

SHINHAN FINANCIAL GROUP CO LTD

Form 6-K

February 25, 2014

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

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

**the Securities Exchange Act of 1934**

**For the Month of February 2014**

**SHINHAN FINANCIAL GROUP CO., LTD.**

**(Translation of registrant's name into English)**

**20, Sejong-Daero 9-gil, Jung-Gu, Seoul 100-724, 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):

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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):  
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Shinhan Financial Group

20, Sejong-Daero 9-gil, Jung-Gu,

Seoul 100-724, Korea

February 25, 2014

**Convocation Notice of the 13th Annual General Meeting of Shareholders**

To our Shareholders:

Notice is hereby given that the 13th Annual General Meeting of Shareholders of Shinhan Financial Group will be held as described hereunder and your attendance is cordially requested.

**Meeting Description**

1. Date and Time: March 26, 2014 10 A.M. in Seoul time.
2. Place: Auditorium, 20th floor, Shinhan Bank, 20, Sejong-Daero 9-gil, Jung-Gu, Seoul 100-724, Korea

**Agendas to be voted on:**

- 1) Approval of Financial Statements (Including Statements of Appropriation of Retained Earnings) for fiscal year 2013 (January 1, 2013~ December 31, 2013)
  
- 2) Appointment of Directors (1 Executive Director & 9 Outside Directors)
  - 2-1) Executive Director Candidate : Mr. Dong Woo Han
  - 2-2) Outside Director Candidate : Mr. Taeun Kwon
  - 2-3) Outside Director Candidate : Mr. Kee Young Kim
  - 2-4) Outside Director Candidate : Mr. Seok Won Kim
  - 2-5) Outside Director Candidate : Mr. Hoon Namkoong
  - 2-6) Outside Director Candidate : Mr. Man Woo Lee
  - 2-7) Outside Director Candidate : Mr. Sang Kyung Lee
  - 2-8) Outside Director Candidate : Mr. Jin Chung
  - 2-9) Outside Director Candidate : Mr. Haruki Hirakawa
  - 2-10) Outside Director Candidate : Mr. Philippe Aguiñier

3) Appointment of Audit Committee Members (4 members)

3-1) Audit Committee Member Candidate: Mr. Taeun Kwon

3-2) Audit Committee Member Candidate: Mr. Seok Won Kim

3-3) Audit Committee Member Candidate: Mr. Man Woo Lee

3-4) Audit Committee Member Candidate: Mr. Sang Kyung Lee

4) Approval of Director Remuneration Limit

## Meeting Agendas

### AGENDA ITEM NO. 1 APPROVAL OF FINANCIAL STATEMENTS

(Separate Financial Statements & Consolidated Financial Statements for fiscal year 2013 (January 1, 2013 ~ December 31, 2013), Including Statements of Appropriation of Retained Earnings)

*Pursuant to Article 449 of the Commercial Act, we seek shareholders approval during the Annual General Meeting of Shareholders on the Company's separate financial statements and consolidated financial statements for fiscal year 2013.*

#### Business Results for FY 2013 (stand-alone or separate basis)

Shinhan Financial Group is a financial holding company established in accordance with the Financial Holding Company Acts and engages in the primary business of 1) controlling or managing companies that either provide financial services or are closely related to financial business through ownership of shares, 2) investing in or providing financial support to subsidiaries and to raise capital necessary for financial support, and 3) supporting the business of subsidiaries for joint development, marketing of new products and joint utilization of facilities and IT systems and etc.

As of December 31, 2013, Shinhan Financial Group consists of 13 direct subsidiaries that include Shinahn Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance and Shinhan BNP Paribas Asset Management, and 18 indirect subsidiaries.

#### Business Results of FY 2013 (consolidated basis)

For the fiscal year 2013, Shinhan Financial Group recorded KRW 1,902.8 billion of consolidated net income attributable to equity shareholders.

Group net income dropped by 18.0% from 2012, largely due to decreased interest income attributed by retreat in NIM coupled with decreased volume of non-interest income from Bancassurance and fund sales. However provision for credit losses maintained at stable level.

Shinhan Bank reported net income of KRW 1,373.0 billion, down by 17.4% from the previous year and Jeju Bank reported net income of KRW 14.1 billion, down by 11.1% from 2012.

Non-bank subsidiaries realized a combined net income of KRW 861.9 billion, down by 16.0% from 2012. Shinhan Card and Shinhan Life Insurance net profits fell by 11.3% and 63.0% year-over-year, whereas Shinhan Investment Corp. increased by 17.9% from 2012.

The net income contribution from non-bank subsidiaries in 2013 marked 861.9 billion, remaining flat at 38% from 2012, as

non-banking subsidiaries continue to report stable earnings.

The dividend proposed by the Board of Directors for fiscal year 2013 is as follows;

- 1) Dividend for Common Stocks: KRW 308,230 million

(KRW 650 per share, 13% of par value and 1.4% of market price of Common Stock)

- 2) Dividend for Preferred Stocks: KRW 61,938 million

- 3) Total Dividend Amount: KRW 370,168 million

*- Please refer to Appendix A for the separate financial statements and Consolidated financial statements of Shinhan Financial Group.*



**AGENDA ITEM NO. 2 APPOINTMENT OF DIRECTORS (1 Executive Director & 9 Outside Directors)**

*Pursuant to Article 382 of the Commercial Act and Article 36 of the Company's Articles of Incorporation, we seek shareholders' approval during the Annual General Meeting of Shareholders on the appointment of directors.*

At the 13th Annual General Meeting of Shareholders 10 directors will seek the approval of appointment from shareholders.

The Board of Directors is currently composed of 12 directors, 1 executive director and 1 non-executive director and 10 outside directors. The terms of 1 executive director (Mr. Dong Woo Han) and 9 outside directors (Messrs. Taeun Kwon, Kee Young Kim, Seok Won Kim, Hoon Namkoong, Ke Sop Yun, Jung Il Lee, Haruki Hirakawa, Philippe Aguinier and Sang Kyung Lee) terms will be completed in March 2014 on the date of the Annual General Meeting of Shareholders.

The Governance and CEO Recommendation Committee under the Board of Directors recommended 1 executive director Mr. Dong Woo Han to renew his terms.

On December 12, 2013, the Board of Directors endorsed the nominees selected by the Governance and CEO Recommendation Committee.

The Outside Director Recommendation Committee under the Board of Directors recommended 9 outside directors, of which 7 directors, Messrs. Taeun Kwon, Kee Young Kim, Seok Won Kim, Hoon Namkoong, Haruki Hirakawa, Philippe Aguinier and Sang Kyung Lee are to renew their terms. Mr. Man Woo Lee and Mr. Jin Chung have been newly nominated and recommended as an outside directors.

The Outside Director Recommendation Committee is a committee under the Board of Directors and assesses the independence and ability of potential candidates for outside directors and recommends relevant candidates to the Board of Directors.

On February 25, 2014, the Board of Directors endorsed the nominees selected by the Outside Director Recommendation Committee.

