

SHINHAN FINANCIAL GROUP CO LTD
Form 6-K
February 21, 2013

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 2013

SHINHAN FINANCIAL GROUP CO., LTD.

(Translation of registrant's name into English)

120, 2-Ga, Taepyung-Ro, 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.

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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-_____ .

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Shinhan Financial Group

120, 2-Ga, Taepyungro, Jung Gu,

Seoul 100-102, Korea

February 21, 2013

Convocation Notice of the 12th Annual General Meeting of Shareholders

To our Shareholders:

Notice is hereby given that the 12th 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 28, 2013 10 A.M. in Seoul time.
2. Place: Auditorium, 20th floor, Shinhan Bank, 120, 2Ga, Taepyung-ro, Jung-gu, Seoul, Korea

Agendas to be voted on:

1) Approval of Financial Statements for fiscal year 2012
(January 1, 2012~ December 31, 2012)

2) Appointment of Directors (9 Outside Directors)

2-1) Outside Director Candidate : Mr. Boo In Ko

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. Ke Sop Yun

2-7) Outside Director Candidate : Mr. Jung Il Lee

2-8) Outside Director Candidate : Mr. Haruki Hirakawa

2-9) Outside Director Candidate : Mr. Philippe Aguinier

3) Appointment of Audit Committee Members (4 members)

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

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

3-3) Audit Committee Member Candidate: Mr. Ke Sop Yun

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 2012 (January 1, 2012 ~ December 31, 2012))

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 2012.

Business Results for FY 2012 (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, 2012, Shinhan Financial Group consists of 13 direct subsidiaries that include Shinhan Bank, Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance and Shinhan BNP Paribas Asset Management, and 18 indirect subsidiaries.

During the fiscal year of 2012, Shinhan Financial Group received annual dividend for FY 2011 and interim dividend for FY 2012 from its subsidiaries that amounts KRW 800.2 billion in total. In addition, as the owner of Shinhan brand trademark, Shinhan Financial Group received brand fees from users of our brand and recognized brand fee income of total KRW 114.3 billion in 2012.

Business Results of FY 2012 (consolidated basis)

For the fiscal year 2012, Shinhan Financial Group recorded KRW 2,322.7 billion of consolidated net income attributable to equity shareholders.

Group net income decreased by 25.1% from 2011, mainly due to retreat in NIM driven by base rate cut coupled with increase in credit costs owing to continued reduction of bad loans from corporate restructuring.

However, Shinhan Financial Group posted the largest net income among its peers in Korea for 5 consecutive years, exceeding well over 2 trillion since 2007 except 2009 during times of global financial crisis.

Shinhan Bank reported net income of KRW 1,656.8 billion, down by 21.8% from the previous year while Jeju Bank achieved net income of KRW 18.8 billion, up by 21.7% from 2011.

Non-bank subsidiaries realized a combined net income of KRW 1,026.3 billion, down by 19.9% year-over-year from 2011. Shinhan Card, Shinhan Investment Corp., Shinhan Life Insurance net profits fell by 14.4%, 37.2% and 11.6% year-over-year respectively from 2011.

The net income contribution from non-bank subsidiaries in 2012 marked 1,026.3 billion, remaining flat at 38% from 2011, as non-banking subsidiaries continue to report stable earnings.

The dividend proposed by the Board of Directors for fiscal year 2012 is as follows;

1) Dividend for Common Stocks: KRW 331,940 million
(KRW 700 per share, 14% of par value and 1.8% of market price of Common Stock)

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

3) Total Dividend Amount: KRW 393,878 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 (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 12th Annual General Meeting of Shareholders 9 outside 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 9 outside directors (Messrs. Jaekun Yoo, Taeun Kwon, Kee Young Kim, Seok Won Kim, Hoon Namkoong, Ke Sop Yun, Jung Il Lee, Haruki Hirakawa, Philippe Aguinier) terms will be completed in March 2013 on the date of the Annual General Meeting of Shareholders.

The Outside Director Recommendation Committee under the Board of Directors recommended 9 outside directors, of which 8 directors, Messrs. Taeun Kwon, Kee Young Kim, Seok Won Kim, Hoon Namkoong, Ke Sop Yun, Jung Il Lee, Haruki Hirakawa, Philippe Aguinier, are to renew their terms. Mr. Boo In Ko has been newly nominated and recommended as an outside director.

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 15, 2013, 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 12th Annual General Meeting of Shareholders and b) Committees of Board of Directors.

| | |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Date of Birth | December 25, 1941 |
| 2. Nominator | Outside Director Recommendation Committee |
| 2-1 Rationale | Mr. Ko 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.28, 2013 until the 14 th AGM (2 year) |
| 6. Current Position | CEO, Sansei Co., Ltd |
| 7. New Appointment | Yes |
| 7-1 If incumbent, prior year BoD meeting attendance rate | N.A. |
| 8. Education | BA, Meiji University |
| 9. Main Work Experience | |
| 2005 - current | CEO, Sansei Co., Ltd |
| 2009 - 2010 | Outside Director, Shinhan Financial Group |
| 2005 - 2009 | Outside Director, Jeju Bank |
| 2002 | Director, JEJU International Convention Center |
| 1998 | Advisor, The National Unification Advisory Council |
| 1998 | Vice Chairman, Korea Chamber of Commerce and Industry in Tokyo |

| | |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.28, 2013 until the 13 th 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 |

