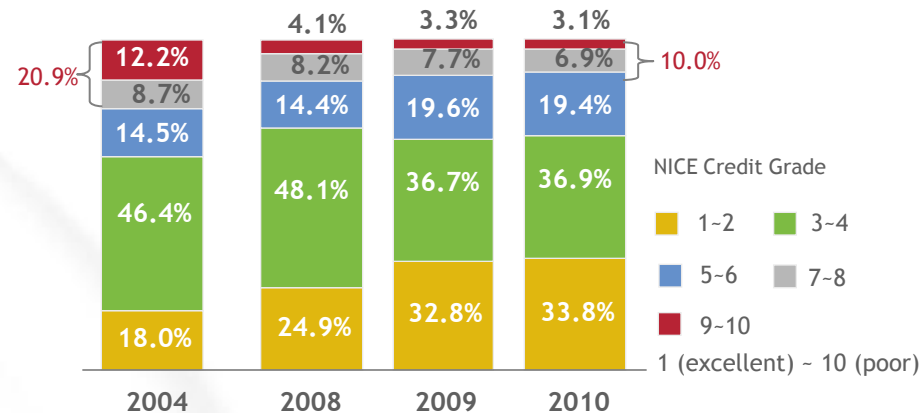


The Korean credit card industry has gone through the global credit crisis in 2008-09 without major disruptions on back of the improved financials and risk management since the credit card crisis in 2003

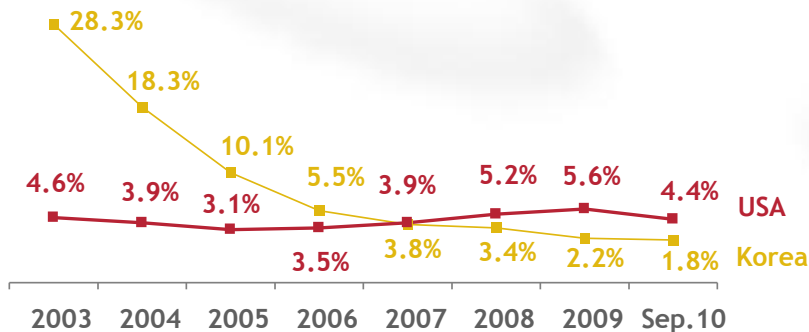
### Transaction Trending towards Less Risky Products



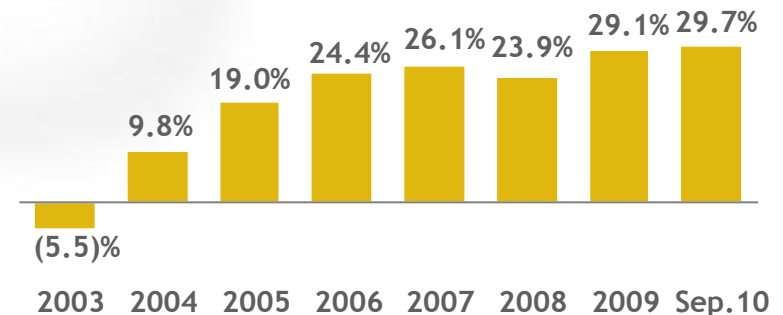
### Sharp Decline in Low Credit Rating Cardholders (%)



### Declining Delinquency Ratio vs. U.S. Peers



### Strong Capital Base (Capital Adequacy Ratio)



1) Korea: Since 2007 figure represents over 30days + restructured loans which do not meet the FSC repayment ability criteria  
 2) USA: delinquency ratio represents over 30 days past (Source: Bloomberg)