The Board of Directors recommends a vote **FOR** the election of the following candidate;

*Please refer to the Additional information section provided at the end of this document for information on the a) Members of the Board of Directors after the 13th Annual General Meeting of Shareholders and b) Committees of Board of Directors.*

- |    |  |  |
|----|--|--|
| 1. | Date of Birth  | November 10, 1948                                |
| 2. | Nominator  | Governance and CEO Recommendation Committee      |
| 3. | Relation to the largest shareholder                      | None   |
| 4. | Business transaction with SFG during the last 3 years    | None   |
| 5. | Term of Office   | From Mar. 26, 2014 until the 16th AGM (3 years)  |
| 6. | Current Position   | Chairman & CEO, Shinhan Financial Group          |
| 7. | New Appointment  | No   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 100%   |
| 8. | Education  | LL.B., College of Law, Seoul National University |
| 9. | Main Work Experience                                     |  |
|    | 2011 - current   | Chairman & CEO, Shinhan Financial Group          |
|    | 2007 - 2009  | Vice Chairman, Shinhan Life Insurance            |
|    | 2002   | Chief Executive Officer, Shinhan Life Insurance  |
|    | 1999   | Vice President, Shinhan Bank                     |
|    | 1993   | Director, Shinhan Bank                           |
|    | 1987   | Head of Human Resources, Shinhan Bank            |
|    | 1986   | General Manager, Jong-No Branch, Shinhan Bank    |
|    | 1983   | Head of Planning & Coordination, Shinhan Bank    |
|    | 1982   | Founding Staff Member of Shinhan Bank            |
|    | 1977   | Joined Korea Credit Guarantee Fund               |
|    | 1971   | Joined Korea Trust Bank                          |

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|----|--|---|
| 1. | Date of Birth  | January 29, 1941  |
| 2. | Nominator  | Outside Director Recommendation Committee   |
|    | 2-1 Rationale  | Mr. Kwon is an expert in accounting and served as a Professor at Nagoya University of Foreign Studies. He has contributed to the development of the Company with the academic background coupled with hands-on experience through management of business administration. The committee recommends to renew his term as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None  |
| 4. | Business transaction with SFG during the last 3 years    | None  |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)   |
| 6. | Current Position   | Former) Professor, Nagoya University of Foreign Studies   |
| 7. | New Appointment  | No  |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 100%  |
| 8. | Education  | Ph.D. in Business Administration, Nanzan University   |
| 9. | Main Work Experience                                     |   |
|    | 2010 - 2012  | Dean, Department of Global Business, School of Contemporary International Studies, Nagoya University of Foreign Studies   |
|    | 2004 - 2012  | Professor, Department of Global Business, School of Contemporary International Studies, Nagoya University of Foreign Studies  |
|    | 1983 - 2010  | Chief Executive Officer, Nam Bu Ham Co., Ltd  |
|    | 1997 - 2009  | Committee member, Korean Residents Union HQ in Japan  |
|    | 1991 - 2008  | Counsel and Director, Korea Education Foundation  |

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|----|--|--|
| 1. | Date of Birth  | October 7, 1937  |
| 2. | Nominator  | Outside Director Recommendation Committee  |
|    | 2-1 Rationale  | Mr. Kim is a former President at Kwangwoon University and formerly served as a Dean at Graduate School of Information, Yonsei University, and expected to share his various experiences based on his academic background. The committee recommends to renew his term as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None   |
| 4. | Business transaction with SFG during the last 3 years    | None   |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)  |
| 6. | Current Position   | Former) President, Kwangwoon University  |
| 7. | New Appointment  | No   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 100%   |
| 8. | Education  | Ph.D in Business Administration, Washington University   |
| 9. | Main Work Experience                                     |  |
|    | 2009 - 2013  | President, Kwangwoon University  |
|    | 2004 - 2009  | Outside Director, GS Holdings Corp.  |
|    | 2003   | Outside Director, KTB Networks, currently KTB Investment & Securities Co., Ltd.  |
|    | 2000   | Dean, Graduate School of Information, Yonsei University  |
|    | 1979 - 2003  | Professor, School of Business, Yonsei University   |

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|----|--|--|
| 1. | Date of Birth  | April 29, 1947   |
| 2. | Nominator  | Outside Director Recommendation Committee  |
|    | 2-1 Rationale  | Mr. Kim, with the experiences in government institutions such as ministry of finance and career as a Chairman of Korea Federation of Savings Banks as well as Chairman of Credit Information Companies Association, he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None   |
| 4. | Business transaction with SFG during the last 3 years    | None   |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)  |
| 6. | Current Position   | Former) Chairman, Credit Information Companies Association.  |
| 7. | New Appointment  | No   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 100%   |
| 8. | Education  | Ph.D. in Economics, Kyung Hee University   |
| 9. | Main Work Experience                                     |  |
|    | 2009 - 2012  | Chairman, Credit Information Companies Association   |
|    | 2006 - 2009  | Chairman, Korea Federation of Savings Banks  |
|    | 2005 - 2006  | Outside Director, Woori Bank   |
|    | 2002 - 2005  | Vice President, Korea Deposit Insurance Corporation  |
|    | 1999 - 2001  | Head of the Korea-OECD Multilateral Tax Center   |

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|----|--|--|
| 1. | Date of Birth  | June 26, 1947  |
| 2. | Nominator  | Outside Director Recommendation Committee  |
|    | 2-1 Rationale  | Mr. Namkoong is an expert in finance with a career as a Member of Monetary Policy Committee at Bank of Korea and has made an effort for the stability of the board as a Chairman of Board of Directors during his tenure. The committee recommends to renew his term as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None   |
| 4. | Business transaction with SFG during the last 3 years    | None   |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)  |
| 6. | Current Position   | Former) Chairman, Korea Life Insurance Association   |
| 7. | New Appointment  | No   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 100%   |
| 8. | Education  | M.A. in public administration from University of Wisconsin at Madison  |
| 9. | Main Work Experience                                     |  |
|    | 2009 - 2011  | Outside Director, KORAMCO (Korea Real Asset Management Company)  |
|    | 2005 - 2014  | Outside Director, Samsung Electro-Magnetics Co., Ltd   |
|    | 2005 - 2008  | Chairman, Korea Life Insurance Association   |
|    | 2000 - 2004  | Member, Monetary Policy Committee, Bank of Korea   |
|    | 1999 - 2000  | Chairman and President, Korea Deposit Insurance Corporation  |

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|----|--|---|
| 1. | Date of Birth  | November 22, 1954   |
| 2. | Nominator  | Outside Director Recommendation Committee   |
|    | 2-1 Rationale  | Mr. Lee is an expert in accounting, with a strong academic background as well as practical experience in various fields. The committee newly nominated and recommended him as an outside director as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None  |
| 4. | Business transaction with SFG during the last 3 years    | None  |
| 5. | Term of Office   | From Mar.26, 2014 until the 15 <sup>th</sup> AGM (2 years)  |
| 6. | Current Position   | Professor, Korea University Business School   |
| 7. | New Appointment  | Yes   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | N.A.  |
| 8. | Education  | Ph.D. in Business Administration from University of Georgia   |
| 9. | Main Work Experience                                     |   |
|    | 1988 - current   | Professor, Korea University Business School   |
|    | 2007 - 2008  | Chairman, Korean Accounting Association   |
|    | 2006 - 2007  | Chairman, Korean Academic society of taxation   |
|    | 2001 - 2007  | Committee member of Securities listing, Korea Exchange  |

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|----|--|---|
| 1. | Date of Birth  | September 20, 1945  |
| 2. | Nominator  | Outside Director Recommendation Committee   |
|    | 2-1 Rationale  | Mr. Lee is a seasoned legal expert who honorably served as the Chief Judge of the Constitutional Court of Korea. The committee recommends Mr. Lee based on his renowned capacity and character as he is expected to contribute to the development of the Company. |
| 3. | Relation to the largest shareholder                      | None  |
| 4. | Business transaction with SFG during the last 3 years    | None  |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)   |
| 6. | Current Position   | Representative Attorney, Law Firm WONJON  |
| 7. | New Appointment  | No  |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 100%  |
| 8. | Education  | B.A. in Law, Chung-Ang University   |
| 9. | Main Work Experience                                     |   |
|    | 2010 - current   | Representative Attorney, Law Firm WONJON  |
|    | 2009 - 2010  | Lawyer, DW Partners Law Firm  |
|    | 2005 - 2009  | Lawyer, Law Firm LEEWOO   |
|    | 2004 - 2005  | Chief Judge, Constitutional Court of Korea  |
|    | 2002 - 2004  | President, Busan High Court   |
|    | 2000 - 2002  | President, Daegu District Court & Incheon District Court  |
|    | 2000 - 2000  | Senior Presiding Judge, Patent Court of Korea   |
|    | 1992 - 2000  | Senior Judge, Daegu High Court  |