| | |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Date of Birth | October 7, 1937 |
| 2. Nominator | Outside Director Recommendation Committee |
| 2-1 Rationale | Mr. Kim is a current 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.28, 2013 until the 13 th AGM (1 year) |
| 6. Current Position | President, Kwangwoon University |
| 7. New Appointment | No |
| 7-1 If incumbent, prior year BoD meeting attendance rate | 88% |
| 8. Education | Ph.D in Business Administration, Washington University |
| 9. Main Work Experience | |
| 2009 - current | 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 |

| | |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.28, 2013 until the 13 th 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.28, 2013 until the 13 th AGM (1 year) |
| 6. Current Position | Outside Director, Samsung Electro-Magnetics Co., Ltd. |
| 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 - Current | 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 | May 20, 1945 |
| 2. Nominator | Outside Director Recommendation Committee |
| 2-1 Rationale | Mr. Yun is an expert in accounting, with a strong academic background as well as practical experience in various fields. He 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.28, 2013 until the 13 th AGM (1 year) |
| 6. Current Position | Emeritus Professor, Seoul National University |
| 7. New Appointment | No |
| 7-1 If incumbent, prior year BoD meeting attendance rate | 100% |
| 8. Education | Ph.D in Business Administration, Seoul National University |
| 9. Main Work Experience | |
| 2001 - current | Chairman, Seoul Economist Club |
| 2010 - current | Emeritus Professor, Seoul National University |
| 1999 - 2001 | Dean, College of Business Administration, Seoul National University |
| 1997 - 1998 | Member, Financial Renovation Committee |

- | | |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Date of Birth | August 28, 1952 |
| 2. Nominator | Outside Director Recommendation Committee |
| 2-1 Rationale | Mr. Lee is a successful Korean-Japanese entrepreneur and has shared his various experience and knowhow as a businessman with the Company. 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.28, 2013 until the 13 th 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 | 100% |
| 8. Education | BA in Political Science & Economics, Meiji University |
| 9. Main Work Experience | |
| 2006 | Board member, Korean Residents Union in Japan |
| 1995 | Vice Chairman, Korea Chamber of Commerce and Industry in Japan |
| 1985 | CEO, Hirakawa Shoji Co., Ltd |

| | |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.28, 2013 until the 13 th 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 | 75%. |
| 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 |

- | | | |
|----|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 | Employee |
| 4. | Business transaction with SFG during the last 3 years | None |
| 5. | Term of Office | From Mar.28, 2013 until the 13 th 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 | 75% |
| 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, Ke Sop Yun and Sang Kyung Lee were recommended as candidates of the Audit Committee Members for fiscal year 2013 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;

- | | |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 1. Date of Birth | January 29, 1941 |
| 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.28, 2013 until the 13 th AGM (1 year) |
| 6. Current Position | Former Professor, Nagoya University of Foreign Studies |
| 7. Education | Ph.D. in Business Administration, Nanzan University |
| 8. 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 |

- | | |
|----------------------------------------------------------|------------------------------------------------------------|
| 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.28, 2013 until the 13 th 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 |

- | | |
|----------------------------------------------------------|---------------------------------------------------------------------|
| 1. Date of Birth | May 20, 1945 |
| 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.28, 2013 until the 13 th AGM (1 year) |
| 6. Current Position | Emeritus Professor, Seoul National University |
| 7. Education | Ph.D in Business Administration, Seoul National University |
| 8. Main Work Experience | |
| 2001 - current | Chairman, Seoul Economist Club |
| 2010 - current | Emeritus Professor, Seoul National University |
| 1999 - 2001 | Dean, College of Business Administration, Seoul National University |
| 1997 - 1998 | Member, Financial Renovation Committee |

- | | |
|----------------------------------------------------------|-----------------------------------------------------------|
| 1. Date of Birth | September 20, 1945 |
| 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.28, 2013 until the 13 th AGM (1 year) |
| 6. Current Position | Representative Attorney, Law Firm WONJON |
| 7. Education | B.A. in Law, Chung-Ang University |
| 8. 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 |
| 1981 - 1992 | Judge, Seoul High Court |

AGENDA ITEM No.4 APPROVAL OF DIRECTOR REMUNERATION LIMIT

Pursuant to Article 388 of the Commercial Act and Article 47 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 2013.

KRW 6.0 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 2013. For your reference the limitation for fiscal year 2012 for 12 directors, including 10 outside directors, was KRW 6.0 billion.

Additionally, 59,000 performance shares are proposed to be granted as the maximum aggregate amount of shares that may be disbursed from April 1, 2010 to December 31, 2013 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, 2012. 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 12th Annual General Meeting of Shareholders

| Before AGM | | After AGM | | |
|-------------------------|-------------------------|------------------------|----------------|---------------|
| | | Initially Appointed on | Reappointed on | End of Tenure |
| Executive Directors | Executive Directors | | | |
| Dong-Woo Han | Dong-Woo Han | March 23, 2011 | | FY 2013 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* | | | |
| | Boo In Ko | March 28, 2013 | | FY 2014 AGM |
| Taeun Kwon | Taeun Kwon | March 23, 2011 | March 28, 2013 | FY 2013 AGM |
| Kee Young Kim | Kee Young Kim | March 23, 2011 | March 28, 2013 | FY 2013 AGM |
| Seok Won Kim | Seok Won Kim | March 23, 2011 | March 28, 2013 | FY 2013 AGM |
| Hoon Namkoong** | Hoon Namkoong | March 23, 2011 | March 28, 2013 | FY 2013 AGM |
| Ke Sop Yun | Ke Sop Yun | March 17, 2009 | March 28, 2013 | FY 2013 AGM |
| Jung Il Lee | Jung Il Lee | March 23, 2011 | March 28, 2013 | FY 2013 AGM |
| Haruki Hirakawa | Haruki Hirakawa | March 23, 2011 | March 28, 2013 | FY 2013 AGM |
| Philippe Aguiñier | Philippe Aguiñier | March 24, 2010 | March 28, 2013 | FY 2013 AGM |
| Sang Kyung Lee | Sang Kyung Lee | March 29, 2012 | | FY 2013 AGM |
| Jaekun Yoo | | | | |