## Overview

## Investment Highlights

Improving Industry Fundamentals

Core Subsidiary of SFG

Dominant Market Leadership

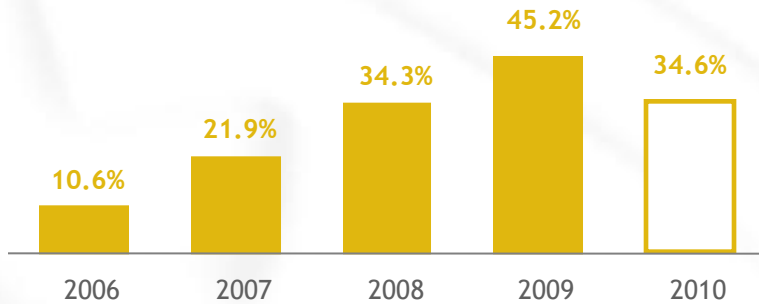
Strong Financial Performance

## Conclusion



SHC is a key earning contributor of the Shinhan Financial Group

### SHC Net Income Contribution Proportion

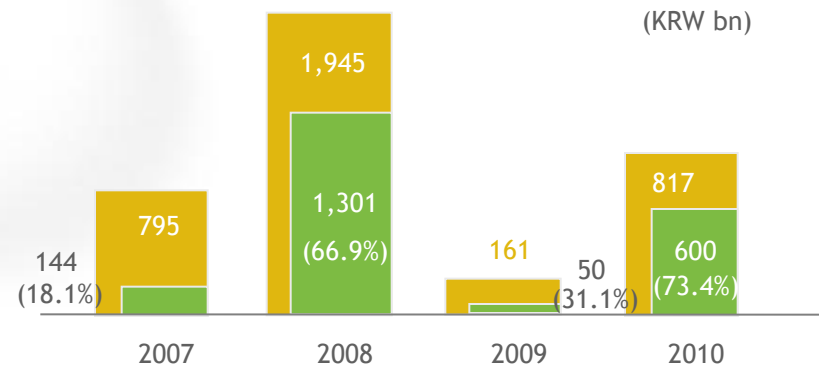
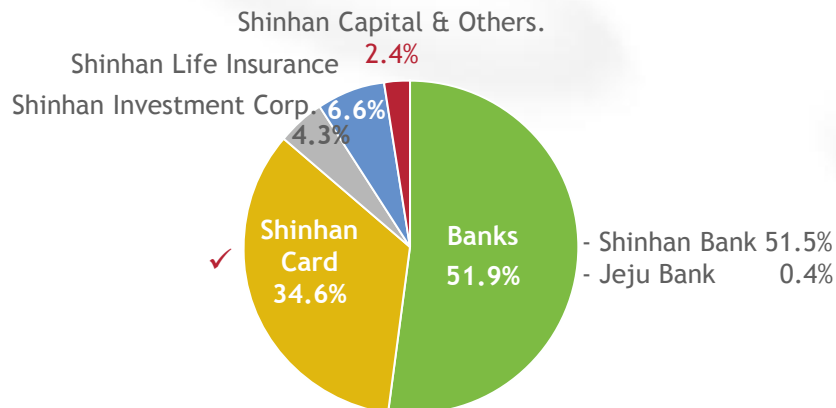


### Dividend Contribution

#### Dividend Payments to SFG

- Mar.07: KRW144 bn (FY06 year-end dividend/ former SHC)
- Mar. 08: KRW701 bn (FY07 year-end dividend)
- Dec. 08: KRW600 bn (Interim-dividend)
- Mar. 09: KRW50 bn (FY08 year-end dividend)
- Mar. 10: KRW600 bn (FY09 year-end dividend)
- Mar. 11(e): KRW600 bn (FY10 year-end dividend)

### Net Income Contribution Proportion FY2010



■ SHC Dividend Contribution

■ Total dividend payments to SFG from subsidiaries 10

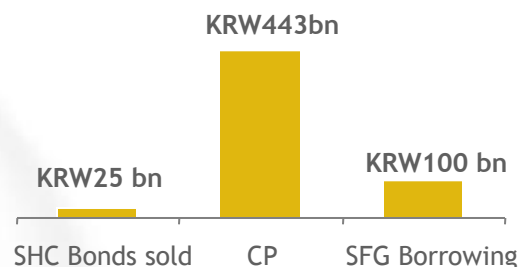
SHC's strategic importance to SFG is clearly visible in the liquidity support

### Available Support from the Group

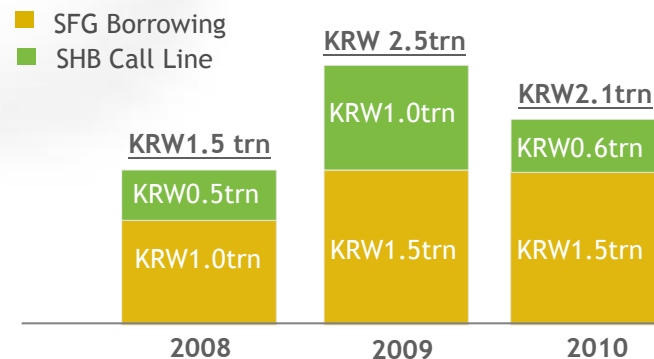
- ✦ Unlike other monoline credit card companies, Shinhan Card can get direct financial support from Shinhan Financial Group (Domestic rating: AAA) and Shinhan Bank (Domestic rating: AAA/Moody's: A2/S&P: A-)
- ✦ Being part of the Shinhan Financial Group provides further stability and ensures low cost funding even in difficult market environments
- ✦ Shinhan Financial Group
  - Can fund up to 200% of the Group's equity
  - Unused Limit: KRW38.6trn as of Dec.10
- ✦ Shinhan Bank
  - Can lend up to 10% of the Bank's equity to each Group subsidiary: KRW1.9trn as of Dec. 10

### Funding through SFG companies (Sep.08-Dec.08)

- ✦ Funding support from SFG companies: KRW568bn
  - ✓ Shinhan Bank sold SHC CPs through its branch network
  - ✓ Shinhan Life Insurance bought SHC bonds



