

SHINHAN FINANCIAL GROUP CO LTD

Form 6-K

March 31, 2014

[Table of Contents](#)

**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 March 2014**

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

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

**20, Sejong-Daero 9-gil, Jung-Gu, Seoul 100-102, 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):

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): 82- .

**Table of Contents**

**Summary of FY2013 Business Report**

On March 31, 2014, Shinhan Financial Group ( SFG ) filed its FY2013 Business Report (the Business Report ) with the Financial Supervisory Service of the Republic of Korea ( Korea ) pursuant to the Financial Investment Services and Capital Market Act of Korea. This is the summary of the Business Report translated into English. Non-material or previously disclosed information are omitted or abridged.

The financial information in this report has been prepared in accordance with Korean International Financial Reporting Standards.

**Table of Contents**

<u>1. Introduction of the Group</u>	3
<u>2. Business Results</u>	6
<u>3. Independent Auditor</u>	16
<u>4. Directors, Executive Officers and Employees</u>	17
<u>5. Major Shareholder and Market Price Information of Our Common Shares and ADRs</u>	20
<u>6. Related Party Transactions</u>	21

**Table of Contents**

**1. Introduction of the Group**

**Company History in 2009 through 2013**

Jan. 2009: Shinhan BNP Paribas Asset Management launched through the merger of Shinhan BNP Paribas ITMC and SH Asset Management

Jun. 2009 : SH&C separated from SFG after SFG consummated share transfers of SH&C

Sep. 2009 : SBJ became an indirect subsidiary of SFG

Oct. 2009 : Shinhan Bank Vietnam became an indirect subsidiary of SFG

Nov. 2009 : Liquidated Shinhan Finance Ltd. , an indirect subsidiary of SFG

Dec. 2009 : Shinhan Capital Petra PEF became an indirect subsidiary of SFG

Jan. 2010 : Shinhan Data System became a subsidiary of SFG

Jun. 2010 : CHB Valuemeet 2001 First SPC was disaffiliated from SFG

Jun. 2010 : CHB Valuemeet 2001 Second SPC and CHB Valuemeet 2002 First SPC were disaffiliated from SFG

Aug. 2010 : Shinhan Macquarie Financial Advisory was disaffiliated from SFG

Oct. 2010 : Shinhan Maritime Private Equity Fund I became an indirect subsidiary of SFG

Dec. 2010 : KOFC Shinhan Frontier Champ 2010-4 PEF Investment Corp. became an indirect subsidiary of SFG

Feb. 2011 : Shinhan BNP Paribas Asset Management (Hong Kong) Limited became an indirect subsidiary of SFG

Nov. 2011 : Shinhan Bank Vietnam was merged with Shinhan Vina Bank.

Dec. 2011 : Shinhan Savings Bank became a subsidiary of SFG

Nov. 2012 : Shinhan AITAS Co., Ltd. joined SFG as a direct subsidiary

Jan. 2013 : Yehanbyoul Savings Bank joined SFG as a direct subsidiary.

Apr. 2013 : Shinhan Savings Bank merged with Yehanbyoul Savings Bank. As a result of the integration, Shinhan Savings Bank has been liquidated and Yehanbyoul Savings Bank now exists under the name of Shinhan Savings Bank as an existing legal entity.

**Table of Contents****Principal Subsidiaries under Korean Law (as of December 31, 2013)*****Direct Subsidiaries***

<b>Subsidiaries</b>	<b>Ownership by SFG</b>
Shinhan Bank	100.0%
Shinhan Card	100.0%
Shinhan Investment Corp.	100.0%
Shinhan Life Insurance	100.0%
Shinhan BNP Paribas Asset Management	65.0%
Shinhan Capital	100.0%
Jeju Bank <sup>1)</sup>	68.9%
Shinhan Savings Bank <sup>2)</sup>	100.0%
Shinhan Data System	100.0%
Shinhan AITAS <sup>3)</sup>	99.8%
Shinhan Credit Information	100.0%
Shinhan Private Equity	100.0%
SHC Management <sup>4)</sup>	100.0%

1) Jeju Bank is currently listed on the Korea Exchange.