* 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 12th 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 21, 2013. Each committee members for FY 2013, except for the members of the Audit Committee, will be appointed by the new Board of Directors after the 12th Annual General Meeting of Shareholders;

| Committee | Members | Objective | Number of Meetings | |
|---------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------|
| | | | Attendance Record* | Held* |
| Governance and CEO Recommendation Committee | Chair | 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. | 100% | 2 |
| | Kee Young Kim (o) | | | |
| | Members | | | |
| | Taeun Kwon (o) | | | |
| | Hoon Namkoong (o) | | | |
| Governance and CEO Recommendation Committee | Members | The committee is also responsible to develop, operate and review the Company's management succession plan, including setting CEO qualification criteria, evaluating CEO candidate pool and recommending CEO candidates. | 100% | |
| | Jaekun Yoo (o) | | 100% | |
| | Philippe Aguinier (o) | | 0% | |
| Governance and CEO Recommendation Committee | Dong-Woo Han | The Chair of this committee will be elected among the outside director members. | 100% | |
| | | | 100% | |

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| | | | | |
|---------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|---|
| | | The participation, and voting right, of the incumbent CEO will be limited if he or she is included in the CEO candidate pool. | | |
| Board Steering Committee | Chair | 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% | |
| | Members | | | |
| | Hoon Namkoong (o) | | 100% | 6 |
| | Jung Il Lee (o) | | 67% | |
| | Ke Sop Yun (o) | 100% | | |
| 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. | 75% | |
| | Kee Young Kim (o) | | | |
| | Members | | 100% | 4 |
| | Hoon Namkoong (o) | | 100% | |
| | Philippe Aguihier (o) | | | |

| | | | | | |
|-------------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---|---|
| Compensation Committee | Chair | This committee is responsible for reviewing and approving the management's evaluation and compensation programs. | | | |
| | Seok Won Kim (o) | | 100% | | |
| | Members | | | | 4 |
| | Kee Young Kim (o) | | | | |
| | Sang Kyung Lee (o) | | 75% | | |
| | | | 100% | | |
| | | | 75% | | |
| 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 general meeting of stockholders. | | | |
| | Ke Sop Yun (o) | | 100% | | |
| | Members | | | | 7 |
| | Taeun Kwon (o) | | 100% | | |
| | Seok Won Kim (o) | | 100% | | |
| | | | 100% | | |
| | | | 100% | | |
| 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. | | | |
| | Sang Kyung Lee (o) | | 100% | | |
| | Members | | | | 3 |
| | Kee Young Kim (o) | | 100% | | |
| | Taeun Kwon (o) | | 100% | | |
| | | | 100% | | |
| | | | 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% | | |
| | Kee Young Kim (o) | | | 1 | |
| | Member | | 100% ⁽¹⁾ | | |
| | All outside Directors | | | | |

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 2012, that is December 31, 2012, 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 2013, which both were held during February 2013.

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- (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 21, 2013. Mr. Jaekun Yoo 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 20th of March, 2013.

Actual date of disclosure that is scheduled on 20th of March, 2013 may be subject to change.

Appendix A. Financial Statements for FY 2012

SHINHAN FINANCIAL GROUP CO., LTD.

Separate Statements of Financial Position

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|-------------------------------------------|------------------------------|------------------------------|
| Assets | | |
| Cash and due from banks | ₩ 212,783 | 2,220,171 |
| Trading assets | 118,548 | 1,856,712 |
| Loans | 1,359,605 | 1,104,678 |
| Property and equipment | 1,264 | 1,363 |
| Intangible assets | 7,112 | 7,974 |
| Investments in subsidiaries | 25,216,096 | 25,050,002 |
| Deferred tax assets | 1,814 | 302 |
| Other assets | 295,702 | 603,048 |
| Total assets | ₩ 27,212,924 | 30,844,250 |
| Liabilities | | |
| Borrowings | 10,000 | 5,000 |
| Debt securities issued | 7,196,951 | 7,034,393 |
| Liability for defined benefit obligations | 2,602 | 2,061 |
| Other liabilities | 336,450 | 4,371,989 |
| Total liabilities | 7,546,003 | 11,413,443 |
| Equity | | |
| Capital stock | 2,645,053 | 2,645,053 |
| Other equity instrument | 537,443 | 238,582 |
| Capital surplus | 9,494,842 | 9,494,842 |
| Retained earnings | 6,989,583 | 7,052,330 |
| Total equity | 19,666,921 | 19,430,807 |
| Total liabilities and equity | ₩ 27,212,924 | 30,844,250 |

SHINHAN FINANCIAL GROUP CO., LTD.