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|----|--|---|
| 1. | Date of Birth  | March 18, 1937  |
| 2. | Nominator  | Outside Director Recommendation Committee   |
|    | 2-1 Rationale  | Mr. Chung is a successful Korean-Japanese entrepreneur and expected to share his various experience and knowhow as a businessman with the Company. The committee newly nominated and recommended him as an outside director as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None  |
| 4. | Business transaction with SFG during the last 3 years    | None  |
| 5. | Term of Office   | From Mar.26, 2014 until the 15 <sup>th</sup> AGM (2 years)  |
| 6. | Current Position   | Chairman, Jin Corporation   |
| 7. | New Appointment  | Yes   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | N.A.  |
| 8. | Education  | B.A. in Economics, Nihon University   |
| 9. | Main Work Experience                                     |   |
|    | 1994 - current   | Chairman, Jin Corporation   |
|    | 2006 - 2012  | Chairman, Korean residents union in Japan   |
|    | 2003 - 2006  | Vice Chairman, Korean residents union in Japan  |
|    | 1978 - 1994  | President, Daitou Co., Ltd.   |
|    | 1959 - 1978  | Deputy President, Muramathu Co., Ltd.   |

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|----|--|--|
| 1. | Date of Birth  | November 7, 1964   |
| 2. | Nominator  | Outside Director Recommendation Committee  |
|    | 2-1 Rationale  | Mr. Hirakawa is a successful Korean-Japanese entrepreneur and has been actively participating in the meetings of the Board of Directors and its committees. The committee recommends to renew his term as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None   |
| 4. | Business transaction with SFG during the last 3 years    | None   |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)  |
| 6. | Current Position   | CEO, Hirakawa Shoji Co., Ltd   |
| 7. | New Appointment  | No   |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 89%.   |
| 8. | Education  | BA in Political Science & Economics, Kinki University  |
| 9. | Main Work Experience                                     |  |
|    | 2008   | CEO, Kokusai Kaihatsu Co., Ltd   |
|    | 2006   | CEO, Shinei Shoji Co., Ltd   |
|    | 1994   | CEO, Hirakawa Shoji Co., Ltd   |

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|----|--|---|
| 1. | Date of Birth  | September 26, 1957  |
| 2. | Nominator  | Outside Director Recommendation Committee   |
|    | 2-1 Rationale  | Mr. Agugnier has been duly performing his role as an outside director during his tenure. The committee recommends to renew his term as he is expected to further contribute to the activities of the Board of Directors, and in turn, the development of the Company. |
| 3. | Relation to the largest shareholder                      | None  |
| 4. | Business transaction with SFG during the last 3 years    | None  |
| 5. | Term of Office   | From Mar.26, 2014 until the 14 <sup>th</sup> AGM (1 year)   |
| 6. | Current Position   | Head of Retail Banking for Asia, BNP Paribas  |
| 7. | New Appointment  | No  |
|    | 7-1 If incumbent, prior year BoD meeting attendance rate | 78%   |
| 8. | Education  | Ph.D in Far Eastern Studies, Universite Paris III (Inalco)  |
| 9. | Main Work Experience                                     |   |
|    | 2010 - current   | Head of Retail Banking for Asia, BNP Paribas  |
|    | 2006 - 2009  | Vice-President, Bank of Nanjing Head of Retail Banking for China, BNP Paribas   |
|    | 2002 - 2006  | Head, BNP Paribas Group Investor Relations and Financial Information  |

**Agenda Item No. 3** Appointment of Audit Committee Members (4 members)

*Pursuant to Article 542.12 of the Commercial Act, Article 41 of the Financial Holding Companies Act and Article 39 of the Company's Articles of Incorporation, we seek shareholders' approval during the Annual General Meeting of Shareholders on the appointment of the Audit Committee Members.*

Among the existing outside director candidates, Messrs. Taeun Kwon, Seok Won Kim, Man Woo Lee and Sang Kyung Lee were recommended as candidates of the Audit Committee Members for fiscal year 2014 through the resolution of the Audit Committee Member Recommendation Committee.

The Board of Directors recommends a vote **FOR** the election of each of the following nominee;



AGENDA ITEM NO.3-2 AUDIT COMMITTEE MEMBER CANDIDATE

MR. SEOK WON KIM

1. Date of Birth April 29, 1947
2. Nominator Audit Committee Member Recommendation Committee
3. Relation to the largest shareholder None
4. Business transaction with SFG during the last 3 years None
5. Term of Office From Mar.26, 2014 until the 14<sup>th</sup> AGM (1 year)
6. Current Position Former) Chairman, Credit Information Companies Association.
7. Education Ph.D. in Economics, Kyung Hee University
8. Main Work Experience
  - 2009 - 2012 Chairman, Credit Information Companies Association
  - 2006 - 2009 Chairman, Korea Federation of Savings Banks
  - 2005 - 2006 Outside Director, Woori Bank
  - 2002 - 2005 Vice President, Korea Deposit Insurance Corporation
  - 1999 - 2001 Head of the Korea-OECD Multilateral Tax Center







**AGENDA ITEM No.4** APPROVAL OF DIRECTOR REMUNERATION LIMIT

*Pursuant to Article 388 of the Commercial Act and Article 48 of the Company's Articles of Incorporation, we seek shareholders' approval during the Annual General Meeting of Shareholders on the aggregate remuneration levels for directors for fiscal year 2014.*

KRW 3.0 billion is proposed as the maximum amount of aggregate remuneration that may be disbursed to the 12 directors, including 10 outside directors, of the Company for fiscal year 2014. For your reference the limitation for fiscal year 2013 for 12 directors, including 10 outside directors, was KRW 6.0 billion.

Additionally, 19,500 performance shares are proposed to be granted as the maximum aggregate amount of shares that may be disbursed from January 1, 2014 to December 31, 2014 to the directors of Shinhan Financial Group as long-term incentives over the term of their office. The approval and ratification of awards, performance measure and allocation for these performance shares will be delegated to the Board of Directors.

## Additional Information

### I. Number and Classification of Voting Shares

The record date for exercising voting rights at the Annual General Meeting of Shareholders is December 31, 2013. As of the record date, there were 474,199,587 shares outstanding, all of which are valid shares for voting.

### II. Method of Resolutions

Pursuant to the provisions of the Commercial Code, Agenda Item No. 1, 2, 3 and 4 shall be passed a majority of the votes cast by the shareholders present at the meeting and at least one-fourth of the total shares that are entitled to vote.

### III. Members of the Board of Directors after the 13<sup>th</sup> Annual General Meeting of Shareholders

		<b>After AGM</b>		
<b>Before AGM</b>		<b>Initially Appointed on</b>	<b>Reappointed on</b>	<b>End of Tenure</b>
Executive Directors	Executive Directors			
Dong Woo Han	Dong Woo Han	March 23, 2011	March 26, 2014	FY 2016 AGM
Non-executive Directors	Non-executive Directors			
Jin Won Suh	Jin Won Suh	March 23, 2011	March 29, 2012	FY 2014 AGM
Outside Directors*	Outside Directors*			
	Man Woo Lee	March 26, 2014		FY 2015 AGM
	Jin Chung	March 26, 2014		FY 2015 AGM
Boo In Ko	Boo In Ko	March 28, 2013		FY 2014 AGM
Taeun Kwon	Taeun Kwon	March 23, 2011	March 26, 2014	FY 2014 AGM
Kee Young Kim	Kee Young Kim	March 23, 2011	March 26, 2014	FY 2014 AGM
Seok Won Kim	Seok Won Kim	March 23, 2011	March 26, 2014	FY 2014 AGM
Hoon Namkoong**	Hoon Namkoong	March 23, 2011	March 26, 2014	FY 2014 AGM
Sang Kyung Lee	Sang Kyung Lee	March 29, 2012	March 26, 2014	FY 2014 AGM
Haruki Hirakawa	Haruki Hirakawa	March 23, 2011	March 26, 2014	FY 2014 AGM
Philippe Aguiñier	Philippe Aguiñier	March 24, 2010	March 26, 2014	FY 2014 AGM
Ke Sop Yun				
Jung Il Lee				

\* Outside Directors is defined by the Financial Holding Companies Act and the Securities and Exchange Act as a director who does not engage in the regular affairs of the financial holding company, and who is elected at a shareholders meeting, after having been nominated by the outside director nominating committee. None of the largest shareholder, those persons specially related to the largest shareholder of such company, persons who during the past two years have served as an officer or employee of such company, the spouses and immediate

family members of an officer of such company, and certain other persons specified by law may qualify as an outside director of such company.