2) On January 30, 2013, Yehanbyoul Savings Bank joined SFG as a direct subsidiary.

On April 1, 2013, Shinhan Savings Bank merged with Yehanbyoul Savings Bank, both of which were direct subsidiaries of Shinhan Financial Group. As a result of the integration of the two savings banks, the previous Shinhan Savings Bank has been liquidated and is thus no longer a subsidiary of Shinhan Financial Group and instead, Yehanbyoul Savings Bank now exists under the name of Shinhan Savings Bank as an existing legal entity constituting a member of Shinhan Financial Group.

3) On November 30, 2012, Shinhan AITAS Co., Ltd. joined SFG as a direct subsidiary. Prior to November 30, 2012, Shinhan AITAS was an indirect subsidiary of SFG under Shinhan Bank, a wholly-owned bank subsidiary of SFG.

4) Currently in liquidation proceedings.

**Table of Contents****Indirect subsidiaries held through direct subsidiaries (as of December 31, 2013)**

<b>Direct Subsidiaries</b>	<b>Indirect Subsidiaries</b>	<b>Ownership by the Parent</b>
Shinhan Bank	Shinhan Asia Limited	100.0%
	Shinhan Bank America	100.0%
	Shinhan Bank Europe	100.0%
	Shinhan Khmer Bank Limited	90.0%
	Shinhan Bank Kazakhstan	100.0%
	Shinhan Bank China Limited	100.0%
	Shinhan Bank Canada	100.0%
	Shinhan Bank Japan	100.0%
Shinhan Investment Corp.	Shinhan Bank Vietnam	100.0%
	Shinhan Investment America Inc.	100.0%
	Shinhan Investment Europe Ltd.	100.0%
	Shinhan Investment Asia Ltd.	100.0%
	Shinhan Maritime Private Equity Fund I	7.1%
Shinhan BNP Paribas Asset Management	KOFC Shinhan Frontier Champ 2010-4 PEF Investment Corp. <sup>1)</sup>	8.5%
	Shinhan BNP Paribas Asset Management (Hong Kong) Limited	100.0%
Shinhan Private Equity	Shinhan NPS Private Equity Fund 1st	5.0% <sup>2)</sup>
	Shinhan Private Equity Fund 2nd	2.2% <sup>3)</sup>
	Shinhan-Stonebridge Petro Private Equity Fund	0.6% <sup>4)</sup>

- 1) Shinhan Financial Group and its subsidiaries currently own 34.6% of KOFC Shinhan Frontier Champ 2010-4 PEF Investment Corp.
- 2) Shinhan Financial Group and its subsidiaries currently own 36.7% of Shinhan NPS Private Equity Fund 1st.
- 3) Shinhan Financial Group and its subsidiaries currently own 32.6% of Shinhan Private Equity Fund 2nd.
- 4) Shinhan Financial Group and its subsidiaries currently own 1.8% of Shinhan-Stonebridge Petro Private Equity Fund.

**Number of Shares (as of December 31, 2013)**

<b>Types of Shares</b>	<b>Number of Shares</b>
Common Shares	474,199,587
Redeemable Preferred Shares	11,100,000
<b>Total</b>	<b>485,299,587</b>

**Table of Contents****2. Business Results*****Operation Results***

	(KRW billion)		
	<b>FY2013</b>	<b>FY2012</b>	<b>FY2011</b>
	<b>(Jan. 1 ~ Dec. 31)</b>	<b>(Jan. 1 ~ Dec. 31)</b>	<b>(Jan. 1 ~ Dec. 31)</b>
Operating income	2,637.6	3,178.0	4,172.4
Equity in income(loss) of associates	7.3	27.5	57.8
Non-Operating Income(loss)	37.3	25.1	(37.6)
Earnings before income tax	2,682.2	3,230.6	4,192.6
Income taxes	622.6	738.7	920.0
Consolidated net income	2,059.6	2,491.9	3,272.6
Net income in majority interest	1,902.8	2,321.9	3,100.0
Net income in minority interest	156.8	170.0	172.6

Some of the totals may not sum due to rounding.