### Credit line limits



## Overview

## Investment Highlights

Improving Industry Fundamentals

Core Subsidiary of SFG

Dominant Market Leadership

Strong Financial Performance

## Conclusion



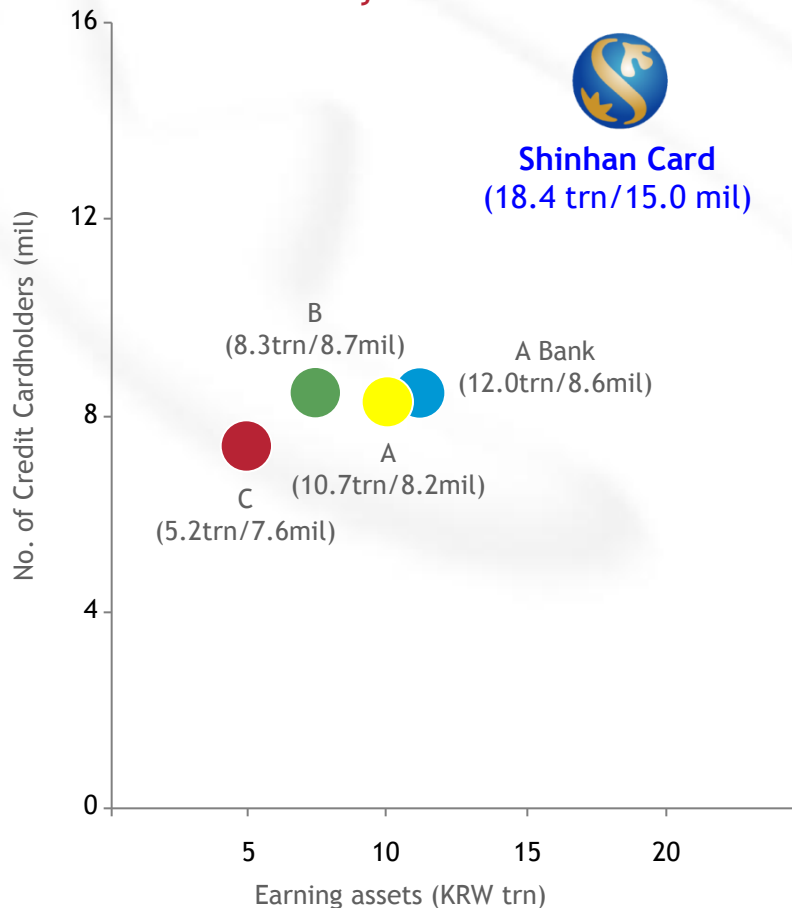
# Dominant Market Leadership

## Strong Market Presence

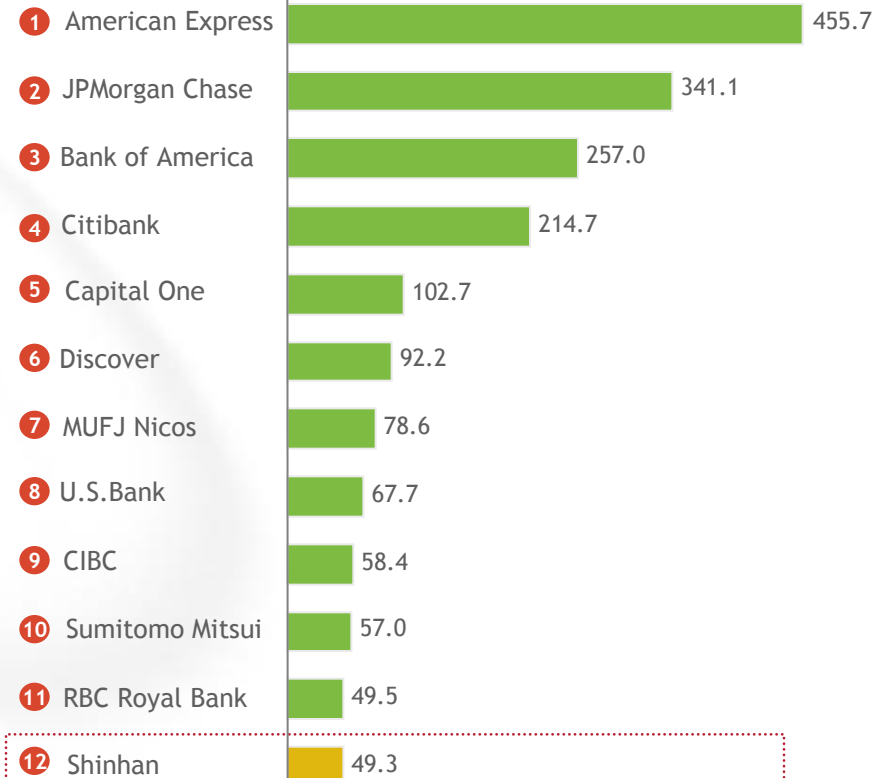
Shinhan Card is a dominant player in the credit card industry