\*\* Mr.Hoon Namkoong was the Chairman of the Board of Directors for Shinhan Financial Group.

\*\*\* The new Chairman of the Board of Directors will be elected on the following meeting of Board of Directors after the AGM.

indicates outside directors whose tenure expired and who seeks shareholders approval to renew their terms.

IV. Committees of the Board of Directors after the 13<sup>th</sup> Annual General Meeting of Shareholders  
 There are currently seven management committees that serve under the board:

the Governance and CEO Recommendation Committee;

the Board Steering Committee;

the Risk Management Committee;

the Audit Committee;

the Compensation Committee;

the Outside Director Recommendation Committee; and

the Audit Committee Member Recommendation Committee.

Each committee member is appointed by the Board of Directors, except for members of the Audit Committee, who are elected at the general meeting of shareholders.

The following table lists the members of each committee as of February 25, 2014. Each committee members for FY 2014, except for the members of the Audit Committee, will be appointed by the new Board of Directors after the 13<sup>th</sup> Annual General Meeting of Shareholders;

Committee	Members	Objective	Attendance Record*	Number of Meetings Held*
Governance and CEO Recommendation Committee	Chair (Mar. 2012~Mar. 2013) Kee Young Kim (o) Chair (Mar. 2013~Current) Kee Young Kim (o) Members (Mar. 2012~Mar. 2013) Taeun Kwon (o)	The committee is responsible for overall corporate governance matters of the Company. It will deliberate on matters related to corporate governance of the Company, such as the code of conduct and code of ethics, size of the Board of Directors and matters necessary for improvements to the Company's corporate governance structure.  The committee is also responsible to develop, operate and review the	100%	6

	Hoon Namkoong (o)	Company's management succession plan, including setting CEO qualification criteria, evaluating CEO candidate pool and recommending CEO candidates.	
	Jaekun Yoo (o)		
	Philippe Aguihier (o)		
	Dong Woo Han	The Chair of this committee will be elected among the outside director members.	
	Members (Mar. 2013~Current)		
	Boo In Ko (o)		100%
	Taeun Kwon (o)	The participation, and voting right, of the incumbent CEO will be limited if he or she is included in the CEO candidate pool.	100%
	Hoon Namkoong (o)		100%
	Philippe Aguihier (o)		100%
	Dong Woo Han		100%
	Chair (Mar. 2012~Mar. 2013)	The committee is responsible for ensuring the efficient operations of the board and the facilitation of the board's functions. The committee's responsibilities also include reviewing and assessing the board's structure and the effectiveness of that structure in fulfilling the board's fiduciary responsibilities.	
	Dong Woo Han		100%
	Chair (Mar. 2013~Current)		
	Dong Woo Han		100%
	Members (Mar. 2012~Mar.2013)		
	Hoon Namkoong (o)		100%
Board Steering Committee	Ke Sop Yun (o)		100%
	Jung Il Lee (o)		100%
	Members (Mar. 2013~Current)		
	Boo In Ko (o)		67%
	Kee Young Kim (o)		100%
	Seok Won Kim (o)		100%
	Haruki Hirakawa (o)		67%

Risk Management Committee	Chair	The committee oversees and makes determinations on all issues relating to our comprehensive risk management function. In order to ensure our stable financial condition and to maximize our profits, the committee monitors our overall risk exposure and reviews our compliance with risk policies and risk limits. In addition, the committee reviews risk and control strategies and policies, evaluates whether each risk is at an adequate level, establishes or abolishes risk management divisions, reviews risk-based capital allocations, and reviews the plans and evaluation of internal control.	100%	5
	Members		100%	
	Kee Young Kim (o)		100%	
	Hoon Namkoong (o)		100%	
Compensation Committee	Chair (Mar. 2012~Mar. 2013)	This committee is responsible for reviewing and approving the management's evaluation and compensation programs.	100%	5
	Members (Mar. 2012~Mar. 2013)		100%	
	Chair (Mar. 2013~Current)		100%	
	Members (Mar. 2013~Current)		100%	
	Seok Won Kim (o)		100%	
	Sang Kyung Lee (o)		100%	
	Kee Young Kim (o)		100%	
	Sang Kyung Lee (o)		100%	
Audit Committee	Chair	The committee oversees our financial reporting and approves the appointment of and interaction with our independent auditors and our internal audit-related officers. The committee also reviews our financial information, audit examinations, key financial statement issues and the administration of our financial affairs by the Board of Directors. In connection with the general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the Board of Directors for each	100%	9
	Members		100%	
	Ke Sop Yun (o)		100%	
	Taeun Kwon (o)		89%	
	Seok Won Kim (o)		100%	
	Sang Kyung Lee (o)		100%	

		general meeting of stockholders.		
Outside Director Recommendation Committee	Chair	Members of this committee will be appointed by our Board of Directors if and only to the extent necessary to recommend and nominate candidates for our outside director positions and related matters. The committee meetings are called by the chairman of this committee, who must be an outside director.	100%	3
	Sang Kyung Lee (o)			
	Members			
	Kee Young Kim (o)			
	Taeun Kwon (o)			
	Jung Il Lee (o)		100%	
	Dong-Woo Han		100%	
Audit Committee Member Recommendation Committee	Chair	Members of this committee will be appointed by our Board of Directors if and only to the extent necessary to recommend and nominate candidates for our audit committee member positions and related matters. The committee should consist of all of the outside directors of the Group.	100%	1
	Kee Young Kim (o)			
	Member			
	All outside Directors		100% <sup>(1)</sup>	

indicates committees with a majority of outside directors as committee members

\* The number of meetings held and the attendance record for the Board Steering Committee, Risk Management Committee, Compensation Committee and the Audit Committee have been counted for the period from the appointment of the members to the committee until the end of FY 2013, that is December 31, 2013, based on the Financial Supervisory Service disclosure guideline for proxy materials. However, for the outside director Recommendation Committee and the Audit Committee Member Recommendation Committee, those records were counted for the meetings held to recommend and nominate candidates that constitute the next Outside Directors among the Board of Directors and the Audit Committee Members for FY 2014, which both were held during February 2014.

(1) The Audit Committee Member Recommendation Committee is held once every year to nominate the members for the next fiscal year Audit Committee. Of the total 10 outside directors, 9 outside directors have participated the Audit Committee Member Recommendation Committee held on February 25, 2014. Mr. Haruki Hirakawa was not able to participate.

(o) indicates outside directors

For detailed information of notes to financial statements, please refer to audit report through 6-K disclosure scheduled on 18th of March, 2014.

Actual date of disclosure that is scheduled on 18th of March, 2014 may be subject to change.

**Appendix A. Financial Statements for FY 2013**



**SHINHAN FINANCIAL GROUP CO., LTD.**  
Separate Financial Statements

December 31, 2013 and 2012

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SHINHAN FINANCIAL GROUP CO., LTD.

**Separate Statements of Financial Position**

As of December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>January 1, 2012</b>
<b>Assets</b>			
Due from banks	385	212,783	2,220,171
Trading assets	520,116	118,548	1,856,712
Loans	1,337,083	1,359,605	1,104,678
Property and equipment, net	1,159	1,264	1,363
Intangible assets, net	6,508	7,112	7,974
Investments in subsidiaries	25,261,909	25,216,096	25,050,002
Deferred tax assets	2,331	1,814	302
Other assets, net	295,154	295,702	603,048
<b>Total assets</b>	<b>27,424,645</b>	<b>27,212,924</b>	<b>30,844,250</b>
<b>Liabilities</b>			
Borrowings	7,500	10,000	5,000
Debt securities issued	7,098,797	7,196,951	7,034,393
Liability for defined benefit obligations	2,981	2,602	2,061
Other liabilities	340,895	336,450	4,371,989
<b>Total liabilities</b>	<b>7,450,173</b>	<b>7,546,003</b>	<b>11,413,443</b>
<b>Equity</b>			
Capital stock	2,645,053	2,645,053	2,645,053
Other equity instrument	537,443	537,443	238,582
Capital surplus	9,494,842	9,494,842	9,494,842
Accumulated other comprehensive loss	(2,919)	(2,650)	(1,605)
Retained earnings	7,300,053	6,992,233	7,053,935
<b>Total equity</b>	<b>19,974,472</b>	<b>19,666,921</b>	<b>19,430,807</b>
<b>Total liabilities and equity</b>	<b>27,424,645</b>	<b>27,212,924</b>	<b>30,844,250</b>

*See accompanying notes to the separate financial statements.*

SHINHAN FINANCIAL GROUP CO., LTD.

