



Rating: **A**

Outlook: **stable**

Watch: **no watch**

Rating Committee: 07/17/2024

Press release

SHINHAN BANK EUROPE GmbH

Strengths/Opportunities:

- Solid capital situation
- Shareholder with high support ability
- Niche strategy well implemented, SHBE is an essential strategic link to Europe for Shinhan Bank Korea
- Good portfolio quality, no individual value adjustments were recognized in the financial statements
- Comfortable liquidity situation, manageable refinancing risks

Weaknesses/Threats:

- Concentration of size and industry (automotive, electronics) evident in the loan portfolio
- Supply chain and resource problems cannot be ruled out

Analysts:

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Rating result:

The financial standing of SHINHAN BANK EUROPE GmbH (hereinafter "SHBE") continues to be assessed as high based on the information available at the time of the rating. As of the date of the rating committee, GBB rating confirms the rating with A due to a further improved earnings situation with a convincing shareholder background. The outlook is stable.

Business model:

SHBE focusses in cross-border business with South Korea and forms an integral part of the group strategy, which is characterized by the pillars core of financial business, creative finance and virtuous cycle of shared prosperity. Due to the business model, interest income is the main earnings driver, which has increased further in 2023 and so far in 2024 and underlines the sustainable viability of the business strategy.

Rating drivers:

A further increase of the earnings drivers as shown in the planning with moderately increasing costs as well as a risk profile that remains unremarkable in the future would further stabilize the rating at the level achieved. The growth in lending business would have a significant contribution to this. Increasing competition between Korean banks in Germany could have a limiting effect. In addition, supply chain and resource problems cannot be ruled out, however, there is no evidence of this. SHBE currently shows no evidence of a reduction in the value of receivables from debtors affected by the interruption of supply chains or the shortage of energy or the increase of energy prices. Strains on the shareholder impacting its financial standing would also have a dampening effect on the rating result.

Financial data SHBE:

(in TEUR)	2023	2022
Gross profit	16.531	9.931
Operating result	10.834	4.622
Net income	7.345	2.998
Total assets	762.936	881.819
CET1 capital ratio	21,1 %	18,7 %
Leverage Ratio	9,0 %	7,6 %
LCR	112,6 %	511,0 %
NSFR	155,5 %	146,7 %

Rating history:

Rating	Outlook	Date
A	stable	07/17/2024
A	stable	05/27/2024
BBB+	positive	11/29/2023

Rating scale:

Rating	Rating categories
AAA	highest financial standing
AA+ / AA / AA-	very high financial standing
A+ / A / A-	high financial standing
BBB+ / BBB / BBB-	good financial standing
BB+ / BB / BB-	satisfactory financial standing
B+ / B / B-	financial standing scarcely adequate
CCC+ / CCC / CCC-	financial standing no longer adequate
CC / C	inadequate financial standing
D	moratorium / insolvency proceedings

Mapping of selected External Credit Assessment Institutions (ECAIs) under the Standardised Approach,
 JC/CP/2023 15, 25 May 2023

Credit quality steps	GBB-Rating	A.M.Best (EU) Rating Services	Capital Intelligence Ratings	Fitsch Ratings Ireland	Moody's Investors Service	S&P Global Ratings Europe
1	AAA, AA	aaa, aa	AAA, AA	AAA, AA	Aaa, Aa	AAA, AA
2	A	a	A	A	A	A
3	BBB	bbb	BBB	BBB	Baa	BBB
4	BB	bb	BB	BB	Ba	BB
5	B	b	B	B	B	B
6	CCC, CC, C, D	ccc, cc, c, d, e, f, s	C, RS, SD, D	CCC, CC, C, RD, D	Caa, Ca, C	CCC, CC, R, SD/D

Regulatory disclosure requirements

Name und function of the analysts:

- Volker Jindra, Lead Rating Analyst, Head of Department, GBB-Rating, Cologne
- Philipp Krohs, Rating Analyst, Head of Department, GBB-Rating, Cologne

Company address:

- GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH, Kattenbug 1, 50667 Cologne

Members of the Rating Committee:

- Harald Erven, GBB-Rating, Cologne (Chairman of the Rating Committee)
- Sabine Krimphove, GBB-Rating, Cologne (Deputy chairman of the Rating Committee)

Date	Rating Committee	Notification	Issue
▪ First rating	04/26/2021	04/26/2021	04/28/2021
▪ Current rating	07/17/2024	07/18/2024	08/13/2024

Validity:

- Rating: up to 12 months
- Outlook: up to 24 months

Subsequent rating changes after notification to the rated entity:

- None

Major sources of information for the rating:

- Annual report as at 12/31/2023
- Answers provided by the bank to a detailed questionnaire
- Further disclosures and company specific information

Statement about the quality of information available (including potential restrictions):

- The quality and extent of information (interviews and documents) were suitable to obtain a comprehensive picture of the bank and to assign an objective, transparent and professional credit rating

Applicable rating methodology, rating type and release:

- Solicited rating
- Methodology for Rating Banken 4.00 – credit and counterparty credit risk (CCR)
- <https://www.gbb-rating.eu/rating.html#methoden>

Meaning of the rating category

- <https://www.gbb-rating.eu/rating.html#Ratingskala>

Business relationship:

- Besides the rating mandate there is no further business relationship

Legal remarks

Since 28 July 2011 GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH has been registered with the European Securities and Markets Authority (ESMA) as a European rating agency and therefore complies with the applicable regulatory requirements of the European supervisory authorities for a European rating agency.

GBB-Rating Gesellschaft für Bonitätsbeurteilung mbH does not make any guarantees regarding the accuracy, completeness or timeliness of the present rating or the data, values and other information presented (including ERI) or the eligibility of this information for specific purposes nor for losses arising from the use of the information or in confidence in the information. The publication of the rating, other information or the current rating report is not an investment recommendation.

Future events are uncertain. Ratings are based on predictions of these and thus inevitably rely upon estimates. Therefore, they solely represent statements of opinion rather than statements of fact or investment advice.

Credit ratings are performed with proficiency and due professional care. Ratings are based on the data and information provided by the applicant. This information is used in reaching an opinion about the future viability as well as the strengths and weaknesses of the rated company as of the date of rating issuance.

GBB-Rating puts focus on sustainability and is a signatory of the UN Global Compact since 2018. We support the 10 principles of the UN Global Compact relating to human rights, labor standards, the environment and anti-corruption.



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