Largest Credit Card Company in Korea as of Sep.10

**No.1 by Asset Size and # of Cardholders**



Global Ranking by Purchase Volume (US\$ bn)



Source: 2010 The Nilson Report

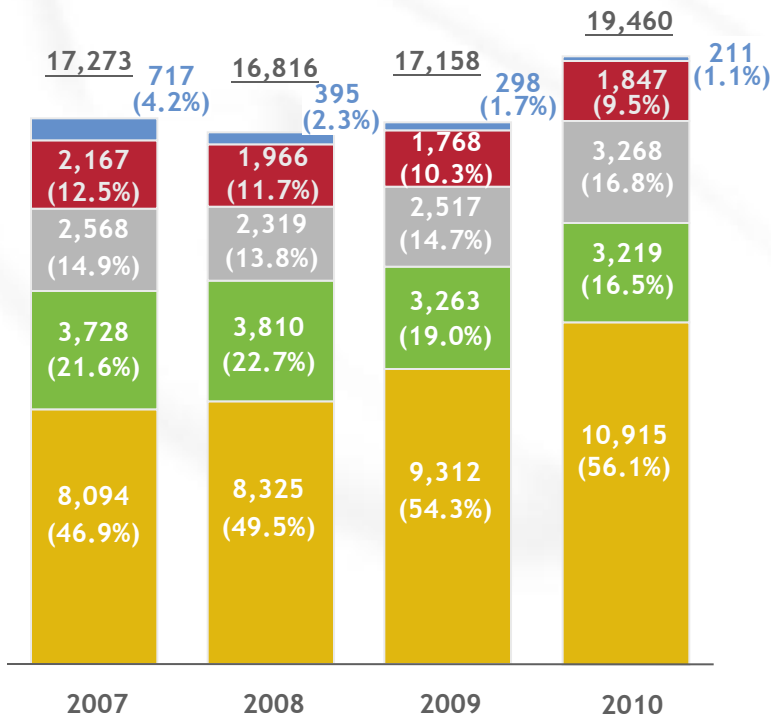
Based on general purpose purchase volume on all MasterCard, Visa, American Express, Diners Club, Discover, and JCB consumer & commercial credit cards

# Dominant Market Leadership

## Diversified Product Mix

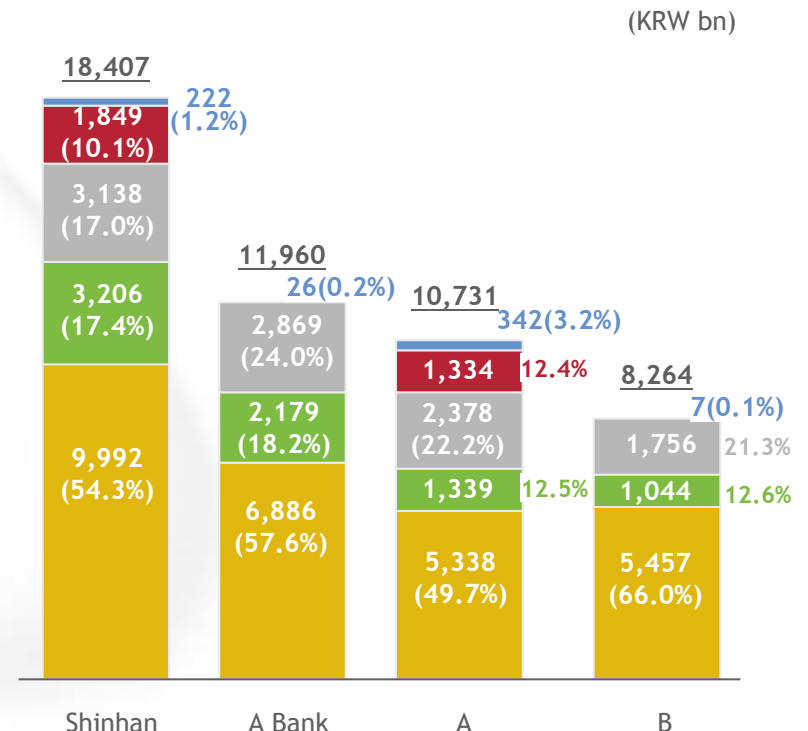
Shinhan's diversified product mix enables optimum risk-adjusted return

Earning Asset Breakdown by Products (KRW bn)



- Credit purchase
- Cash advance
- Card loan
- Installment finance etc
- Restructured loan

Earning Asset Peer Comparison as of Sep. 10



- Credit purchase
- Cash advance
- Card loan
- Installment finance etc
- Restructured loan