**Table of Contents****Source and Use of Funds**

Account Basis	FY2013 Jan. 1 ~ Dec. 31				FY2012 Jan. 1 ~ Dec. 31				FY2011 Jan. 1 ~ Dec. 31		
	Average Balance	Proportions (%)	Interest Paid	Interest Rate (%)	Average Balance	Proportions (%)	Interest Paid	Interest Rate (%)	Average Balance	Proportions (%)	Interest Paid
Deposits	176,825.5	56.58	3,914.2	2.21	170,937.0	56.64	4,636.9	2.71	156,280.5	55.28	4,181.0
Borrowings	13,054.6	4.18	229.3	1.76	14,463.2	4.79	293.5	2.03	14,037.4	4.97	259.2
Investments	38,303.2	12.26	1,521.5	3.97	39,763.3	13.18	1,740.2	4.38	40,017.2	14.16	1,942.9
Other											
Liabilities	55,163.7	17.65			48,721.2	16.14			44,174.6	15.63	
Total	283,347.0	90.67			273,884.7	90.75			254,509.7	90.03	
Total											
Stockholders' Equity	29,159.3	9.33			27,920.0	9.25			28,184.6	9.97	
Total	312,506.3	100.00			301,804.7	100.00			282,694.3	100.00	
Currency & Cash											
Loans	17,264.0	5.52	200.9	1.16	15,655.9	5.19	246.7	1.58	14,396.1	5.09	248.6
Loans	203,254.8	65.04	10,173.5	5.01	196,161.4	65.00	11,309.1	5.77	186,828.2	66.09	11,265.3
Loans in RW	156,496.7	50.08	7,435.5	4.75	150,826.8	49.97	8,334.2	5.53	143,097.0	50.62	8,281.2
Loans in Foreign											
Currency Credit Card	10,506.0	3.36	394.6	3.76	10,335.9	3.42	439.1	4.25	9,510.8	3.36	379.1
Accounts	17,445.2	5.58	1,763.8	10.11	17,507.8	5.80	1,834.0	10.48	17,740.2	6.28	1,887.5
Others	18,806.9	6.02	579.6	3.08	17,490.9	5.80	701.9	4.01	16,480.2	5.83	717.5
ES											
Financial Assets	29,620.6	9.48	979.2	3.31	28,996.9	9.61	1,111.9	3.83	25,588.5	9.05	1,025.9
ITM											
Financial Assets	11,197.0	3.58	527.9	4.71	11,790.5	3.91	594.7	5.04	12,307.7	4.35	642.9
Other Assets	51,169.9	16.37			49,200.0	16.30			43,573.8	15.41	
Total Assets	312,506.3	100.00			301,804.7	100.00			282,694.3	100.00	

1) The Average Balance is the arithmetic mean of the ending balance of each quarter.



**Table of Contents****Other Financial Information****1) Capital Adequacy****Consolidated BIS Ratio (Shinhan Financial Group)**

	(KRW billion)		
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Aggregate Amount of Equity Capital (A)	25,605.8	25,075.7	22,315.4
Risk-Weighted Assets (B)	190,716.6	201,184.4	195,579.4
BIS Ratio (A/B)	13.43%	12.46%	11.41%

Figs. for 2013 based on Basel III, Figs. for 2011~2012 based on Basel I  
**Capital Adequacy Ratios (Subsidiaries)**

