

Korea's banking sector eyes digital innovation, overseas expansion

South Korea's finance industry is bracing itself for a year of stunted growth, as it foresees growing global economic uncertainties and concerns over profitability in the new year.

With a fresh sense of alarm, the chiefs of the country's biggest banks plan to tackle the oncoming challenges by further embracing digital innovation and overseas business expansion.

Korea Federation of Banks Chairman Kim Tae-young said in his New Year's message that "it will be difficult for the finance sector to set a future strategy in the face of increased volatilities, competition and paradigm shifts in the global finance market."

This includes Korea's rising household debt, unstable real estate policies, slowed economic growth as well as volatilities due to the continuation of the US-China Trade War and interest hikes by the US Federal Reserve.

In tackling the perceived challenges, the KFB chairman called on the finance sector to strengthen its core competence, embrace digital transformation and continue expanding its overseas sales network to widen its sources of income.

"This year, I hope that Korea's finance companies can pursue digital transformation as more than an experiment, but as a step toward achieving tangible results in the long run," he said.

The KFB chief also called on the finance industry to boldly embrace new technologies such as big data, artificial intelligence and blockchain, in an effort to emerge as a leader of the "fourth industrial revolution."

Likewise, KB Finance Group Chairman Yoon Jong-gyu said the finance industry would face "unprecedented pressures" in 2019, such as a downturn in investment and the launch of finance services by major information and communications technology companies.

Yoon said KB must seek new opportunities abroad for its wealth management and corporate investment banking business, taking a two-track approach to developed markets and Southeast Asia.

The KB head also highlighted the importance of data-driven, customer-centric digital transformation in banking, while pledging to make KB Star Banking the most-used mobile banking application in Korea this year.

After carrying out a major year-end executive reshuffle, Shinhan Financial Group Chairman Cho Yong-byoung

cited plans to seek expanded synergy between the group's different business units under the "One Shinhan" mantra.

The Shinhan chief said the group would continue to strengthen its "matrix" organization structure that combines synergistic business areas within units such as global investment banking, wealth management and global markets and securities.

Predicting a year of macro-level uncertainties and a widespread reduction in spending and investment, Hana Financial Group Chairman Kim Jung-tai is betting big on the group's newly stated Global Loyalty Network business that lets customers use digital cash in multiple countries via third-party partnerships.



The Hana chief further highlighted the importance of swift change and adaptability, warning of the consequences of slow innovation and inflexibility.

Son Tae-seung, chairman of Woori Bank and the newly streamlined Woori Financial Group, also cited digital transformation and global business expansion among Woori's six main business goals for 2019.

Other goals include customer-centric marketing, expanding Woori's influence in the financial market, optimized risk management and finance-led social contribution, Son noted.

According to the 2019 Banking Industry Outlook and Business Agenda report by the Korea Institute of Finance, Korea's banking sector is expected to earn net profit of around 9.8 trillion won (\$8.75 billion) in 2019. This is around 2 trillion won lower than last year's prediction of 11.8 trillion won by KIF.