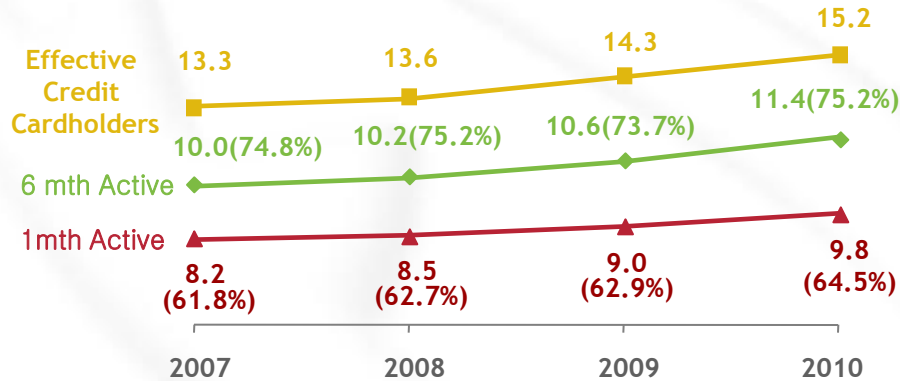
\* Source: FSS report

# Dominant Market Leadership

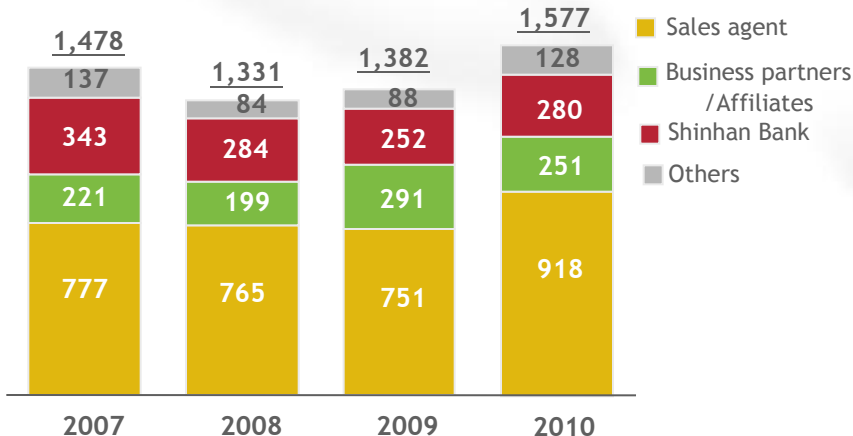
## Increasing Transaction Volume

Transaction volumes continues to increase on back of increased customer base and various product offerings

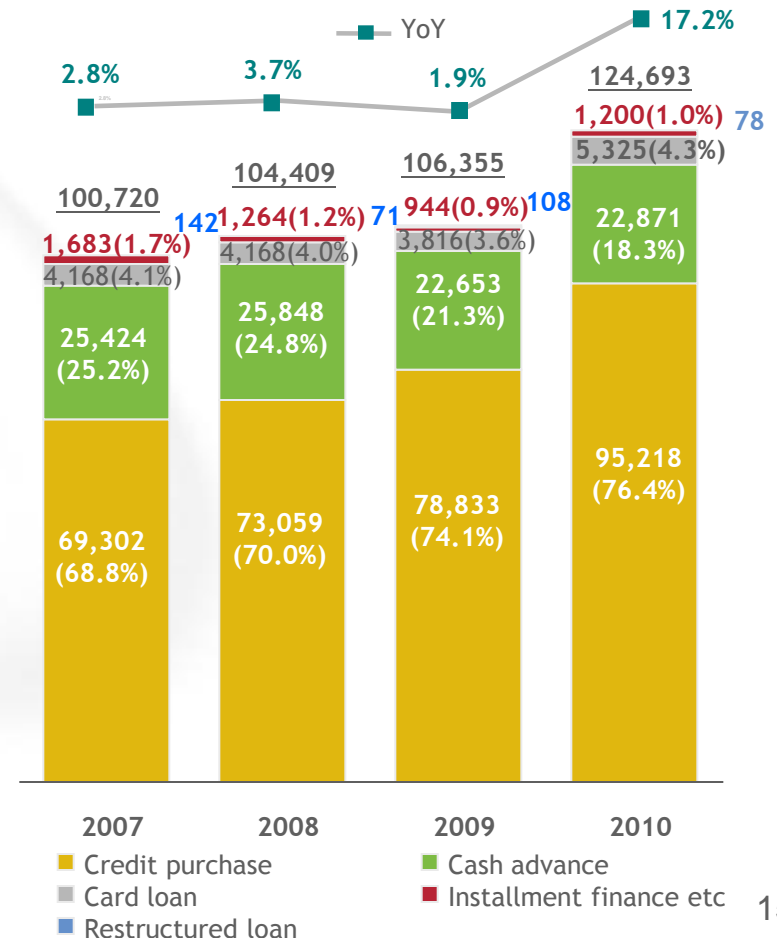
### Number of Credit Cardholders (Million)