		(%)		
Subsidiary	Capital Adequacy Ratio	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Shinhan Bank	BIS Capital Adequacy Ratio	16.10	15.83	15.26
Jeju Bank	BIS Capital Adequacy Ratio	15.95	15.89	13.27
Shinhan Card	Adjusted Equity Capital Ratio	30.41	27.43	25.81
Shinhan Investment Corp.	Net Capital Ratio	493.33	666.34	700.78
Shinhan Life Insurance	Risk Based Capital Ratio	253.06	287.70	324.02
Shinhan BNPP AM	Net Capital Ratio	599.75	583.21	599.73
Shinhan Capital	Adjusted Equity Capital Ratio	15.05	14.98	14.90
Shinhan Savings Bank	BIS Capital Adequacy Ratio	12.22	n/a	n/a

The BIS Capital Adequacy Ratio is computed in accordance with the guidelines issued by the FSS for commercial banks. Under these guidelines, commercial banks are required to maintain a minimum capital adequacy ratio of 8%.

Basel III FIRB was applied in calculating Shinhan Bank's BIS Capital Adequacy Ratio for 2013 whereas, Basel II FIRB was applied for 2011~2012

Basel III TSA was applied in calculating Jeju Bank's BIS Capital Adequacy Ratio for 2013 whereas, Basel II TSA was applied for 2011~2012

Basel I was applied in calculating Shinhan Savings Bank's BIS Capital Adequacy Ratio.

The Adjusted Equity Capital Ratio represents the ratio of total adjusted shareholder's equity to total adjusted assets and is computed in accordance with the guidelines issued by FSS. Under these guidelines, Shinhan Card and Shinhan Capital are required to maintain a minimum adjusted equity capital ratio of 8%.

Net Capital Ratio is computed in accordance with the guidelines issued by the FSS. Under these guidelines, Shinhan Investment Corporation and Shinhan BNP Paribas Asset Management are required to maintain a minimum net capital ratio of 100%.

Under the guidelines issued by the FSS, Shinhan Life Insurance is required to maintain a minimum RBC ratio of 100%.

**Table of Contents****2) Liquidity****Won Liquidity Ratio**

(KRW billion, %)

Company	Dec. 31, 2013			Dec. 31, 2012			Dec. 31, 2011		
	Won Assets	Won Liabilities	Won Liquidity Ratio(%)	Won Assets	Won Liabilities	Won Liquidity Ratio(%)	Won Assets	Won Liabilities	Won Liquidity Ratio(%)
Shinhan Financial Group	578.3	263.0	219.9	189.1	93.4	202.6	4,225.5	3,911.2	108.0
Shinhan Bank	53,589.9	41,699.5	128.5	56,506.3	41,131.1	137.4	56,609.5	46,635.4	121.4
Shinhan Card	14,490.7	3,902.1	371.4	15,472.3	3,420.9	452.3	15,417.2	3,417.5	451.1
Shinhan Investment Corp.	10,613.7	7,833.6	135.5	9,358.8	6,725.4	139.2	6,161.4	5,036.5	122.3
Shinhan Life Insurance	1,174.2	419.6	279.8	969.1	377.2	256.9	843.5	341.5	247.0
Shinhan Capital	510.9	221.1	231.1	587.5	161.3	364.1	519.0	147.9	350.8
Jeju Bank	937.3	559.0	167.7	9,984.0	6,511.8	153.3	982.2	686.2	143.1
Shinhan Savings Bank	257.4	91.8	280.2						

- 1) Shinhan Financial Group, Shinhan Bank, Jeju Bank: Due within 1 month
- 2) Shinhan Life Insurance: (Won assets due within 3 months / 3 months average of Claim payments ) \* 100
- 3) Shinhan Card, Shinhan Investment Corp., Shinhan Capital, Shinhan Savings Bank : Due within 3 months
- 4) Shinhan Financial Group figures are separate basis

**Foreign Currency (FC) Liquidity Ratio**

(USD thousand, %)