Separate Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

| <i>In millions of won, except earnings per share data</i> | | 2012 | 2011 |
|-----------------------------------------------------------|---|------------------|------------------|
| Interest income | ₩ | 67,797 | 110,656 |
| Interest expense | | (341,678) | (372,084) |
| Net interest income | | (273,881) | (261,428) |
| Fees and commission income | | 114,287 | 121,213 |
| Fees and commission expense | | (231) | (329) |
| Net fees and commission income | | 114,056 | 120,884 |
| Dividend income | | 800,223 | 1,837,479 |
| Net trading income | | 10,071 | 54,764 |
| Net foreign currency transaction loss | | | (21,594) |
| Provision for credit loss | | 342 | (103) |
| General and administrative expense | | (63,187) | (72,033) |
| Net other operating income | | | 21,594 |
| Operating Income | | 587,624 | 1,679,563 |
| Non-operating Income | | 1,313 | 423 |
| Income before income taxes | | 588,937 | 1,679,986 |
| Income tax expense (benefit) | | (1,512) | 7,078 |
| Net income for the year | | 590,449 | 1,672,908 |
| Other comprehensive income for the year | | | |
| Cash flow hedges | | | 2,246 |
| Income tax effect | | | (544) |
| | | | 1,702 |
| Total comprehensive income for the year | ₩ | 590,449 | 1,674,610 |
| Basic earnings (loss) per share in won | ₩ | 1,033 | 2,945 |
| Diluted earnings (loss) per share in won | ₩ | 1,033 | 2,913 |

SHINHAN FINANCIAL GROUP CO., LTD.

Separate Statements of Appropriation of Retained Earnings

Date of Appropriation for 2012 : March 28, 2013

Date of Appropriation for 2011 : March 29, 2012

| <i>(In millions of won)</i> | 2012 | 2011 |
|-------------------------------------------------------------------------------|-------------|-------------|
| Unappropriated retained earnings: | | |
| Balance at beginning of year | ₩ 4,846,219 | 7,744,070 |
| Repayment of preferred stock | | (3,752,679) |
| Interest on hybrid bond | (23,688) | (2,594) |
| Net income | 590,449 | 1,672,908 |
| | 5,412,980 | 5,661,705 |
| Reversal of regulatory reserve for loan loss | 9,901 | |
| | 5,422,881 | 5,661,705 |
| Appropriation of retained earnings: | | |
| Legal reserve | 59,045 | 167,291 |
| Regulatory reserve for loan loss | | 18,687 |
| Dividends | 393,878 | 629,508 |
| Dividends on common stocks paid | 331,940 | 355,650 |
| Dividends on preferred stocks paid | 61,938 | 273,858 |
| | 452,923 | 815,486 |
| Unappropriated retained earnings to be carried over to subsequent year | ₩ 4,969,958 | 4,846,219 |

SHINHAN FINANCIAL GROUP CO., LTD.

Separate Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | | Capital stock | Other equity instruments | Capital surplus | Accumulated other comprehensive income | Retained earnings | Total equity |
|------------------------------------------------------|---|------------------|--------------------------------|--------------------|-------------------------------------------------|----------------------|--------------|
| Balance at January 1, 2011 | ₩ | 2,589,553 | | 8,444,178 | (1,702) | 9,720,931 | 20,752,960 |
| Net income for the year | | | | | | 1,672,908 | 1,672,908 |
| Other comprehensive income, net of income tax | | | | | | | |
| Cash flow hedges | | | | | 1,702 | | 1,702 |
| Total comprehensive income for the year | | | | | 1,702 | 1,672,908 | 1,674,610 |
| Transactions with owners | | | | | | | |
| Dividends | | | | | | (586,236) | (586,236) |
| Dividend to hybrid bond | | | | | | (2,594) | (2,594) |
| Issuance of preferred stock | | 55,500 | | 1,050,664 | | | 1,106,164 |
| Issuance of hybrid bond | | | 238,582 | | | | 238,582 |
| Redemption of preferred stock | | | | | | (3,752,679) | (3,752,679) |
| | | 55,500 | 238,582 | 1,050,664 | | (4,341,509) | (2,996,763) |
| Balance at December 31, 2012 | ₩ | 2,645,053 | 238,582 | 9,494,842 | | 7,052,330 | 19,430,807 |

| <i>(In millions of won)</i> | | Capital stock | Other equity instruments | Capital surplus | Accumulated other comprehensive income | Retained earnings | Total equity |
|------------------------------------------------|---|------------------|--------------------------------|--------------------|-------------------------------------------------|----------------------|--------------|
| Balance at January 1, 2012 | ₩ | 2,645,053 | 238,582 | 9,494,842 | | 7,052,330 | 19,430,807 |
| Net income for the year | | | | | | 590,449 | 590,449 |
| Total comprehensive income for the year | | | | | | 590,449 | 590,449 |
| Transactions with owners | | | | | | | |
| Dividends | | | | | | (629,508) | (629,508) |
| Dividend to hybrid bond | | | | | | (23,688) | (23,688) |
| Issuance of hybrid bond | | | 298,861 | | | | 298,861 |
| | | | 298,861 | | | (653,196) | (354,335) |
| Balance at December 31, 2012 | ₩ | 2,645,053 | 537,443 | 9,494,842 | | 6,989,583 | 19,666,921 |

SHINHAN FINANCIAL GROUP CO., LTD.