### New Customer Acquisition by Channels (Thousand)



### Transaction Volume Trend (KRW bn)



## Overview

## Investment Highlights

Improving Industry Fundamentals

Core Subsidiary of SFG

Dominant Market Leadership

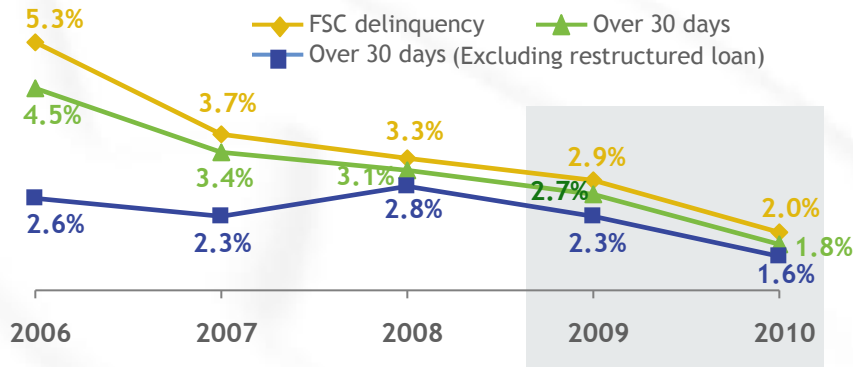
Strong Financial Performance

## Conclusion

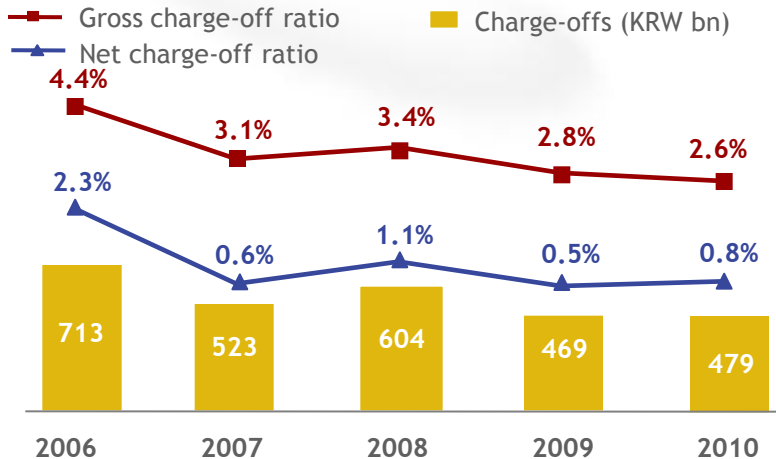


Shinhan Card maintains a stable delinquency thanks to prudent credit risk management

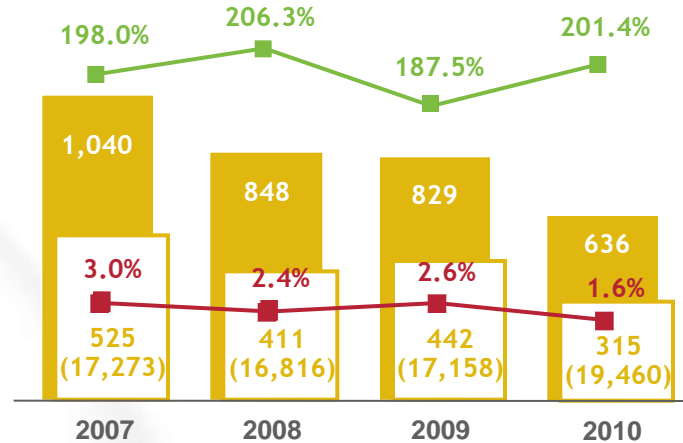
### Delinquency Trend



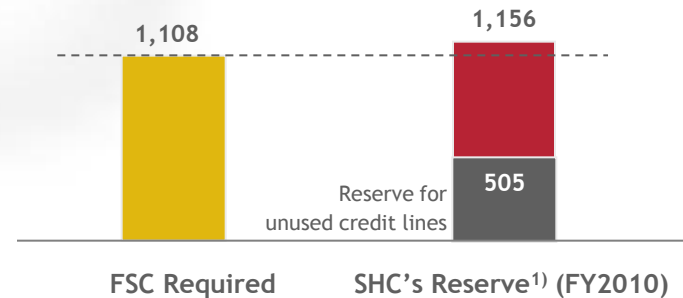
### Charge-off Trend



### NPL Coverage Ratio (KRW bn)



■ NPL, ( ) : Total Earning Assets    ■ NPL Ratio  
■ Loan Loss Reserve    ■ NPL Coverage Ratio



1) Including reserve for accounts receivable etc. of KRW14 billion 17

# Strong Financial Performance - Profitability

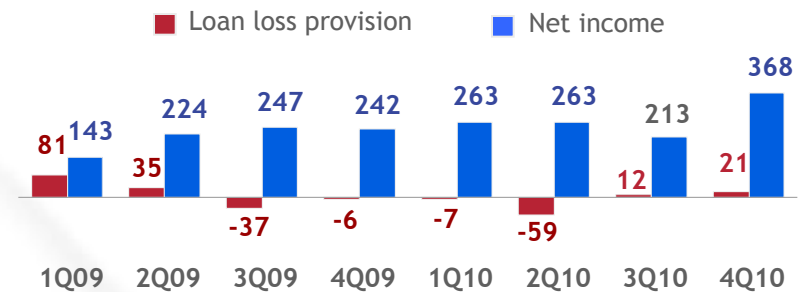
## Maintaining Strong Earning Power

SHC posts solid operating results driven by the prudent risk management and sound asset quality