**Separate Statements of Comprehensive Income**

For the years ended December 31, 2013 and 2012

<i>(In millions of won, except earnings per share data)</i>	<b>2013</b>	<b>2012</b>
Interest income	61,864	67,797
Interest expense	(310,438)	(341,678)
<b>Net interest income</b>	<b>(248,574)</b>	<b>(273,881)</b>
Fees and commission income	114,321	114,287
Fees and commission expense	(214)	(231)
<b>Net fees and commission income</b>	<b>114,107</b>	<b>114,056</b>
Dividend income	919,805	800,223
Net trading income	10,991	10,071
Net foreign currency transaction loss	10	342
Reversal of (Provision for) credit losses	(66,785)	(61,808)
General and administrative expenses	1,654	1,313
<b>Operating Income</b>	<b>729,554</b>	<b>589,003</b>
<b>Non-operating income</b>	<b>1,654</b>	<b>1,313</b>
<b>Income before income taxes</b>	<b>731,208</b>	<b>590,316</b>
Income tax expense (benefit)	(430)	(1,178)
<b>Net income for the year</b>	<b>731,638</b>	<b>591,494</b>
<b>Other comprehensive income (loss) for the period, net of income tax</b>		
Items that will never be reclassified to profit or loss :		
Remeasurements of the defined benefit liability	(269)	(1,045)
	(269)	(1,045)
<b>Total comprehensive income for the year</b>	<b>731,369</b>	<b>590,449</b>
Basic earnings per share in won	1,349	1,035
Diluted earnings per share in won	1,349	1,035

*See accompanying notes to the separate financial statements.*

SHINHAN FINANCIAL GROUP CO., LTD.

**Separate Statements of Appropriation of Retained Earnings**

For the years ended December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>2013</b>	<b>2012</b>
<b>Unappropriated retained earnings:</b>		
Balance at beginning of year	4,969,958	4,846,219
Changes in accounting policy	2,650	1,605
Interest on hybrid bond	(29,940)	(23,688)
Net income	731,638	591,494
	5,674,306	5,415,630
Reversal of regulatory reserve for loan loss	1,165	9,901
	5,675,471	5,425,531
<b>Appropriation of retained earnings:</b>		
Legal reserve	73,164	59,045
Dividends	370,168	393,878
Dividends on common stocks paid	308,230	331,940
Dividends on preferred stocks paid	61,938	61,938
	443,332	452,923
<b>Unappropriated retained earnings to be carried over to subsequent year</b>	<b>5,232,139</b>	<b>4,972,608</b>
Date of appropriation:	March 26, 2014	March 28, 2013
<i>See accompanying notes to the separate financial statement</i>		

## SHINHAN FINANCIAL GROUP CO., LTD.

## Separate Statements of Changes in Equity

For the years ended December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>Capital stock</b>	<b>Other equity instruments</b>	<b>Capital surplus</b>	<b>Accumulated other comprehensive loss</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at January 1, 2012</b>	2,645,053	238,582	9,494,842		7,052,330	19,430,807
Changes in accounting policy				(1,605)	1,605	
<b>Restated Balance</b>	2,645,053	238,582	9,494,842	(1,605)	7,053,935	19,430,807
Net income for the period					591,494	591,494
<b>Other comprehensive income, net of income tax</b>						
Remeasurements of the defined benefit liability				(1,045)		(1,045)
<b>Total comprehensive income for the year</b>				(1,045)	591,494	590,449
<b>Transactions with owners</b>						
Dividends					(629,508)	(629,508)
Dividend to hybrid bonds					(23,688)	(23,688)
Issuance of preferred stock		298,861				298,861
		298,861			(653,196)	(354,335)
<b>Balance at December 31, 2012</b>	2,645,053	537,443	9,494,842	(2,650)	6,992,233	19,666,921

<i>(In millions of won)</i>	<b>Capital stock</b>	<b>Other equity instruments</b>	<b>Capital surplus</b>	<b>Accumulated other comprehensive income</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>Balance at January 1, 2013</b>	2,645,053	537,443	9,494,842		6,989,583	19,666,921
Changes in accounting policy				(2,650)	2,650	
<b>Restated Balance</b>	2,645,053	537,443	9,494,842	(2,650)	6,992,233	19,666,921
Net income for the period					731,638	731,638
<b>Other comprehensive income, net of income tax</b>						
Remeasurements of the defined benefit liability				(269)		(269)

<b>Total comprehensive income for the year</b>				(269)	731,638	731,369
<b>Transactions with owners</b>						
Dividends					(393,878)	(393,878)
Dividend to hybrid bonds					(29,940)	(29,940)
					(423,818)	(423,818)
<b>Balance at December 31, 2013</b>	2,645,053	537,443	9,494,842	(2,919)	7,300,053	19,974,472

*See accompanying notes to the separate financial statements.*



## SHINHAN FINANCIAL GROUP CO., LTD.

**Separate Statements of Cash Flows**

For the years ended December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Income before income taxes	731,208	590,316
Adjustments for:		
Interest income	(61,864)	(67,797)
Interest expense	310,438	341,678
Dividend income	(919,805)	(800,223)
Net trading income	(1,116)	(398)
Provision for (reversal of) credit losses	(10)	(342)
Salaries expense (benefit)	4,732	1,574
Depreciation and amortization	1,113	1,327
Net other non-operating income	57	263
	(666,455)	(523,918)
<b>Changes in assets and liabilities:</b>		
Due from banks		2
Trading assets	(400,452)	1,738,562
Other assets	404	468
Liability for defined benefit obligations	(1,878)	(2,442)
Other liabilities	96	642
	(401,830)	1,737,232
Interest received	62,672	79,755
Interest paid	(304,086)	(326,135)
Dividend received	919,805	800,223
<b>Net cash provided by operating activities</b>	<b>341,314</b>	<b>2,357,473</b>
<b>Cash flows from investing activities</b>		
Issuance of loans	(137,500)	(460,000)
Collection of loans	160,000	205,000
Acquisition of property and equipment	(363)	(548)
Acquisition of intangible assets	(85)	(79)
Acquisition of subsidiaries	(45,813)	(166,094)
Decrease in (increase in) other assets		11,954
<b>Net cash provided by (used in) investing activities</b>	<b>(23,761)</b>	<b>(409,767)</b>

See accompanying notes to the separate financial statement



SHINHAN FINANCIAL GROUP CO., LTD.

**Separate Statements of Cash Flows (continued)**

For the years ended December 30, 2013 and 2012

<i>(In millions of won)</i>	<b>2013</b>	<b>2012</b>
<b>Cash flow from financing activities</b>		
Issuance of hybrid bond		298,861
Repayments of preferred stock		(3,765,124)
Proceeds from borrowings	17,500	60,000
Repayments of borrowings	(20,000)	(55,000)
Issuance of debt securities issued	1,600,000	1,300,000
Repayments of debt securities issued	(1,700,000)	(1,140,000)
Debentures issuance cost paid	(3,475)	(3,490)
Dividends paid	(424,014)	(650,697)
Net cash provided by (used in) financing activities	(529,989)	(3,955,450)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(212,436)</b>	<b>(2,007,744)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>212,818</b>	<b>2,220,562</b>
<b>Cash and cash equivalents at end of year</b>	<b>382</b>	<b>212,818</b>

*See accompanying notes to the separate financial statement*

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**1. Reporting entity**

Shinhan Financial Group Co., Ltd. (the Company) was incorporated on September 1, 2001 through a business combination involving the exchange of the Company's common stock with the former shareholders of Shinhan Bank, Shinhan Investment Corp., Shinhan Capital Co., Ltd. and Shinhan BNP Paribas Investment Trust Management Co., Ltd. The Company's shares were listed on the Korea Exchange on September 10, 2001 and the Company's American depository shares were listed on the New York Stock Exchange on September 16, 2003.