Separate Statements of Cash Flows

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | 2012 | 2011 |
|------------------------------------------------------|-----------|-------------|
| Cash flows from operating activities | | |
| Income before income taxes | ₩ 588,937 | 1,679,986 |
| Adjustments for: | | |
| Interest income | (67,797) | (110,656) |
| Interest expense | 341,678 | 372,084 |
| Dividend income | (800,223) | (1,837,479) |
| Net trading income | (398) | (4,182) |
| Net foreign currency transaction loss | | 21,594 |
| Provision for credit losses | (342) | 103 |
| Salaries expense (benefit) | 2,953 | (5,913) |
| Depreciation and amortization | 1,327 | 1,251 |
| Net other operating expenses (income) | | (21,594) |
| Net other non-operating expenses (income) | 263 | 391 |
| | (522,539) | (1,584,401) |
| Changes in assets and liabilities: | | |
| Due from banks | 2 | |
| Trading assets | 1,738,562 | (1,601,117) |
| Other assets | 468 | 2,125 |
| Liability for defined benefit obligations | (2,442) | (1,806) |
| Other liabilities | 642 | (6,030) |
| | 1,737,232 | (1,606,828) |
| Income taxes paid | | (2,324) |
| Interest received | 79,755 | 97,395 |
| Interest paid | (326,135) | (359,679) |
| Dividend received | 800,223 | 1,837,479 |
| Net cash provided by operating activities | 2,357,473 | 61,628 |
| Cash flows from investing activities | | |
| Issuance of loans | (460,000) | (655,000) |
| Collection of loans | 205,000 | 1,005,000 |
| Acquisition of property and equipment | (548) | (330) |
| Proceeds from dispositions of property and equipment | | 21 |
| Acquisition of intangible assets | (79) | (1,380) |
| Acquisition of subsidiaries | (166,094) | (4,000) |
| Increase in other assets | 11,954 | (13,000) |
| Net cash provided by (used in) investing activities | (409,767) | 331,311 |

SHINHAN FINANCIAL GROUP CO., LTD.

Separate Statements of Cash Flows (continued)

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | 2012 | 2011 |
|------------------------------------------------------------|--------------------|------------------|
| Cash flow from financing activities | | |
| Issuance of preferred stock | | 1,110,000 |
| Issuance of hybrid bond | 298,861 | 238,582 |
| Repayments of preferred stock | (3,765,124) | |
| Proceeds from borrowings | 60,000 | |
| Repayments of borrowings | (55,000) | |
| Issuance of debt securities issued | 1,300,000 | 2,540,000 |
| Repayments of debt securities issued | (1,140,000) | (2,105,126) |
| Stock issuance cost paid | | (3,836) |
| Debentures issuance cost paid | (3,490) | (9,271) |
| Dividends paid | (650,697) | (585,557) |
| Cash inflows from cash flow hedge | | 32,966 |
| Net cash provided by (used in) financing activities | (3,955,450) | 1,217,758 |
| Increase(decrease) in cash and cash equivalents | (2,007,744) | 1,610,697 |
| Cash and cash equivalents at beginning of year | 2,220,562 | 609,865 |
| Cash and cash equivalents at end of year | ₩ 212,818 | 2,220,562 |

SHINHAN FINANCIAL GROUP CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

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 *Consolidated and 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, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses

SHINHAN FINANCIAL GROUP CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

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.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Financial position

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|----------------------------------------------------------------------------------|------------------------------|------------------------------|
| Assets | | |
| Cash and due from banks | ₩ 13,394,331 | 14,730,932 |
| Trading assets | 14,018,894 | 11,954,266 |
| Financial assets designated at fair value through profit or loss | 2,585,111 | 1,800,846 |
| Derivative assets | 2,164,852 | 2,319,585 |
| Loans | 199,655,732 | 192,572,571 |
| Available-for-sale financial assets | 36,328,429 | 34,105,747 |
| Held-to-maturity financial assets | 11,659,215 | 11,894,664 |
| Property and equipment | 3,046,686 | 2,993,860 |
| Intangible assets | 4,190,776 | 4,203,460 |
| Investments in associates | 298,518 | 248,848 |
| Current tax assets | 14,128 | 9,022 |
| Deferred tax assets | 95,970 | 29,202 |
| Investment properties | 246,970 | 275,123 |
| Other assets | 13,094,465 | 10,887,878 |
| Assets held for sale | 54,412 | 15,792 |
| Total assets | ₩ 300,848,489 | 288,041,796 |
| Liabilities | | |
| Deposits | ₩ 170,096,454 | 163,015,732 |
| Trading liabilities | 1,370,723 | 704,418 |
| Financial liabilities designated at fair value through profit or loss | 4,822,197 | 3,298,409 |
| Derivative liabilities | 1,904,044 | 1,972,197 |
| Borrowings | 18,891,378 | 20,033,246 |
| Debt securities issued | 38,840,175 | 39,736,958 |
| Liability for defined benefit obligations | 214,068 | 274,661 |
| Provisions | 746,846 | 869,592 |
| Current tax liabilities | 252,283 | 568,074 |
| Deferred tax liabilities | 19,890 | 282 |
| Liabilities under insurance contracts | 13,418,559 | 10,867,254 |
| Other liabilities | 21,492,049 | 19,842,168 |
| Total liabilities | 272,068,666 | 261,182,991 |
| Equity | | |
| Capital stock | 2,645,053 | 2,645,053 |
| Other equity instrument | 537,443 | 238,582 |
| Capital surplus | 9,887,199 | 9,886,849 |
| Capital adjustments | (393,097) | (392,654) |
| Accumulated other comprehensive income | 1,134,820 | 1,188,948 |
| Retained earnings | 12,499,259 | 10,829,723 |
| Total equity attributable to equity holders of Shinhan Financial Group Co., Ltd. | 26,310,677 | 24,396,501 |
| Non-controlling interests | 2,469,146 | 2,462,304 |
| Total equity | 28,779,823 | 26,858,805 |