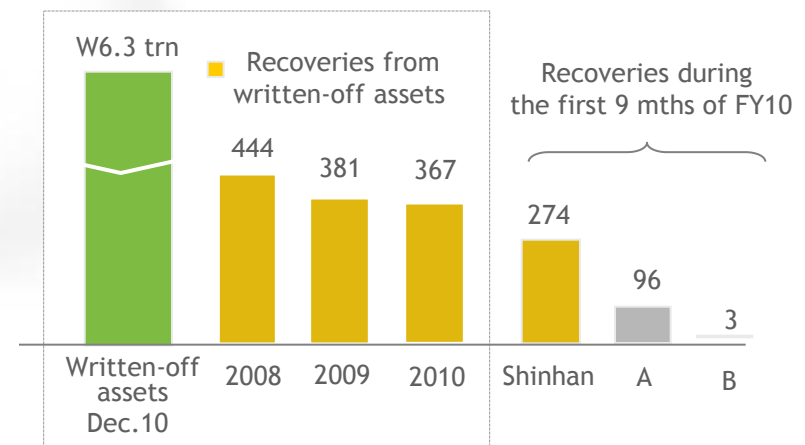
### Income Statement Summary

(KRW bn)	FY08	FY09	FY10
<b>Operating revenue</b>	4,275	3,775	4,114
Card business	3,378	3,256	3,569
Installment finance	164	137	130
Lease	70	45	42
Others	663	336	372
(FX and Derivatives)	(306)	(90)	(59)
Interest expense	732	683	739
SG&A	792	668	726
Fees & other expense	1,454	1,240	1,496
(FX and Derivatives)	(323)	(80)	(47)
<b>Pre-Provision Operating income</b>	<b>1,299</b>	<b>1,184</b>	<b>1,153</b>
Non-operating income	50	-10	-5
<b>Pre-Provision income</b>	<b>1,348</b>	<b>1,174</b>	<b>1,147</b>
Loan loss provision	24	73	-33
(Recoveries from written-off assets)	(444)	(381)	(367)
<b>Income before tax</b>	<b>1,324</b>	<b>1,101</b>	<b>1,180</b>
Tax expense	384	244	73
<b>Net income</b>	<b>941</b>	<b>857</b>	<b>1,107</b>
<b>ROA</b>	<b>4.80%</b>	<b>4.49%</b>	<b>5.21%</b>
<b>ROE</b>	<b>23.92%</b>	<b>19.74%</b>	<b>23.64%</b>

### Quarterly Net Income Movement (KRW bn)



### Recoveries from Written-off Assets (KRW bn)



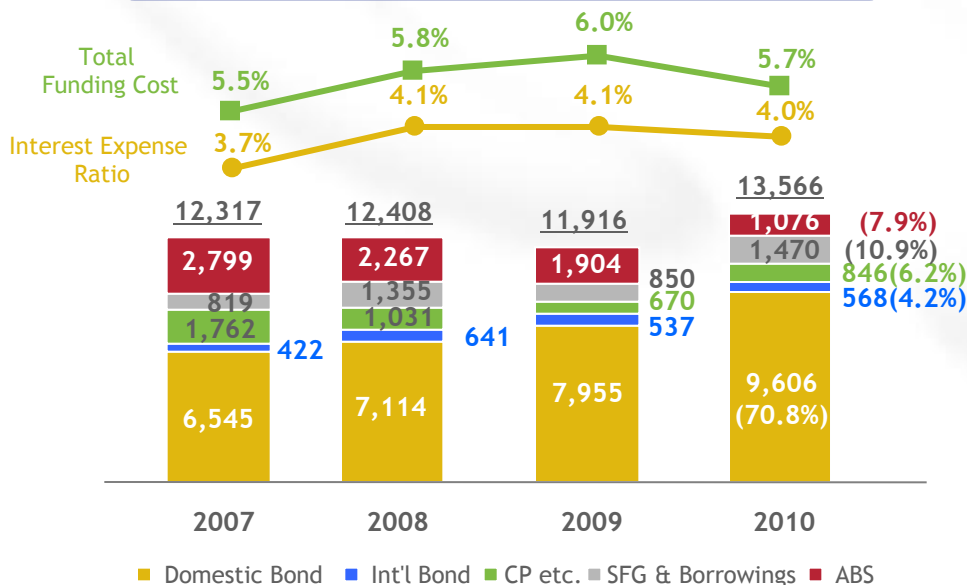
# Strong Financial Performance - Funding & Liquidity