**2. Basis of preparation**

**(a) Statement of compliance**

The accompanying separate financial statements have been prepared in accordance with Korean International Financial Reporting Standards (K-IFRS), as prescribed in *the Act on External Audits of Corporations in the Republic of Korea*.

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027 *Separate Financial Statements* presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

**(b) Basis of measurement**

The separate financial statements have been prepared on the historical cost basis except for the following material items in the separate statement of financial position:

Derivative financial instruments are measured at fair value

Financial instruments at fair value through profit or loss are measured at fair value

Liabilities for cash-settled share-based payment arrangements are measured at fair value

Liabilities for defined benefit plans are recognized as the present value of the defined benefit obligation less the net total of the plan assets



SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

(In millions of won)

**2. Basis of preparation (continued)**

**(c) Functional and presentation currency**

These separate financial statements are presented in Korean won which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

**(d) Use of estimates and judgments**

The preparation of the separate financial statements in conformity with K-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**(e) Changes in accounting policies**

i) Amendments to K-IFRS No. 1001, *Presentation of Financial Statements*

The Company has applied the amendments to K-IFRS No. 1001, *Presentation of Financial Statements* since January 1, 2013. The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

ii) Amendments to K-IFRS No. 1019, *Employee Benefits*

The Company has applied the amendments to K-IFRS No. 1019, *Employee Benefits* since January 1, 2013. The standard requires recognition of remeasurements of the defined benefit liability immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation.

**(f) Impact of change in accounting policy**

- i) The impact of adopting the amendment to K-IFRS No. 1019, *Employee Benefits* is as below:

Statement of financial position

	<b>December 31, 2012</b>		
Account	As previously reported	Adjustments	As restated
Retained earnings	6,989,583	2,650	6,992,233
Accumulated other comprehensive income		(2,650)	(2,650)

	<b>January 1, 2012</b>		
Account	As previously reported	Adjustments	As restated
Retained earnings	7,052,330	1,605	7,053,935
Accumulated other comprehensive income		(1,605)	(1,605)

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

(In millions of won)

**2. Basis of preparation (continued)**

Statement of comprehensive income	
	<b>2012</b>
Net profit for the period as previously reported	590,449
Adjustments:	
General and administrative expenses	1,379
Income tax effects	(334)
	1,045
Net profit for the period as restated	591,494

**(g) Approval of separate financial statements**

These separate financial statements were approved by the Board of Directors on February 11, 2014, which will be submitted for approval to shareholder s meeting to be held on March 26, 2014.

**3. Significant accounting policies**

The significant accounting policies applied by the Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

**(a) Investments in subsidiaries**

The accompanying separate financial statements have been prepared on a stand-alone basis in accordance with K-IFRS No. 1027 *Separate Financial Statements*. The Company s investments in subsidiaries are recorded at cost in accordance with K-IFRS No. 1027. The Company applied K-IFRS No. 1101 *First-time Adoption of K-IFRS*, and considered the amount reported previously in separate financial statements prepared in accordance with previous K-GAAP as deemed cost at the date of transition. Dividends received from its subsidiaries are recognized in profit or loss when the Company is entitled to receive the dividend.



**(b) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by the Company in management of its short-term commitments. Generally equity investments are excluded from cash and cash equivalents.

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(c) Non-derivative financial assets**

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

i) Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is held for trading or is designated at fair value through profit or loss. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and

receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

v) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

vi) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the separate statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**(d) Derivative financial instruments**

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is

recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(e) Impairment of financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

**(f) Property and equipment**

Property and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced cost is derecognized. The cost of the day to day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of 5 years, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation methods, useful lives and residual value are reassessed at each fiscal year-end and any adjustment is accounted for as a change in accounting estimate.

SHINHAN FINANCIAL GROUP CO., LTD.

## Notes to the Separate Financial Statements

December 31, 2013 and 2012

### 3. Significant accounting policies (continued)

#### (g) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of 5 years from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

#### (h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from employee benefits and deferred tax assets, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.





SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(i) Non-derivative financial liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Depending on commitments in a contract and definition of financial liabilities, the non-derivative financial liabilities are categorized as either at fair value through profit or loss or other financial liabilities.

i) Financial liabilities at fair value through profit or loss

The financial liabilities at fair value through profit or loss include a financial liability held for trading or designated at fair value through profit or loss upon initial recognition. These financial liabilities are measured at fair value after initial recognition and changes in the fair value are recognized through profit or loss of the period. Costs attributable to the issuance or acquisition are immediately expensed in the period.

ii) Other financial liabilities

The financial liabilities not classified as at fair value through profit or loss are classified into other financial liabilities. The liabilities are measured at a fair value minus cost relating to issuance upon initial recognition. Then, they are carried at amortized cost, using the effective interest rate method.

Only when financial liabilities become extinct, or obligations in a contract are cancelled or terminated, they are derecognized from the Company's separate statement of financial position.

**(j) Foreign currency translation**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date

that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(k) Capital stock**

i) Capital stock

Capital stock is classified as equity. Incremental costs directly attributable to the transaction of stock are deducted, net of tax, from the equity.

ii) Hybrid bond

The Company classifies issued financial instrument, or its component parts, as a financial liability or an equity instrument depending on the substance of the contractual arrangement of such financial instrument. Hybrid bond where the Company has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation are classified as an equity instrument and presented in equity.

**(l) Employee benefits**

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in personnel expenses in profit or loss.

The discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes service cost and net interest on the net defined benefit liability (asset) in profit or loss and remeasurements of the net defined benefit liability (asset) in other comprehensive income.

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

The discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes service cost and net interest on the net defined benefit liability (asset) in profit or loss and remeasurements of the net defined benefit liability (asset) in other comprehensive income.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, are recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately following the introduction of, or changes to, a defined benefit plan, the Company recognizes the past service cost immediately.

iii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

**(m) Share-based payment transactions**

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(n) Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provision shall be used only for expenditures for which the provision was originally recognized

**(o) Financial income and expense**

**i) Interest income and expense**

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter year) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

**ii) Fees and commissions**

Fees and commission income are recognized as the related services are performed.

Fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

iii) Dividend

Dividend income is recognized when the right to receive income is authorized.



SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(p) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company files its national income tax return with the Korean tax authorities under the consolidated corporate tax system, which allows it to make national income tax payments based on the combined profits or losses of the Company and its wholly owned domestic subsidiaries. Deferred taxes are measured based on the future tax benefits expected to be realized in consideration of the expected combined profits or losses of eligible companies in accordance with the consolidated corporate tax system. Consolidated corporate tax amounts, once determined, are allocated to each of the subsidiaries and are used as a basis for the income taxes to be recorded in their separate financial statements.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.



SHINHAN FINANCIAL GROUP CO., LTD.

**Notes to the Separate Financial Statements**

December 31, 2013 and 2012

**3. Significant accounting policies (continued)**

**(q) Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

**(r) New standards and interpretations not yet adopted**

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2014, and the Company has not early adopted them.

i) Amendments to K-IFRS No. 1032, *Financial Instruments: Presentation*

The amendments clarified the application guidance related to offsetting a financial asset and a financial liability. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier application permitted.