Company	Dec. 31, 2013			Dec. 31, 2012			Dec. 31, 2011		
	FC Assets	FC Liabilities	FC Liquidity Ratio(%)	FC Assets	FC Liabilities	FC Liquidity Ratio(%)	FC Assets	FC Liabilities	FC Liquidity Ratio(%)
Shinhan Financial									

Group									
Shinhan Bank	25,808,136	20,294,035	127.2	25,501,141	20,005,132	127.5	25,887,879	22,254,239	116.3
Shinhan Investment Corp.	451,293	390,614	115.5	450,807	417,150	108.1	226,235	226,239	100.0
Shinhan Capital	84,439	55,637	151.8	108,100	71,391	151.4	44,675	18,958	235.7
Jeju Bank	8,486	5,203	163.1	11,253	5,676	198.3	15,362	9,351	164.3

- 1) Foreign currency liquidity ratios are computed with assets and liabilities due within 3 months
- 2) Shinhan Bank's foreign currency liquidity ratio reflected securitization weight with the guidelines issued by the FSS
- 3) Shinhan Financial Group figures are separate basis

**Table of Contents****3) Asset Quality****SFG Consolidated Basis**

(KRW billion, %)

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Total Loans	207,680.2	203,155.4	201,245.9
Substandard & Below	2,609.1	2,718.9	2,587.1
Substandard & Below Ratio	1.26	1.34	1.29
Non-Performing Loans	1,990.2	2,173.3	1,903.5
NPL Ratio	0.96	1.07	0.95
Substandard & Below Coverage Ratio	163.45	169.06	162.19
Loan Loss Allowance <sup>1)</sup>	4,264.6	4,596.5	4,196.0
Substandard & Below Loans	2,609.1	2,718.9	2,587.1

1) Including reserve for credit losses.

**Separate Basis**

(%)

	Dec. 31, 2013			Dec. 31, 2012			Dec. 31, 2011		
	Substandard & Below Ratio	NPL Ratio	Substandard & Below Coverage Ratio <sup>1)</sup>	Substandard & Below Ratio	NPL Ratio	Substandard & Below Coverage Ratio <sup>1)</sup>	Substandard & Below Ratio	NPL Ratio	Substandard & Below Coverage Ratio <sup>1)</sup>
Shinhan Financial Group									
Shinhan Bank	1.16	0.90	149.82	1.08	0.87	170.55	1.09	0.82	166.11
Shinhan Card	1.53	1.00	314.75	2.14	1.64	248.83	1.69	1.26	236.08
Shinhan Investment Corp.	4.65	4.65	94.16	11.17	11.18	77.61	16.97	16.92	71.46
Shinhan Life Insurance	0.20	0.19	472.62	0.50	0.26	361.33	0.45	0.23	280.64
Shinhan Capital	2.23	1.88	111.21	2.98	1.91	95.84	2.79	1.31	82.85
Jeju Bank	1.53	1.49	105.10	1.49	1.47	102.90	1.62	1.03	93.73
Shinhan Savings Bank	17.70	13.64	33.30						

1) Including reserve for credit losses.

**Table of Contents****4) Write-Offs & Provision for Credit Losses****<SFG Consolidated Basis>**

(KRW billion)

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
Allowance for loan losses	2,575.0	2,903.5	2,729.1
Allowance for acceptances and guarantees	93.0	77.8	85.8
Allowance for unused loan commitments	411.2	415.4	444.8
Other allowance	246.1	254.6	339.0
<b>Total allowance</b>	<b>3,325.3</b>	<b>3,651.3</b>	<b>3,598.7</b>
Write-offs	1,504.1	1,417.2	1,382.1

**<Shinhan Bank>**

(KRW billion)