## Stable and Diversified Funding

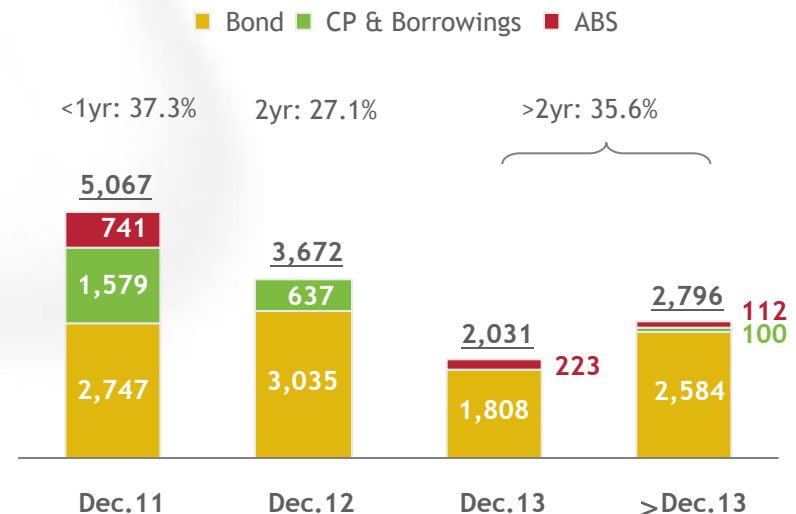
SHC aims to further diversify its funding sources to ensure access to liquidity when needed

- SHC is committed to fully diversifying its funding sources to pursue a well-balanced funding mix
- SHC plans to increase overseas funding to secure a stable long-term funding source
- SHC has strategically decreased the portion of ABS in its funding mix to prepare for future uncertainty
- Unlike other monoline credit card companies, SHC can get direct financial support from Shinhan Financial Group and Shinhan Bank

### Funding Composition and Cost Trend (KRW bn)

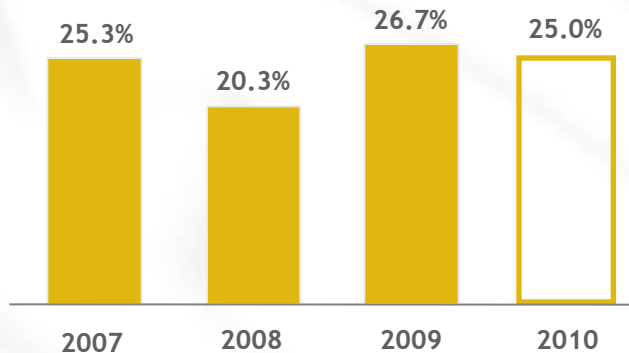


### Debt Maturity Profile (KRW bn)



SHC is strongly capitalized showing above 20% CAR

**Capital Adequacy Ratio**



(KRW bn)	2008	2009	2010
Capital	3,906	5,043	5,604
Tier 1	3,655	4,641	5,129
Tier 2	728	746	768
Deduction *	(-477)	(-344)	(-294)
Adjusted Total Assets	19,222	18,867	22,427
<b>Capital Ratio</b>	<b>20.32%</b>	<b>26.73%</b>	<b>24.99%</b>

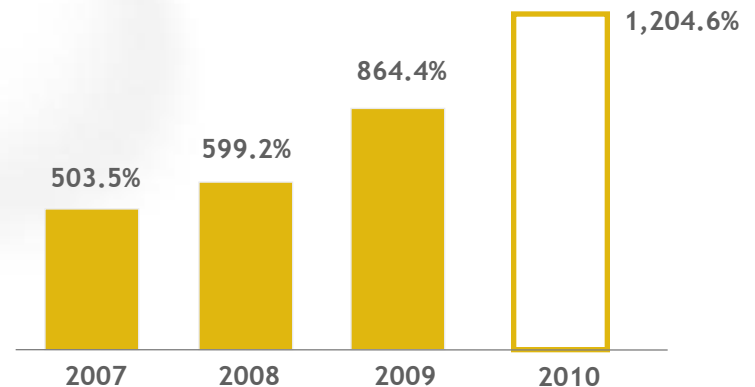
\* Including deferred tax assets and development cost

SHC's dividend policy is to pay dividends while maintaining above 20% of CAR (regulatory minimum requirement of 8%)

**Dividend Payments**

- Mar.2008: KRW701 bn (FY07 year-end dividend)
- Dec.2008: KRW600 bn (Interim-dividend)
- Mar.2009: KRW 50 bn (FY08 year-end dividend)
- Mar.2010: KRW600 bn (FY09 year-end dividend)
- Mar.2011(e): KRW600 bn (FY10 year-end dividend)

**Coverage Ratio (Equity+Reserve<sup>1</sup>/ Risk Assets<sup>2</sup>)**



1) Including reserve for unused credit limits

2) Including restructured loans and over 30 days delinquent balance

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## Conclusion

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