**SHINHAN FINANCIAL GROUP CO., LTD.**

**AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2013 and 2012

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## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Financial Position**

As of December 31, 2013, 2012 and January 1, 2012

<i>(In millions of won)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>				
Cash and due from banks	4,8,20	16,472,509	13,507,249	14,799,035
Trading assets	4,9,20	18,033,298	16,654,255	14,520,784
Financial assets designated at fair value through profit or loss	4,10,20	3,360,765	2,542,333	1,800,846
Derivative assets	4,11	1,717,468	2,170,765	2,321,301
Loans, net	4,12,20	205,722,718	200,288,636	193,229,389
Available-for-sale financial assets	4,13,20	33,364,301	36,283,918	34,015,741
Held-to-maturity financial assets	4,13,20	11,031,307	11,659,682	11,894,664
Property and equipment, net	14,20	3,214,303	3,108,457	2,993,859
Intangible assets, net	15	4,226,378	4,195,496	4,203,460
Investments in associates	16	328,567	298,518	248,848
Current tax receivable		6,184	14,128	9,022
Deferred tax assets	42	196,780	99,964	31,464
Investment properties, net	17	690,257	778,505	515,363
Other assets, net	4,18	12,449,193	13,282,907	10,948,286
Assets held for sale		242,815	54,412	15,792
<b>Total assets</b>		<b>311,296,843</b>	<b>304,939,225</b>	<b>291,547,854</b>
<b>Liabilities</b>				
Deposits	4,21	178,809,881	173,295,702	166,243,830
Trading liabilities	4,22	1,258,283	1,370,723	704,418
Financial liabilities designated at fair value through profit or loss	4,23	5,909,130	4,822,197	3,298,409
Derivative liabilities	4,11	2,026,534	1,904,044	1,972,196
Borrowings	4,24	20,142,908	19,518,040	20,255,421
Debt securities issued	4,25	37,491,439	38,838,467	39,735,249
Liability for defined benefit obligations	26	117,655	222,333	275,435
Provisions	27	750,283	747,885	869,632
Current tax payable		239,174	253,524	568,074
Deferred tax liabilities	42	14,625	41,746	21,816
Liabilities under insurance contracts	28	15,656,455	13,418,559	10,867,254
Other liabilities	4,29	19,020,815	21,592,861	19,816,728
<b>Total liabilities</b>		<b>281,437,182</b>	<b>276,026,081</b>	<b>264,628,462</b>
<b>Equity</b>				
Capital stock	30	2,645,053	2,645,053	2,645,053
Other equity instrument		537,443	537,443	238,582
Capital surplus		9,887,335	9,887,199	9,886,849

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Capital adjustments		(393,128)	(393,097)	(392,654)
Accumulated other comprehensive income		671,807	980,121	1,032,780
Retained earnings		14,194,163	12,715,172	11,046,478
<b>Total equity attributable to equity holders of Shinhan Financial Group Co., Ltd.</b>				
		27,542,660	26,371,891	24,457,088
Non-controlling interests	30	2,316,988	2,541,253	2,462,304
<b>Total equity</b>				
		29,859,661	28,913,144	26,919,392
<b>Total liabilities and equity</b>				
		311,296,843	304,939,225	291,547,854

*See accompanying notes to the consolidated financial statements*

## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income**

For the years ended December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
Interest income		12,588,016	13,998,109
Interest expense		(5,985,159)	(7,018,391)
<b>Net interest income</b>	32	6,602,857	6,979,718
Fees and commission income		3,489,624	3,491,104
Fees and commission expense		(2,103,269)	(1,947,959)
<b>Net fees and commission income</b>	33	1,386,355	1,543,145
Net insurance loss	28	(379,322)	(209,303)
Dividend income	34	158,016	174,325
Net trading income (loss)	35	77,034	607,861
Net foreign currency transaction gain		296,187	280,028
Net gain (loss) on financial instruments designated at fair value through profit or loss	36	(122,020)	(532,070)
Net gain on sale of available-for-sale financial assets	13	700,609	535,578
Impairment losses on financial assets	37	(1,339,897)	(1,416,220)
General and administrative expenses	38	(4,202,550)	(4,061,576)
Net other operating expenses	40	(539,687)	(723,519)
<b>Operating income</b>		2,637,581	3,177,967
Equity in income of associates	16	7,286	27,538
Other non-operating income(loss), net	41	37,268	25,131
<b>Income before income taxes</b>		2,682,135	3,230,636
Income tax expense	42	622,565	738,727
<b>Net income for the year</b>	30,43	2,059,570	2,491,909
<b>Other comprehensive income (loss) for the year, net of income tax</b>			
Items that will be reclassified to profit or loss:			
Foreign currency translation adjustments for foreign operations		(57,845)	(84,917)
Net change in unrealized fair value of available-for-sale financial assets		(270,103)	13,441
Equity in other comprehensive income of associates		(4,811)	4,097
Net change in unrealized fair value of cash flow hedges		6,089	15,655
Other comprehensive income (loss) of separate account		(1,829)	570
Items that will never be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		18,599	179



Total other comprehensive loss, net of income tax	30	(309,900)	(50,975)
<b>Total comprehensive income for the year</b>		1,749,670	2,440,934

*See accompanying notes to the consolidated financial statements.*

## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Comprehensive Income (continued)**

For the years ended December 31, 2013 and 2012

<i>(In millions of won, except earnings per share)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Net income attributable to:</b>			
Equity holders of Shinhan Financial Group Co., Ltd.	30,43	1,902,808	2,321,890
Non-controlling interest		156,762	170,019
		2,059,570	2,491,909
<b>Total comprehensive income attributable to:</b>			
Equity holders of Shinhan Financial Group Co., Ltd.		1,594,481	2,269,231
Non-controlling interest		155,176	171,703
		1,749,657	2,440,934
<b>Earnings per share:</b>			
	30,43		
Basic earnings per share in won		3,819	4,684
Diluted earnings per share in won		3,819	4,684

*See accompanying notes to the consolidated financial statements*

## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity**

For the years ended December 31, 2013 and 2012

	Equity attributable to equity holders of Shinhan Financial Group Co., Ltd							Non-controlling interest
	Capital stock	Other equity instruments	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Sub-total	
<i>(of won)</i>								
<b>January 1, 2012</b>	2,645,053	238,582	9,886,849	(392,654)	1,188,948	10,829,723	24,396,501	2,462,304
accounting policy					(156,168)	216,755	60,587	
<b>Balance at January 1,</b>	2,645,053	238,582	9,886,849	(392,654)	1,032,780	11,046,478	24,457,088	2,462,304
for the period						2,321,890	2,321,890	170,019
<b>Comprehensive income, net tax</b>								
currency translation					(84,695)		(84,695)	(222)
in unrealized fair value of available-for-sale financial					12,852		12,852	589
Other comprehensive income of associates					4,097		4,097	
in unrealized fair value of derivatives					15,655		15,655	
Comprehensive income of subsidiaries					570		570	
Contributions of the defined pension liability					(1,138)		(1,138)	1,317
					(52,659)		(52,659)	1,684
<b>Comprehensive income for</b>					(52,659)	2,321,890	2,269,231	171,703
<b>Changes with owners, etc</b>								
Issuance of hybrid bonds						(629,508)	(629,508)	
Redemption of hybrid bonds		298,861				(23,688)	(23,688)	
Other capital surplus			350				350	
Other capital adjustments				(443)			(443)	
Other non-controlling interest								(92,754)
		298,861	350	(443)		(653,196)	(354,428)	(92,754)
<b>December 31, 2012</b>	2,645,053	537,443	9,887,199	(393,097)	980,121	12,715,172	26,371,891	2,541,253

*See accompanying notes to the consolidated financial statements*

## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Changes in Equity (continued)**

For the years ended December 31, 2013 and 2012

	Equity attributable to equity holders of Shinhan Financial Group Co., Ltd							Non-controlling interest
	Capital stock	Other equity instruments	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Sub-total	
<i>(of won)</i>								
<b>January 1, 2013</b>	2,645,053	537,443	9,887,199	(393,097)	1,134,820	12,499,259	26,310,677	2,469,146
accounting policy					(154,699)	215,913	61,214	72,107
<b>Balance at January 1,</b>	2,645,053	537,443	9,887,199	(393,097)	980,121	12,715,172	26,371,891	2,541,253
for the period						1,902,808	1,902,808	156,762
<b>Comprehensive income, net tax</b>								
currency translation					(57,825)		(57,825)	(20)
in unrealized fair value					(268,854)		(268,867)	(1,249)
available-for-sale financial assets								
Other comprehensive					(4,811)		(4,811)	
associates								
in unrealized fair value								
of derivatives					6,089		6,089	
Comprehensive income of					(1,829)		(1,829)	
account								
payments of defined benefit					18,916		18,916	(317)
					(308,314)		(308,327)	(1,586)
<b>Comprehensive income for</b>					(308,314)	1,902,808	1,594,481	155,176
<b>Transactions with owners, etc</b>						(393,878)	(393,878)	
issuance of hybrid bonds						(29,939)	(29,939)	
other capital surplus			136				136	
other capital adjustments				(31)			(31)	
other non-controlling								(379,441)
			136	(31)		(423,817)	(423,712)	(379,441)
<b>December 31, 2013</b>	2,645,053	537,443	9,887,335	(393,128)	671,807	14,194,163	27,542,660	2,316,988

See accompanying notes to the consolidated financial statements.



## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows**

For the years ended December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Income before income taxes		2,682,135	3,230,636
Adjustments for:			
Net interest income	32	(6,602,785)	(6,979,718)
Dividend income	34	(158,016)	(174,325)
Net fees and commission expense		82,410	39,142
Insurance expense	28	2,783,416	3,043,780
Net trading loss (income)	35	240,989	(427,030)
Net foreign currency transaction loss (gain)		7,922	(86,820)
Net loss (gain) on financial assets designated at fair value through profit or loss	36	(320,950)	353,830
Gain on disposal of available-for-sale financial assets	13	(700,609)	(535,578)
Provision for allowance	12	1,124,927	1,315,365
Impairment losses on other financial assets		214,970	100,855
Salaries expense		78,402	146,501
Depreciation and amortization	38	319,730	298,836
Other operating income		61,074	(569,690)
Equity in income of associates	16	(7,286)	(27,538)
Other non-operating income, net		8,411	46,709
		(2,867,395)	(3,455,681)
Changes in assets and liabilities:			
Due from banks		(1,954,448)	1,832,347
Trading assets		(1,361,898)	(1,401,751)
Financial instruments designated at fair value through profit or loss		589,452	467,291
Derivative assets		23,139	301,268
Loans		(7,449,427)	(8,940,062)
Other assets		27,514	(3,250,673)
Deposits		5,825,422	8,444,336
Liability for defined benefit obligations	26	(141,591)	(198,919)
Provision	27	(129,463)	154,117
Other liabilities		(2,446,105)	6,257,188
		(7,017,405)	3,665,142
Income taxes paid		(694,912)	(1,074,846)
Interest received		12,499,679	13,569,246
Interest paid		(5,891,490)	(6,990,531)
Dividends received		156,203	176,235

<b>Net cash provided by (used in) operating activities</b>	(1,133,185)	9,120,201
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*See accompanying notes to the consolidated financial statements.*



## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

**Consolidated Statements of Cash Flows (continued)**

For the years ended December 31, 2013 and 2012

<i>(In millions of won)</i>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposition of financial assets designated at fair value through profit or loss			52,909
Acquisition of disposition of financial assets designated at fair value through profit or loss			(134,507)
Proceeds from disposition of available-for-sale financial assets		29,917,886	40,687,182
Acquisition of available-for-sale financial assets		(27,012,719)	(42,574,115)
Proceeds from disposition of held-to-maturity financial assets		2,393,951	2,684,122
Acquisition of held-to-maturity financial assets		(1,806,589)	(2,489,840)
Proceeds from disposition of property and equipment	14,41	12,830	21,668
Acquisition of property and equipment	14	(384,078)	(354,670)
Proceeds from disposition of intangible assets	15,41	3,353	7,044
Acquisition of intangible assets	15	(124,116)	(128,456)
Proceeds from disposition of investments in associates		69,786	15,543
Acquisition of investments in associates		(99,664)	(43,353)
Proceeds from disposition of investment property	17,41	95,848	2,880
Acquisition of investment property	17	(234,432)	(296,316)
Proceeds from disposition of assets held for sale		55,413	6,489
Net increase (decrease) in other assets		16,843	(293,385)
Net increase (decrease) in derivatives		1,844	(58)
Business combination, net of cash acquired	45	431,104	204,895
<b>Net cash used in investing activities</b>		<b>3,337,260</b>	<b>(2,631,968)</b>
<b>Cash flows from financing activities</b>			
Issuance of hybrid bond			298,860
Proceeds from borrowings		21,665,428	22,256,148
Repayments of borrowings		(21,065,646)	(22,689,554)
Proceeds from debt securities issued		10,338,560	11,696,281
Repayments of debt securities issued		(11,352,135)	(12,506,217)
Repayments of preferred stock			(3,765,124)
Changes in other liabilities		31,893	20,996
Dividends paid		(424,152)	(650,697)
Net cash flows from derivative financial instruments for hedging purposes		(26,154)	36,752
Decrease in non-controlling interest		(351,980)	(164,874)
<b>Net cash provided by (used in) financing activities</b>		<b>(1,184,186)</b>	<b>(5,467,429)</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents held</b>		<b>(6,478)</b>	<b>4,316</b>

<b>Increase (decrease) in cash and cash equivalents</b>		1,013,411	1,025,120
<b>Cash and cash equivalents at beginning of year</b>	45	5,007,765	3,982,645
<b>Cash and cash equivalents at end of year</b>	45	6,021,176	5,007,765

*See accompanying notes to the consolidated financial statements.*

## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

1. Reporting entity

Shinhan Financial Group Co., Ltd., the controlling company, and its subsidiaries included in consolidation (collectively the Group) are summarized as follows:

(a) Controlling company

Shinhan Financial Group Co., Ltd. (the Shinhan Financial Group) was incorporated on September 1, 2001 through a business combination involving the exchange of Shinhan Financial Group's common stock with the former stockholders of Shinhan Bank, Shinhan Investment Corp., Shinhan Capital Co., Ltd. and Shinhan BNP Paribas AMC. Shinhan Financial Group's shares were listed on the Korea Exchange on September 10, 2001 and Shinhan Financial Group's American Depository Shares were listed on the New York Stock Exchange on September 16, 2003.

## (b) Ownership of Shinhan Financial Group and its major consolidated subsidiaries as of December 31, 2013, 2012 are as follows: Ownership (%)

Investor	Investee (*)	Location	Date of financial information	Ownership (%)	
				2013	2012
Shinhan Financial Group	Shinhan Bank (*3)	Korea	December, 31	100.0	100.0
	Shinhan Card Co., Ltd.			100.0	100.0
	Shinhan Investment Corp.			100.0	100.0
	Shinhan Life Insurance Co., Ltd			100.0	100.0
	Shinhan Capital Co., Ltd.			100.0	100.0
	Jeju Bank (*3)			68.9	68.9
	Shinhan Credit Information Co., Ltd.			100.0	100.0
	Shinhan Private Equity Investment management			100.0	100.0
	Shinhan BNP Paribas AMC (*3)			65.0	65.0
	SHC Management Co., Ltd.			100.0	100.0
	Shinhan Data system			100.0	100.0
	Shinhan Savings Bank (note 5)			100.0	100.0
	Shinhan Aitas Co., Ltd.			99.8	99.8
Shinhan Bank	Shinhan Asia Limited	Hong Kong		99.9	99.9
	Shinhan Bank America	USA		100.0	100.0
	Shinhan Europe GmbH	Germany		100.0	100.0
	Shinhan Khmer Bank	Cambodia		90.0	90.0
	Shinhan Kazakhstan Bank	Kazakhstan		100.0	100.0

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Shinhan Canada Bank	Canada	100.0	100.0
Shinhan China Limited	China	100.0	100.0
SBJ Bank	Japan	100.0	100.0
Shinhan Bank Vietnam	Vietnam	100.0	100.0

## SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

## Notes to the Consolidated Financial Statements

December 31, 2013 and 2012

1. Reporting entity (continued)

Investor	Investee	Location	Date of financial information	Ownership (%)	
				2013	2012
Shinhan Investment Corp.	Shinhan Investment Corp. America Inc.	USA	December, 31	100.0	100.0
	Shinhan Investment Corp. Europe Ltd. (*2)	UK			
	Shinhan Investment Corp. Asia Ltd.	Hong Kong		100.0	100.0
Shinhan Private Equity Investment Management &n	Symphony Energy Co., Ltd. (*4)	Korea			77.6