Total liabilities and equity

₩ 300,848,489 288,041,796

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | | 2012 | 2011 |
|------------------------------------------------------------------------------------------|---|------------------|------------------|
| Interest income | ₩ | 13,857,112 | 13,780,714 |
| Interest expense | | (6,882,901) | (6,700,743) |
| Net interest income | | 6,974,211 | 7,079,971 |
| Fees and commission income | | 3,513,839 | 3,557,132 |
| Fees and commission expense | | (1,941,748) | (1,797,961) |
| Net fees and commission income | | 1,572,091 | 1,759,171 |
| Net insurance loss | | (209,303) | (119,201) |
| Dividend income | | 175,783 | 208,860 |
| Net trading income (loss) | | 595,866 | (131,848) |
| Net foreign currency transaction gain | | 280,028 | 13,874 |
| Net gain (loss) on financial instruments designated at fair value through profit or loss | | (532,070) | 171,911 |
| Net gain on sale of available-for-sale financial assets | | 536,581 | 846,345 |
| Impairment loss on financial assets | | (1,415,794) | (982,958) |
| General and administrative expenses | | (4,059,560) | (4,135,357) |
| Net other operating expenses | | (723,881) | (538,382) |
| Operating income | | 3,193,952 | 4,172,386 |
| Equity in income of associates | | 27,538 | 57,790 |
| Other non-operating income | | 11,522 | (37,614) |
| Income before income taxes | | 3,233,012 | 4,192,562 |
| Income tax expense | | (738,944) | (919,929) |
| Net income for the year | | 2,494,068 | 3,272,633 |
| Other comprehensive income (loss) for the year, net of income tax | | | |
| Foreign currency translation adjustments for foreign operations | | (85,343) | 16,120 |
| Valuation gain (loss) on available-for-sale financial assets | | 11,260 | (460,437) |
| Equity in other comprehensive income of associates | | 4,097 | 2,717 |
| Net gain on cash flow hedges | | 15,655 | 1,429 |
| Other comprehensive income (loss) of separate account | | 570 | (579) |
| | | (53,761) | (440,750) |
| Total comprehensive income for the year | ₩ | 2,440,307 | 2,831,883 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (continued)

For the years ended December 31, 2012 and 2011

(In millions of won, except earning per share)

| | 2012 | 2011 |
|-----------------------------------------------------|-------------|-------------|
| Net income attributable to: | | |
| Equity holders of Shinhan Financial Group Co., Ltd. | ₩ 2,322,732 | 3,100,011 |
| Non-controlling interest | 171,336 | 172,622 |
| | ₩ 2,494,068 | 3,272,633 |
| Total comprehensive income attributable to: | | |
| Equity holders of Shinhan Financial Group Co., Ltd. | ₩ 2,268,604 | 2,659,464 |
| Non-controlling interest | 171,703 | 172,419 |
| | ₩ 2,440,307 | 2,831,883 |
| Earnings per share: | | |
| Basic earnings per share in won | ₩ 5,047 | 5,954 |
| Diluted earnings per share in won | ₩ 5,047 | 5,832 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the year ended December 31, 2011

| <i>(In millions of won)</i> | Capital stock | Other equity instruments | Capital surplus | Capital adjustments | Accumulated other comprehensive income | Retained earnings | Non- controlling interest | Total |
|-------------------------------------------------------|------------------|--------------------------------|--------------------|------------------------|-------------------------------------------------|----------------------|---------------------------------|-------------|
| Balance at January 1, 2011 | ₩ 2,589,553 | | 8,834,971 | (390,853) | 1,629,495 | 12,071,221 | 2,460,838 | 27,195,225 |
| Net income for the year | | | | | | 3,100,011 | 172,622 | 3,272,633 |
| Other comprehensive income, net of income tax | | | | | | | | |
| Foreign currency translation adjustments | | | | | 16,086 | | 34 | 16,120 |
| Valuation gain on available-for-sale financial assets | | | | | (460,200) | | (237) | (460,437) |
| Equity in other comprehensive income of associates | | | | | 2,717 | | | 2,717 |
| Net gain on cash flow hedges | | | | | 1,429 | | | 1,429 |
| Other comprehensive income of separate account | | | | | (579) | | | (579) |
| | | | | | (440,547) | | (203) | (440,750) |
| Total comprehensive income for the year | | | | | (440,547) | 3,100,011 | 172,419 | 2,831,883 |
| Transactions with owners, etc | | | | | | | | |
| Dividends | | | | | | (586,236) | | (586,236) |
| Dividend to hybrid bond | | | | | | (2,594) | | (2,594) |
| Issuance of preferred stock | 55,500 | | 1,050,664 | | | | | 1,106,164 |
| Issuance of hybrid bond | | 238,582 | | | | | | 238,582 |
| Redemption of preferred stock | | | | | | (3,752,679) | | (3,752,679) |
| Change in other capital surplus | | | 1,214 | | | | | 1,214 |
| Change in other capital adjustments | | | | (1,801) | | | | (1,801) |
| Change in other non-controlling interests | | | | | | | (170,953) | (170,953) |
| | 55,500 | 238,582 | 1,051,878 | (1,801) | | (4,341,509) | (170,953) | (3,168,303) |

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| | | | | | | | | | |
|-----------------------------------------|----------|-----------|---------|-----------|-----------|-----------|------------|-----------|------------|
| Balance at December 31, 2011 | ₩ | 2,645,053 | 238,582 | 9,886,849 | (392,654) | 1,188,948 | 10,829,723 | 2,462,304 | 26,858,805 |
|-----------------------------------------|----------|-----------|---------|-----------|-----------|-----------|------------|-----------|------------|

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity (continued)