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
Allowance for loan losses	1,502.1	1,649.8	1,580.9
Allowance for acceptances and guarantees	111.5	112.8	109.5
Allowance for unused loan commitments	80.3	78.1	85.2
Other allowance	180.0	168.8	256.2
<b>Total allowance</b>	<b>1,873.9</b>	<b>2,009.5</b>	<b>2,031.8</b>
Write-offs	750.8	695.6	811.8

**<Shinhan Card>**

(KRW billion)

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
Allowance for loan losses	673.5	777.4	706.2
Allowance for acceptances and guarantees			
Allowance for unused loan commitments	318.6	328.5	345.3
Other allowance	52.7	46.7	50.6
<b>Total allowance</b>	<b>1,044.8</b>	<b>1,152.6</b>	<b>1,102.1</b>
Write-offs	647.5	511.6	451.5





**Table of Contents****5) Debt to Equity Ratios*****Shinhan Financial Group (Separate Basis)***

	(KRW billion)		
	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011 <sup>1)</sup></b>
Debt	7,450.2	7,546.0	11,413.4
Equity	19,974.5	19,666.9	19,430.8
Debt to Equity Ratio	37.30%	38.37%	58.74%

- 1) Upon the resolution of Board of Directors to redeem Series 10 redeemable preferred shares and Series 11 convertible redeemable preferred shares held on December 15, 2011, KRW 3.75 trillion capital decrease and liability increase reflected on Debt to Equity Ratio.

**Table of Contents****Twenty Largest Exposures by Borrower**

(KRW billion)

As of Dec. 31, 2013	Loans in Won	Loans in Foreign Currency	Securities	Guarantees and Acceptances	Others	Total Exposures
<b>Consolidated basis</b>						
Bank of Korea	2,730		5,060	0		7,790
Ministry of Strategy & Finance	0		6,197			6,197
Korea Development Bank	9	84	2,782			2,875
Hyundai Heavy Industries Co., Ltd.	35	174	309	2,255	0	2,774
Industrial Bank of Korea	492	63	2,205			2,760
Korea Deposit Insurance Corporation	0		2,710			2,710
Woori Bank	857	34	1,483			2,374
Korea Finance Corporation			2,195			2,195
Korea Securities Finance Corporation	36		1,490			1,526
Korea Land & Housing Corporation	0		1,497			1,497
Nonghyup Bank	529		792	11		1,332
Samsung Heavy Industries Co., Ltd.	0	19	53	1,257	0	1,328
Hyundai Samho Heavy Industries Co., Ltd.	4	34	10	1,137	0	1,185
Korea Housing-Finance Corporation	0		974			974
Hana Bank	57	72	766			894
KEPCO	2		841	20		863
Korea EximBank			853			853
Hyundai Steel	493	171	98	42	0	803
Hyundai Mipo Dockyard Co., Ltd.	0	0	1	761		762
LG Electronics Co., Ltd.	196		86	438		720
<b>Total</b>	<b>5,440</b>	<b>650</b>	<b>30,401</b>	<b>5,921</b>	<b>0</b>	<b>42,413</b>

Some of the totals may not sum due to rounding

**Table of Contents****Exposure to ten Main Debtor Groups**

(KRW billion)

As of Dec. 31, 2013

Consolidated basis	Loans in Foreign			Guarantees and		Total
	Loans in Won	Currency	Securities	Acceptances	Others Exposures	
Hyundai Heavy Industries	152	377	340	4,180	1	5,050
Samsung	395	1,026	1,112	1,892		4,425
SK	488	637	1,192	1,189		3,506
Hyundai Motors	1,229	938	992	325		3,484
LG	795	313	474	507		2,089
Lotte	555	529	756	248		2,088
POSCO	253	409	461	232	1	1,356
LS	188	381	171	342		1,082
Hyosung	253	492	76	142		963
GS	227	103	193	365		888
<b>Total</b>	<b>4,535</b>	<b>5,205</b>	<b>5,767</b>	<b>9,422</b>	<b>2</b>	<b>24,931</b>

Some of the totals may not sum due to rounding