For the year ended December 31, 2012

| <i>(In millions of won)</i> | | Capital stock | Other equity instruments | Capital surplus | Capital adjustments | Accumulated other comprehensive income | Retained earnings | Non- controlling interest | Total |
|-------------------------------------------------------|---|------------------|--------------------------------|--------------------|------------------------|-------------------------------------------------|----------------------|---------------------------------|------------|
| Balance at January 1, 2012 | ₩ | 2,645,053 | 238,582 | 9,886,849 | (392,654) | 1,188,948 | 10,829,723 | 2,462,304 | 26,858,805 |
| Net income for the year | | | | | | | 2,322,732 | 171,336 | 2,494,068 |
| Other comprehensive loss, net of income tax | | | | | | | | | |
| Foreign currency translation adjustment | | | | | | (85,121) | | (222) | (85,343) |
| Valuation loss on available-for-sale financial assets | | | | | | 10,671 | | 589 | 11,260 |
| Equity in other comprehensive income of associates | | | | | | 4,097 | | | 4,097 |
| Net gain on cash flow hedges | | | | | | 15,655 | | | 15,655 |
| Other comprehensive loss of separate account | | | | | | 570 | | | 570 |
| | | | | | | (54,128) | | 367 | (53,761) |
| Total comprehensive income for the year | | | | | | (54,128) | 2,322,732 | 171,703 | 2,440,307 |
| Transactions with owners, etc. | | | | | | | | | |
| Dividends | | | | | | | (629,508) | | (629,508) |
| Dividend to hybrid bond | | | | | | | (23,688) | | (23,688) |
| Issuance of hybrid bond | | | 298,861 | | | | | | 298,861 |
| Change in other capital surplus | | | | 350 | | | | | 350 |
| Change in other capital adjustments | | | | | (443) | | | | (443) |
| Change in other non-controlling interests | | | | | | | | (164,861) | (164,861) |
| | | | 298,861 | 350 | (443) | | (653,196) | (164,861) | (519,289) |
| Balance at December 31, 2012 | ₩ | 2,645,053 | 537,443 | 9,887,199 | (393,097) | 1,134,820 | 12,499,259 | 2,469,146 | 28,779,823 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

| | 2012 | 2011 |
|-------------------------------------------------------------------------------------|-------------|--------------|
| Cash flows from operating activities | | |
| Income before income taxes | ₩ 3,233,012 | 4,192,562 |
| Adjustments for: | | |
| Net interest income | (6,974,211) | (7,079,971) |
| Dividend income | (175,783) | (208,860) |
| Net fees and commission expense | 39,142 | 182,169 |
| Insurance expense | 3,043,780 | 2,297,723 |
| Net trading loss (income) | (401,260) | 17,876 |
| Net foreign currency transaction loss (gain) | (86,820) | 11,293 |
| Net loss (gain) on financial assets designated at fair value through profit or loss | 353,830 | (167,961) |
| Gain on disposal of available-for-sale financial assets | (536,581) | (846,345) |
| Provision for allowance | 1,315,159 | 896,006 |
| Impairment loss on other financial assets | 100,635 | 91,303 |
| Salaries expense | 146,266 | 217,739 |
| Depreciation and amortization | 298,836 | 287,734 |
| Other operating income | (519,617) | (586,604) |
| Equity in income of associates | (25,635) | (57,790) |
| | (3,422,259) | (4,945,688) |
| Changes in assets and liabilities: | | |
| Due from banks | 1,848,425 | (3,540,709) |
| Trading assets | (1,358,678) | (2,723,770) |
| Financial instruments designated at fair value through profit or loss | 467,291 | 1,821,807 |
| Derivative assets | 303,947 | 195,134 |
| Loans | (8,963,549) | (11,397,231) |
| Other assets | (3,253,358) | (1,036,742) |
| Deposits | 8,473,410 | 12,941,911 |
| Liability for defined benefit obligations | (210,389) | (115,687) |
| Provision | 153,118 | (19,564) |
| Liabilities under insurance contracts | | |
| Other liabilities | 6,140,593 | (298,829) |
| | 3,600,810 | (4,173,680) |
| Income taxes paid | (1,075,460) | (651,914) |
| Interest received | 13,428,249 | 13,273,499 |
| Interest paid | (6,855,041) | (6,492,566) |
| Dividends received | 176,128 | 208,860 |
| Net cash provided by operating activities | ₩ 9,085,439 | 1,411,073 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | 2012 | 2011 |
|------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Cash flows from investing activities | | |
| Proceeds from disposition of financial assets designated at fair value through profit or loss | ₩ 52,909 | 98,472 |
| 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 | 40,687,182 | 43,335,156 |
| Acquisition of available-for-sale financial assets | (42,526,208) | (47,704,240) |
| Proceeds from disposition of held-to-maturity financial assets | 2,684,122 | 4,499,462 |
| Acquisition of held-to-maturity financial assets | (2,489,373) | (3,828,684) |
| Proceeds from disposition of property and equipment | 21,668 | 69,347 |
| Acquisition of property and equipment | (296,282) | (302,111) |
| Proceeds from disposition of intangible assets | 7,296 | 12,676 |
| Acquisition of intangible assets | (123,736) | (168,132) |
| Proceeds from disposition of investments in associates | 15,543 | 71,827 |
| Acquisition of investments in associates | (43,353) | (27,661) |
| Proceeds from disposition of investment property | 2,880 | 23,037 |
| Acquisition of investment property | (38) | (17) |
| Proceeds from disposition of assets held for sale | 6,489 | 2,047 |
| Decrease in other assets | 1,145,505 | 7,122,334 |
| Increase in other assets | (1,312,098) | (7,213,256) |
| Acquisition of subsidiaries | 90,010 | (103,859) |
| Net cash used in investing activities | (2,211,991) | (4,113,602) |
| Cash flows from financing activities | | |
| Issuance of preferred stock | (4,409) | 1,107,278 |
| Issuance of hybrid bond | 298,861 | 238,682 |
| Proceeds from borrowings | 573,185,672 | 21,300,793 |
| Repayments of borrowings | (574,028,621) | (19,397,747) |
| Proceeds from debt securities issued | 11,696,281 | 13,056,571 |
| Repayments of debt securities issued | (12,506,217) | (13,760,022) |
| Increase in other liabilities | 187,534 | 47,483 |
| Decrease in other liabilities | (166,538) | (69,995) |
| Repayments of preferred stock | (3,765,124) | |
| Dividends paid | (650,697) | (585,557) |
| Cash inflows from cash flow hedges | 36,752 | 75,887 |
| Decrease in non-controlling interest | (164,874) | (173,559) |
| Net cash provided by (used in) financing activities | (5,881,380) | 1,839,814 |
| Effect of exchange rate fluctuations on cash and cash equivalents held | 4,316 | (1,088) |
| Increase (decrease) in cash and cash equivalents | 996,384 | (863,803) |
| Cash and cash equivalent at beginning of year | 3,969,342 | 4,833,145 |
| Cash and cash equivalent at end of year | ₩ 4,965,726 | 3,969,342 |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

(In millions of won)

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, 2012, 2011 and January 1, 2011 are as follows:

| Investor | Investee (*) | Location | Reporting date | Ownership (%) | | | |
|-----------------------------|----------------------------------------------|------------|----------------|----------------------|-----------|-------------|-------|
| | | | | 2012 | 2011 | 2010 | |
| Shinhan Financial Group | Shinhan Bank | Korea | December 31 | 100.0 | 100.0 | 100.0 | |
| | Shinhan Card Co., Ltd. | | | 100.0 | 100.0 | 100.0 | |
| | Shinhan Investment Corp. | | | March 31 | 100.0 | 100.0 | 100.0 |
| | Shinhan Life Insurance Co., Ltd | | | 100.0 | 100.0 | 100.0 | |
| | Shinhan Capital Co., Ltd. | | | December 31 | 100.0 | 100.0 | 100.0 |
| | Jeju Bank | | | 68.9 | 68.9 | 68.9 | |
| | Shinhan Credit Information Co., Ltd. | | | 100.0 | 100.0 | 100.0 | |
| | Shinhan Private Equity Investment management | | | March 31 | 100.0 | 100.0 | 100.0 |
| | Shinhan BNP Paribas AMC | | | 65.0 | 65.0 | 65.0 | |
| | SHC Management Co., Ltd. | | | December 31 | 100.0 | 100.0 | 100.0 |
| | Shinhan Data system | | | 100.0 | 100.0 | 100.0 | |
| | Shinhan Savings Bank | | | June 30 | 100.0 | 100.0 | |
| | Shinhan Aitas Co., Ltd.(*2) | | | December 31 | 99.8 | | |
| | Shinhan Bank | | | Shinhan Asia Limited | Hong Kong | December 31 | 99.9 |
| Shinhan Bank America | | USA | 100.0 | 100.0 | 100.0 | | |
| Shinhan Europe GmbH | | Germany | 100.0 | 100.0 | 100.0 | | |
| Shinhan Khmer Bank | | Cambodia | 90.0 | 90.0 | 80.1 | | |
| Shinhan Kazakhstan Bank | | Kazakhstan | 100.0 | 100.0 | 100.0 | | |
| Shinhan Canada Bank | | Canada | 100.0 | 100.0 | 100.0 | | |
| Shinhan China Limited | | China | 100.0 | 100.0 | 100.0 | | |
| Shinhan Aitas Co., Ltd.(*2) | | Korea | | 99.8 | 99.8 | | |
| SBJ Bank | | Japan | March 31 | 100.0 | 100.0 | 100.0 | |
| Shinhan Bank Vietnam | | Vietnam | December 31 | 100.0 | 100.0 | 100.0 | |

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

(In millions of won)

1. Reporting entity (continued)

| Investor | Investee | Location | Reporting date | Ownership (%) | | |
|----------------------------------------------|---------------------------------------|-----------|----------------|---------------|-------|-------|
| | | | | 2012 | 2011 | 2010 |
| Shinhan Investment Corp. | Shinhan Investment Corp. Europe Ltd. | UK | March 31 | | 100.0 | 100.0 |
| | Shinhan Investment Corp. America Inc. | USA | December 31 | 100.0 | 100.0 | 100.0 |
| | Shinhan Investment Corp. Asia Ltd. | Hong Kong | | 100.0 | 100.0 | 100.0 |
| Shinhan Private Equity Investment management | Symphony Energy Co., Ltd. | Korea | | 77.6 | 77.6 | 77.6 |
| | HKC&T Co., Ltd. | | | 100.0 | 100.0 | 100.0 |
| Shinhan BNP Paribas AMC | Shinhan BNP Asset Mgt HK Ltd. | Hong Kong | | 100.0 | 100.0 | |

(*1) Subsidiaries such as trust, beneficiary certificates, corporate restructuring fund and private equity fund are excluded.

(*2) The Group was paid ₩ 50,014 million, in order to acquire the shares that was issued Shihan Aitas s 469,358(99.79%) from The Shinhan bank.

SHINHAN FINANCIAL GROUP CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

(In millions of won)

2. Basis of preparation

(a) Statement of compliance

The consolidated 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*.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the 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

available-for-sale financial assets 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 net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(c) Functional and presentation currency

These consolidated financial statements are presented in Korean won, which are the controlling company's functional currency and the currency of the primary economic environment in which the Group operates.

(d) Use of estimates and judgments

The preparation of the consolidated 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 evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHINHAN FINANCIAL GROUP CO., LTD.

By /s/ Jung Kee Min
Name: Jung Kee Min
Title: Chief Financial Officer

Date: February 21, 2013